



PETROMANAS ENERGY INC.

ANNUAL INFORMATION FORM

(Except as otherwise noted the
information herein is given
as at December 31, 2011)

June 6, 2012

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ABBREVIATIONS

In this Annual Information Form, the following abbreviations have the meanings set forth below.

Oil and Natural Gas Liquids

bbl	barrel
Mbbl	thousand barrels
MMbbl	million barrels
bbl/d	barrel or barrels per day
Mbbl/d	thousand barrels per day
NGL	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMBtu	million British Thermal Units
Bcf	billion cubic feet

Other

API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28°API or higher is generally referred to as light crude oil.
BOE	barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 BOE for 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
BOE/d	barrel or barrels of oil equivalent per day
M\$	thousands of dollars
MM\$	millions of dollars
2D	two dimensional

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

To convert from	To	Multiply by
Mcf	1,000 cubic metres of gas	0.028
1,000 cubic metres of gas	Mcf	35.493
bbl	cubic metres of oil	0.158
cubic metres of oil	bbl	6.290
feet	metres	0.305
metres	feet	3.281
miles	km	1.609
km	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

DEFINITIONS

In this Annual Information Form, the following words and phrases have the meanings specified below, unless the context otherwise requires.

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

"**Acquisition Agreement**" means the share purchase agreement dated February 12, 2010 between the Company and the Vendor in respect of the Petromanas Albania Acquisition;

"**AKBN**" means the Albanian National Agency of Natural Resources;

"**Albania**" means the Republic of Albania (Republika e Shqipërisë);

"**Albpetrol**" means the Albanian state-owned oil company;

"**AIF**" means this Annual Information Form;

"**BCBCA**" means the *Business Corporations Act* (British Columbia);

"**Berati Thrust Belt**" means a subdivision of the Ionian Zone of the external Albanides fold and thrust system, located in west central to southwestern Albania;

"**Board**" means the board of directors of the Company;

"**Blocks 2-3 Production Sharing Contract**" means the production sharing agreement signed on November 7, 2008 and ratified by the Albanian government as of July 8, 2009 between Petromanas Albania and METE for the exploration, development and production of petroleum on the licenses known as Blocks 2-3;

"**Blocks A-B Production Sharing Contract**" means the production sharing agreement signed on July 31, 2007 and ratified by the Albanian government as of December 13, 2007 between Petromanas Albania and METE for the exploration, development and production of petroleum on the licenses known as Blocks A-B;

"**Blocks D-E Production Sharing Contract**" means the production sharing agreement signed on July 31, 2007 and ratified by the Albanian government as of November 7, 2007 between Petromanas Albania and METE for the exploration, development and production of petroleum on the licenses known as Blocks D-E;

"**Brent Crude**" or "**Brent**" means a trading classification that is commonly used as the European pricing benchmark for light sweet crude oil;

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

"**Common Shares**" means the common shares of the Company;

"**Company**" or "**Petromanas**" means Petromanas Energy Inc. and its wholly-owned subsidiary, Petromanas Albania, unless the context otherwise requires;

"**Coparex**" means Coparex International Inc.;

"**Endeavour**" means Endeavour Financial Ltd.;

"Escrow Agreement" means the escrow agreement among the Company, Computershare Investor Services Inc., and the Vendor with respect to 100 million Common Shares issued to the Vendor and held in escrow;

"Exchange" or **"TSXV"** means the TSX Venture Exchange Inc.;

"First Preferred Shares" means the first preferred shares of the Company;

"First Series Warrant" means a Common Share purchase warrant entitling the holder to acquire one Common Share at a price of \$0.45 until February 23, 2015;

"GLJ" means GLJ Petroleum Consultants Ltd.;

"Independent Resource Evaluation Report" means the report entitled Prospective Resource Assessment and Evaluation prepared by GLJ regarding the Company's prospective resources attributable to Blocks A, B, D, E, 2 and 3 dated July 31, 2011 and effective as of July 31, 2011;

"Licenses" means collectively, the oil and gas licenses that are subject to the Production Sharing Contracts;

"METE" means the Ministry of Economy, Trade and Energy of Albania;

"NI 14-101" means National Instrument 14-101 – *Definitions*;

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

"NI 51-102" means National Instrument 51-102 – *Continuous Disclosure Obligations*;

"Option" means an option to acquire a Common Share pursuant to the Corporation's amended stock option plan;

"Overseas" means Overseas Financial Group Ltd. S.A.;

"OXY" means Occidental Petroleum Corporation;

"Petromanas Albania" means Petromanas Albania GmbH (formerly Manas Adriatic GmbH);

"Petromanas Albania Acquisition" means the acquisition by the Company of all of the issued and outstanding shares of Petromanas Albania pursuant to the Acquisition Agreement;

"Probable Reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

"Production Sharing Contracts" or **"PSCs"** means collectively, the Blocks A-B Production Sharing Contract, the Blocks D-E Production Sharing Contract and the Blocks 2-3 Production Sharing Contract;

"Prospective Resources" means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity;

"Report" means the Independent Resource Evaluation Report;

"Second Preferred Shares" means the second preferred shares of the Company;

"Second Series Warrant" means a Common Share purchase warrant entitling the holder to acquire one Common Share at a price of \$0.60 until May 26, 2012;

"Securities" means, collectively, the Common Shares, the First Series Warrants and the Second Series Warrants;

"Shareholders" means the holders of Common Shares and **"Shareholder"** means any one of them;

"Shell" means Royal Dutch Shell plc;

"Shell Farm-Out Agreement" means a definitive farm out agreement with a wholly-owned subsidiary of Shell, whereby Shell acquired a 50% participating interest in the Company's rights on Blocks 2-3;

"Spudding" means to start the drilling process by removing rock, dirt and other sedimentary material using the drill bit; and

"Vendor" means DWM Petroleum AG.

Certain other terms used herein but not defined herein are defined in NI 51-101, the COGE Handbook, NI 51-102 or NI 14-101, as applicable, and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101, the COGE Handbook, NI 51-102 or NI 14-101, as applicable.

CURRENCY

All dollar amounts set forth in this AIF are expressed in U.S. dollars, except where otherwise indicated. References to U.S. dollars or "\$" are to the currency of the United States, references to Canadian dollars or "CDN\$" are to the currency of Canada.

The following table sets forth: (i) the exchange rate in effect at the end of each of the periods indicated; (ii) the average of exchange rates in effect on the first business day of each month during such periods; and (iii) the high and low exchange rates during each such period, in each case based on the Bank of Canada noon buying rate for one Canadian dollar as expressed in United States dollars.

	Year ended December 31,		
	2011	2010	2009
Rate at end of period	US\$0.9833	US\$1.0054	US\$0.9555
Average rate during period	US\$1.0108	US\$0.9704	US\$0.8760
High	US\$1.0630	US\$1.0069	US\$0.9755
Low	US\$0.9383	US\$0.9218	US\$0.7653

FORWARD-LOOKING INFORMATION

This AIF contains certain forward-looking statements and forward-looking information (collectively, referred to as **"forward-looking statements"**) within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "predict", "project", "should", "target", "will", or similar words suggesting future outcomes or language suggesting an outlook. In particular, this AIF contains forward-looking statements pertaining to the following:

- development and drilling plans for the assets of Petromanas and drilling rig, transportation and infrastructure availability;
- the exploration and development characteristics of the oil and natural gas properties of Petromanas;
- the Company's 2012 capital program;
- business plans and strategies;
- the ability of Petromanas to achieve drilling success consistent with management's expectations;
- quantity of the resources of Petromanas;
- timing of and bringing on production, if any;
- future production rates, if any;
- expected plans and costs of drilling;
- drilling inventory and presence of oil pools or gas accumulations, if any;
- future currency and exchange rates;
- commodity prices;
- supply and demand for oil and natural gas;
- expected levels of royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses;
- expectations regarding the ability to raise capital and to identify reserves through acquisitions, exploration and development;
- assessments of the value of acquisitions and exploration and development programs;
- geological, technical, drilling and processing problems;
- treatment under local and foreign governmental regulatory regimes and tax laws;
- continued political stability; and
- the impact of the climate change initiatives on operating costs.

Statements relating to "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources described exist in the quantities predicted or estimated and can be profitably produced in the future. Petromanas has not established any reserves in Albania and has no production.

Undue reliance should not be placed on forward-looking statements which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized.

Actual results will differ, and the differences may be material and adverse to Petromanas and its Shareholders. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Reliance on such information may not be appropriate for other purposes, such as making investment decisions.

Forward-looking statements are based on Petromanas' current beliefs as well as assumptions made by, and information currently available to, Petromanas concerning, among other things, anticipated geological, well and financial performance, business prospects, strategies, any regulatory and tax developments, future currency and exchange rates, future commodity prices, future production levels of the assets of Petromanas, the ability to obtain equipment, services, supplies and personnel in a timely manner to carry out exploration and development activities, the ability to achieve drilling success consistent with expectations, the ability to market oil and natural gas successfully to customers, the impact of increasing competition, the ability to obtain financing on acceptable terms if at all, the ability to add production and reserves through the acquisition and development and exploration activities and that there will be no significant events occurring outside of the normal course of business of Petromanas. Although the management of Petromanas considers these assumptions to be reasonable based on information currently available, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific), some of which are beyond the control of Petromanas and risks that forward-looking statements will not be achieved. These factors include, but are not limited to, risks associated with reservoir performance, oil and gas exploration, financial risks, substantial capital requirements, bank financing, government regulation, uncertainty in negotiating with foreign governments, environmental matters, prices, markets and marketing, dependence on key personnel, availability of drilling equipment and access, uninsurable risks, management of growth, expiration of licenses and leases, resources estimates, seasonality, competition from other oil and gas companies in Albania, conflicts of interest, political risk, title to properties, variations in exchange rates and uncertainty in global financial markets. There is also the risk and uncertainty of access to or expansion of infrastructure including appropriate pipelines on acceptable terms or costs. See "Risk Factors" in this AIF.

Investors are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, investors are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Investors are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by Petromanas that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Furthermore, the forward-looking statements contained in this AIF are made as of the date hereof and Petromanas does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement.

PETROMANAS ENERGY INC.

General

The Company was incorporated under the ABCA as "World Wide Warranty Inc." and was continued under the BCBCA on July 11, 2007 and subsequently continued under the ABCA on September 20, 2010. In addition, the articles of the Company have been amended as follows: (i) on July 7, 1999, to remove the private company provisions; (ii) on August 30, 2004, to change the name of the Company name to "W3 Solutions Inc."; (iii) on November 3, 2006, to change the name of the Company to "WWI Resources Ltd."; and (iv) on February 24, 2010, to change the name of the Company to "Petromanas Energy Inc."

The Company is a reporting issuer in British Columbia and Alberta. The Common Shares, First Series Warrants and Second Series Warrants are listed and posted for trading on the Exchange under the symbols "PMI", "PMI.WT" and "PMI.WT.A", respectively.

The head office of the Company is located at 1720, Life Plaza, 734 - 7 Avenue SW, Calgary, Alberta, T2P 3P8. The registered office of the Company is located at 400 - 3 Avenue SW, Suite 3700, Calgary, Alberta, T2P 4H2.

Inter-Corporate Relationships

The Company has one direct and wholly-owned subsidiary, Petromanas Albania, which was incorporated under the laws of Switzerland.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

During the financial year ended December 31, 2009, the Company had no business operations except for the identification and evaluation of potential opportunities in the resource sector.

On February 24, 2010, the Company completed the acquisition from the Vendor, a wholly-owned subsidiary of Manas Petroleum Corporation, of all of the issued and outstanding securities of Petromanas Albania.

Pursuant to the Acquisition Agreement and as consideration for the acquisition of the PSCs, the Company issued 200,000,000 Common Shares to the Vendor and paid DWM \$11.8 million, including acquisition costs of \$339,000 and \$8.2 million paid to Petromanas Albania to settle its outstanding debt to DWM. 100,000,000 Common Shares were issued into escrow at the closing date and the remaining 100,000,000 Common Shares were issued into escrow on May 26, 2010 pursuant to the terms of the Escrow Agreement and will be released from escrow in stages over a period of three years after the date of the acquisition. As of the date of this AIF, 60,000,000 shares remain in escrow with 30,000,000 shares being released from escrow on each of August 24, 2012 and February 24, 2013. The Company may be required to issue an additional 50,000,000 Common Shares to the Vendor upon the achievement of certain goals on or before February 24, 2020. A finder's fee of 4,000,000 Common Shares was paid to each of Endeavour and Overseas in respect of the Petromanas Albania Acquisition.

On February 24, 2010, the Company completed a non-brokered private placement of 100,000,000 units consisting of one Common Share and one First Series Warrant at a price of CDN\$0.25 per unit for gross proceeds of CDN\$25 million.

On May 27, 2010, the Company completed a non-brokered private placement of 187,500,000 units consisting of one Common Share and one half of one Second Series Warrant at a price of CDN\$0.40 per unit for gross proceeds of CDN\$75 million.

In June through September, 2010, the Company assembled its current management team including the CEO, CFO and COO. The Company also embarked on a 2D seismic program in Blocks D-E and Blocks 2-3.

In March 2011, the Company completed the seismic program which had been initiated in 2010. This included acquisition of 202 kilometers of new seismic over Blocks D-E and Blocks 2-3. This led to a complete technical re-evaluation of the Company's assets, which was completed in June 2011. This included processing of the new seismic, reprocessing of 1,038 kilometers of existing seismic, performance of a failure analysis of wells previously drilled on the Company's blocks, and assembly of a database of available well data including drilling reports and well logs.

In August 2011, the Company received the Independent Resource Evaluation Report from GLJ. The Report was done on 6 of the 14 original prospects/leads within the Company's PSCs and reaffirmed the work the Company had completed in the technical re-evaluation. These six prospects were based on new high-quality data and were drill-ready.

In December 2011, the Company entered into a definitive agreement with KCA Deutag to secure a drilling rig for use in the Company's planned 2012 drilling program. The initial contract is valued at approximately \$14 million and has an initial term of 270 days. The Company may, at its option, extend the contract for two additional periods of 180 days. Petromanas contracted rig T-46, a triple, heavy land rig with a 2,000 horsepower rating, capable of reaching depths of approximately 7,000 metres.

Recent Developments

On February 9, 2012, Petromanas entered into the Shell Farm-Out Agreement whereby Shell farmed into the Company's rights on onshore exploration Blocks 2-3, comprising approximately 852,000 acres onshore Albania. Under the terms of the Shell Farm-Out Agreement, Shell acquired a 50% participating interest in Blocks 2-3 in exchange for payments and carried costs up to \$50.3 million. Petromanas continues to act as operator of the blocks.

DESCRIPTION OF THE BUSINESS

General

Petromanas is an international oil and gas Company focused on the exploration and development of its assets in Albania. Petromanas, through its wholly-owned subsidiary, Petromanas Albania, is the holder of the Production Sharing Contracts. Under the terms of the Production Sharing Contracts and the Shell Farm-Out Agreement, Petromanas has a 100% working interest in four onshore Blocks A-B and D-E, and a 50% working interest in two onshore Blocks 2-3, that comprise in the aggregate, more than 1.4 million gross acres (1.03 million net acres) across Albania's Berati Thrust Belt.

Specialized Skill and Knowledge

All aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, drilling, logistical planning and implementation of exploration programs, and accounting. While recent increased activity in the oil and gas industry has made it more difficult to locate competent employees and consultants in such fields, the Company has found that it can and believes it will be able to continue to locate and retain qualified employees and consultants.

Competitive Conditions

The oil and natural gas industry in Albania is intensely competitive in all its periods of exploration, development and production. Petromanas competes with numerous other participants in the search for, and the acquisition of, oil and natural gas. Petromanas' competitors include resource companies which have greater financial resources, staff and facilities than those of Petromanas. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Petromanas believes that its 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 – Industry Competition".

Cycles

The identification and development of oil and gas reserves is dependent on access to areas where exploration and production is to be conducted. Seasonal weather variations, including rain, snow and potential flooding could affect access in certain circumstances.

Environmental Protection

The oil and gas industry is subject to environmental regulations pursuant to applicable legislation. Such legislation provides for restrictions and prohibitions on release or emission of various substances produced in association with certain oil and gas industry operations, and requires that well and facility sites be abandoned and reclaimed to the satisfaction of environmental authorities. The Company maintains an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts, pollution and other operating accidents or disruptions. The Company also has operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure. No assurance can be given that the application of environmental laws to the business and operations of Petromanas will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Petromanas financial condition, results of operations or prospects. See "Risk Factors – Environmental Legislation".

Employees

As of the date hereof, the Company has 20 full-time employees. The Company primarily relies upon consultants to carry on many of its activities and, in particular, to supervise work programs on its PSCs.

Foreign Operations

Petromanas is engaged in the exploration for oil and natural gas in Albania.

In the early 1990s, Albania ended 46 years of communist rule and established a multi-party democracy. The transition has proven challenging as successive governments have tried to deal with high unemployment, widespread corruption, a dilapidated physical infrastructure, powerful organized crime networks and combative political opponents. Albania has made progress in its democratic development since first holding multi-party elections in 1991, but deficiencies remain. Albania joined NATO in April 2009 and is a potential candidate for EU accession. Although Albania's economy continues to grow, the country is still one of the poorest in Europe, hampered by a large informal economy and inadequate energy and transportation infrastructure. Source: CIA Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/al.html>

International oil and gas operations are subject to inherent risks and uncertainties which are beyond the control of Petromanas, particularly those associated with exploring for, and developing, economic quantities of hydrocarbons, volatile commodity prices, political risks, foreign currency and exchange rates, issues relating to global supply and demand, government regulations, and environmental matters. Petromanas' international exploration ventures may entail certain political and technical business risks. Petromanas' strategy is to mitigate such risks by aligning itself with partners and engaging personnel and consultants that have international experience. See "Risk Factors".

Social or Environmental Policies

The health and safety of employees, contractors and the public, as well as the protection of the environment, is of utmost importance to Petromanas. To this end, the Company has instituted health and safety policies and programs and endeavours to conduct its operations in a manner that will minimize both adverse effects and consequences of emergency situations by:

- complying with government regulations and standards, particularly relating to the environment, health and safety;
- conducting operations consistent with industry codes, practices and guidelines;
- ensuring prompt, effective response and repair to emergency situations and environmental incidents;

- providing training to employees and contractors to ensure compliance with corporate safety and environmental rules and procedures; and
- communicating openly with members of the public regarding its activities.

Petromanas believes that all employees have a vital role in achieving excellence in environmental, health and safety performance. This is best achieved through careful planning and the support and active participation of everyone involved.

SUMMARY OF THE PRODUCTION SHARING CONTRACTS

Commitments

Blocks A-B Production Sharing Contract

Minimum Work and Financial Programs

The Blocks A-B Production Sharing Contract requires the following minimum work and financial programs to maintain them in good standing:

Period 1

Period 1 work commitments have been completed by the Company which required geological and geophysical studies, re-processing of at least 200 kilometers of seismic data and either the acquisition and processing of 190 kilometers of 2D seismic, or the drilling of an exploration well to a depth of at least 3,000 meters.

To date, the Company has completed geological and geophysical studies which included mapping, drawing cross sections, volumetric calculations and failure analysis of select wells drilled previously by other operators as well as re-processing a total of 328 kilometers of previously shot 2D seismic along with the acquisition and processing of 190 kilometers of 2D seismic.

Period 2

The Company has commenced the second exploration period, which ends December 25, 2012. As required under the terms of the PSC, the Company relinquished 466.5 square kilometers back to METE on entering the second exploration period. During the first quarter of 2011, the Company provided the government with a standby letter of credit for \$6.3 million for its Period 2 performance guarantee. Drilling of the first commitment well is expected to be commenced at the Juban-1 location in the third quarter of 2012.

Petromanas Albania has until December 25, 2012 to complete the requirements of Period 2. The Period 2 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies; and
- the spudding of an exploration well to a depth of at least 3,000 meters at a minimum cost of \$6,000,000.

Period 3

Petromanas Albania has two years from the completion of Period 2 to complete the requirements in Period 3. The Period 3 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies; and

- the spudding of an exploration well to a depth of at least 3,000 meters at a minimum cost of \$6,000,000.

Expenditures

The following expenditures have been claimed for cost recovery since the effective date of the Blocks A-B Production Sharing Contract to December 31, 2011:

Description	
Drilling	\$146,492
Reprocessing	\$101,197
Seismic	\$3,048,611
Management and Administration	\$2,520,093
Total	\$5,816,393

Blocks D-E Production Sharing Contract

Minimum Work and Financial Programs

The Blocks D-E Production Sharing Contract requires the following minimum work and financial programs to maintain them in good standing:

Period 1

Period 1 work commitments have been completed by the Company which required geological and geophysical studies, re-processing of at least 200 kilometers of seismic data and either the acquisition and processing of 105 kilometers of 2D seismic, or the drilling of an exploration well to a depth of at least 3,000 meters.

To date, the Company has completed geological and geophysical studies which included mapping, drawing cross sections, volumetric calculations and failure analysis of select wells drilled previously by other operators. In addition, the Company has re-processed a total of 334 kilometers of previously shot 2D seismic and shot 105 kilometers of new 2D seismic. The majority of the new seismic was acquired utilizing heliportable rigs. Processing of the new seismic has been completed.

During the first quarter of 2011, the Company provided the government with a standby letter of credit for \$6.3 million for its Period 2 performance guarantee.

Period 2

The Company has commenced the second exploration period, which ends December 25, 2012. Drilling of the first commitment well is expected to commence in the fourth quarter of 2012. As required under the terms of the PSC, the Company relinquished 350 square kilometers back to METE on entering the second exploration period. During the first quarter of 2011, the Company provided the government with a standby letter of credit for \$6.3 million for its Period 2 performance guarantee.

The Company has until December 25, 2012 to complete the requirements in Period 2. The Period 2 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies; and
- the spudding of an exploration well to a depth of at least 3,000 meters at a minimum cost of \$6,000,000.

Period 3

Petromanas Albania has two years from the completion of Period 2 to complete the requirements in Period 3. The Period 3 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies; and
- the spudding of an exploration well to a depth of at least 3,000 meters at a minimum cost of \$6,000,000.

Expenditures

The following expenditures have been claimed for cost recovery since the effective date of the Blocks D-E Production Sharing Contract to December 31, 2011:

Description	
Drilling	\$57,033
Reprocessing	\$89,835
Seismic	\$7,737,729
Management and Administration	\$3,266,798
Total	\$11,151,395

Blocks 2-3 Production Sharing Contract

Minimum Work and Financial Programs

The Blocks 2-3 Production Sharing Contract requires the following minimum work and financial programs to maintain them in good standing:

Period 1

Petromanas Albania has until July 30, 2012 to complete the requirements in Period 1. After Period 1, Petromanas Albania has the option to either continue pursuing or relinquish the exploration rights. The Period 1 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$400,000 in geological and geophysical studies;
- the re-processing of at least 150 kilometers of seismic data at a minimum cost of \$100,000; and
- the spudding of an exploration well to a depth of at least 4,000 meters at a minimum cost of \$8,000,000.

The Company has provided the government with a standby letter of credit for \$4.25 million for its Period 1 performance guarantee.

In March 2011, the Company concluded its seismic acquisition program on Blocks 2-3. The Blocks 2-3 program included the acquisition and processing of 99 kilometers of new 2D seismic, providing valuable data near the Shpiragu discovery well drilled in 2001. The majority of the seismic work was carried out utilizing heliportable rigs and the remainder by conventional shallow drilling rigs. In addition to the new seismic, the Company re-processed a total of 370 kilometers of previously shot 2D seismic. By the end of the second quarter of 2011, the Company also completed geological and geophysical studies which included mapping, drawing cross sections, volumetric calculations and failure analysis of select wells

drilled previously by other operators. Spudding of the Period 1 commitment well is anticipated to commence at the Shpirag-2 location in the second quarter of 2012.

Period 2

Petromanas Albania has two years from the completion of Period 1 to complete the requirements in Period 2. The Period 2 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies; and
- the spudding of an exploration well to a depth of at least 4,000 meters at a minimum cost of \$8,000,000.

Period 3

Petromanas Albania has two years from the completion of Period 2 to complete the requirements in Period 3. The Period 3 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies; and
- the spudding of an exploration well to a depth of at least 4,000 meters at a minimum cost of \$8,000,000.

Expenditures

The following expenditures have been claimed for cost recovery since the effective date of the Blocks 2-3 Production Sharing Contract to December 31, 2011:

Description	
Drilling	\$176,635
Reprocessing	\$151,419
Seismic	\$7,760,524
Management and Administration	\$3,004,755
Total	\$11,093,333

Additional Terms

Each Production Sharing Contract includes the following additional terms:

- The Period 1, Period 2 and Period 3 Minimum Work and Financial Programs will be automatically extended for a period of time necessary to allow for: (i) completion of drilling or testing of a well; and/or (ii) evaluation or results from the drilling or testing of a well; provided that the evaluation period will not exceed six months after the date drilling or testing ceases;
- If Petromanas Albania elects to commence drilling of a Period 1, Period 2 or Period 3 exploration well and fails to timely commence drilling, or, after commencing drilling abandons the well without having completed it or meeting the minimum expenditures for that well, it must pay the AKBN the difference between the minimum expenditures and the expenditures actually incurred;
- If Petromanas Albania elects to conduct a Period 2 or Period 3 Minimum Work and Financial Program, it must, within 180 days of the end of each exploration period, select an area equal to 25% of its remaining acreage excluding discovery areas to relinquish back to the Albanian Government;

- Each Production Sharing Contract provides for recovery of Petromanas Albania's costs and expenses, profit sharing with the AKBN ranging from nil to 15%, an allocation on production to the AKBN (ranging from 10% to 15% on Blocks A-B and D-E and nil to 5% on Blocks 2-3), a 50% profits tax and, on Blocks 2-3, a 10% royalty; and
- Each Production Sharing Contract provides for payment of \$100,000 per contract year for training of AKBN personnel and purchase of technical data.

STATEMENT OF RESOURCES AND OTHER OIL AND GAS INFORMATION

Petromanas has not established any reserves in Albania and has no production. However, in accordance with its obligations under NI 51-101, Petromanas filed its Statement of Resources and Other Oil and Gas Information on Form 51-101F1 and its Report of Management and Directors on Oil and Gas Disclosure on Form 51-101F3 on SEDAR on May 4, 2012. For ease of reference, each of these are attached hereto as Appendix "A" to this AIF.

Below is a further description of Petromanas' key oil and gas properties and excerpts from the Independent Resource Evaluation Report prepared by GLJ with an effective date of July 31, 2011.

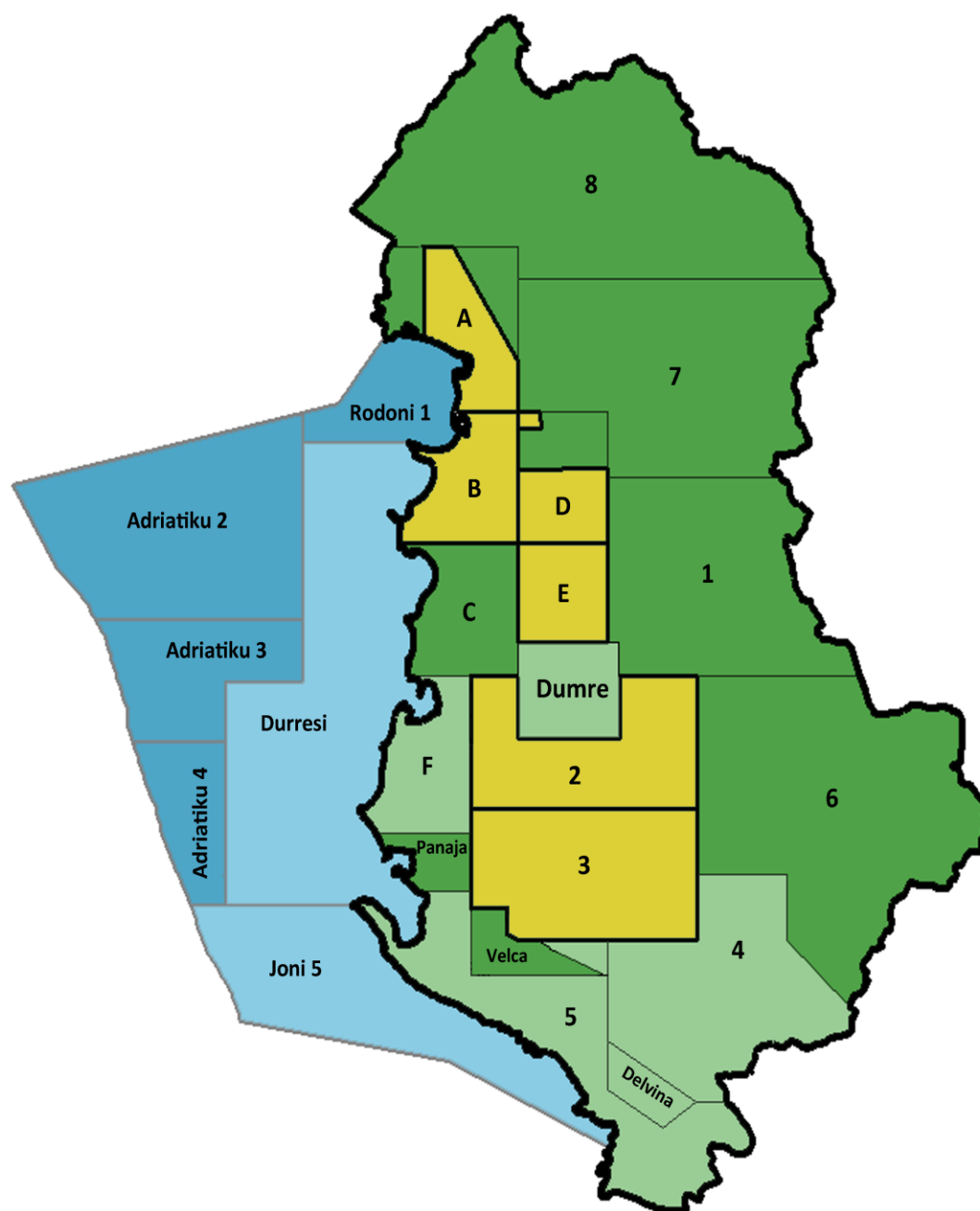
Description of Oil and Gas Properties

General

Albania is located on the eastern side of the Adriatic Sea in Southeast Europe. It holds the largest onshore oil accumulation discovered in continental Europe. Regional geological observations indicate large scale structural deformation as a result of east-west compressional forces. These forces have created NW-SE trending fold belts, known as the Berati, Kurvelshi and Kruja Thrust Belts within the Company's blocks. The Petromanas prospects and play fairways are located within these fold belts. The prospects are structurally controlled closures, known as hanging wall anticlines, and are considered potential conventional exploration targets within the fractured Eocene and Cretaceous carbonate reservoirs.

During the early 1960s, the interpretation of seismic data began to reveal subsurface structures that resulted in the discovery of deeper oil fields and sub-thrusted structures within the Eocene and Cretaceous. A number of discoveries were made in these carbonate reservoirs related to thrust anticlines formed during the Neocene in the Kurvelshi thrust belt. The most notable of these fields are Visoka (1963), Gorisht (1966), Ballshi (1967), Cakran (1977), Amonica (1980), and Delvina (1987). These fields have produced an estimated 200 million barrels of oil as reported from Albanian government sources.

The following map of Albania outlines the location of all Blocks in Albania:



Blocks A-B and D-E

Blocks A-B and D-E comprise 605,439 acres in which Petromanas has a 100% interest, located onshore along the Kruja and Berati Thrust Belt of central Albania. The plays include potential conventional exploration targets involving structured hydrocarbon accumulations in fractured carbonates. The prospects on Blocks A-B and D-E are located north of Albania's heavy oil production and the 2001 deep light oil discovery by OXY.

The existing 2D seismic data over Blocks A-B and D-E totals approximately 4,000 kilometers and was initially acquired by AlbPetro, followed by Shell, Coparex and most recently DWM in 2008. Petromanas Albania reprocessed approximately 328 kilometers of the existing 2D seismic data and acquired 190 kilometers of new 2D seismic data in Blocks A-B at a cost of \$3 million. As of the date hereof, Petromanas Albania has reprocessed 334 kilometers of existing 2D seismic data and acquired 105 kilometers of new 2D seismic data in Blocks D-E at a cost of \$8 million. The reprocessed and recently acquired seismic data has confirmed and high graded previously identified prospects: Jubani, West Gjurica, West Rova and Papri. The Jubani and Papri prospects are scheduled to be drilled in 2012.

Petromanas Albania's primary exploration drilling targets range from 1,500 meters to 5,500 meters, targeting hanging wall anticlinal structures containing fractured Eocene to Cretaceous aged carbonate reservoirs. Seismic imaging reveals structures within the Kruja and Ionian carbonate. The Ionian carbonate contains the majority of conventional reserves within the country.

In 2001, OXY drilled an exploration well which discovered light oil in the Ionian Carbonates within the Berati Thrust Zone. This same thrust sheet is mapped to the north into Petromanas' blocks. The discovery reduces the exploration risks with respect to Blocks A-B and D-E as it increases the probability that an active petroleum system is present. These factors tend to indicate that hydrocarbons and fractures are present in the target interval near the prospects on Blocks A-B and D-E. The prospects on Blocks A-B and D-E have well established structural control by seismic data. Many proximal wells to the prospects have oil staining and bitumen lined fractures in the core samples. Numerous surface oil seeps are observed throughout these blocks and proximal to the prospects.

The information concerning the well drilled by OXY and other proximal wells to the Company's prospects is "analogous information" as defined by applicable securities laws. This analogous information is derived from historical data that is internally available at the Company. Some of this data may not have been prepared by qualified reserves evaluators or auditors and the preparation of any of this data may not be in strict accordance with COGE Handbook. However, the Company believes that the provision of this analogous information is relevant to the Company's activities, given its ownership interests and operations (either ongoing or planned) in the areas in question, however, readers are cautioned that there is no certainty that any of the Company's activities or prospects on the areas covered by Blocks A-B and D-E will yield results or be successful to the extent in which operations on the areas in which the analogous information is derived from were successful, or at all.

Blocks 2-3

Blocks 2-3 include a total of 852,000 acres in which Petromanas has a 50% interest, located along the Berati Thrust Belt in central Albania. The plays include potential conventional exploration targets involving sub-thrust structural closures with hydrocarbon accumulations in fractured Ionian carbonates of Eocene to Cretaceous age. The prospects on Blocks 2-3 are located approximately 65 km south of Tirana, the capital of Albania, and east of high-sulphur, heavy oil production.

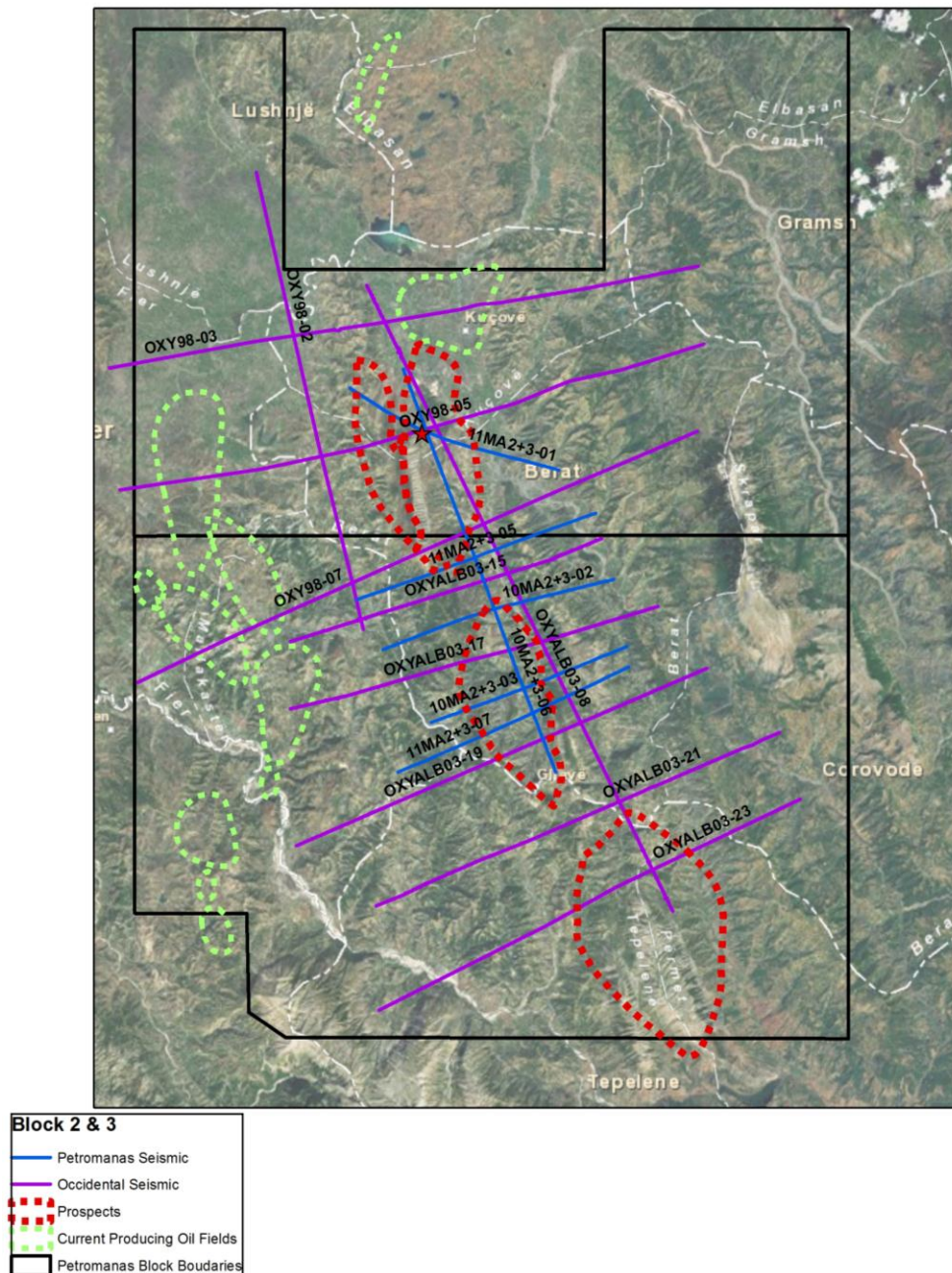
The existing 2D seismic data over Blocks 2-3 totals approximately 374 kilometers and was acquired by OXY in 1998 and 2003. As of the date hereof, Petromanas Albania has reprocessed 370 kilometers of existing 2D seismic data in Blocks 2-3 and acquired 99 kilometers of new 2D seismic data in Blocks 2-3 at a cost of \$8 million.

Petromanas Albania's primary exploration targets range from 3,976 meters to 4,930 meters, sub-thrust fractured carbonate reservoirs trapped in hangwall anticlines. Seismic imaging from the 1998 and 2003 revealed a large carbonate sub-thrust, extending across Blocks 2-3 in the Ionian carbonate, which is the targeted reservoir and holds most Albanian onshore reserves.

The prospects on Blocks 2-3 are all along a north-south trending sub-thrust anticline and was tested in 2001 by OXY. The Spirag-1 well tested light oil from the Ionian formation in Block 2. This test confirmed the presence of hydrocarbons in the section as well as the presence of fractures that are necessary for hydrocarbon production. GLJ estimates that 233 MMbbl (Pmean) of unrisked prospective resources are

contained in the Shpiragu Prospect on Block 2. The other prospects on Blocks 2-3 are southward and shallower than the Spirag-1 well.

The following map of Blocks 2-3 outlines the seismic and the location of the Shpiragu Prospect:



Prospective Resource Estimates

The "Prospective Resource Assessment and Evaluation" was prepared by GLJ in accordance with the requirements of NI 51-101 and the COGE Handbook, with an effective date of July 31, 2011. Certain of the information set out below is summarized from the Report. Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an

associated chance of discovery (geological chance of success) and a chance of development (economic, regulatory, market and facility, corporate commitment or political risks). The chance of commerciality is the product of these two risk components. There is no certainty that any portion of the prospective resources will be discovered. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development or that it will be commercially viable to produce any portion of the prospective resources. Prospective resources are undiscovered resources that indicate exploration opportunities and development potential in the event the discovery is commercial and should not be construed as reserves or contingent resources. The estimates contained herein have not been risked for chance of discovery or chance of development.

Summary of Prospective Resource Assessment

Prospect	Low estimate (P90)¹	Best estimate (P50)²	High estimate (P10)³	Pmean⁴
Jubani				
Oil	6.5	30.7	112.4	48.6
MMBOE	7.3	34.4	124.4	53.9
West Gjurica				
Oil	1.0	5.7	26.3	10.7
MMBOE	1.8	9.7	41.6	17.1
West Rova				
Oil	4.4	28.0	120.5	49.4
MMBOE	6.8	42.7	175.3	72.1
Papri				
Oil	3.8	26.1	111.6	45.2
MMBOE	6.0	40.7	162.2	66.7
Shpiragu				
Oil	8.9	71.8	342.3	136.0
MMBOE	16.1	129.6	587.8	232.8
Molishti				
Oil	8.3	52.5	204.9	86.6
MMBOE	14.3	90.7	333.0	141.7

Notes:

- (1) Low Estimate: This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
- (2) Best Estimate: This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- (3) High Estimate: This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10.
- (4) Mean estimate is the arithmetic average from the probabilistic assessment.

Significant Factors Relevant to the Resource Estimate

The accuracy of resource estimates is in part a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. These volumes are classified as a Prospective Resource rather than a reserve primarily due to a lack of wells drilled into the target formations. The size of the estimate could be positively impacted, potentially in a material amount, if initial exploration wells result in the discovery of hydrocarbons or if additional delineation wells determine that the aerial extent, reservoir quality and/or the thickness of the reservoir is larger than what is currently estimated based on the interpretation of 2D seismic. The size of the estimate could be negatively

impacted, potentially in a material amount, if initial exploration wells do not result in the discovery of hydrocarbons in commercial quantities or if additional delineation wells determine that the aerial extent, reservoir quality and/or the thickness of the reservoir are less than what is currently estimated based on the interpretation of the 2D seismic.

The Company does not anticipate any significant economic factors or uncertainties that will affect any particular component of the resource data. However, the prospective resources can be affected significantly by fluctuations in product pricing, capital expenditures, access to facilities for processing and transportation, operating costs, royalty regimes and well performance that are beyond the Company's control. See "Risk Factors".

RISK FACTORS

AN INVESTMENT IN PETROMANAS IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AND SHOULD ONLY BE MADE BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT.

Prior to making an investment decision investors should consider the investment risks set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The Board considers the risks set out below to be the most significant to potential investors in the Company, but not all of the risks associated with an investment in the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties arise of which the Board is currently unaware or which they consider not to be material in relation to the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's Securities could decline and investors may lose all or part of their investment.

Transfer of Title and Qualification as Operator

Transfer of ownership or title to oil and gas properties in Albania may be subject to approval from METE. Also, operation of oil and gas fields in Albania is reserved to operators qualified as such by the AKBN. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the oil and gas industry may impact the ability of the Company to obtain approval for the transfer of title to the oil and gas interest it has acquired or intends to acquire in the future, or to be qualified as operator of the number of properties it intends to operate, or at all. Failure to obtain or maintain regulatory approvals, or failure to obtain or maintain them on a timely basis, could result in delays and abandonment or restructuring of the projects undertaken by the Company and increased costs, all of which could have a material adverse affect on the Company. The Company has received no indication of deficiencies of title or its ability to act as operator.

Additional Funding Requirements

In general, the Company's ability to continue operations and exploration activities as a going concern is dependent upon its ability to obtain additional funding over time. Petromanas anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves, if any, in the future.

Petromanas' cash balances may not be sufficient to fund its ongoing activities at all times. From time to time, Petromanas may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. While the Company has been successful in obtaining required funding in the past, there is no assurance that debt or equity financing, or future cash (if any) generated by operations, would be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be on terms acceptable to Petromanas.

Financial market instability in the past few years has impacted Petromanas' ability, and that of other exploration and development companies, to access equity or debt markets at all or with acceptable terms. Future global economic events and conditions may result in further volatility in the financial markets which, in turn, could negatively impact Petromanas' ability to access equity or debt markets over time.

The inability of Petromanas to access sufficient capital for its operations on a timely basis could have a material adverse effect on Petromanas' financial condition, results of operations and prospects and its ability to continue as a going concern and could cause Petromanas to forfeit its interest in certain properties, be unable to take advantage of potential acquisition opportunities and reduce or terminate its operations.

Volatile Stock Price

The trading price of the Company's Securities is expected to be highly volatile and will be drastically affected by exploration and test results. The Company cannot predict the results of its exploration activities expected to take place in the future. The results of these tests will inevitably affect the Company's decisions related to further exploration and/or production at any of the properties that the Company may explore in the future and will likely trigger major changes in the trading price of the Company's Securities.

Exploration, Development and Exploitation

The exploration for and development of oil and gas reserves involves a high degree of risk that even a combination of careful evaluation, experience, knowledge and sufficient financial resources may not eliminate. While the discovery of reserves may result in substantial rewards, few properties that are explored are ultimately developed into producing properties. Substantial expenses may be required to locate and establish reserves, to develop properties and to construct facilities at a particular site. It is impossible to ensure that the exploration programs planned by the Company will identify or generate economically recoverable reserves. Whether discovered reserves will be commercially viable depends on a number of factors, some of which are: the particular attributes of the reserves, such as size, grade and proximity to infrastructure; prices, which are inherently cyclical and cannot be predicted with certainty; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of oil and gas and environmental protection. The effect of these factors cannot be accurately predicted and the combination of these factors may result in the Company not receiving an adequate return on invested capital. These risks, however, may be mitigated in part by using experienced staff, focusing exploitation efforts in areas in which the Company will have knowledge and expertise or access to such expertise, using up-to-date technology to enhance methods and controlling costs to maximize returns. Advanced oil and natural gas related technologies such as three dimensional seismography, reservoir simulation studies and horizontal drilling may be used by the Company to improve its ability to find, develop and produce oil and natural gas.

Operations

The Company's operations will be subject to all of the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including but not limited to, encountering unexpected formations or pressures, blowouts, craterings and fires, all of which could result in personal injuries, loss of life and damage to property of the Company and others. The Company will have both safety and environmental policies in place to protect its operators and employees, as well as to meet the regulatory requirements in those areas where it operates. However, there can be no assurance that such policies will be sufficient to avoid serious damage. Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the capabilities of the operator of the property. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent.

Oil and Natural Gas Prices and Market Conditions

The Company's ability to fund its exploration programs, and possible future profitability, is directly related to the demand for oil and gas and their related market prices. Oil and gas prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of and demand for oil and gas commodities, exchange rate stability, war, and speculative activities and increased production due to new extraction developments and improved extraction and production methods can all cause significant price fluctuation. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political development. The price of oil and gas commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations. These fluctuations will also have an effect on the acquisition costs of any future oil and natural gas properties that the Company may acquire.

No assurance can be given that oil and natural gas prices will be sustained at levels which will enable the Company to operate profitably. From time to time, the Company may avail itself of forward sales or other forms of hedging activities with a view to mitigating its exposure to the risk of price volatility.

Resource Estimates

Resource estimates contained herein are only estimates and the ultimate resources may be significantly less than the mean estimates. Estimates of resources depend in large part upon the reliability of available geological and engineering data. Geological and engineering data are used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to the extent to which, such hydrocarbons are recoverable from the reservoir.

Basic reservoir parameters will vary within the reservoir of interest and some of these parameters such as porosity, net hydrocarbon pay thickness and water saturation may affect the volume of hydrocarbon estimated to be present. Additional reservoir parameters such as permeability, the presence or absence of bottom water and the specific mineralogy of the reservoir rock may affect the effectiveness of the recovery process. Recovery of the resources may also be affected by the availability and quality of source water, availability of fuel gas, and well and plant equipment malfunction or failure. There is no certainty that certain mineral interests are not affected by ownership considerations that have not yet come to light. The Company has engaged professional geologists and engineers to evaluate the reservoir and prepare development and depletion plans, however process implementation risk remains. This risk is related to factors such as vertical and areal conformance of the process in the reservoir, operational capacity and reliability of wells and facilities, and the effectiveness of the process in mobilizing oil to the vicinity of the production wells where it can be captured.

Depletion of Reserves

The Company's future cash flows and earnings will be highly dependent upon the Company identifying and developing a reserve base and discovering or acquiring reserves. Without the addition of reserves through exploration, acquisition or development activities, the Company will have insufficient cash flow from operations to fund its proposed exploration programs and to the extent that external sources of capital become limited or unavailable, the Company's ability to make the necessary capital investments to develop any oil and natural gas reserves will be impaired. There can be no assurance that the Company will be able to find and develop or acquire reserves at commercially feasible costs.

Write-downs of Oil and Gas Property Investments

Lower oil and gas prices increase the risk of write-downs of the Company's oil and gas property investments. Under Canadian generally accepted accounting principles, the net capitalized cost of oil and gas properties may not exceed a "ceiling limit" that is based, in part, upon estimated future net cash

flows from reserves. If oil and natural gas prices decline, the Company's net capitalized cost may exceed this cost ceiling, ultimately resulting in a charge against the Company's earnings. While these write-downs would not affect cash flow, the charge against earnings could be viewed unfavourably in the market.

Regulatory Matters

The oil and gas industry in Albania operates under federal legislation and regulation governing such matters as land tenure, prices, royalties, production rates, environmental protection controls, income, the exportation of crude oil, natural gas and other products, as well as other matters. The industry is also subject to regulation by governments in such matters as the awarding or acquisition of exploration and production rights or other interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. Government regulations may be changed from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for crude oil and natural gas, increase the Company's costs and have a material adverse impact on the Company. Before proceeding with a project, the participants in the project must obtain all required regulatory approvals. The regulatory approval process can involve stakeholder consultation, environmental impact assessments and public hearings, among other things. In addition, regulatory approvals may be subject to conditions including security deposit obligations and other commitments. Failure to obtain regulatory approvals, or failure to obtain them on a timely basis, could result in delays and abandonment or restructuring of the projects undertaken by the Company and increased costs, all of which could have a material adverse effect on the Company.

Foreign Operations

All of Petromanas' operations are located in Albania. As such, the Company is subject to governmental, political, economic, and other uncertainties, including, but not limited to, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty increases, changes in oil or natural gas pricing policy, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the imposition of specific drilling obligations and the other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities, insurrections, the actions of national labour unions, terrorism and abduction. Additionally, the continued perception that matters have not improved in Albania may hinder the Company's ability to access capital in a timely or cost effective manner.

Petromanas' operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Company's operations in Albania, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Company's exploration, development and production activities in Albania could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on the Company.

The Company may in the future acquire oil and natural gas properties and operations outside of Albania and Canada, which expansion may present challenges and risks that the Company has not faced in the past, any of which could adversely affect the results of operations and/or financial condition of the Company.

Industry Competition

There is competition within the oil and gas industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other oil and gas companies, many of which have greater financial resources than the Company, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of qualified employees and other personnel. Many of these competitors not only explore for and produce crude oil and natural gas, but also carry on refining operations and market petroleum and other products on an international basis.

Fluctuations in Currency Exchange Rates

All of Petromanas' operations are located in Albania. Domestic oil sales in Albania are denominated in Albanian lekë, natural gas sales are denominated in Albanian lekë and operating and capital costs are generally incurred in Albanian lekë. Fluctuations in the U.S. dollar or Albanian lekë exchange rates may cause a negative impact on revenue and costs.

Potential Conflicts of Interest

Some of the directors or officers of the Company are also directors, officers and/or promoters of other reporting and non-reporting issuers, including those engaged in oil and gas exploration and production. Situations may arise where the directors and/or officers of the Company may be in competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Title to Properties, Investments in Properties

Although title reviews will be done according to industry standards prior to the purchase of most crude 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 the claim of the Company which could result in a reduction of the revenue received by the Company. In Albania, legal title is not perfected until such time as the AKBN approves the assignment of a participating interest. This process can take time, and as a result, it is common business practice for commercial parties to proceed with the completion of a purchase and sale transaction, notwithstanding the fact that governmental approval may take years to properly reflect these business dealings. In these cases, title review due diligence involves ensuring that the current title holder has started the different authorization procedures, and also involves an update as to the status of the required authorizations. As well, Petromanas Albania is required by the Production Sharing Contracts to make regular ongoing investments on its properties and perform minimum exploration work in order to maintain such contracts and to be eligible for further extensions. If the Company is unable to meet those minimum requirements, it may impede the extension of the Production Sharing Contracts.

Regulatory and Permitting Delays

The Company could encounter regulatory and/or permitting delays in the future. The Company will endeavour to ensure timely application for any government permits necessary for carrying out its business in Albania. However, the past ability of Petromanas Albania to obtain all necessary permits in the timely fashion is not a guarantee of future results as factors that are beyond the Company's control such as bureaucratic impediments, minor changes in legislation and even government holidays could substantially impede the timing of receiving essential permits and delay or stall the Company's exploration efforts.

Transportation Costs

Disruption in or increased costs of transportation services could make oil and natural gas a less competitive source of energy or could make the Company's oil and natural gas less competitive than other sources. The industry depends on rail, trucking, ocean-going vessels, pipeline facilities, and barge transportation to deliver shipments, and transportation costs are a significant component of the total cost of supplying oil and natural gas. Disruptions of these transportation services because of weather related problems, strikes, lockouts, delays or other events could temporarily impair the ability to supply oil and natural gas to customers and may result in lost sales. In addition, increases in transportation costs, or changes in transportation costs for oil and natural gas produced by competitors, could adversely affect profitability. To the extent such increases are sustained, the Company could experience losses and may decide to discontinue certain operations forcing the Company to incur closure and/or care and maintenance costs, as the case may be. Additionally, lack of access to transportation may hinder the expansion of production at some of the Company's properties and the Company may be required to use more expensive transportation alternatives.

Disruptions in Production

Other factors affecting the production and sale of oil and natural gas that could result in decreases in profitability include: (i) expiration or termination of leases, permits or licences, or sales price redeterminations or suspension of deliveries; (ii) future litigation; (iii) the timing and amount of insurance recoveries; (iv) work stoppages or other labour difficulties; (v) worker vacation schedules and related maintenance activities; and (vi) changes in the market and general economic conditions. Weather conditions, equipment replacement or repair, fires, amounts of rock and other natural materials and other geological conditions can have a significant impact on operating results.

Insurance

In the course of exploration, development and production of oil and gas properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Environmental Legislation

Environmental laws and regulations may affect the operations of the Company. These laws and regulations from various governmental authorities set various standards regulating certain aspects of health and environmental quality including, exploration, development and production, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. Such legislation may be changed to improve standards, which may place more costly obligations on the Company. Moreover, the permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, or non-compliance with environmental laws or regulations. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The Company intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards.

Reliance on Key Personnel

The Company will be dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Company. The Company's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain such personnel.

Shortages of Exploration and Development Equipment

If drilling activities increase in Albania generally, shortage of drilling and completion rigs, field equipment and qualified personnel could develop. From time to time, associated costs have sharply increased in various areas around the world and could do so again. The demand for and wage rates of qualified drilling rig crews generally rise in response to the increased number of active rigs in service and could increase sharply in the event of a shortage. Shortages of drilling and completion rigs, field equipment or qualified personnel could delay, restrict or curtail the Company's exploration and development operations, which could in turn harm its operating results.

Repatriation of Earnings

With respect to oil and gas properties in Albania, currently there are no restrictions on the repatriation from Albania of earnings to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings from Albania will not be imposed in the future.

Enforcement of Civil Liabilities

Substantially all of the assets of the Company are located outside of Canada and certain of the directors and officers of the Company are currently resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the directors and officers of the Company residing outside of Canada.

Legal Systems

As a civil law jurisdiction, Albania has a legal system which is different from the common law jurisdictions of Canada. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

Liquidity Risk

The Company might incur additional debt in order to fund its exploration and development activities, which would continue to reduce its financial flexibility and could have a material adverse effect on the Company's business, financial condition or results of operation.

The Company's ability to meet any debt obligations and reduce its level of indebtedness depends on future performance. General economic conditions, oil and gas prices and financial, business and other factors affect the Company's operations and future performance. Many of these factors are beyond the Company's control. The Company cannot assure investors that it will be able to generate sufficient cash flow to pay the interest on its debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. Factors that will affect its ability to raise cash through an offering of securities or a refinancing of its debt include financial market conditions, the value of its assets and performance at the time the Company needs capital. The Company cannot assure investors that it will have sufficient funds to make such payments. If the Company does not have sufficient funds and is otherwise unable to negotiate renewals of its borrowings or arrange new financing, it might have to sell

significant assets. Any such sale could have a material adverse effect on the Company's business, operations and financial results.

Marketing

The marketability of oil and natural gas, which may be acquired or discovered by the Company will be affected by numerous factors beyond its control. These factors include demand for oil and natural gas, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulations, including regulations relating to environmental protection, royalties, allowable production, pricing, importing and exporting of oil and natural gas.

Risk Management

Oil and gas exploration and development companies face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of Common Shares, First Preferred Shares and Second Preferred Shares. As at the date hereof, there are 631,041,066 Common Shares issued and outstanding as fully paid and non-assessable and no First Preferred Shares or Second Preferred Shares outstanding.

Common Shares

Holders of Common Shares are entitled to one vote per Common Share at meetings of holders of Common Shares, to receive dividends if, as and when declared by the Board and to receive pro rata the remaining property and assets of Petromanas upon its dissolution or winding-up, subject to the rights of shares having priority over the Common Shares.

First Preferred Shares

The First Preferred Shares will be issuable in series and each series of First Preferred Shares will have such rights, restrictions, conditions and limitations as the Board may from time to time determine. Holders of First Preferred Shares will be entitled, in priority to holders of Common Shares and any other shares of the Company ranking junior to the First Preferred Share, to be paid rateably with holders of each other series of First Preferred Shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and, upon liquidation, dissolution or winding up of Petromanas, in priority to holders of Common Shares, to be paid rateably with holders of each other series of First Preferred Shares the amount, if any, specified as being payable preferentially to holders of such series. No dividends shall at any time be declared or paid on any shares of the Company ranking junior to the First Preferred Shares unless all dividends, if any, have been paid to the holders of First Preferred Shares. No class of shares may be created or rights and privileges increased, except for the Second Preferred Shares, to rank in parity or priority with the First Preferred Shares with regard to the rights and privileges thereof and without limiting the generality of the foregoing, capital and dividends, without the approval of the holders of the First Preferred Shares.

Second Preferred Shares

The Second Preferred Shares will be issuable in series and each series of Second Preferred Shares will have such rights, restrictions, conditions and limitations as the Board may from time to time determine. Holders of Second Preferred Shares will be entitled, in priority to holders of Common Shares and any other shares of the Company ranking junior to the Second Preferred Shares, to be paid rateably with holders of each other series of Second Preferred Shares the amount of accumulated dividends, if any,

specified to be payable preferentially to the holders of such series and, upon liquidation, dissolution or winding up of Petromanas, in priority to holders of Common Shares, to be paid rateably with holders of each other series of Second Preferred Shares the amount, if any, specified as being payable preferentially to holders of such series. No dividends shall at any time be declared or paid on any shares of the Company ranking junior to the Second Preferred Shares unless all dividends, if any, have been paid to the holders of Second Preferred Shares. No class of shares may be created or rights and privileges increased, except for the First Preferred Shares, to rank in parity or priority with the Second Preferred Shares with regard to the rights and privileges thereof and without limiting the generality of the foregoing, capital and dividends, without the approval of the holders of the Second Preferred Shares.

DIVIDENDS

Petromanas has not declared or paid any dividends on its securities since its incorporation. Any decision to pay dividends on the Common Shares or any other outstanding class of shares, from time to time, will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions existing at such future time. At present, Petromanas does not anticipate declaring and paying any dividends in the foreseeable future.

MARKET FOR SECURITIES

The Common Shares are listed for trading on the Exchange under the symbol "PMI". The following table sets forth the price ranges and volume trade as reported by the Exchange on a monthly basis for the year ended December 31, 2011.

Month	High (\$)	Low (\$)	Close (\$)	Volume
January	0.560	0.355	0.410	34,277,105
February	0.540	0.390	0.480	39,679,839
March	0.500	0.325	0.335	22,583,047
April	0.440	0.335	0.410	11,133,930
May	0.420	0.320	0.350	7,911,531
June	0.335	0.230	0.290	14,142,792
July	0.335	0.190	0.225	8,333,561
August	0.235	0.165	0.205	10,498,543
September	0.205	0.125	0.125	6,667,167
October	0.150	0.125	0.135	13,146,827
November	0.215	0.125	0.130	19,310,104
December	0.160	0.090	0.155	49,709,699

The First Series Warrants are listed for trading on the Exchange under the symbol "PMI.WT". The following table sets forth the price ranges and volume trade as reported by the Exchange on a monthly basis for the year ended December 31, 2011. These warrants expire February 23, 2015.

Month	High (\$)	Low (\$)	Close (\$)	Volume
January	0.310	0.200	0.200	874,700
February	0.270	0.185	0.240	4,248,815
March	0.250	0.165	0.180	5,109,200
April	0.220	0.170	0.220	4,181,500

Month	High (\$)	Low (\$)	Close (\$)	Volume
May	0.205	0.130	0.200	2,211,400
June	0.175	0.120	0.150	2,949,185
July	0.160	0.110	0.115	1,501,000
August	0.145	0.065	0.140	6,398,175
September	0.145	0.085	0.120	2,241,000
October	0.120	0.065	0.110	1,717,357
November	0.115	0.090	0.115	880,877
December	0.135	0.060	0.135	1,967,500

The Second Series Warrants were listed for trading on the Exchange under the symbol "PMI.WT.A". The following table sets forth the price ranges and volume trade as reported by the Exchange on a monthly basis for the year ended December 31, 2011. These warrants expired and were delisted on May 28, 2012.

Month	High (\$)	Low (\$)	Close (\$)	Volume
January	0.150	0.110	0.120	228,500
February	0.120	0.090	0.100	806,500
March	0.100	0.065	0.085	762,000
April	0.085	0.060	0.060	279,250
May	0.090	0.040	0.040	852,000
June	0.030	0.030	0.030	50,000
July	0.040	0.030	0.040	24,200
August	0.030	0.015	0.015	449,500
September	0.020	0.005	0.015	83,500
October	0.020	0.010	0.015	51,000
November	0.020	0.015	0.020	35,000
December	0.010	0.005	0.005	420,000

PRIOR SALES

During the year ended December 31, 2011, a total of 15,240,000 Options, being the only unlisted securities of the Company that were issued, were granted are as follows:

Date of Grant	Number of Options	Exercise Price
January 7, 2011	2,000,000	\$0.40
March 10, 2011	200,000	\$0.40
March 24, 2011	200,000	\$0.40
August 26, 2011	3,000,000	\$0.30
August 26, 2011	9,000,000	\$0.20
September 26, 2011	840,000	\$0.20

ESCROWED SECURITIES

As of the date hereof, 60 million Common Shares, representing approximately 9.5% of the total issued and outstanding Common Shares, were held in escrow with Computershare Investor Services Inc. for the benefit of the Vendor pursuant to the terms of the Escrow Agreement.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

The following sets forth, as of the date hereof, the residence of the directors and executive officers of the Company, their offices or positions with the Company, their principal occupations during the past five years and the period during which each director has served as a director. The term of the directors' office expires at the next annual meeting of Shareholders.

Name and Residence	Office(s) held with Petromanas	Director Since	Principal Occupation
Glenn A. McNamara ⁽²⁾⁽⁴⁾ Calgary, Alberta	Chief Executive Officer and Director	September 2010	From September 2010 to present, Chief Executive Officer of the Company. Prior thereto, from August 2005 to September 2010, President of BG Canada, a wholly-owned subsidiary of BG Group, which is a publicly listed company on the London Stock Exchange.
Verne Johnson ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta	Chairman and Director	February 2010	Retired.
Heinz Scholz ⁽³⁾⁽⁵⁾ Horgen, Switzerland	Co-Chairman and Director	February 2010	Chairman of Manas Petroleum Corporation and Chairman of Varuna AG, which focuses on the commercialization and marketing of natural resources.
Gordon Keep ⁽¹⁾⁽⁴⁾ Vancouver, British Columbia	Director	August 2010	Executive Vice-President of Fiore Financial Corporation, a private financial advisory firm.
Jeffrey Scott ⁽³⁾ Calgary, Alberta	Director	February 2010	President of Postell Energy Co. Ltd. from June 2001 to present, a private oil company.
Peter-Mark Vogel ⁽¹⁾⁽⁵⁾ Baech, Switzerland	Director	February 2010	From November 2011 to present, Chief Executive Officer of Manas Petroleum Corporation. From October 2010 to November 2011, President and Chief Executive Officer of Manas Petroleum Corporation. CFO and Director of Manas Petroleum Corporation from April 2007 to Feb. 2009; CFO and Director of DWM Petroleum AG, 2004 to April 2007.
Gerard Protti ⁽¹⁾⁽²⁾ Calgary, Alberta	Director	February 2010	Retired, previous Executive Advisor of Cenovus Energy Inc., an oil and gas company; Previous Executive Advisor and Executive Vice President Corporate Relations of EnCana Corporation, an oil and gas company.
Hans Werner Ladwein ⁽²⁾⁽⁵⁾ Schindellegi, Switzerland	Director	August 2011	From November 2011 to present, Director and President of Manas Petroleum Corporation. From September 2011 to November 2011, Director of Manas Petroleum Corporation. Independent oil and gas consultant from May 2008 to present. From December 2004 to December 2007, Executive Director Exploration and Production at Petrom SA, part of the OMV group. Petrom had exploration and production activities in Kazakhstan, Turkmenistan and Russia.
Bill G. Cummins Calgary, Alberta	Chief Financial Officer	Not Applicable	From July 2010 to present, Chief Financial Officer of the Company. Prior thereto, CFO of Calvalley Petroleum Inc. From 2001 to 2007, Vice President, Corporate Finance and Director of Leede Financial Markets, an independently owned brokerage firm.

Name and Residence	Office(s) held with Petromanas	Director Since	Principal Occupation
Hamid Mozayani Calgary, Alberta	Chief Operating Officer	Not Applicable	From June 2010 to present, Chief Executive Officer of the Company. Prior thereto, Global Joint Venture Drilling Manager with ExxonMobil Corporation.
Stephen Farnier Calgary, Alberta	Vice President, Exploration	Not Applicable	From January 2011 to present, VP Exploration of the Company. Prior thereto, Chief Geophysicist at Sunwing Energy from 2009 to 2010. President of PanAsian Petroleum 2007 to 2009 and Founder and Manager of Rolling Thunder Exploration from 2005 to 2007.

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Reserves Committee.
- (3) Member of the Corporate Governance and Compensation Committee.
- (4) Member of the Disclosure Committee
- (5) Messrs. Scholz, Vogel and Ladwein are directors and/or officers of Manas Petroleum Corporation, which holds 200,000,000 Common Shares through its wholly-owned subsidiary DWM Petroleum AG.

As of the date hereof, the directors and executive officers of Petromanas, as a group, beneficially owned, directly or indirectly, 10,252,000 Common Shares representing approximately 1.6% of the issued and outstanding Common Shares.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of management of Petromanas, no director of Petromanas is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) was subject to an event that resulted, after the person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days, other than:

Mr. Scholz was a director and Mr. Vogel was a director and chief financial officer of Manas Petroleum Corporation ("**Manas**") in 2007 when Manas distributed securities (the "**Distribution**") to residents of British Columbia through a registered investment dealer in British Columbia without filing a prospectus, as required by Section 61 of the *Securities Act* (British Columbia) (the "**Act**"), or a Report of Exempt Distribution under Section 6.1 of National Instrument 45-106 - *Prospectus and Registration Exemptions*. As a result, and pursuant to a Cease Trade Order issued on October 9, 2007, the British Columbia Securities Commission (the "**Commission**") ordered that trading in securities of Manas cease until it filed a prospectus or a Report of Exempt Distribution showing that exemptions from the registration and prospectus requirements of the Act were available to it when it made the Distributions. Subsequently, Manas filed a Report of Exempt Distribution showing that exemptions from the registration and prospectus requirements of the Act were available to it when it made the Distribution but, based on the information provided by Manas, the Commission was unable to determine the beneficial ownership of securities registered to seven companies that received securities in the Distribution. On April 1, 2008, the Commission issued a Partial Revocation Order revoking the Cease Trade Order as to all securities of Manas except for those securities owned by the seven companies.

To the knowledge of management of Petromanas, no director of Petromanas is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer 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, other than:

Mr. Johnson was a director of Mystique Energy Inc., a TSXV listed company, which filed for protection under the *Companies' Creditors Arrangement Act* in May of 2007. Mystique Energy Inc. has since discharged its debts but is suspended from trading on the Exchange pending a reorganization.

Personal Bankruptcies

To the knowledge of management of Petromanas, no director of Petromanas has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Penalties or Sanctions

To the knowledge of management of Petromanas, no director of Petromanas has: (i) 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, other than penalties for late filing of insider reports; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director, other than:

Jeffrey J. Scott entered into a settlement agreement with the Alberta Securities Commission (ASC) on February 6, 2009 with respect to allegations that Mr. Scott, along with certain other directors of High Plains Energy Inc. ("High Plains") acted contrary to the public interest in connection with their inadequate rectification of incorrect production information disclosed to the public in press releases issued by High Plains between July 2005 and January 2006. Mr. Scott admitted that he had acted contrary to the public interest by failing to: (i) disclose High Plains' actual production for the period of July to November 2005, with comparative references to the untrue figures disclosed for those months in the press releases disseminated during that period; (ii) compare the actual production rates for December 2005 and January 2006 with the untrue figures disclosed in the press releases for those months; and (iii) ensure that High Plains disclosed in a timely manner that the accuracy of its earlier disclosures of the monthly production was questionable and under review by High Plains. Mr. Scott and each of the other respondents to the settlement agreement were ordered to pay \$25,000 to the ASC of which \$5,000 was a payment towards investigation costs. The ASC noted in the settlement agreement that Mr. Scott and the other directors were provided with false information by management of High Plains with respect to production levels, and thus had no knowledge of the untrue statements in certain press releases issued by management in late 2005, until January 30, 2006, at the earliest. The ASC also noted that each of the subject directors, upon being made aware of the potential problem with High Plains' reported production, made substantial efforts and committed significant amount of time in a good faith effort to resolving the problems and determining High Plains' actual production and noted that none of the subject directors had been previously sanctioned by the Commission, and each cooperated fully with staff in its investigation.

As a result of the above the TSX Venture Exchange and the TSX conducted their own reviews as to Mr. Scott's acceptability to serve as a director or officer of any respective Exchange listed issuer. They determined, in a letter written on January 20, 2010 by Compliance & Disclosure that Mr. Scott must obtain written approval prior to occupying such post and the TSXV determined that he should complete 1 half day workshop "Simplifying Timely Disclosures", which he successfully completed on April 26, 2010 and further that any Venture Exchange listed company on whose board he sits implement a written disclosure policy.

Conflicts of Interest

Certain of the directors and officers of the Company are directors and/or officers of other private and public companies. Some of these private and public companies may, from time to time, be involved in business transactions or banking relationships which may create situations in which conflicts might arise. Any such conflicts shall be resolved in accordance with the procedures and requirements of the relevant provisions of the ABCA, including the duty of such directors and officers to act honestly and in good faith with a view to the best interests of the Company.

AUDIT COMMITTEE

Composition of the Audit Committee

The Audit Committee operates under written charter that sets out its responsibilities and composition requirements. A copy of the charter is attached as Appendix "B" to this AIF. The current members of the Committee are Messrs. Vogel (Chair), Protti, Keep and Johnson, all of whom are considered independent. All of the members are financially literate and have the ability to read and understand financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. "Independent" and "financially literate" have the meaning used in National Instrument 52-110: Audit Committees ("**NI 52-110**") of the Canadian Securities Administrators.

Relevant Education and Experience

The Instrument provides that an individual is "financially literate" if he or she has 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 reasonably be expected to be raised by the Company's financial statements.

All of the members of the Company's audit committee are financially literate as that term is defined in the Instrument. All members have an understanding of the accounting principles used by the Issuer to prepare its financial statements and have an understanding of its internal controls and procedures for financial reporting.

Mr. Gerard Protti is a former Executive Officer for EnCana Corporation, PanCanadian Energy and PanCanadian Petroleum. His executive officer responsibilities from 1995 – 2009 included marketing, business development, operations, new ventures and corporate relations. His participation was required at every Board meeting over this period and he had occasional attendance at Audit Committee meetings. All Corporate Officers for these companies required knowledge of financial accounting and control procedures. Mr. Protti holds a Master of Arts degree in Economics from the University of Western Ontario and has an ICD.D designation from the Institute of Corporate Directors.

Mr. Gordon Keep has extensive business experience in investment banking and creating public natural resource companies. Mr. Keep currently is Executive Vice-President of Fiore Financial Corporation, a private boutique merchant banking firm. He also serves as an officer and/or director for several natural resource companies. From January 2001 to July 2007, Mr. Keep was Managing Director of Corporate Finance at Endeavour Financial Corporation; September 1997 until March 2004, he was Senior Vice-President and a director of Lions Gate Entertainment Corp.; and from April 1987 until October 1997, he was Vice-President, Corporate Finance in the Natural Resource Group of Yorkton Securities Inc.

Mr. Peter-Mark Vogel is the former CFO of DWM Petroleum AG, a Swiss registered company, and Manas Petroleum Corp., a Nevada registered and OTC BB listed company. Prior to that Mr. Vogel worked in various banks as a senior financial research analyst. Mr. Vogel holds a MBA for the Chicago Booth Business School and the University of Zurich, Switzerland. He is a CFA Charterholder.

Mr. Verne Johnson has extensive business experience (over 40 years) in the oil and gas industry, including holding positions of Chief Executive Officer of five public companies, member of the Audit Committee on twelve public companies, including being Chairman of the Audit Committee for a number of them, plus some private companies. Mr. Johnson graduated from the University of Manitoba with an Engineering Degree in 1966.

Auditors' Fees

KPMG LLP, Chartered Accountants ("KPMG"), became the Company's auditors on April 24, 2012. BDO Canada LLP had served as the Company's auditors since April 23, 2010 and resigned at the request of the Company.

Fees paid to Petromanas' auditors for the years ended December 31, 2011 and 2010 are detailed below:

Fee	For the year ended December 31, 2011 (\$)	For the year ended December 31, 2010 (\$)
Audit Fees	\$94,570	\$35,000
Audit-Related Fees ⁽¹⁾	\$39,580	\$32,350
Tax Fees ⁽²⁾	\$9,000	\$Nil
Other Fees ⁽³⁾	Nil	\$2,500
Total	\$143,150	\$69,850

Notes:

- (1) "Audit-Related Fees" Include the aggregate fees paid to the external auditors for services related to the audit services, including reviewing quarterly financial statements and management's discussion thereon and consulting with the Board and Audit Committee regarding financial reporting and accounting standards.
- (2) "Tax Fees" Include the aggregate fees paid to external auditors for tax compliance, tax advice, tax planning and advisory services, including namely preparation of tax returns.
- (3) "All Other Fees" Include the aggregate fees paid to the external auditors for assurance procedures in connection with filings statements and information circulars and services related to offerings.

All permissible categories of non-audit services to be provided by the external auditor must be pre-approved by the Audit Committee subject to certain statutory exceptions.

The Company does not presently have, and has not within the last two most recently completed financial years had, any promoters.

LEGAL AND REGULATORY PROCEEDINGS

Except as disclosed herein, the Company is not a party to any legal proceeding nor was it a party to, nor is or was any of its property the subject of any legal proceeding, during the year ended December 31, 2011, nor is management of the Company aware of any such contemplated legal proceedings, which involve a claim for damages, exclusive of interest and costs, that may exceed 10% of the current assets of the Company.

During the year ended December 31, 2011, there were no: (i) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except in relation to the Petromanas Albania Acquisition, no director or executive officer of the Company, or any person or company that is the beneficial owner of, or who exercises control or direction of, more than 10% of the Common Shares or any associate or affiliate of any of the foregoing persons has had any material interest, direct or indirect, in any transaction in the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Common Shares is Computershare Investor Services Inc., at its offices in Calgary, Alberta.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the Company has not entered into any material contracts within the most recently completed financial year, or before the most recently completed financial year that are still in effect, other than the Acquisition Agreement – see "General Development of the Business - Three Year History".

INTERESTS OF EXPERTS

Resource estimates contained in this AIF have been prepared by GLJ. As at July 31, 2011, the effective date of those estimates, and as of the date hereof, the principals, directors, officers and associates of GLJ, as a group, owned, directly or indirectly, less than one percent of the outstanding Common Shares.

The auditors of the Company, BDO Canada LLP, are independent with respect to the Company, in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information, including information as to directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Proxy Statement and Information Circular of the Company prepared in connection with the most recent annual meeting of Shareholder that involved the election of directors. Additional financial information is provided in the Company's financial statements and management discussion and analysis for the year ended December 31, 2011.

Copies of this AIF, any interim financial statements of the Company subsequent to the annual financial statements, the Company's Proxy Statement and Information Circular and other additional information relating to the Company are available on SEDAR at www.sedar.com.

APPENDIX "A"

Statement of Resources and Other Oil and Gas Information

Report of Management and Directors on Oil and Gas Disclosure

Terms to which a meaning is ascribed in National Instrument 51-101 - Standards of Oil and Gas Disclosure have the same meaning herein.

Management of Petromanas Energy Inc. (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, estimated using forecast prices and costs.

The Reserves Committee of the Board of Directors of the Company has reviewed the assets, data and position of the Company as of December 31, 2011 and has determined that, as of the last day of the Company's most recently completed financial year, the Company had no reserves.

An independent qualified reserves evaluator has not been retained to evaluate the Company's reserves data as the Company had no reserves as of the last day of the Company's most recently completed financial year and no report of an independent qualified reserves evaluator on reserves data will be disclosed by the Company for the year ended December 31, 2011.

The Reserves Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management of the Company. The Board of Directors has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of the Company's annual information form which contains the information detailing the Company's oil and gas activities as required by Form 51-101F1;
- (b) the Company not filing Form 51-101F2, which is the report of the independent qualified reserves evaluator on reserves data, because the Company has no reserves; and
- (c) the content and filing of this report.

Because reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. Therefore, based on information available at December 31, 2011, the Reserves Committee of the Board of Directors of the Company has determined that the Company had no reserves at that time.

(signed) "Glenn A. McNamara "

Glenn A. McNamara
Chief Executive Officer

(signed) "Bill G. Cummins"

Bill G. Cummins
Chief Financial Officer

(signed) "Verne Johnson"

Verne Johnson
Director

(signed) "H. Werner Ladwein"

H. Werner Ladwein
Director

June 6, 2012

Petromanas Energy Inc.

The "Reporting Issuer" Or the "Company"

FORM NI 51-101F1 STATEMENT OF RESERVES DATA

AND OTHER OIL AND GAS INFORMATION

For fiscal year ended December 31, 2011

This is the form referred to in item 1 of section 2.1 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Terms for which a meaning is given in NI 51-101 have the same meaning in this Form 51-101F1.

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PART 1	DATE OF STATEMENT	Page 1
PART 2	DISCLOSURE OF RESERVES DATA	None - not included
PART 3	PRICING ASSUMPTIONS	None - not included
PART 4	RECONCILIATION OF CHANGES IN RESERVES	None - not included
PART 5	ADDITIONAL INFORMATION RELATING TO RESERVES DATA	None - not included
PART 6	OTHER OIL AND GAS INFORMATION	Page 1 - 3
Form 51-101F2	Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor	None – not included
Form 51-101 F3	Report of Management and Directors on Oil And Gas Disclosure	Filed Separately

PART 1 DATE OF STATEMENT

Item 1.1 Relevant Dates

1. The date of this report and statement is May 4, 2012.
2. The effective date of information provided in this statement is as of the Company's most recently completed fiscal year ended: December 31, 2011.
3. The date of preparation of the information provided herein is: May 4, 2012.

PART 6 OTHER OIL AND GAS INFORMATION

Item 6.1 Oil and Gas Properties and Wells

At December 31, 2011, the Company's oil and gas properties consisted of interests in three production sharing contracts ("PSCs") comprising six onshore exploration blocks in Albania. The PSCs are for Blocks A/B, Blocks D/E and Blocks 2/3 and are held by the Company's wholly owned subsidiary, Petromanas Albania GmbH.

See Item 6.2 of the form for a description of mandatory relinquishment under the PSCs.

As of December 31, 2011, the Company had no producing or non-producing oil or gas wells on these properties.

Item 6.2 Properties With No Attributed Reserves

At December 31, 2011, the Company had a 100% interest in six exploration blocks totaling 1.4 million acres in Albania. The PSCs that govern the operations of these exploration blocks set out minimum work and expenditure requirements for three phases that must be complied with in order to maintain exploration rights. Failure to comply with the work and financial requirements in any one phase would lead to the termination of the exploration rights on that specific contract. After each phase, the Company has the option to either continue or relinquish the exploration rights. Within 180 days of the end of each exploration phase, the Company must select an area equal to 25% of its remaining acreage to relinquish back to the Albanian Government. Any discovery areas are excluded from this requirement.

The following table sets out Petromanas Albania's undeveloped land position, all of which is unproved property, and also the number of net acres for which Petromanas Albania's rights to explore, develop or exploit will expire within one year.

Blocks	Gross Acres	Net Acres	Net Acres Expiring Within One Year ⁽¹⁾
Blocks A/B	345,789	345,789	86,447
Blocks D/E	259,650	259,650	64,912
Blocks 2/3	852,000	852,000	213,000
Total	1,457,439	1,457,439	364,359

(1) In the event the Company does not fulfill the commitments under the applicable PSC, 100% of the acreage is required to be forfeited under the terms of the applicable PSC.

According to the signed Production Sharing Contracts (PSCs) between the Albanian government and Petromanas Albania GmbH, the minimum remaining investments in the Company's work programs are as follows:

\$000's USD			
License	Phase 2 2011 – 2012	Phase 3 2013 – 2014	
PSC 1 (Blocks A/B)	\$ 6,300	\$ 6,300	
PSC 2 (Blocks D/E)	\$ 6,300	\$ 6,300	

\$000's USD			
License	Phase 1 August 2010 – July 2012	Phase 2 August 2013 – July 2014	Phase 3 August 2015 – July 2016
PSC 3 (Blocks 2/3)	\$ 8,500	\$ 8,300	\$ 8,300

Item 6.2.1 Significant Factors or Uncertainties Relevant to Properties With No Attributed Reserves

Significant economic factors or significant uncertainties that affect the anticipated development or production on *properties* with no attributed reserves include:

- **Exploration and Reserve Risk.** Exploration, appraisal and development of oil and gas reserves are speculative and involve a significant degree of risk. There can be no assurances that exploration or appraisal of the properties in which the subsidiaries hold rights will be successful.
- **Market Risk.** In the event of successful development of oil and gas reserves, the marketing of the Company's subsidiaries' prospective production of oil and gas from such reserves will be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including roads, access to ports, shipping facilities, pipelines and the pipeline capacity at economic tariff rates which the Company's subsidiaries may have limited or no control.

Item 6.3 Forward Contracts

At December 31, 2011, the Company did not have any forward contracts.

Item 6.4 Additional information Concerning Abandonment and Reclamation Costs

At December 31, 2011, the Company did not recognize any abandonment or reclamation liabilities.

Item 6.5 Tax Horizon

The Company was not required to pay income taxes during the year ended December 31, 2011. The terms of the PSCs allow the Company to recover its capital and operating costs prior to becoming taxable. Due to the uncertain outcome of its oil and gas activities, the Company cannot at this time reasonably estimate when it will begin paying income taxes.

Item 6.6 Costs Incurred

The following table sets out the capital expenditures made by Petromanas Albania for the year ended December 31, 2011.

Property Acquisition Costs⁽¹⁾	Exploration Costs⁽¹⁾	Development Costs
\$0 million	\$8.962 million	\$0 million

(1) All costs were incurred in respect of unproved properties.

Item 6.7 Exploration and Development Activities

Petromanas Albania has not drilled, or participated in, any exploratory or development wells for the year ended December 31, 2011.

The Company's most important current and short-term future planned oil and gas exploration and development activities consist of drilling at least one well on each PSC by December 31, 2012. Subsequent to year-end, the Company farmed out a 50% working interest in Blocks 2/3 to a wholly owned subsidiary of Royal Dutch Shell ("Shell"). Under the terms of the agreement, Shell will carry certain costs on Blocks 2/3 on the Company's behalf.

Item 6.8 Production Estimates

The Company is unable to estimate production or future net revenue from its oil and gas activities as of December 31, 2011.

Item 6.9 Production History

The Company has no oil and gas production history as of December 31, 2011 or as at the date of this report.

(signed) "Glenn McNamara"

Glenn McNamara, Director and Chief Executive Officer

(signed) "Bill Cummins"

Bill Cummins, Chief Financial Officer

(signed) "Verne Johnson"

Verne Johnson, Chairman of the Reserve Committee

Date: May 4, 2012

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”).

Terms to which a meaning is ascribed in NI 51-101 have the same meaning, in this form.

Report of Management and Directors on Reserves Data and Other Information

Management of Petromanas Energy Inc. (the “Company”) is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, estimated using forecast prices and costs.

The Board of Directors of the Company has reviewed the assets, data and position of the Company as of December 31, 2011 and has determined that, as of December 31, 2011, being the last day of the Company's most recently completed financial year, the Company had no reserves.

An independent qualified reserves evaluator has not been retained to evaluate the Company's reserves data as the Company has no reserves as of December 31, 2011 and no report of an independent qualified reserves evaluator will be disclosed by the Company for the 2011 fiscal period.

The Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has approved:

- a) the content and filing with securities regulatory authorities of Form 51-101F1 containing information detailing the Company's oil and gas activities;
- b) the Company not filing Form 51-101F2, which is the report of the independent qualified reserves evaluator on reserves data because the Company has no reserves; and
- c) the content and filing of this report.

Because reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. Based on information available at December 31, 2011, the Board of Directors of the Company has determined that the Company had no reserves at that time.

(signed) “Glenn McNamara”

Glenn McNamara, Director and Chief Executive Officer

(signed) “Bill Cummins”

Bill Cummins, Chief Financial Officer

(signed) “Verne Johnson”

Verne Johnson, Chairman of the Reserve Committee

Date: May 4, 2012

APPENDIX "B"

Charter Of The Audit Committee Of Petromanas Energy Inc.

Mandate

The primary function of the audit committee (the "Committee") is to assist the Board of Directors ("Board") in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. The Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements;
- review and appraise the performance of the Company's external auditor; and
- provide an open avenue of communication among the Company's auditor, financial and senior management and the Board.

Composition

The Committee shall be comprised of at least three directors as determined by the Board, all of whom shall be "independent" directors except as permitted by applicable securities regulatory guidelines (including applicable exemptions while the Company is a "venture issuer" within the meaning of applicable securities legislation). A quorum of the Committee shall be a majority of the members. Each member of the Committee will be a member of the Board. In the event of an equality of votes, the Chair of the Committee shall not have a second casting vote.

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

Meetings

The Committee shall meet at least four times annually, or more frequently as circumstances dictate or as may be prescribed by securities regulatory requirements. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditor in separate sessions.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

1. Documents/Reports

- (a) review and update, if applicable or necessary, this Audit Committee Charter annually;
- (b) review with management and the independent auditor the Company's annual and interim financial statements, management's discussion and analysis, any annual and interim earnings press releases and any reports or other financial information to be submitted to any governmental and/or regulatory body, or the public, including any certification, report, opinion, or review rendered by the external auditor for the purpose of recommending their approval to the Board prior to their filing, issue or publication. The Chair of the

Committee may represent the entire Committee for purposes of this review in circumstances where time does not allow the full Committee to be available;

- (c) review analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
- (d) review the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Company;
- (e) review policies and procedures with respect to directors' and officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditor, based on the terms of reference agreed upon by the external auditor and the Committee; and
- (f) ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, as well as review any financial information and earnings guidance provided to analysts and rating agencies, and periodically assess the adequacy of those procedures.

2. External Auditor

- (a) review annually, the performance of the external auditor who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Company;
- (b) obtain annually, a formal written statement of the external auditor setting forth all relationships between the external auditor and the Company;
- (c) review and discuss with the external auditor any disclosed relationships or services that may have an impact on the objectivity and independence of the external auditor;
- (d) take, or recommend that the Board take, appropriate action to oversee the independence of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (e) recommend to the Board the selection and, where applicable, the replacement of the external auditor nominated annually for shareholder approval;
- (f) recommend to the Board the compensation to be paid to the external auditor;
- (g) at each meeting, where desired, consult with the external auditor, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements;
- (h) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company;
- (i) review with management and the external auditor the audit plan for the year end financial statements; and

- (j) 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 Company's external auditor. The authority to pre-approve non-audit services may be delegated by the Committee to one or more independent members of the Committee, provided that such pre-approval must be presented to the Committee's first scheduled meeting following such pre-approval. Pre-approval of non-audit services is satisfied if:
 - (i) the aggregate amount of all the non audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Company and subsidiaries to the Company's external auditor during the fiscal year in which the services are provided;
 - (ii) the Company or a subsidiary did not recognize the services as non audit services at the time of the engagement; and
 - (iii) the services are promptly brought to the attention of the Committee and approved, prior to completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.

3. Financial Reporting Processes

- (a) In consultation with the external auditor, review with management the integrity of the Company's financial reporting process, both internal and external;
- (b) consider the external auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;
- (c) consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditor and management;
- (d) review significant judgments made by management in the preparation of the financial statements and the view of the external auditor as to appropriateness of such judgments;
- (e) following completion of the annual audit, review separately with management and the external auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
- (f) review any significant disagreement among management and the external auditor in connection with the preparation of the financial statements;
- (g) review with the external auditor and management the extent to which changes and improvements in financial or accounting practices have been implemented;
- (h) review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;
- (i) review certification process;
- (j) establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- (k) establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

4. Other

- (a) Review any material related party transactions;
- (b) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- (c) to set and pay compensation for any independent counsel and other advisors employed by the Committee.