LNG ENERGY LTD.

ANNUAL INFORMATION FORM

February 24, 2011

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ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED SEPTEMBER 30, 2010

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INTRODUCTORY NOTES

Cautionary Note Regarding Forward-Looking Information

This annual information form contains "forward-looking information" within the meaning of applicable Canadian and United States securities legislation. Forward-looking information includes, but is not limited to, statements with respect to performance characteristics of LNG Energy Ltd.'s properties; oil and gas production estimates and targets; the size of reserves; capital expenditure programs and estimates; projections of market prices and costs; supply and demand for oil and gas; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; and treatment under governmental regulatory regimes and tax laws. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of LNG Energy Ltd. to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks related to the speculative nature of LNG Energy Ltd.'s business, exploration, drilling and operating risks, fluctuations in oil and gas prices, the highly competitive nature of the oil and gas industry, risks relating to title to LNG Energy Ltd.'s properties, LNG Energy Ltd.'s dependence on a small number of key personnel and LNG Energy Ltd.'s need for additional financing, as well as those factors discussed in the section entitled "Risk Factors" in this annual information form. Although LNG Energy Ltd. has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Subject to applicable securities laws, LNG Energy Ltd. undertakes no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Date of Information

All information in this annual information form is as at February 24, 2011, unless otherwise indicated.

Currency Presentation and Exchange Rate Information

This annual information form contains references to United States dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars, and United States dollars are referred to as "US dollars" or "US$".

The high, low, average and closing exchange rates reported by the Bank of Canada for converting United States dollars into Canadian dollars for the periods indicated, each based on the noon rate of exchange, were as follows:

	12 months ended September 30, 2010	**12 months ended September 30, 2009**	**12 months ended September 30, 2008**
High	$1.0845	$1.307	$1.082
Low	$0.9961	$1.058	$0.907
Average	$1.0408	$1.180	$1.009
Closing[1]	$1.0298	$1.071	$1.064

(1) Calculated at the closing daily rate for each period.

On February 24, 2011, the closing exchange rate for Canadian dollars in terms of the United States dollar, as quoted by the Bank of Canada, was US$1.00 = $0.9842 ($1.00 = US$1.0161).

References

Unless otherwise indicated the references to the "Corporation" in this annual information form mean LNG Energy Ltd. and its wholly-owned subsidiaries. Where there is reference to "Common Shares" in this annual information form, it includes any of the issued and outstanding common shares in the authorized share capital of LNG Energy Ltd.

GLOSSARY OF TERMS

Glossary of Terms

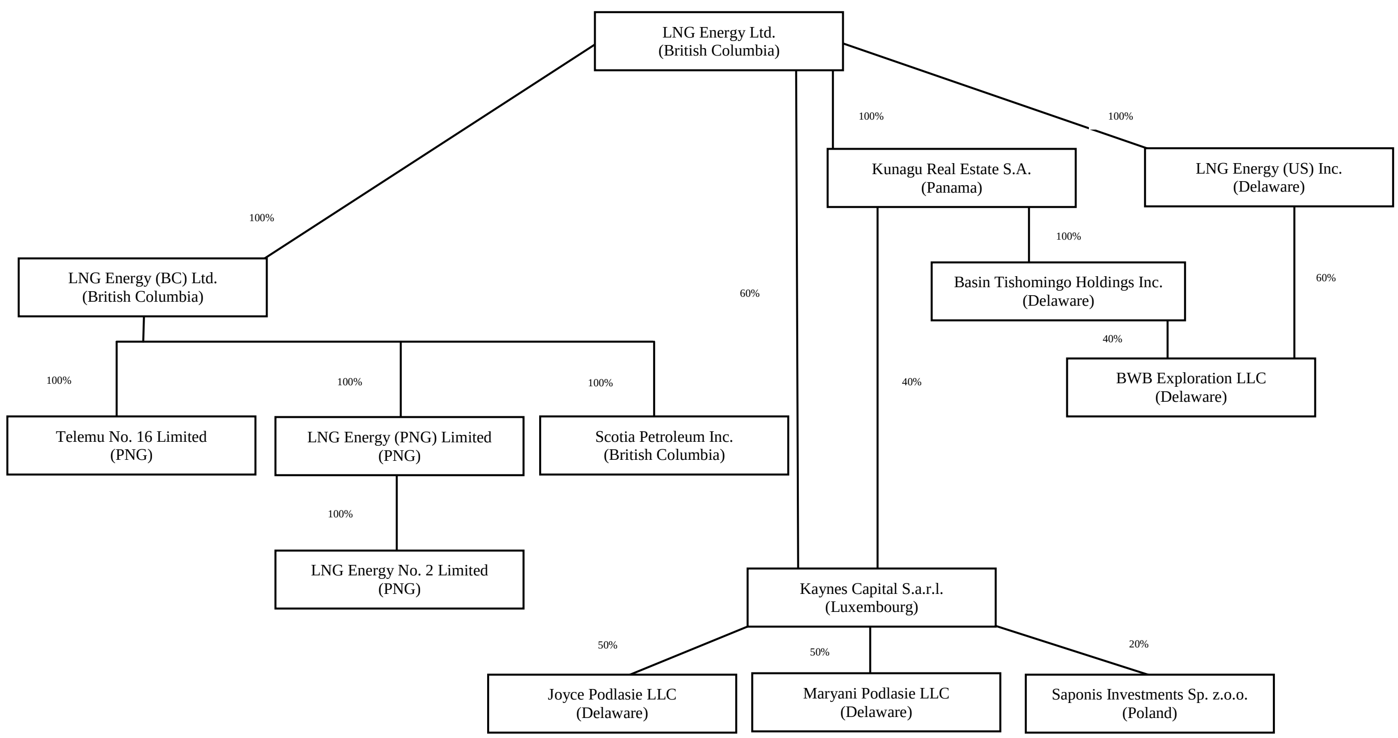
Reserves	Estimated reserves of natural gas, natural gas liquids and crude oil.
Working interest	Those lands in which the Corporation receives its acreage share of net production revenues.
Gross reserves	Estimated reserves before royalties based on working interest.
Net reserves	Estimated reserves after royalties based on working interest.
Future net revenue	Working interest revenues after royalties, development costs, production costs and well abandonment costs, but before administrative, overhead and other such indirect costs. Future net revenue may be presented either before or after tax.
Proved reserve	Reserve that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
Probable reserves	Reserve that is less certain than proved reserve at being recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserve.
Developed reserve	Reserve that is expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.
Producing reserve	Reserve that is expected to be recovered from completion intervals open at the time of estimate. The category of reserve may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonably certainty.
Non-producing reserve	Reserve that either has not been on production, or has previously been on production, but is shut-in, and the date of resumption of production is unknown.
BOE	Barrel of oil equivalent.
BOPD	Barrels of oil per day.
M	Thousand (1,000).
MM	Million (1,000,000).
MBOE	Thousand barrels of oil equivalent.
MMBtu	A unit of heat energy equal to one million British thermal units.
Mcf	1,000 cubic feet of natural gas.
Bcf	One billion (1,000,000,000) cubic feet of natural gas
barrel	A 42-US gallon barrel of crude oil or natural gas liquids.
Undeveloped reserve	Reserve that is expected to be recovered from known accumulation where a significant expenditure is required to render them capable of production (e.g. in comparison to the costs of drilling a well). Such reserve must fully meet the requirements of the reserve classification to which they are assigned (proved or probable).

CORPORATE STRUCTURE

LNG Energy Ltd. ("LNG") was incorporated as eVenture Capital Corp. on February 24, 2000 in the Province of British Columbia. The name of LNG was changed to Invicta Oil & Gas Ltd. on November 28, 2006 after the disposition of its subsidiary Pro Net Communications and the acquisition of oil and gas leases and interests in the Palo Duro Basin area in Texas. On March 28, 2008, LNG changed its name to "LNG Energy Ltd." to reflect its focus on oil and gas in Papua New Guinea. LNG's Common Shares trade on the TSX Venture Exchange under the symbol "LNG".

The Corporation's head office is located at 1075 West Georgia Street, Suite 220, Vancouver, British Columbia, V6E 3C9 and its registered and records office is located at 2900-550 Burrard Street, Vancouver, British Columbia, V6C 0A3.

The Corporation's corporate structure and its subsidiaries are depicted in the following diagram:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The following describes the development of the Corporation's business over the last three completed fiscal years.

Papua New Guinea

In 2007 the Corporation acquired from Kepis and Pobe Investments Inc. ("Kepis") Kepis' rights to (i) subscribe for the shares of LNG Energy (B.C.) Ltd. ("LNG BC"), formerly Cheetah Oil & Gas Limited (British Columbia) and (ii) to acquire debt owed by Cheetah Oil & Gas Ltd. to Macquarie Holdings (USA) Inc. The purchase price of US$3.25 million was satisfied as to US$2.25 million by the issuance of 3,968,437 Common Shares at a deemed price of $0.56 per share and as to the balance, by a cash payment. On November 27, 2007, the Corporation subscribed for and acquired 90% of the shares of LNG BC for a net subscription price of US$15.0 million.

On November 25, 2008, the Corporation purchased the remaining 10% interest in LNG BC, making LNG BC a wholly-owned subsidiary of the Corporation. The purchase price for the remaining LNG BC shares was US$250,000. In addition, LNG forgave all outstanding amounts ($300,000 principal and accumulated interest of $14,460) owed by Cheetah Oil & Gas Ltd. to LNG under a loan agreement dated March 12, 2008.

LNG BC initially held, through its subsidiaries, 100% working interests in five petroleum prospecting licenses ("PPLs") and one petroleum retention license ("PRL"), through permits received from the Minister of Petroleum and Energy for Papua New Guinea. In late 2008, the Corporation received approval of its top file applications for its PPLs in Papua New Guinea. The top file process involved the relinquishment of and re-application for PPLs 246, 249, 252 and 254. The following licenses were granted with new durations and expenditure commitments for each PPL:

- PPL 319 (formerly PPL 246) was granted for a 6 year term;

- PPL 320 (formerly PPL 249) was granted for a 6 year term. 17 blocks were relinquished from the original total of 125 blocks;

- PPL 321 (formerly PPL 252) was granted for a 6 year term; and

- PPL 322 (formerly PPL 254) was granted for a 6 year term. 28 blocks were relinquished from the original total of 75 blocks.

As part of this top file process, the Corporation relinquished PPL 250. The Corporation has submitted a renewal application for PRL 13 and approval is expected to be granted by the Department of Petroleum & Energy in Papua New Guinea shortly. In aggregate, the four PPLs and one PRL represent gross and net acreages of approximately 5.5 million acres.

During the year, the Company acquired High Resolution Airborne Magnetic ("HRAM") and Gravity data over its licenses in Papua New Guinea. This consisted of a fixed-wing acquisition of a high resolution survey at a minimum drape altitude of 150m, with an 800m normal traverse and 3200m control line spacing. In-field Quality Control and Project Management was provided by Erwin Ebner of ELS Consulting Inc. out of Calgary, Alberta. Integrated Geophysics Corporation ("IGC") of Houston, Texas was contracted to interpret the HRAM and Gravity dataset. IGC's proprietary analysis incorporates existing seismic, wells and all available surface geological control with the recently acquired HRAM and Gravity dataset, to provide a comprehensive and fully integrated interpretation.

The methodology of integrating all available historical exploration data, with LNG's recent HRAM & Gravity survey, was repeated within the three northern PPLs; 320, 321 and 322. The HRAM & Gravity surveys are now complete. The northern PPLs are comprised of multiple tertiary aged basins that are known to contain active hydrocarbon seeps, while also being highly prospective for both the carbonate and sandstone reservoirs that outcrop at basin edges.

In April 2010, the Corporation entered into an agreement with InterOil Corporation ("InterOil") to acquire 2D seismic data on LNG's 100% working interest PPL 319. PPL 319 lies between InterOil's PPL 237 and the PDLs/PRLs that collectively comprise the licenses of ExxonMobil's US$15 billion liquefied natural gas export development infrastructure announced by InterOil on December 7, 2009. The seismic program includes the acquisition and interpretation of a 27km north-south line that is located 50m west of the boundary between PPL 319 and InterOil's PPL 237. The program was managed by InterOil. Interpretation has provided a clear indication of significant Carbonate thickening within the historically gas charged Tertiary (Eocene through Miocene) and large deep seated structures within the historically oil charged Mesozoic (Triassic through Cretaceous).

An area of mutual interest ("AMI") totalling 540 square km has been agreed to by LNG and InterOil that runs north south for 27km, extending 10km to the east and 10km to the west of the boundary between PPL 319 and PPL237.

All existing technical information relating to this area of mutual interest, including HRAM and Gravity, seismic and well data will be shared between both parties.

United States and Poland

In December 2008 the Corporation subscribed for a 60% interest in a private company, BWB Exploration, LLC (“BWB”) for a cash subscription price of $7,668,600 (US$6 million). Basin Tishomingo Holdings, Inc., an indirect wholly owned subsidiary of Omag Beteiligungen AG (“Omag”) subscribed for the balance of the BWB shares for US $4 million. Subsequent to these subscriptions, in December 2008, BWB acquired from BNK Petroleum Inc. (“BNK”) interests in approximately 3,200 acres of oil and gas leases in the West Tishomingo Field development, in Carter County, Oklahoma and approximately 86,000 acres of leases in the Black Warrior Basin of Mississippi and Alabama for US$10 million (the “BNK Acquisition”). The extent of BWB’s interest varies with each lease. In connection with the BNK Acquisition, BNK granted to BWB an option for BWB to acquire a 20% participating interest in a new shale exploration project BNK was pursuing in Poland. The option was exercised in October, 2009 (see below).

Concurrent with the BNK acquisition, BNK and BWB entered into an exploration Agreement for the Black Warrior Basin leases (the “Black Warrior Exploration Agreement”), under which BNK can earn up to a 50% working interest in the leases by drilling a series of test wells on identified prospects. The Black Warrior Exploration Agreement incorporates an Operating Agreement under which BNK has been appointed the operator in respect of the Black Warrior Basin leases. The exploration program requires BNK to pay for BWB's share of costs in an eight well test program up to US$10 million in order to earn the 50% working interest. BNK is committed to drill three wells. In September 2009, BNK drilled, cased and began completing the first well, Hickman Farms 30-15, to a depth of 5,475 feet. Four zones were subsequently tested in the well unsuccessfully and the well was plugged and abandoned in July 2010. BNK air drilled the WS Lee 26-12 again targeting the Pottsville tight gas sands in July 2010. This well reached a total depth of 8,011ft. Testing has been completed without economic quantities of gas being produced. The well is being plugged and abandoned. The third well must commence within 90 days after the release of the completion rig on WS Lee 26-12 well or BNK is subject to liquidated damages ofUS $500,000 in favour of BWB.

LNG announced on August 20, 2009, that BWB participated in a successful exploration well targeting the Woodford shale in the Ardmore Basin of Oklahoma, in May 2009. Most details of the test are being held confidential but the operator was a major US independent oil and gas producer and horizontal drilling was employed to drill the test well. BWB has a substantial leasehold position in the area totalling over 2,950 net acres in 12 different sections totalling 7,680 gross acres. The Corporation holds a 7.9% working interest and 6.419% net revenue interest in this new producing well which is in the West Tishomingo Field.

In October 2009, LNG and Omag caused BWB to exercise its option to participate in the 20% net interest in BNK’s exploration project in Poland (the “Poland Project”), which include three concessions, Starogard, Slupsk and Slawno, located in Northern Poland and total approximately 730,000 acres (2,951 square kms). At the time of the option exercise, LNG’s indirect interest in the Poland Project was 12% as a result of LNG’s ownership of 60% of BWB. BNK formed a Polish company, Saponis Investments Sp. z.o.o. (“Saponis”) to hold the Poland Project. For payment of the option exercise price of US$133,855, being 20% of BNK’s acquisition costs for the Poland Project, BWB is entitled to be issued 20% of the shares of Saponis. For corporate reasons, LNG and Omag agreed that BWB’s 20% interest in Saponis be held in a Luxembourg corporation, rather than in BWB. LNG and Omag, formed Kaynes Capital S.a.r.l. (“Kaynes”) for this purpose and steps are underway to transfer BWB’s interest to Kaynes and cause the shares of Saponis to be issued to Kaynes.

The remaining 80% of the shares of Saponis are held by Sorgenia E&P S.p.A. (27%), Rohol-Aufsuchungs Aktiengesellschaft (26%) and BKX International Holdings Inc. (27%). The shareholders are party to both a shareholders’ agreement and participation agreement under which they are each required to pay their proportionate share of exploration expenditures in order to maintain their respective interests. License commitments require the drilling and testing of one exploration well per concession before the end of June 2011. BNK’s subsidiary, BKX International Holdings Inc. has been appointed operator of the Poland Project (the “Operator”).

On March 26, 2010, the Corporation and Omag entered into a share purchase agreement (the "Kunagu Share Purchase Agreement") under which the Corporation agreed to acquire all of the outstanding shares of Kunagu Real Estate S.A., a wholly owned subsidiary of Omag, which held: (a) the remaining 40% of the shares of Kaynes; and (b) the remaining 40% of the shares of BWB. The acquisition closed on May 6, 2010. The aggregate purchase price of $8,960,000 was satisfied by the issuance of 32,000,000 Common Shares of LNG to Omag. As a result of the acquisition both BWB and Kaynes became indirect wholly owned subsidiaries of the Corporation, and its indirect net interest in the Poland Project increased from 12% to 20% and the US assets increased from 60% to 100%.

The Corporation, in conjunction with its partners, shot two 10 km 2D seismic lines through the planned well locations on each of the three concessions in order to avoid faults so that all targeted intervals will be encountered in the first test well on each concession. The additional work program was proposed in concession amendments and approved by the Polish Ministry of Environment in late June 2010. The concession amendments also included an extension of the spudding deadline on the first well in the Slupsk concession (Lebork S-1) to June 2, 2011 and on the first well in the Starogard concession (Starogard S-1) to December 2, 2011 to allow the Company to utilize both the new seismic data and the information gathered on the Wytowno S-1 well on the Slawno Concession which was spudded in December 2010. The amendments also extended the deadline of drilling the 2nd well on the Slupsk concession to December 2012 and the 2nd well on the Starogard concession to June 2013.

The first well, Wytowno S-1, in the Slawno concession was spudded in December 2010. The Wytowno S-1 well, with a TVD of 3315m has an AFE cost of US$10MM to drill, case, hydraulic fracture complete and test the Ordovician/Silurian gas shale formation deliverability. The second well (Lebork S-1) in the Slupsk concession is planned to be drilled in after the Wytowno S-1 well is completed. The third well in the Starogard concession (Starogard S-1) will be spudded in the second half of 2011.

On February 7, 2011, the Corporation's wholly owned subsidiary, Kaynes Capital S.a.r.l. ("Kaynes") entered into an agreement (the "Unit Purchase Agreement") with Source Energy Partners LP ("Source") pursuant to which it acquired a 50% interest in Joyce Podlasie LLC ("Joyce") and a 50% interest in Maryani Podlasie LLC ("Maryani") for aggregate consideration of US$4 million. The acquisition closed on February 17, 2011. Joyce indirectly holds an undivided 100% interest in the Ilawa Concession in Poland and Maryani indirectly holds an undivided 100% interest the Wegrow Concession in Poland. The remaining 50% of Joyce and Maryani are both owned by Realm Energy (BVI) ("Realm"). Together the Ilawa and Wegrow Concessions comprise approximately 360,000 acres and will increase LNG's net Polish shale gas acreage by approximately 180,000 acres. The Corporation will assume Source's obligations and pro rata 50% financial commitments in the concessions. These financial commitments are limited in 2011 and 2012. The Wegrow Concession requires the drilling of one well to a maximum depth of 2750m by the end of 2013.

Pursuant to the terms of the Limited Liability Company Operating Agreements for each of Joyce and Maryani, Kaynes has assumed the role of Manager for each of these entities. The Corporation is currently in negotiations with Realm with respect to more detailed joint operating agreements wherein it is expected that the Corporation or one of its subsidiaries would be appointed as operator of each of Joyce and Maryani. As of the date hereof, these negotiations have not been completed.

Disposition of Palo Duro Leases

On December 31, 2008, LNG announced that it has transferred all of its interest in certain oil and gas leases in the Palo Duro Basin of Texas to Tyner Resources Ltd. ("Tyner"). In consideration of the transfer of the Palo Duro lands, Tyner issued 9,378,208 common shares in its capital stock to LNG, representing approximately 13% of the issued and outstanding common shares of Tyner. The interest transferred to Tyner was a 15% working interest in oil and gas leases. In March 2010, LNG disposed all of its shares of Tyner for $70,000.

Recent Financings

On November 29, 2007, the Corporation announced that it had closed the first tranche of a non-brokered private placement. Under the closing, the Corporation issued 69,765,138 Common Shares at a price of $0.56 per common share raising gross proceeds of $39,068,477. An additional 4,380,445 Common Shares were issued as a finder's fee in connection with the private placement. On November 29, 2007, the Corporation announced that it had closed the second and final tranche of the non-brokered private placement. The Corporation issued 7,528,000 Common Shares at a price of $0.56 per Common Share, raising additional gross proceeds of $4,215,680. The total net proceeds raised under the private placement were approximately $43.3 million.

On June 29, 2010, the Corporation announced that it had closed a private placement of 80,403,400 special warrants (the "Special Warrants") at a price of $0.25 per Special Warrant for gross proceeds of $20,100,850 (the "Special Warrants Offering"). Each Special Warrant entitled the holder thereof to receive, without the payment of any additional consideration, one Common Share of the Corporation on the exercise or deemed exercise. All unexercised Special Warrants were deemed to be exercised on August 3, 2010, following the Corporation receiving a receipt for its final short form prospectus.

The Special Warrants Offering was conducted by a syndicate of investment dealers led by Paradigm Capital Inc. and including GMP Securities L.P. (collectively the "Agents"). As consideration for the services of the Agents in connection with the Offering, the Corporation paid the Agents a cash commission equal to 6% of the gross proceeds of the Special Warrants Offering.

DESCRIPTION OF THE BUSINESS

The Corporation is in the business of oil and gas exploration, and its principal assets are located in Papua New Guinea, Poland and the states of Alabama, Mississippi and Oklahoma in the USA.

Reserves Data and Other Oil and Gas Information

The information contained in the Corporation's National Instrument 51-101F1 Statement of Reserves Data and Other Oil and Gas Information, evaluated by MHA Petroleum Consultants LLC ("MHA") as at September 30, 2010 (the "Reserves Statement"), the report of MHA in the form of Form 51-101F2 Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor, and Form 51-101F3 Report of Management and Directors on Oil and Gas Disclosure, each filed under the Corporation's profile on January 28, 2011 at www.sedar.com, are incorporated by reference into this AIF.

The Reserves Statement attributed gross Proved and Proved + Probable reserves to the Corporation's United States assets of 6,481MBOE and 14,512MBOE with an after tax net present value of US$18.6 million and US37.2 million respectively.

Additional Information Regarding PNG Assets

As noted above, the Corporation holds a 100% working interests in four Petroleum Prospecting Licenses ("PPLs") and one Petroleum Retention License ("PRL") through permits received from the Department of Petroleum and Energy ("DPE") for Papua New Guinea. These licenses have a six year term along with expenditure commitments for each license. The work commitments relating to these licenses are US$12 million over the next two years. These properties are subject to a 22.5% back-in participation right in favour of the government, which the government may exercise upon payment of 22.5% of the costs incurred in the development of the property. The back-in participation right includes a 2% revenue royalty payment obligation to indigenous groups, which is only payable if the government exercises its back-in participation right. There is a 2% state royalty rate and an income tax rate of 30% and 45% on gas and oil revenues, respectively.

PRL 13

PRL 13's area, comprising 2 blocks, is 162 km^2 (40,031 acres). A renewal application has been submitted to the Department of Energy & Petroleum in Papua New Guinea. Approval for the application is expected to be granted shortly. Four wells have been drilled in the license area, testing a near-surface Miocene (Darai) carbonate play. The overall results showed minimal prospectivity. Several wells drilled immediately to the north and west of the license indicate additional, untested prospectivity for the licensed area.

PPL319

The license term is from November 20, 2008 to November 19, 2014. PPL 319's area, comprising 25 blocks, is 2,025 km^2 (500,388 acres). PPL 319 lies towards the eastern end of the oil and gas producing fold belt in Papua New Guinea (PNG), approximately 30 km southeast of the Southeast Gobe oil and gas field. The area has long been known for its gas seeps and nearby oil-impregnated limestone that crops out in the Irou structure, 24 km to the northeast. Geologically, the Papua fold and thrust belt was formed in the Late Miocene to Pliocene and is thought to mainly comprise break-thrust structures. Notably, the license lies mainly within the inversion belt, but at the junction with the fold belt to the north and Aure Trough and Gulf of Panama to the east.

PPL 320

The license term is from November 20, 2008 to November 19, 2014. The area, comprising 58 blocks, is 4,698 km^2 (1,160,899 acres).

PPL 320 is in northwestern PNG in the Aitape Basin, which has no proven commercial production. Light oil seeps outside the block southeast of Aitape and thermogenic gas seeps within the block indicate prospectivity for both oil and gas. Three exploration wells drilled on a sparse seismic grid in the early 1980's proved the presence of Miocene Puwani limestone with reef debris and talus in the subsurface, but no in situ reef reservoirs have been positively identified. Fractured carbonates present a second potential reservoir objective within the block. Seismic interpretation of 422 km of 2D data, stratigraphic analysis and four structural cross-sections have provided mapping and documentation of thirteen exploration and notional leads. The Pinyare and Barida Anticlines are structural leads with potential for 425 MM barrels of mean unrisked light oil in place and are located in the jungle foothills in eastern PPL 320. The Muru Anticline is a structural lead prospective for gas in western PPL 320; it has potential for 614 Bcf unrisked gas-in-place.

PPL 321

The license term is from November 20, 2008 to November 19, 2014. The area, comprising 92 blocks, is 7,452 km^2 (1,841,422 acres).

PPL 321 is prospective for biogenic dry gas in the shallow reservoirs (Plio-Pleistocene) and thermogenic wet gas or oil in deeper reservoirs (Miocene), as in gas fields in the Gulf of Mexico, USA. Furthermore, methane to pentane (C1-C5) gas is found in Keram-1 Miocene and Pliocene sandstone and Miocene carbonates. Finally, there is potential for both stratigraphic and structural plays, reservoirs and seals. The general conclusion to date is that the risk of hydrocarbon generation is relatively low when compared to trap risk. The high trap risk is predicated upon four previously drilled wells within the license, which have proved no hydrocarbons.

PPL 322

The license term is from November 20, 2008 to November 19, 2014. The area, comprising 97 blocks, is 7,859 km^2 (1,941,504 acres).

PPL 322, in northwestern PNG, covers the easternmost Aitape Basin and the Wewak Trough, as well as the northeastern Sepik Basin. Neither of the basins has a proven record of commercial hydrocarbon production though light oil seeps with associated thermogenic gas indicate prospectivity for both oil and gas. The analysis of available data in the form of geological maps and previous exploration reports defined three exploration leads in the license areas. The Wapa'Alua Anticline is a structural lead prospective for oil and gas just to the east of the Barida structure in PPL 322. In both the Matapau and Forok leads, which are located around persistent oil seepages, a mature source system has been proven. The risk in this area is whether there is adequate presence of reservoir below the thrust sheets.

The Corporation has secured the services of a data management company, United Datawyse Ltd., to provide a range of secure data archival and online data management services in respect of the Corporation's Papua New Guinea assets. By creating multiple copies of digital geological, seismic, and administrative data, business assets are protected and significant value is added to the Corporation. The provider maintains an online catalogue of all archived data which can be securely accessed by the client from anywhere with an internet connection. The Corporation's geological and geophysical teams are reviewing all of the Corporation's Papua New Guinea license holdings and prioritizing the areas of focus to those that have the best chance of commercial success following a thorough technical and business model review on each PPL and on the PRL. LNG has acquired high resolution airborne magnetic (or HRAM) and gravity surveys ("HRAM & Gravity") to aid in identifying areas for follow-up 2D seismic acquisition. Based upon the combination of HRAM & Gravity and 2D seismic surveys, a portfolio of exploration leads of varying risk profiles and drill-ready prospects are anticipated to emerge. The HRAM & Gravity survey has begun and encompasses substantially all our PPLs, with results expected to be reviewed in 2010. The Corporation has also announced a 2D seismic acquisition program in conjunction with InterOil Corporation, who will also manage the program. The seismic program includes the acquisition and interpretation of a 27km north-south line that is located 50m west of the boundary between PPL 319 and InterOil's PPL 237. Final data acquisition has been completed and the Corporation is currently reviewing the reports.

Additional Information Regarding United States Assets

<u>Woodford Shale</u>

LNG announced on August 20, 2009 that BWB, LNG's US subsidiary, participated in a successful exploration well targeting the Woodford shale in the Ardmore Basin of Oklahoma in May 2009. Most details of the test are being held confidential but the operator was a major US independent oil and gas producer and horizontal ("HZ") drilling was employed to drill the test.

The objective Woodford shale was encountered at approximately 11,500 feet and had a thickness of over 300 net feet. The HZ lateral in the Woodford was over 5,000 feet in length and after casing was run the well was hydraulically fractured in multiple stages. Initial production exceeded 3 mmcf/day, with 300 BOPD and associated natural gas liquids, at a surface flowing pressure in excess of 1,000 psi. The Woodford shale is a resource play with an estimated 200-300 BCF/section in-place.

BWB has completed all legal regulatory submissions to the Oklahoma Corporate Commission to become the recognized operator to drill the offsetting two sections to the south. These two sections, where BWB has a 77.8% and 50.1% working interest respectively, are part of a contiguous 12 section block that BWB believes contains the Woodford shale with similar geological properties as those experienced in the original non-operated HZ well. At present, geophysical and drilling studies are being performed to compliment a detailed economic analysis to evaluate the drilling of the first of two to four HZ Woodford shale wells by BWB in these two sections. Since September 2009, BWB has purchased and interpreted more than 70 miles of 2D seismic data that was used to define the Ardmore Basin's structural setting within and adjacent to existing acreage. During the 2D geophysical project's interpretation, it became apparent that in order to drill 4000'-5000' HZ Woodford shale laterals, 3D seismic data would be required to maintain directional drilling control. Consequently, BWB acquired the license for a modern 3D data set that covers substantially all of its Carter County acreage. It is anticipated that 3D seismic interpretation, accurately defining HZ wellbore trajectories, will be completed in mid 2010. A preliminary internal reservoir engineering analysis suggests effective shale resource drainage requires four to eight HZ wells per section. This area of the Ardmore Basin has existing oil and gas gathering infrastructure that is capable of transporting and processing all anticipated gas and liquid production for sale. Pending a successful technical and economic assessment, spudding of the first HZ well in this initial program is anticipated within the one year timeframe mandated by the Oklahoma Corporate Commission approval process with BWB as operator.

<u>Black Warrior Basin</u>

In September 2009, BNK drilled its first well, the Hickman Farms 30-15 to a total depth of 5,475ft. Four zones were subsequently tested in the well unsuccessfully and the well was plugged and abandoned in July 2010. BNK air drilled the WS Lee 26-12 again targeting the Pottsville tight gas sands in July 2010. This well reached a total depth of 8,011ft. Testing has been completed without economic quantities of gas being produced. The well is being plugged and abandoned.

BNK has entered into an Exploration Agreement with BWB in regard to the Black Warrior acreage whereby BNK can earn up to a 50% working interest in a portion or all of the approximately 65,000 Black Warrior acres by drilling a series of test wells on identified prospects. The exploration program requires BNK to pay for BWB's share of costs in an eight well test program. BNK is currently projected to incur an expenditure of up to US$10 million in the eight well program in order to earn the 50% working interest. BNK is committed to drill three wells, the first of which is the Hickman Farms 30-15 well mentioned above. Failure to commence any of these three wells on scheduled dates will subject BNK to liquidated damages of $500,000 per well. The leases in Pickens County have an expiry range between 1 to 3 years with the latest expiring in 2013.

Additional Information Regarding Polish Assets

Saponis

This opportunity is primarily targeting an Ordovician/Silurian aged resource play within the Baltic Basin, consisting of gas shales with a minimum gross thickness of 1000 ft (300m) and a maximum gross thickness of 3300 ft (1100m) over all three concession areas. The resource presence is defined by wells that have been extensively cored (core intervals exceed 1000 m) for both scientific and exploration purposes by Polish research institutes over the last 50 years. Sampling of existing well cores has been completed, with testing having been initiated within laboratories familiar with characterizing US based gas resource plays. Preliminary core test results and resource characterization have been extremely encouraging relative to known US shale gas arenas and have provided the technical rationale for participation.

The Corporation holds a 20% interest in three concessions (Slupsk, Starogard and Slawno) held by BNK's subsidiary Saponis Investments SP. z.o.o. License commitments will require the Corporation to finance its proportionate share of the drilling and testing of one exploration well per concession before the end of June 2011. The 1st of three wells, one per concession, was spudded in December 2010.

LNG, in conjunction with its partners, shot two 10 km 2D seismic lines through the planned well locations on each of the three concessions in order to avoid faults so that all targeted intervals will be encountered in the first test well on each concession. The additional work program was proposed in concession amendments and approved by the Polish Ministry of Environment in late June 2010. The concession amendments also included an extension of the spudding deadline on the first well in the Slupsk concession (Lebork S-1) to June 2, 2011 and on the first well in the Starogard concession (Starogard S-1) to December 2, 2011 to allow the Company to utilize both the new seismic data and the information gathered on the Wytowno S-1 well on the Slawno Concession which was spudded in December 2010. The amendments also extended the deadline of drilling the 2nd well on the Slupsk concession to December 2012 and the 2nd well on the Starogard concession to June 2013.

The first well, Wytowno S-1, in the Slawno concession was spudded in December 2010. The well has been drilled to its total depth of 3,580 meters and is currently being prepared to have casing run and cemented. Approximately 200 sidewall cores have been taken for analysis of the physical parameters of the rock. These core samples will be analysed to obtain, porosity, permeability, total organic carbon, rock evaluation pyrolysis, thermal maturity, gas composition, micropaleontology, and mechanical properties. The Company estimates that it will take about 45 days to do a complete analysis of this core data after which a fracture stimulation of the wellbore can begin.

Once casing has been run in the Wytowno well and cemented in place, the rig will be demobilized and immediately relocated to the Lebork well location on the Slupsk concession to begin drilling operations. The Lebork drill site has already been completed and all permits are in place. The third well in the Starogard concession will be spudded in the second half of 2011.

Joyce Podlasie and Maryani Podlasie

The Corporation, through its wholly owned subsidiary, Kaynes Capital S.a.r.l. has acquired a 50% interest in Joyce Podlasie LLC ("Joyce") and a 50% interest in Maryani Podlasie LLC ("Maryani") from Source Energy Partners LP ("Source") for US$4 million. Joyce indirectly holds an undivided 100% interest in the Ilawa Concession in Poland and Maryani indirectly holds an undivided 100% interest the Wegrow Concession in Poland. The remaining 50% of Joyce and Maryani are both owned by Realm Energy (BVI). Together the Ilawa and Wegrow Concessions comprise approximately 360,000 acres and increases LNG's net Polish shale gas acreage by approximately 180,000 acres. This acquisition provides LNG one of the larger acreage positions in the Baltic Basin**.**

Principal Product

The Corporation’s principal product is oil and gas. The Corporation believes that there are or will be available markets into which the Corporation can sell the oil or gas that it produces.

The Corporation’s PNG and Polish assets are exploration-stage assets and have not produced any oil or gas. In the case of PNG, the Corporation would have to contract with other parties to liquefy any natural gas produced for export from PNG. In the case of Poland, the Corporation understands that Poland does not have sufficient internal natural gas production to meet its domestic demand requirements and must import additional natural gas from trans-European gas pipelines. Two thirds of Poland’s domestic requirements are met by imports from Russia, Uzbekistan and Germany (Source: Ministry of Economy, Republic of Poland). Consequently, any gas production attributable to the Corporation is anticipated to be purchased within the domestic marketplace at prices substantially greater than those available within North America. At the Corporation’s Oklahoma properties within the Ardmore Basin, there is existing oil and gas gathering infrastructure, owned and operated by Atlas Pipeline Mid-Continent LLC, which is capable of transporting and processing all anticipated gas and liquid production for sale.

Competitive Conditions

The Corporation faces competition from numerous other oil and gas exploration and production enterprises, many of which have substantially greater financial resources than the Corporation. See “*Risk Factors – Competitive Conditions*” below.

Environmental Protection

Estimated costs for environmental protection and remediation are included in the Corporation’s capital cost estimates and plans. These costs are not anticipated to be material.

The Corporation’s operations are subject to environmental regulations (including regular environmental impact assessments and permitting) in the jurisdictions in which it operates. Such regulations cover a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. Under such regulations there are clean up costs and liabilities for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Environmental legislation and legislation relating to exploration and production of natural resources are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Such stricter standards could impact the Corporation’s costs and have an adverse effect on results of operations.

Employees

Currently, the Corporation has 11 employees: 4 are based in Canada, 2 in the United States and 4 in Papua New Guinea.

Foreign Operations

All of the Corporation’s assets, except cash, are located outside of Canada. The Corporation’s PNG assets and Polish assets are outside North America and are subject to the risks inherent in operating in a foreign country. See “*Risk Factors – Foreign Investments*”.

Bankruptcy and Similar Procedures

There is no bankruptcy, receivership or similar proceedings against the Corporation or any of its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by the Corporation or any of its subsidiaries within the three most recently completed financial years or during or proposed for the current financial year.

RISK FACTORS

General

The oil and gas industry is very competitive and is subject to many risks. Many of these risks are outside the Corporation's control. Management has identified certain key risks, which are discussed below, along with their potential impact on the Corporation's operations. There is no assurance that any additional commercial quantities of oil and natural gas will be discovered by the Corporation.

These risk factors could materially affect the Corporation's future operating results and could cause actual events to differ materially from those described herein.

Nature of the Oil and Gas Business

An investment in the Corporation should be considered speculative due to the nature of the Corporation's involvement in the exploration for, and the acquisition, development and production of, oil and gas. The volume of production from petroleum properties generally declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. The Corporation's Papua New Guinea and Poland assets have no reserves or production. Any proved reserves the Corporation may establish will decline as reserves are produced from its properties unless it is able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flow from operations is reduced and external sources of capital become limited or unavailable, the Corporation's ability to make the necessary capital investment to develop the Corporation's asset base of oil reserves will be impaired. In addition, there can be no assurance that even if the Corporation is able to raise capital to develop or acquire additional properties to develop the Corporation's reserves, the Corporation's future exploration, development and acquisition activities will result in proved reserves or that the Corporation will be able to drill productive wells at acceptable costs.

The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment.

Exploration, Drilling and Operating Risks

The business of exploration for and production of oil, gas and other resources involves a high degree of risk. In particular, the operations of the Corporation may be disrupted, curtailed or cancelled by a variety of risks and hazards which are beyond the control of the Corporation, including environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment, compliance with governmental requirements, explosions and other accidents. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruptions, monetary losses and possible legal liability. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though they yield some oil or gas, are not sufficiently productive to justify commercial development or to cover operating and other costs.

Oil and Gas Prices

Oil and gas prices have a direct impact on the Corporation's revenues and the value of its assets and are subject to volatile price fluctuations. The profitability of the Corporation's operations will be dependent upon, among other things, the market prices of oil and gas, which have fluctuated in the past. Prices for petroleum products are affected by numerous factors beyond the control of the Corporation including international economic and political conditions, weather, levels of supply and demand, pipeline capacity and currency exchange rates. Movements in market prices could render uneconomic any of the exploration and production activities undertaken or to be undertaken by the Corporation. If oil and natural gas prices become depressed or decline, the Corporation's potential revenue and earnings and the value of its assets would be expected to decline.

Competitive Conditions

The petroleum industry is highly competitive. The Corporation competes with other industry participants for the sourcing and availability of equipment, raw materials and component parts necessary in petroleum exploration and development. The Corporation's ability to obtain reserves in the future will depend, not only on its ability to develop or continue to develop existing properties, but also on finding and acquiring suitable producing properties or prospects for development and exploratory drilling. Competitive factors in the distribution and marketing of petroleum products include price, methods, pipeline access and reliability of delivery and availability of imported products. Competitive factors in the distribution and marketing of petroleum products include but are not limited to price, methods and reliability of delivery, all of which may be affected by factors beyond the Corporation's control, and could adversely affect the Corporation's financial condition and results of operations.

Title to properties

Title to oil and gas interest is often not capable of conclusive determination, without incurring substantial expense. In accordance with industry practice, the Corporation will conduct such title review in connection with its principal properties as it believes is commensurate with the value of such properties. Governmental regulations and processing, approvals license and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. The Corporation must comply with known standards, existing laws and regulations. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations could have a material adverse impact on the Corporation's results of operations, financial condition and prospects.

Absence of Joint Operating Agreements for Joyce Podlaisie LLC and Maryani Podlaisie LLC

The Corporation, though its wholly-owned subsidiary Kaynes Capital S.a.r.l. ("Kaynes") entered into an agreement with Source Energy Partners LP pursuant to which it acquired a 50% interest in Joyce Podlasie LLC ("Joyce") and a 50% interest in Maryani Podlasie LLC ("Maryani") for aggregate consideration of US$4 million. Pursuant to the terms of the Limited Liability Company Operating Agreements for each of Joyce and Maryani, Kaynes has assumed the role of Manager for each of these entities.

The Corporation is currently in negotiations with Realm with respect to more detailed joint operating agreements wherein it is expected that the Corporation or one of its subsidiaries would be appointed as operator of each of Joyce and Maryani. However, as of the date hereof, these negotiations have not been completed. If the Corporation and Realm are unable to agree on the terms of joint operating agreements for Joyce and Maryani this could have a material adverse impact on the prospects of this venture.

Dependence on Key Personnel

The Corporation has a small management team and the loss of a key individual or the inability to attract suitably qualified personnel in the future could materially and adversely affect the Corporation's business.

Additional Financing

To the extent that external sources of capital, including through the issuance of additional Common Shares, become limited or unavailable, the Corporation's ability to make necessary capital investments to maintain or expand its oil and gas exploration and development activities will be impaired.

Reserve and Resource Estimates

Any statements regarding resources and reserves contained herein are only estimates, and the actual production and ultimate reserves from the properties may be greater or less than such estimates. In addition, probable reserve estimates for properties may require revision based on the actual development strategies employed to prove such reserves. Estimated reserves may also be affected by changes in oil and natural gas prices. Declines in reserves that are not offset by the acquisition or development of additional reserves may reduce the underlying value of shares to shareholders.

Foreign Exchange Rates

The Corporation will be subject to normal market risks including fluctuations in foreign exchange rates. While the Corporation expects to manage its operations in order to minimize exposure to these risks, the Corporation has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. A material change in the value of any foreign currency to which the Corporation is exposed could result in a material adverse effect on the Corporation's cash flow and revenues.

Foreign Investments

The Corporation expects that its oil and gas exploration activities will take place principally outside of Canada for the foreseeable future. As such, the Corporation's operations are subject to a number of risks over which it has no control. These risks may include risks related to economic, social or political instability or change, terrorism, hyperinflation, currency non-convertibility or instability and changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, petroleum and export licensing and export duties as well as government control over domestic oil and gas pricing. The Corporation endeavours to operate in such a manner as to minimize and mitigate its exposure to these risks. However, there can be no assurance the Corporation will be successful in protecting itself from the impact of all of these risks.

Environment Regulation and Liabilities

The oil and gas industry is subject to environmental regulation. A breach of such legislation may result in the imposition of fines or issuance of clean up orders in respect of the Corporation or its properties. Such legislation may be changed to impose higher standards and potentially more costly obligations. The Corporation is putting policies and practices in place to ensure its operations conform to the standards and government regulations required for each jurisdiction in which it operates.

While the Corporation considers the risk of environmental liability to be low based on its due diligence and on past operations on the properties, there is no assurance that a significant liability will not be discovered and such an event could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

Governmental Regulations in Papua New Guinea

In addition to the government regulations to which the Corporation's other properties are subject, the Corporation's Papua New Guinea lands are subject to various federal and local governmental regulations of Papua New Guinea. Matters subject to regulation include discharge permits for drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells, and pooling of properties and taxation. From time to time, international regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas. The production, handling, storage, transportation and disposal of oil and gas, by-products thereof, and other substances and materials produced or used in connection with oil and gas operations are also subject to regulation under federal and local laws and regulations relating primarily to the protection of human health and the environment. To date, expenditures related to complying with these laws, and for remediation of environmental contamination, have not been incurred in relation to the operations of the Corporation, although the Corporation anticipates incurring such expenses as the drilling operations proceed. The requirements imposed by such laws and regulations are frequently changed and subject to interpretation, and the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on its operations.

The properties over which the Corporation holds the licenses are subject to a 22.5% back-in participation right in favour of the government, which the government may exercise upon payment of 22.5% of the expenses incurred in the development of the property. This back–in interest includes a 2% of revenue royalty payment to indigenous groups, which is only payable if the government exercises its back-in right.

Withholding Tax and Currency Exchange Controls in Papua New Guinea

The current rate of dividend withholding tax stipulated by the Income Tax Act 1959 (Papua New Guinea) is 17%. The Central Banking (Foreign Exchange & Gold) Regulation (Ch138) (Papua New Guinea) regulates the flow of currency into and out of Papua New Guinea. A Papua New Guinea company can only send Papua New Guinea Kina or a foreign currency (other than that which was the subject of a previously approved exchange) out of Papua New Guinea with the Central Bank's prior approval. These authorities or approvals are delegated to certain commercial banks as authorised dealers up to certain limits. The limits to exchanging and remitting foreign currency overseas from Papua New Guinea are K200,000 per annum without further tax clearance from the Internal Revenue Commission and K500,000 in aggregate per annum without further Central Bank approval (100,000 Papua New Guinea Kina is equivalent to approximately $37,000 at current exchange rates).

General Economic Conditions

There has been a high level of volatility in the world financial markets over the past two years. This volatility has caused investors to become less willing to provide debt or equity financing to most companies and in particular to junior resource companies. This could potentially make completing financings for the Corporation difficult in the foreseeable future.

Dividend Policy

No dividends on the Common Shares have been paid by the Corporation to date. Payment of any future dividends will be at the discretion of the Corporation’s board of directors after taking into account many factors including the Corporation’s operating results, financial condition and current and anticipated cash needs.

Dilution

Further equity issuances may substantially dilute the interests of the Corporation’s shareholders and may have an adverse effect on the market price of the Common Shares. The Corporation may require additional funds to fund its exploration and development programs or acquisitions. If the Corporation issues additional equity securities, such issuances may substantially dilute the interests of shareholders. Issuances of substantial amounts of the Corporation’s securities, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Corporation’s securities. A decline in the market prices of the Corporation’s securities could impair its ability to raise additional capital through the sale of securities should it desire to do so.

Third Party Credit Risk

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

Conflicts of Interest

Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies involved in natural resource exploration, development and oil and gas operations and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the Business Corporations Act (British Columbia) and other applicable laws.

Delays in Production, Marketing and Transportation

Various production, marketing and transportation conditions may cause delays in oil production and adversely affect the Corporation's business. Drilling wells in areas remote from distribution and production facilities may delay production from those wells until sufficient reserves are established to justify construction of the necessary transportation and production facilities. The Corporation's inability to complete wells in a timely manner would result in production delays. Because there is less developed infrastructure in some areas in which the Corporation holds its interests, the Corporation is subject to the risk that building of the necessary infrastructure will not be timely. In addition, marketing demands, which tend to be seasonal, may reduce or delay production from wells. The marketability and price of oil that may be acquired or discovered by the Corporation will be affected by numerous factors beyond the control of the Corporation. The Corporation is also subject to deliverability uncertainties related to the proximity of its reserves to adequate pipeline and processing facilities and extensive government regulation relating to price, taxes, royalties, licences, land tenure, allowable production, the export of oil and many other aspects of the petroleum business.

Decommissioning Costs

The Corporation may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines which it may use for production of oil and gas. Abandonment and reclamation of facilities and the costs associated therewith is often referred to as "decommissioning". There are no immediate plans to establish a cash reserve account for these potential costs. Rather, the costs of decommissioning are expected to be paid from the proceeds of production in accordance with the practice generally employed in oilfield operations. The Corporation makes a provision for asset retirement obligations in the financial statements in accordance with Canadian generally accepted accounting principles; however, there is no requirement to set up cash reserves. Should decommissioning be required, the costs of decommissioning may exceed the value of hydrocarbon reserves remaining at any particular time to cover such decommissioning costs. The Corporation may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could have a materially adverse effect on the Corporation's financial position and future results of operations.

Litigation

Legal proceedings, claims or alleged claims may arise from time to time in the course of the Corporation's business and operations. There have been a number of cases where the rights and privileges of petroleum companies have been the subject of litigation. The Corporation cannot predict whether such litigation may be brought against the Corporation in the future from time to time or that it may be subject to any other form of litigation or claim.

Labour

The Corporation is dependent on local labour to carry out site work in its licensed areas in the various jurisdictions in which it carries on business. The Corporation has directly employed local workers and is subject to local labour laws. While the Corporation has not been materially adversely affected by any labour related developments or industrial action in the past, there can be no assurance that such developments or actions may not occur in the future.

Such occurrences may have a material adverse impact on the business, operations, prospects and financial performance of the Corporation.

Uninsured Risks

The Corporation, as a participant in hydrocarbon extraction projects, may become subject to liability for hazards which cannot be insured against or against which it may elect not to be insured because of high premium costs or other commercial reasons. The Corporation may incur liabilities to third parties (in excess of any insurance coverage) arising from pollution or other damage or injury. There can be no assurance that the Corporation will be able to obtain insurance at reasonable rates (or at all) or that any coverage it obtains will be adequate and available to cover any such claims.

Reliance on Third Party Operators and Key Personnel

To the extent that the Corporation is not the operator of its properties, the Corporation will be dependent upon other guarantors or third parties' operations for the timing of activities and will be largely unable to control the activities of such operators. In addition, the Corporation's success depends, to a significant extent, upon management and key employees. The loss of key employees could have a negative effect on the Corporation. Attracting and retaining additional key personnel will assist in the expansion of the Corporation's business. The Corporation faces significant competition for skilled personnel. There is no assurance that the Corporation will successfully attract and retain personnel required to continue to expand its business and to successfully execute its business strategy.

DIVIDENDS

The Corporation does not intend to declare or pay any cash dividends on the Common Shares in the foreseeable future. Any determination to pay any future dividends will be at the discretion of the Corporation's board of directors and will be made taking into account its financial condition and other factors deemed relevant by the board. The Corporation has not paid any dividends since its incorporation.

DESCRIPTION OF CAPITAL STRUCTURE

Authorized Capital

The authorized share capital of the Corporation consists of an unlimited number of Common Shares without par value. As of September 30, 2010, 257,234,365 Common Shares were issued and outstanding. As of the date of this annual information form, there were 257,909,365 Common Shares issued and outstanding.

Common Shares

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Corporation, to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Corporation's board of directors at its discretion from funds legally available therefore and upon the liquidation, dissolution or winding up of the Corporation are entitled to receive on a pro rata basis the net assets of the Corporation after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSXV under the symbol "LNG". The following table sets forth information relating to the trading of the Common Shares on the TSXV for the months indicated:

Month	High ($)	Low ($)	Volume (#)
October 2009	$0.44	$0.225	17,479,092
November 2009	$0.27	$0.17	8,741,452
December 2009	$0.255	$0.18	11,835,995
January 2010	$0.37	$0.23	8,638,012
February 2010	$0.27	$0.225	3,226,254
March 2010	$0.395	$0.24	15,943,167
April 2010	$0.46	$0.285	15,190,512
May 2010	$0.36	$0.25	4,550,712
June 2010	$0.30	$0.24	11,950,732
July 2010	$0.31	$0.20	4,746,216
August 2010	$0.32	$0.24	3,942,358
September 2010	$0.28	$0.25	5,354,124
October 2010	$0.39	$0.23	18,622,574
November 2010	$0.45	$0.32	42,623,083
December 2010	$0.49	$0.37	14,558,499
January 2011	$0.73	$0.46	44,901,216
February 2011(1)	$0.71	$0.54	23,766,538

(1) This includes the price range and volume traded for February 1, 2011 to February 24, 2011.

The price of the Common Shares as quoted by the TSXV at the close of business on September 30, 2010 was $0.34 and as quoted by the TSXV at the close of business on February 24, 2011 was $0.64.

Prior Sales

Except as otherwise described in this annual information form or as set out below the Corporation has not issued any securities other than Common Shares during the period beginning October 1, 2008 and ending February 24, 2011.

Date of Issuance	Number of Common Shares Issued	Issuance Price
December 7, 2009(1)	75,000	$0.20
January 12, 2010(1)	150,000	$0.19
May 6, 2010(2)	32,000,000	$0.28
May 11, 2010(1)	10,000	$0.19
August 5, 2010(1)	500,000	$0.10
October 28, 2010(1)	75,000	$0.19
November 15, 2010(1)	135,000	$0.275
January 11, 2011(1)	100,000	$0.275
January 11, 2011(1)	150,000	$0.19
February 14, 2011(1)	165,000	$0.275
February 18, 2011(1)	50,000	$0.19

(1) Issued on the exercise of stock options.

(2) Issued in connection with the Kunagu Share Purchase Agreement.

The following table sets out the grants of options made during the period beginning October 1, 2008 and February 24, 2011.

Date of Grant	Number of Options Granted	Exercise Price
May 14, 2009	2,290,000	$0.19
January 14, 2010	300,000	$0.30
November 4, 2010	2,500,000	$0.33
November 23, 2010	500,000	$0.35

ESCROWED SECURITIES

None of the Corporation's Common Shares are, to the Corporation's knowledge, in escrow or subject to contractual restrictions on transfer.

DIRECTORS AND OFFICERS

The following table sets forth the name, province/state and country of residence, position held with the Corporation and principal occupation of each person who is a director and/or an officer of the Corporation.

Name and Province and Country of Residence (1)	Position(s) with the Corporation	Principal Occupation
Dave Afseth Alberta, Canada	President and Chief Executive Officer since May 13, 2009	President and Chief Executive Officer of LNG Energy Ltd.
Paul Larkin(2)(3)(4) British Columbia, Canada	Director since June 10, 2003	President of New Dawn Holdings Ltd.
Richard G. Green(2)(4) Texas, USA	Director since August 10, 2006	Oil and Gas Consultant
Robert Cross(3) British Columbia, Canada	Director since November 26, 2007	Serves as independent director and, in some cases, non-executive Chairman of public companies principally in the resource sector.
David Cohen(2)(3)(4) British Columbia, Canada	Chairman and Director since November 26, 2007	Chairman and Chief Executive Officer of Gold Wheaton Gold Corp.
Danny Lee	Chief Financial Officer since April 28, 2008 and Corporate Secretary	Chief Financial Officer of LNG Energy Ltd.

Name and Province and Country of Residence [(1)]	Position(s) with the Corporation	Principal Occupation
British Columbia, Canada	since May 13, 2009	
Richard Scherer Texas, USA	Vice President, Engineering & Business Development since January 1, 2010	Vice President, Engineering & Business Development of LNG Energy Ltd.
William Begley Texas, USA	Executive Vice President since November 2, 2010	Executive Vice President of LNG Energy Ltd.

(1) Each director will hold their office until the next annual meeting of shareholders, or until their successors are elected or appointed.

(2) Member of the Audit Committee of the Corporation.

(3) Member of the Compensation, Nominating and Corporate Governance Committee of the Corporation.

(4) Member of the Reserves Committee of the Corporation.

The principal occupations, businesses or employments of each of the Corporation's directors and officers within the past five years are disclosed in the brief biographies set forth below.

Dave Afseth – President and Chief Executive Officer. Dave Afseth has over 30 years experience in oil and gas drilling, completion and construction. He managed Burlington Resources Canada's drilling program from 2001 to 2007. He has also served as the Drilling and Completions Manager with Poco Petroleums Ltd. prior to it being acquired by Burlington Resources Canada. He has also managed drilling programs with Shell Canada, Canada Northwest Energy and Columbia Oil and Gas.

Paul Larkin – Director. Paul Larkin is currently the President of New Dawn Holdings, an independent consulting firm which provides administration and financial advisory services to private and public. He is also the Chief Executive Officer and President of Tyner Resources Ltd., a director and Chairman of the Audit Committee of U.S. Geothermal Inc. and a director and audit committee member of Condor Resources Inc., Westbridge Energy Corporation and Kenai Resources Ltd. Mr. Larkin has over 34 years experience in corporate finance and capital markets, having held various corporate finance positions in the Canadian banking system, and has served as audit, compensation and executive committee member for numerous public companies.

Richard G. Green – Director. Richard G. Green has over 36 years of experience in the oil and gas industry. He was the Chief Executive Officer, president and director of Saxon Oil Company from 2006 to 2009 and Senior Vice-President of LaRoche Petroleum Consultants Ltd., a private Texas oil and gas consulting corporation, prior to that. He has worked for Shell Oil Company and several independent oil companies and founded his own exploration and production firm from 1986 to 1993. He also served as Vice-President of Geology for Netherland, Sewell & Associates. Mr. Green is a graduate from Kansas State University with a B.S. and is a member of numerous professional societies. He is also an AAPG Certified Petroleum Geologist and Registered Geoscientist – Kansas and Texas.

Robert M.D. Cross – Director. Robert Cross has more than 20 years of experience as a financier in the mining and oil & gas sectors. He is a co-founder and Non-Executive Chairman of Bankers Petroleum Ltd., Non-Executive Chairman of B2Gold Corp., co-founder and Chairman of Petrodorado Energy Ltd., and until October 2007, was the Non-Executive Chairman of Northern Orion Resources Inc. Between 1996 and 1998, Mr. Cross was Chairman and Chief Executive Officer of Yorkton Securities Inc. From 1987 to 1994, he was a Partner, Investment Banking with Gordon Capital Corporation in Toronto. He has an Engineering Degree from the University of Waterloo, and received his MBA from Harvard Business School in 1987.

David Cohen – Chairman of the Board Director. David Cohen is the Chairman and Chief Executive Officer of Gold Wheaton Gold Corp. and the co-founder and Chairman of Eastern Platinum Ltd. He was the President and Chief Executive Officer of Northern Orion Resources Inc. from August 2002 to October 2007. He has over 20 years of international experience including operating and management positions with De Beers, Anglo American and

Fluor Corporation. He is a Professional Chemical Engineer and holds an MBA from the Graduate School of Business of the University of the Witwatersrand in South Africa.

Danny Lee – Chief Financial Officer. Danny Lee is a Chartered Accountant with over 15 years experience in the resource sector including experience with public company regulatory compliance, international tax planning, systems conversions, treasury management, human resources and financial database management. He was the Chief Financial Officer of Transeuro Energy Corp. from 2005 to 2008 which has operations in Papua New Guinea, Ukraine, Armenia and Canada. He holds a B.Comm from the University of British Columbia and articled with Deloitte & Touche in Vancouver, Canada.

William (Bill) Begley – Executive Vice President. Bill Begley has over 25 years of experience in the energy and energy finance sectors, beginning his career with British Petroleum. Besides BP, he has held senior management positions with Solomon, Inc., Stone & Webster (President) and Magellan Petroleum (CFO). Active in the US, EU and Australia, Bill has been involved in over $100 billion in mergers, acquisitions and related transactions in the past ten years. In Europe Mr. Begley had advised: Ruhrgas, RWE, Wingas, and Thuga, the four major natural gas groups in Germany. He has also been instrumental in transforming the gas operations of Montedison (IT), Gaz de France (FR), and GDP (Port.). As an advisor, before joining LNG Energy, he has also advised, Qatar Gas, Gasprom, ENI, Ras Gas, ExxonMobil, Shell, and others

Richard Scherer – Vice President, Engineering & Business Development. Richard Scherer has over 20 years of experience within large multinational, independent and junior exploration and production companies. His professional roles have included: production, reservoir, drilling & completions, exploration and business development, within the domestic, frontier arctic, offshore and international arenas. Most recently, Mr. Scherer co-founded Petrolera Austral, LLC. Mr. Scherer worked within Anadarko Petroleum Corporation's Worldwide Exploration Group as a senior member of multi-disciplinary teams focused on commercializing stranded gas as liquefied natural gas bound for North American markets, Russian and former Soviet Block business development and deep water Gulf of Mexico exploration, respectively. He has held various progressive senior level positions with Burlington Resources Canada, Poco Petroleums Ltd., Gardiner Exploration Limited and Imperial Oil Resources Limited (Exxon's Canadian Subsidiary). He is a Professional Engineer with degrees in both Petroleum Engineering (UofA’89) and Geology (UBC’86).

As at September 30, 2010, the directors and executive officers of LNG, as a group, beneficially owned, directly and indirectly, or exercised control or direction over 7,422,000 Common Shares, representing 2.9% of the total number of Common Shares outstanding before giving effect to the exercise of options or warrants to purchase Common Shares held by such directors and executive officers. The statement as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of LNG as a group is based upon information furnished by the directors and executive officers.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Corporation is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Corporation) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially control of the Corporation, (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Corporation) 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; or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the Corporation's knowledge, and other than as disclosed in this annual information form, there are no known existing or potential material conflicts of interest between the Corporation and any director or officer of the Corporation, except that certain of the directors and officers serve as directors and officers of other public companies, and therefore it is possible that a conflict may arise between their duties as a director or officer of the Corporation and their duties as a director or officer of such other companies. See "Risk Factors — Conflicts of Interest".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the best of the Corporation's knowledge, there are no material legal proceedings by or against the Corporation or affecting any of its interests as of the date of this annual information form, nor are we aware that any such proceedings are contemplated.

Furthermore, there are no (a) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during its most recently completed financial year; (b) other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision in the Corporation; and (c) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority during its most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below and elsewhere in this annual information form, no director, executive officer or 10% shareholder of the Corporation or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada and the register of transfers for the Common Shares is held at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

AUDITORS

The Corporation's auditors are KPMG LLP, Chartered Accountants, 2700-205, 5 Avenue SW, Calgary AB, T2P 4B9 ("KPMG"). KPMG is independent of the Corporation according to the rules of professional conduct of the Institute of Chartered Accountants of Alberta.

MATERIAL CONTRACTS

The only material contracts entered into by the Corporation within the year ended September 30, 2010 or since such time or before such time that are still in effect, other than in the ordinary course of business, are as follows:

1. the Black Warrior Exploration Agreement referred to under the heading "General Development of the Business – United States and Poland;

2. the Kunagu Share Purchase Agreement referred to under the heading "General Development of the Business – United States and Poland"; and

3. the Unit Purchase Agreement referred to under the heading "General Development of the Business – United States and Poland".

Each of these contracts is available under the Corporation's profile on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

MHA Petroleum Consultants LLC ("MHA") prepared the Form 51-101F2 - Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor, which is addressed to the Board of Directors of the Corporation.

To the knowledge of the Corporation, none of the persons named above beneficially owns, directly or indirectly, or exercises control or direction over more than one percent of the issued and outstanding Common Shares or shares in the capital of the Corporation. None of the aforementioned persons are currently expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

AUDIT COMMITTEE

Under National Instrument 52-110 – Audit Committee ("NI 52-110"), venture issuers are required to provide certain disclosure with respect to their audit committee, including the text of the audit committee's charter, the composition of the audit committee and the fees paid to the external auditor. This information with respect to the Corporation is provided in Schedule "A".

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the management information circular of the Corporation dated as of February 18, 2010 prepared in connection with the Corporation's annual and special meeting of shareholders held on March 25, 2010 which is available on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis for the year ended September 30, 2010.

SCHEDULE “A”

FORM 52-110F2

AUDIT COMMITTEE DISCLOSURE

PART 1 AUDIT COMMITTEE CHARTER

Mandate

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

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

Composition

The Committee shall be comprised of three directors as determined by the Board, the majority of whom shall be free from any relationship that, in the opinion of the Board, would reasonably interfere with the exercise of his or her independent judgment as a member of the Committee. At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee’s Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation’s financial statements. The members of the Committee shall be elected by the Board at its first meeting following the annual shareholders’ meeting.

Meetings

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

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

<u>Documents/Reports Review</u>

(a) Review and update this Charter annually.

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

(c) Confirm that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements.

External Auditors

(a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Corporation.

(b) Obtain annually, a formal written statement of the external auditors setting forth all relationships between the external auditors and the Corporation, consistent with the Independence Standards Board Standard 1.

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

(d) Take, or recommend that the full Board, take appropriate action to oversee the independence of the external auditors.

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

(f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation’s accounting principles, internal controls and the completeness and accuracy of the Corporation’s financial statements.

(g) Review and approve the Corporation’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

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

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

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

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

    (iii) such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee. Provided the pre-approval of the non-audit services is presented to the Committee’s first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

Financial Reporting Processes

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

(b) Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

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

(d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.

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

(f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.

(g) Review with the external auditors 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 confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Other

Review any related-party transactions.

PART 2 COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee consists of three directors. The following table sets out the names of the members of the Audit Committee and whether they are officers or employees, "independent" and "financially literate".

Name of Member	**Officer or Employee**	**Independent**(1)	**Financially Literate**(2)
Paul Larkin	No	No	Yes
Richard G. Green	No	Yes	Yes
David Cohen	No	Yes	Yes

(1) To be considered "independent", a member of the Audit Committee must not have any direct or indirect "material relationship" with the Corporation. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. Further, NI 52-110 considers an individual who is, or has been within the last three years, an employee or executive officer of the issuer, to have a material relationship with the issuer. Paul Larkin was President of the Corporation from August 10, 2006 to November 29, 2007 and accordingly is not considered independent.

(2) To be considered "financially literate", a member of the Audit Committee must have 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 Corporation's financial statements.

PART 3 RELEVANT EDUCATION AND EXPERIENCE

Set out below is a description of the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member.

Paul Larkin – Mr. Larkin brings in excess of 34 years of experience in corporate finance and capital markets to the Corporation. Mr. Larkin is currently President of New Dawn Holdings Ltd., an independent consulting firm providing administration and financial advisory services to a number of private and public companies including acting as Chief Financial Officer of Kenai Resources Ltd. (TSX.V: KAI). Mr. Larkin is also the Chief Executive Officer and President of Tyner Resources Ltd. (TSX.V: TIP), a director and member of the audit committee of U.S. Geothermal Inc. (TSX.V: GTH) and a director and member of the audit committee of Condor Resources Inc.(TSX.V: CN). From 1972 to 1984, Mr. Larkin held various corporate finance positions in the Canadian banking system. Mr. Larkin has also served as an audit, compensation and executive committee member for a number of public companies.

Richard G. Green – Mr. Green brings in excess of 36 years of experience in the oil and gas industry to the Corporation. Mr. Green was CEO, President and director of Saxon Oil Company Ltd. (TSX.V: SXN) from 2006 to 2009. Prior to that, he was a Senior Vice-President of LaRoche Petroleum Consultants, Ltd., a private Texas oil and gas consulting corporation. He began his career with Shell Oil Company in 1973 and from 1980 to 1986 worked for several independent oil companies prior to founding his own exploration and production firm from 1986 to 1993. From 1993 to 1996, Mr. Green was Vice-President Geology for Netherland, Sewell & Associates, Inc. Mr. Green has extensive domestic and international experience in geology, petrophysics and engineering and graduated with a B.S. in Geology from Kansas State University. He is a member of numerous professional societies and is an AAPG Certified Petroleum Geologist and Registered Geoscientist - Kansas and Texas. He is an honorary life member of the Dallas Geological Society, is a past-president of the Division of Professional Affairs of AAPG, and received the Distinguished Service Award from AAPG in 2005.

David Cohen – Mr. Cohen is the Chairman and Chief Executive Officer of Gold Wheaton Corp. and the co-founder and Chairman of Eastern Platinum Ltd. He was the President and Chief Executive Officer of Northern Orion Resources Inc. from August 2002 to October 2007. He has over 20 years of international experience including operating and management positions with De Beers, Anglo American and Fluor Corporation. He is a Professional Chemical Engineer and holds an MBA from the Graduate School of Business of the University of the Witwatersrand in South Africa.

PART 4 PRE-APPROVAL POLICIES AND PROCEDURES

Under the Audit Committee Charter, the Committee shall review and pre-approve any non-audit services provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

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

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

(iii) such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee. Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

PART 5 EXTERNAL AUDITOR SERVICE FEES

In the following table, "audit fees" are fees billed by the Corporation's external auditor for services provided in auditing the Corporation's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit review of the Corporation's financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories. All amounts in the table are expressed in Canadian dollars.

The aggregate fees billed by the Corporation's external auditors KPMG in each of the last two fiscal years, by category, are as follows:

Financial Year	Audit Fees	Audit Related Fees	Tax Fees	All other fees
September 30, 2010	$92,858	$25,500	NIL	$71,400
September 30, 2009	$93,240	$7,112	$5,430	NIL

PART 6 EXEMPTION

The Corporation has not relied upon any exemptions under National Instrument 52-110.