



MAGNUM ENERGY INC.

ANNUAL INFORMATION FORM

For the fiscal year ended August 31, 2010

March 18, 2011

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ABBREVIATIONS AND CONVERSION

In this Annual Information Form, the following abbreviations and terms have the meanings set forth below:

Oil and Natural Gas Liquids

bbl	barrel
bbls	barrels
bbls/d	barrels per day
mbbls	thousand barrels
mmbtu	million British thermal units
mstb	thousand standard tank barrels
NGLs	natural gas liquids
stb	standard tank barrel

Natural Gas

bcf	billion cubic feet
GJ	gigajoule
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day

Other

API	American Petroleum Institute
oAPI	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28o API or higher is generally referred to as light crude oil.
boe	barrel of oil equivalent on the basis of 1boe to 6 mcf of natural gas. BOEs may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6 mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
boe/d	barrels of oil equivalent per day
m	thousand
m ³	cubic metres
mboe	thousand barrels of oil equivalent
M\$ or \$000s	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil or standard grade

METRIC CONVERSION TABLE

The following table sets forth certain factors for converting metric measurements into imperial equivalents.

To convert from	To imperial units	Multiply by
boe	mcf	6
mcf	cubic metres (m ³)	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres (m ³)	0.159
cubic metres (m ³)	bbls	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres (km)	1.609
kilometres (km)	miles	0.621
acres	hectares	0.405

GLOSSARY

In this Annual Information Form, the following words and phrases have the meanings set forth below, unless otherwise indicated:

“ABCA” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

“bitumen” means a highly viscous oil which is too thick to flow in its natural state, and which cannot be produced without altering its viscosity;

“Board of Directors” means the board of directors of the Corporation, as constituted from time to time;

“Common Shares” means Class A voting common shares in the capital of Magnum as presently constituted;

“Corporation” or “Magnum” means Magnum Energy Inc.;

“crude oil” or “oil” means a mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids;

“development costs” means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs or support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems;

“development well” means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive;

“exploration costs” means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas

reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as “prospecting costs”) and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as “geological and geophysical costs”);
- (b) costs of carrying and retiring unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells;

“forecast prices and costs” means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future; and
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the reporting issuer is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a);

“future net revenue” means the estimated net amount to be received with respect to the development and production of reserves (including synthetic oil, coal bed methane and other non-conventional reserves) estimated using constant prices and costs or forecast prices and costs;

“gross” means:

- (a) in relation to the Corporation’s interest in production or reserves, its “company gross reserves”, which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;
- (b) in relation to wells, the total number of wells in which the Corporation has an interest; and
- (c) in relation to properties, the total area of properties in which the Corporation has an interest;

“heavy oil” means a dense, viscous oil with a high proportion of bitumen, which is difficult to extract with conventional techniques and is more costly to refine;

“net” means:

- (a) in relation to the Corporation’s interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interest in production or reserves;
- (b) in relation to the Corporation’s interest in wells, the number of wells obtained by aggregating the Corporation’s working interest in each of its gross wells; and
- (c) in relation to the Corporation’s interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation;

“NI 51-101” means the National Instrument 51-101 — *Standard of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators;

“operating costs” or “production costs” means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities;

“Option Plan” means the stock option plan of the Corporation;

“possible reserves” means those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves;

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

“production” means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas;

“proved reserves” are those reserves 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;

“reserves” are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates being “proved reserves”, “probable reserves” and “possible reserves”;

“Ryder Scott” means Ryder Scott Company Petroleum Consultants, independent oil and gas reservoir engineers for the Corporation’s properties in Alberta;

“Ryder Scott Report” means the report dated November 25, 2010 prepared by Ryder Scott;

“Shareholder” means a holder of record of one or more Common Shares;

“TSXV” means the TSX Venture Exchange Inc.;

“undeveloped reserves” are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned. In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator’s assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status;

“unproved property” means a property or part of a property to which no reserves have been specifically attributed;

“well abandonment costs” means costs of abandoning a well (net of salvage value) and of disconnecting the well from the surface gathering system. They do not include costs of abandoning the gathering system or reclaiming the wellsite;

“Working Interest” means the net interest held in an oil and natural gas property which normally bears its proportionate share of the costs of exploration, development and operations as well as any royalties or other production burdens.

FORWARD LOOKING INFORMATION

This Annual Information Form contains forward-looking information. This information relates to future events or future performance of the Corporation. When used in this Annual Information Form, the words "may," "would," "could," "will," "intend," "plan," "anticipate," "believe," "estimate," "predict," "seek," "propose," "expect," "potential," "continue," and similar expressions, are intended to identify forward-looking information. This information involves known and unknown risks, uncertainties, and other factors that may cause actual results of events to differ materially from those anticipated in such forward-looking information. This information reflects the Corporation's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation's actual results, performance, or achievements to vary from those described in this Annual Information Form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking information prove incorrect, actual results may differ materially from those described in this Annual Information Form as intended, planned, anticipated, believed, estimated, or expected. Specific forward-looking information in this Annual Information Form includes, among others, information pertaining to the following:

Factors upon which the Corporation will decide whether or not to undertake a specific course of action:

- world wide supply and demand for petroleum products;
- expectations regarding the Corporation's ability to raise capital;
- treatment under governmental regulatory regimes; and
- commodity prices and exchange rates.

With respect to forward-looking information in this Annual Information Form, Primary has made assumptions, regarding, among other things:

- the impact of increasing competition;
- the Corporation's ability to obtain additional financing on satisfactory terms;
- commodity prices and exchange rates; and
- the Corporation's ability to attract and retain qualified personnel.

The Corporation's actual results could differ materially from those anticipated in this forward-looking information as a result of the risk factors set forth below and elsewhere in this Annual Information Form including, without limitation, the following:

- general economic conditions;
- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;

- the availability of capital;
- alternatives to and changing demand for petroleum products;
- changes in legislation and the regulatory environment; and
- other factors discussed under the heading "Risk Factors."

Furthermore, information relating to "reserves" is deemed to be forward-looking information, as it involves the implied assessment, based on certain estimates and assumptions that reserves described can be recovered and profitable in the future. Statements relating to "reserves" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Corporation's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through SEDAR at www.sedar.com. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Corporation assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

CORPORATE STRUCTURE

The Corporation was incorporated with the name "Magnum Energy Inc." under the *Company Act* (British Columbia) on June 27, 2003, and filed its Notice of Alteration under the *Business Corporations Act* (British Columbia) on April 27, 2004 and a Notice of Articles was issued thereunder on September 1, 2004. It was extra-provincially registered in the Province of Alberta on May 3, 2005, and subsequently continued under the ABCA on February 18, 2010.

The registered and records office of the Corporation is located at 550 - 1010 1st Avenue SW Calgary, Alberta T2R 1K4, and its head office is located at 1280 - 333 Seymour Street, Vancouver, British Columbia V6B 5A6.

The Corporation is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. The Common Shares are listed for trading on the TSXV under the trading symbol "MEN."

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

September 2007 to August 2008

In November 2007, the Corporation issued 1,585,000 Common Shares and share purchase warrants for an aggregate value of \$475,000 to acquire an oil producing property in the Countess area of Alberta from Countess Production Limited Partnership and Pompano Holdings Inc. Each such warrant entitled the holder to purchase an additional Common Share at an exercise price of \$0.40 per share for a period of two years. As at the date of this Annual Information Form, all such warrants have expired.

In December 2007, the Corporation issued 367,500 flow-through units under a non-brokered private placement financing at \$0.50 per unit for total proceeds of \$183,750. Each unit consisted of one Common Share issued on a "flow-through" basis and one non-transferable share purchase warrant, with each warrant entitling the holder to acquire one additional non-flow-through Common Share at a price of \$0.75 per share for a period of one year (all such warrants have expired as at the date of this Annual Information Form).

In February 2008, the Corporation commenced production from its oil-producing property in the McLeod area of Alberta. In the same month, the Corporation renounced \$1,347,330 of qualifying expenditures with respect to its flow-through shares issued in August and December 2007.

In May 2008, the Corporation sold its Countess oil producing well for cash proceeds of \$520,000.

September 2008 to August 2009

In February 2009, the Corporation increased its previously held demand revolving line of credit with a Canadian chartered bank from \$500,000 to \$800,000. The loan facility bore interest at the bank's prime lending rate plus 3% and was secured by a first fixed and floating charge debenture in the amount of \$5,000,000. In June 2009, the loan facility was further increased to \$1,400,000.

During the fiscal year ended August 2009, the Corporation drilled three gas wells in the Sedalia area of eastern Alberta. Two of these wells commenced production in April 2009, and the third commenced production in August 2009.

September 2009 to August 2010

In October 2009, the Corporation obtained a \$5,000,000 revolving operating loan facility from an Alberta financial institution. The facility was used, in part, to repay indebtedness to the Corporation's previous lender, to fund the Sedalia Acquisition (defined below) and to acquire a compressor and dehydrator for the gas processing facility at the Corporation's Sedalia property. The interest rate for the loan facility was set at the financial institution's prime lending rate plus 2% per annum. As collateral security for the loan facility, the Corporation granted a general security interest over all of its present and after-acquired property and a floating charge on all lands owned by the Corporation. The loan facility may be repaid in whole or in part at any time without penalty, and is payable in full on demand by the financial institution, who may terminate the availability of the loan facility at any time without notice.

In the same month, the Corporation acquired (the "Sedalia Acquisition") 13 gross (9.24 net) sections of lands, producing gas wells and a 30% working interest in a gas processing facility in the Sedalia area of Alberta, at a cost of \$2,825,000 before closing adjustments. The Sedalia Acquisition had an effective closing date of July 1, 2009, and was an arm's length transaction. Additionally, the Corporation issued 3,000,000 Common Shares pursuant to a private placement financing at a price of \$0.20 per share for gross proceeds of \$600,000. A business acquisition report with respect to the acquisition of the Sedalia Acquisition was not required under NI 51-102. Further discussion regarding the Sedalia Acquisition may be found in the Company's news release dated October 21, 2009.

In December 2009, the Corporation completed an additional non-brokered private placement financing, and issued 3,795,999 Common Shares at a price of \$0.51 per share, for gross proceeds of \$1,935,960.

In February 2010, the Corporation renounced \$1,935,960 in qualifying expenditures with respect to its flow-through shares issued in December 2009.

In June 2010, the Corporation issued 1,581,750 Common Shares in a private placement financing at a price of \$0.40 per share, for gross proceeds of \$632,700. Additionally, brokers' warrants to acquire a total of 110,723 Common Shares at an exercise price of \$0.40 per share with a one year expiration date were issued concurrently.

In July 2010, the Corporation issued 750,500 Common Shares in a private placement financing at a price of \$0.40 per share, for gross proceeds of \$300,200. Additionally, brokers' warrants to acquire a total of 6,860 Common Shares at an exercise price of \$0.40 per share with a one year expiration date were issued concurrently.

Subsequent to August 2010

Subsequent to the year ended August 31, 2010, the Corporation, together with its joint venture partner, Nextraction Energy Corp. ("Nextraction"), acquired (the "Viking Acquisition") certain oil assets of a private company in the Provost area of Eastern Alberta effective February 1, 2011.

The acquired assets include four producing wells with cumulative average production from the 100% owned and operated vertical wells of approximately 30 barrels of sweet light crude oil per day. Additionally, the acquired assets include a battery, disposal well, and pipelines situated on 3.25 sections of largely undeveloped land.

In consideration, the Corporation and Nextraction have paid the arm's length vendor \$2.8 million. Nextraction has funded 100% of such amount and will receive 100% of the net production revenue until the earlier of: (a) \$2.8 million having been recouped from production revenue, or until (b) the Corporation has paid to Nextraction its 50% of the purchase price. Upon \$2.8 million having been distributed by way of production revenue, all subsequent production revenue will be distributed amongst the Corporation and Nextraction equally.

Nextraction will also pay 100% of the costs to drill and complete to tie-in two horizontal wells to earn its 50% interest in the acquired assets. Any production revenue from the two wells will be distributed equally among the Corporation and Nextraction, and all subsequent costs for subsequent development will be shared by the Corporation and Nextraction equally.

A business acquisition report with respect to the acquisition of the Viking Acquisition was not required under NI 51-102. Further discussion regarding the Viking Acquisition may be found in the Company's news releases dated February 3, 2011 and March 16, 2011.

Significant Acquisitions

During the fiscal year ended August 31, 2010, the Corporation did not complete any "significant acquisitions" as that term is defined in National Instrument 51-102 - *Continuous Disclosure Obligations*.

GENERAL DESCRIPTION OF BUSINESS

The Corporation is a Canadian oil and gas exploration company with operations based in the Province of Alberta, Canada, and an administrative office in Vancouver, British Columbia. The Corporation's mandate is to acquire and develop significant working interests in a variety of oil and gas prospects.

Competitive Conditions

Companies involved in the petroleum industry must manage many risks which are beyond their direct control. Among these risks are risks associated with exploration, environment, commodity prices, foreign exchange and interest rates.

The oil and natural gas industry is intensely competitive and the Corporation competes with a substantial number of other companies, many of whom have greater financial resources. Many of such companies not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on a world-wide basis. There is also competition between the petroleum industry and other industries supplying energy and fuel to industrial, commercial and individual customers. There is no assurance that the Corporation will be able to successfully compete against its competitors. See also "Risk Factors."

Cyclical Nature of Business

The Corporation's business is generally not cyclical. The exploration and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. Seasonal weather variation affects access in certain circumstances. See also "Risk Factors".

Specialized Skill and Knowledge

Operations in the oil and natural gas industry mean that the Corporation requires professionals with skills and knowledge in diverse fields of expertise. In the course of its exploration, development and production of hydrocarbons, the Corporation utilizes the expertise of geophysicists, geologists, petroleum engineers and landmen. The Corporation faces the normal challenges of attracting and retaining sufficient employees to meet its needs. See also "Risk Factors".

Employees

As at August 31, 2010, the Corporation had two full-time employees and 6 part-time consultants. In addition, the Corporation utilizes, as required from time to time, the services of professionals on a contract or consulting basis.

Environmental Protection and Policies

The Corporation and others in the oil and gas industry are subject to various federal, provincial and local environmental laws and regulations enacted in most jurisdictions in which it operates, which primarily govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in its operations. The Corporation adheres to all such laws and regulations. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, we cannot predict the nature of the restrictions that will be imposed. The Corporation may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations. See also "Risk Factors".

Historically, environmental protection requirements have not had a significant financial or operational effect on the Corporation's capital expenditures, earnings or competitive position. Environmental requirements have not had a significant effect on such matters in fiscal 2010 nor are they currently anticipated in the future.

The Corporation has incorporated certain health, safety and environmental policies and procedures aimed at protecting the safety of the personnel and reducing the environmental impact of its operations.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

On December 14, 2010, the Corporation filed the following documents, effective August 31, 2010, as required under NI 51-101:

- NI 51-101F1 – Statement of Reserves Data and Other Oil and Gas Information;
- NI 51-101F2 – Report on Reserves Data by Independent Qualified Reserves Estimator; and

- NI 51-101F3 – Report of Management and Directors on Reserves Data and Other Information.

These documents are available through SEDAR online at www.sedar.com and are incorporated by reference in this Annual Information Form.

CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares. As of August 31, 2010, 34,512,400 Common Shares were issued and outstanding (36,716,401 Common Shares as at the date of this Annual Information Form).

The holders of the Common Shares are entitled to receive notice of and attend any meeting of the Shareholders and are entitled to one vote for each Common Share held (except at meetings where only the holders of another class of shares are entitled to vote). Subject to the rights attached to any other class of shares, the holders of the Common Shares are entitled to receive dividends, if, as and when declared by the Board of Directors and are entitled to receive the remaining property upon liquidation of the Corporation.

Other Shares

In addition, the Corporation is authorized to issue 10,000,000 Class B Voting common shares, 10,000,000 Class C Non-Voting common shares, 10,000,000 Class A preferred shares and 10,000,000 Class B preferred shares. As at the date of this Annual Information Form, there are no Class B Voting or Class C Non-Voting common shares outstanding, nor are there any Class A or Class B preferred shares outstanding.

Share Purchase Warrants

As at August 31, 2010, there were 117,583 common share purchase warrants outstanding. Each such share purchase warrant entitles the holder thereof to purchase a Common Share at a price of \$0.40 per share. Of these share purchase warrants, 110,723 share purchase warrants expire on June 22, 2011, and the remaining 6,860 share purchase warrants expire on July 28, 2011.

DIVIDENDS

The Corporation has not declared or paid any dividends on the Common Shares since incorporation. The payment of dividends in the future will be at the discretion of the Board of Directors and will be dependent on the future earnings and financial condition of the Corporation and such other factors as the Board of Directors considers appropriate.

TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading on the TSXV under the symbol "MEN." The following table sets out the price range (monthly high and low closing prices) of the Common Shares and volumes traded on the TSXV for the periods indicated (as reported by the TSXV).

Period	High (\$)	Low (\$)	Close (\$)	Volume
2009				
September	0.29	0.18	0.26	579,825
October	0.42	0.19	0.395	2,660,490
November	0.485	0.40	0.45	2,084,973
December	0.49	0.405	0.44	1,559,748
2010				
January	0.70	0.435	0.64	1,465,103
February	0.78	0.60	0.78	2,710,258
March	0.96	0.75	0.80	1,426,088
April	0.84	0.67	0.67	690,021
May	0.70	0.43	0.44	1,426,816
June	0.47	0.38	0.45	1,090,511
July	0.45	0.38	0.38	379,500
August	0.38	0.30	0.30	355,035

PRIOR SALES

The following table sets forth, for each class of securities of the Corporation that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the financial year ended August 31, 2010 and the number of securities of the class issued at that price and the date on which the securities were issued.

Date of Issuance	Securities	Number of Common Shares Issued/Issuable	Exercise Price (\$)
June 22, 2010	Warrants	117,583	\$0.40

ESCROWED SECURITIES

The Corporation has no escrowed securities.

DIRECTORS AND OFFICERS

The following table sets forth the names and municipalities of residence of the current directors and executive officers of the Corporation, their respective positions and offices with the Corporation and date first appointed or elected as a director and/or officer and their principal occupation(s) within the past five years.

Name, Province of Residence and Position with the Corporation	Director/Officer Since	Principal Occupation during the Last Five Years ⁽¹⁾
Gordon J. Dolph ⁽²⁾⁽³⁾ Director Alberta, Canada	February 19, 2009	Professional Engineer. Manager, Reservoir Engineering, Fairborne Energy Ltd., October 2010 to date; Co-founder and VP Engineering of private oil and gas company, 2006 to June 2010; Co-founder and VP Engineering of Espoir Exploration Corp., 2003 to 2006; VP Engineering and Corporate Development of Viking Energy Royalty Trust, 2001 to 2003.
Theodore H. Konyi ⁽⁴⁾⁽⁵⁾ Director British Columbia, Canada	October 1, 2003	Businessman. President, Maxwell Mercantile Inc., July 1995 to date; VP Business Development, Smartcool Systems Inc., October 2005 to April 2006
Jeffrey J. Lowe ⁽²⁾⁽⁴⁾⁽⁵⁾ Director and Corporate Secretary British Columbia, Canada	June 27, 2003	Solicitor; Managing Partner, Richards Buell Sutton LLP, 1989 to 1993 and 1994 to date

Shannon J. Matthysen Chief Financial Officer and Vice President Finance Alberta, Canada	June 1, 2008	Chartered Accountant. Vice President Finance and Chief Financial Officer of Magnum Energy Inc., June 2008 to date; independent consultant providing financial accounting and taxation services for private companies in the oil and gas industry, March 2005 to May 2008; Vice President Finance and Chief Financial Officer and controller of a public company in the oil and gas industry, January 1998 to March 2005
Richard A. Nemeth ⁽²⁾⁽³⁾ Director, President and Chief Executive Officer British Columbia, Canada	February 19, 2009	Businessman. President and Chief Executive Officer of Magnum Energy Inc., February 2009 to date; VP Corporate Development & Consultant, Magnum Energy Inc., June 2007 to January 2009; President, Nemeth Consulting, October 2006 to date; President, Nesco Capital Corp., October 2003 to October 2006; President, Financial, Public/IR, consultant services, N-Site Communications, April 1995 to September 2003
Murray M. Stewart ⁽³⁾⁽⁴⁾ Director Alberta, Canada	February 19, 2009	Professional engineer, Penn West Energy Trust, August 2008 to date; Manager, Waterflood Asset Management, November 2008 to date; Consultant, Compliance Project, August to November 2008; Consultant, Nexstar Energy Ltd., November 2007 to September 2008; President, CEO & Director, Magnus Energy Inc., April 2005 to October 2007; Manager, APF Energy Inc., 2004 to 2005; President, MacLeod Grace Consulting Ltd., 2004; Manager, NAL Resources 2000 to 2004

Notes:

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of the Corporation and has been furnished by the respective individuals. Each individual has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years unless otherwise indicated.
- (2) Denotes member of Audit Committee.
- (3) Denotes member of Reserves Committee.
- (4) Denotes member of Compensation Committee.
- (5) Denotes member of Corporate Governance Committee.

Each of the directors has been elected or appointed to serve as such until the next annual meeting of the Shareholders or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the articles or by-laws of the Corporation.

As of the date hereof, the directors and executive officers of the Corporation as a group beneficially owned, directly or indirectly, or exercised control or direction over 2,700,658 Common Shares representing 7.4% of the issued and outstanding Common Shares. In addition, the directors and executive officers of the Corporation, as a group, hold Options to purchase 2,090,000 Common Shares.

Corporate Cease Trade Orders or Bankruptcies

No director, officer or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, within 10 years before the date of this Annual Information Form, has been, a director or executive officer of any corporation that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the corporation being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(c) within a year of that person ceasing to act in such 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.

Personal Bankruptcies

No director, officer or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has within 10 years before the date of this Annual Information Form, become 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 the assets of such person.

Penalties or Sanctions

No director, officer or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to:

(a) 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

(b) 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

Certain directors and officers of the Corporation are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation. Some of the directors of the Corporation have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE

The Audit Committee is a committee of the Board of Directors to which the Board of Directors delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the shareholders, the relationship between the Corporation and the external auditor.

Pursuant to National Instrument 52-110 - *Audit Committees* ("NI 52-110") the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

Composition

The current members of the Audit Committee are Gordon J. Dolph, Jeffrey J. Lowe and Richard A. Nemeth. Gordon J. Dolph and Jeffrey J. Lowe are considered to be independent members of the Audit Committee and Richard A. Nemeth, being a member of management, is not independent.

All members of the Audit Committee are considered to be financially literate.

Charter

The Corporation has adopted a charter (the "Charter") of the Audit Committee, which is attached as Appendix "A" to this Annual Information Form.

Relevant Education and Experience

All of the current members of the Audit Committee are directors and senior officers of several reporting issuers which face the breadth and level of complexity of issues which can reasonably be expected to be raised by the Corporation's financial statements. In such capacities, they have developed an understanding of the accounting principles used by the Corporation to prepare its financial statements and in connection with the accounting for estimates, accruals and reserves and of internal controls and procedures used for financial reporting.

Audit Committee Oversight

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

Pre Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non audit services as described in the Audit Committee Charter.

Reliance on Certain Exemptions

The Corporation is relying upon the exemption from the composition requirements of its Audit Committee and the reporting obligations found in section 6.1 of NI 52-110. Since the commencement of the Corporation's most recently completed financial year end, the Audit Committee approved all non-audit services provided by the Corporation's external auditor.

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the non audited services provided by Collins Barrow Calgary LLP, Chartered Accountants, to the Corporation to ensure auditor independence. Fees incurred for audit and non audit services in the last two fiscal years for audit fees are outlined in the following table:

Nature of Services	Fees Paid to Auditor in Year Ended August 31, 2010	Fees Paid to Auditor in Year Ended August 31, 2009
Audit Fees ⁽¹⁾	\$50,000	\$50,000
Audit-Related Fees ⁽²⁾	\$ Nil	\$ Nil
Tax Fees ⁽³⁾	\$ Nil	\$ Nil
All Other Fees ⁽⁴⁾	\$ Nil	\$ Nil
Total	\$50,000	\$50,000

(1) "Audit Fees" include fees necessary to perform the annual audit of the Corporation's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(4) "All Other Fees" include all other non-audit services.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings to which the Corporation is a party or of which any of its property is the subject and there are no such proceedings known to the Corporation to be contemplated. In addition, there were no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the year ended August 31, 2010, no 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, and no settlement agreements entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the year ended August 31, 2010.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth below and herein, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer or any Shareholder holding more than 10% of the Common Shares or any associate or affiliate of any of the foregoing in any transaction within the three most recently completed financial years or during the current financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation:

- Pursuant to an agreement dated February 1, 2009 between Richard A. Nemeth and the Corporation, Mr. Nemeth provides management services to the Corporation. In the fiscal year ended August 30, 2010, the Corporation paid Mr. Nemeth \$171,000 in consideration for such services. The Company may terminate Mr. Nemeth's employment at any time (other than following a change of control), and for any reason (other than just cause), by providing:

Period of Employment with the Corporation	Total Notice or Severance Payment
At any time after June 2, 2010 and prior to June 1, 2011	8 months' notice or 8 months' base salary in lie of notice
At any time after June 2, 2011	12 months' notice or 12 months' base salary in lie of notice

- Pursuant to an agreement dated November 1, 2009 between Shannon J. Matthyssen and the Corporation, Ms. Matthyssen provides management services to the Corporation. In the fiscal year ended August 30, 2010, the Corporation paid Ms. Matthyssen \$94,513 in consideration for such services. The Corporation may terminate Mrs. Matthyssen's employment at any time (other than following a change of control), and for any reason (other than just cause), by providing:

Period of Employment with the Corporation	Total Notice or Severance Payment
At any time after June 2, 2010 and prior to June 1, 2011	8 months' notice or 8 months' base salary in lie of notice
At any time after June 2, 2011	12 months' notice or 12 months' base salary in lie of notice

Further disclosure regarding executive and director compensation can be found in the Corporation's Information Circular dated February 7, 2011, available under the Corporation's profile at www.sedar.com, which is incorporated by reference into this Annual Information Form.

TRANSFER AGENT AND REGISTRARS

The transfer agent and registrar for the Common Shares is Valiant Trust Company at its principal offices in Vancouver, British Columbia.

MATERIAL CONTRACTS

There are no material contracts entered into by the Corporation within the most recently completed financial year, or before the most recently completed financial year but which are still in effect, other than contracts entered into in the ordinary course of business.

INTEREST OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than Ryder Scott, the Corporation's independent engineering evaluators, and Collins Barrow Calgary LLP, Chartered Accountants, the Corporation's auditors.

As at the date of hereof, the principal reserve evaluators of Ryder Scott, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

Collins Barrow Calgary LLP, Chartered Accountants, is the external auditor of the Corporation and is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta, Canada.

Jeffrey Lowe, a director and the Corporate Secretary of the Corporation, is a lawyer at Richards Buell Sutton LLP, a law firm that provides legal services to the Corporation. As of the date

hereof, Mr. Lowe holds 2,078,158 Common Shares, and all other associates and partners of Richards Buell Sutton LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

RISK FACTORS

A potential investor should carefully consider the factors set forth below in deciding whether to invest in the securities of the Corporation. An investment in securities of the Corporation is suitable only to those investors who are willing to risk the loss of their entire investment. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of management of the Corporation. An investment in the securities of the Corporation is speculative and involves a high degree of risk due to the nature of the Corporation's involvement in the business of exploration for petroleum and natural gas.

The following are certain risk factors relating to the business of the Corporation which prospective investors should carefully consider before deciding whether to purchase securities of the Corporation. The following is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form.

Exploration, Development and Production Risks

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

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions.

Other companies operate some of the assets in which the Corporation has an interest. As a result, the Corporation has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Corporation's financial performance. The Corporation's return on assets operated by others therefore depends upon a number of

factors that may be outside of the Corporation's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with standard industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Although the Corporation maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Fluctuating Prices

Oil and gas prices will have a direct impact on the Corporation's earnings and are subject to volatile price fluctuations. The Corporation's revenues are expected to be in large part derived from the extraction and sale of oil and natural gas. The price of oil will be affected by numerous factors beyond the Corporation's control, including international economic and political trends, expectations of inflation, war, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. Any substantial decline in the prices of oil or natural gas could have a material adverse effect on the Corporation and the level of its oil and natural gas reserves.

Prices varied considerably throughout 2009-2010 concurrent with shifts in the global economy. Any decreases in oil and natural gas prices would typically result in a reduction of the Corporation's net production revenue and may change the economics of producing from some wells which could result in a reduction in the volume of the Corporation's reserves. Any substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in the Corporation's net production revenue, cash flows and profitability causing a reduction in its oil and gas acquisition and development activities.

In addition, bank borrowings available to the Corporation will in part be determined by the Corporation's borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore, reducing the bank credit available and could require that a portion of its bank debt, if any at that time, be repaid.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/United States dollar exchange rates, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar although the rise in the Canadian dollar may be offset by increases in oil and natural gas prices which have been significant factors in the increase in the Canadian dollar. Material increases in the value of the Canadian dollar negatively impact the Corporation's production revenues. Future Canadian/United States dollar exchange rates could accordingly impact the future value of the Corporation's reserves as determined by independent evaluators.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge.

Although the Corporation believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. There has been much public debate with respect to Canada's ability to meet these targets and the Government of Canada's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Kyoto Protocol or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Corporation. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Corporation and its operations and financial condition.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. In the event the Corporation's revenues or reserves decline, the Corporation may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The inability of the

Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations or prospects.

Additional Funding Requirements

The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing to meet these requirements will be available at all or on terms acceptable to the Corporation.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs reserves and cash flows to be derived there from, including many factors beyond the Corporation's control. The reserve and associated cash flow information set forth in this Annual Information Form represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows there from are based upon a number of variable factors and assumptions, such as historical production from the properties, future commodity prices, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected there from prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

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

In accordance with applicable securities laws, Ryder Scott has used forecast price and cost estimates in calculating reserve quantities included herein. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and revenues derived there from will vary from the estimates contained in the Ryder Scott Report and such variations could be material. Both reports are based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived there from contained in the reports will be reduced to the extent that such activities do not achieve the level of success assumed therein.

Royalty Rates

The potential for additional future changes and corresponding changes in the royalty regimes applicable in the province of Alberta have created uncertainty surrounding the ability to accurately estimate future royalties, resulting in additional volatility and uncertainty in the oil and gas market. Increases to royalty rates in jurisdictions in which the Corporation operates may negatively impact the Corporation's results from operations and its ability to economically develop existing reserves or add new reserves.

Competition

Oil and gas exploration is intensely competitive in all its phases and involves a high degree of risk. The Corporation competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Corporation's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. The Corporation's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Competition may also be presented by alternate fuel sources.

Availability of Drilling, Completion Equipment and Access

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

Title to Assets

It is the practice of the Corporation when acquiring significant oil and gas leases or interests in oil and gas leases to examine the title to the interest under the lease. In the case of minor acquisitions the Corporation may rely upon the judgment of oil and gas lease brokers or landmen who perform the field work in examining records in the appropriate governmental office before attempting to place under lease a specific interest. The Corporation believes that this practice is widely followed in the oil and gas industry. Nevertheless, there may be title defects which affect lands comprising a portion of the Corporation's properties which may adversely affect the Corporation.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

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

Seasonal Impact on Industry

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

Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Some of the directors and officers are engaged and will continue to be engaged in the search of oil and gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Corporation.

Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Corporation, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Reliance on Key Personnel

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on the Corporation. The Corporation does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract

and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

Expiration of Licenses and Leases

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

Management of Growth

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

Aboriginal Claims

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

Insurance

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

Governmental Regulation

The oil and gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possible expropriation or cancellation of

contract rights, as well as with respect to prices, taxes, export quotas, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for oil and natural gas, increase the Corporation's costs and have a material adverse effect on the Corporation.

Changes in Legislation

The oil and natural gas industry in Alberta is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record and the Corporation will be unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of oil and natural gas companies, including environmental laws and regulations, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in expenditures and costs, affect the Corporation's ability to expand or transfer existing operations or require the Corporation to abandon or delay the development of new oil and natural gas properties.

Also, Canadian federal and provincial tax laws and government incentive programs relating to the oil and gas industry have a material effect on the advisability of investing in the Common Shares. The return on an investment in securities of the Corporation is subject to changes in such laws and incentive programs and there can be no assurance that such laws or programs will not be changed in a manner which adversely affects the Corporation or the holding or disposing of Common Shares.

Permits and Licenses

The operations of the Corporation may require licenses and permits for various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and operations of its projects.

ADDITIONAL FINANCIAL AND OTHER INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

Additional information, including information as to directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Information Circular of the Corporation dated February 7, 2011, prepared in connection with the most recent annual meeting of Shareholders held on March 10, 2011 that involved the election of directors. Additional financial information is provided in the Corporation's financial statements and management discussion and analysis for the year ended August 31, 2010.

APPENDIX A AUDIT COMMITTEE CHARTER

Purpose of the Committee

The purpose of the Audit Committee (the “Committee”) of the Corporation's Board of Directors is to provide an open avenue of communication between management, the Corporation's independent auditors and the Board of Directors and to assist the Board of Directors in its oversight of:

- the integrity, adequacy and timeliness of the Corporation's financial reporting and disclosure practices;
- the Corporation's compliance with legal and regulatory requirements related to financial reporting; and
- the independence and performance of the Corporation's independent auditors.

The Committee shall also perform any other activities consistent with this Charter, the Corporation's Articles and governing laws as the Committee or Board of Directors deems necessary or appropriate.

The Committee shall consist of at least three directors. Members of the Committee shall be appointed by the Board of Directors and may be removed by the Board of Directors in its discretion. The members of the Committee shall elect a Chair from among their number. A majority of the members of the Committee must not be officers or employees of the Corporation or of an affiliate of the Corporation. The quorum for a meeting of the Committee is a majority of the members who are not officers or employees of the Corporation or of an affiliate of the Corporation. With the exception of the foregoing quorum requirement, the Committee may determine its own procedures.

The Committee's role is one of oversight. Management is responsible for preparing the Corporation's financial statements and other financial information and for the fair presentation of the information set forth in the financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”). Management is also responsible for establishing internal controls and procedures and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and all applicable laws and regulations.

The independent auditors' responsibility is to audit the Corporation's financial statements and provide their opinion, based on their audit conducted in accordance with generally accepted auditing standards, that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation in accordance with GAAP.

The Committee is responsible for recommending to the Board of Directors the independent auditors to be nominated for the purpose of auditing the Corporation's financial statements, preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, and for reviewing and recommending the compensation of the independent auditors. The Committee is also directly responsible for the evaluation of and oversight of the work of the independent auditors. The independent auditors shall report directly to the Committee.

Authority and Responsibilities

In addition to the foregoing, in performing its oversight responsibilities the Committee shall:

- Monitor the adequacy of this Charter and recommend any proposed changes to the Board of Directors.
- Review the appointments of the Corporation's Chief Financial Officer and any other key financial executives involved in the financial reporting process.
- Review with management and the independent auditors the adequacy and effectiveness of the Corporation's accounting and financial controls and the adequacy and timeliness of its financial reporting processes.
- Review with management and the independent auditors the annual financial statements and related documents and review with management the unaudited quarterly financial statements and related documents, prior to filing or distribution, including matters required to be reviewed under applicable legal or regulatory requirements.
- Where appropriate and prior to release, review with management any news releases that disclose annual or interim financial results or contain other significant financial information that has not previously been released to the public.
- Review the Corporation's financial reporting and accounting standards and principles and significant changes in such standards or principles or in their application, including key accounting decisions affecting the financial statements, alternatives thereto and the rationale for decisions made.
- Review the quality and appropriateness of the accounting policies and the clarity of financial information and disclosure practices adopted by the Corporation, including consideration of the independent auditors' judgment about the quality and appropriateness of the Corporation's accounting policies. This review may include discussions with the independent auditors without the presence of management.
- Review with management and the independent auditors significant related party transactions and potential conflicts of interest.
- Pre-approve all non-audit services to be provided to the Corporation by the independent auditors.
- Monitor the independence of the independent auditors by reviewing all relationships between the independent auditors and the Corporation and all non-audit work performed for the Corporation by the independent auditors.
- Establish and review the Corporation's procedures for the: (a) receipt, retention and treatment of complaints regarding accounting, financial disclosure, internal controls or auditing matters; and (b) confidential, anonymous submission by employees regarding questionable accounting, auditing and financial reporting and disclosure matters.
- Conduct or authorize investigations into any matters that the Committee believes is within the scope of its responsibilities. The Committee has the authority to retain independent counsel, accountants or other advisors to assist it, as it considers

necessary, to carry out its duties, and to set and pay the compensation of such advisors at the expense of the Corporation.

- Perform such other functions and exercise such other powers as are prescribed from time to time for the audit committee of a reporting company in Parts 2 and 4 of Multilateral Instrument 52-110 of the Canadian Securities Administrators, the ABCA and the Articles of the Corporation.