**WINSTAR RESOURCES LTD.**

**ANNUAL INFORMATION FORM**
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**March 17, 2011**

## TABLE OF CONTENTS

## INTERPRETATION

### Glossary

In this Annual Information Form (as defined below), the highlighted terms set forth below have the following meanings:

"**AIF**" or "**Annual Information Form**" means this Annual Information Form of the Corporation dated March 17, 2011;

"**Common Shares**" mean the common shares in the capital of the Corporation;

"**Company**" or "**Corporation**" or "**Winstar**" means Winstar Resources Ltd.;

"**crude oil**" or "**oil**" means a mixture, consisting mainly of pentanes and heavier hydrocarbons that may contain sulphur compounds, that is liquid at the conditions under which its volume is measured or estimated, but excluding such liquids obtained from the processing of natural gas;

"**gross**" means:

in relation to the Corporation's interest in production and reserves, which are the Corporation's interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Corporation;

in relation to wells, the total number of wells in which the Corporation has an interest; and

in relation to properties, the total area of properties in which the Corporation has an interest;

"**natural gas**" means the light hydrocarbons and associated non-hydrocarbon substances occurring naturally in an underground reservoir, which under atmospheric conditions is essentially a gas, but which may contain liquids. Natural gas reserve estimates are reported on a marketable basis, that is gas which is available to a transmission line after removal of certain hydrocarbons and non-hydrocarbon compounds present in the raw natural gas and which meets specifications for use as a domestic, commercial or industrial fuel;

"**natural gas liquids**" or "**NGL**" means those hydrocarbon components recovered from raw natural gas as liquids by processing through extraction plants or recovered from field separators, scrubbers or other gathering facilities. These liquids include the hydrocarbon components ethane, propane, butanes and pentanes plus, or a combination thereof;

"**net**" means:

in relation to the Corporation's interest in production and reserves, the Corporation's interest (operating and non-operating) share after deduction of royalties obligations, plus the Corporation's royalty interest in production or reserves;

in relation to wells, the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells; and in relation to the Corporation's interest in the property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation;

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

"**RPS**" means "RPS Energy Canada Ltd.", independent reserve evaluators, Calgary, Alberta;

"**RPS Report**" means the report prepared by RPS dated as of March 9, 2011 and entitled "Reserves Evaluation, Tunisian and Hungarian Properties of Winstar Resources Ltd. as at December 31, 2010"; and

"**WI**" means working interest.

**Abbreviations**

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

| Crude Oil | | Natural Gas | |
|---|---|---|---|
| bbl or bbls | barrel of oil | boepd | barrels of oil equivalent per day |
| boe | barrels of oil equivalent | $m^3$ | cubic metres of gas |
| bopd | barrels of oil per day | $m^3/d$ | cubic metres per day of gas |
| boepd | barrels of oil equivalent per day | Mboe | thousand barrels of oil equivalent |
| $m^3$ | cubic metres of oil | Mcf | thousand cubic feet of gas |
| Mbbl or mbbls | thousand barrels of oil | Mcfd | thousand cubic feet per day of gas |
| | | MMcf or mmscf | million cubic feet of gas |
| | | MMcfd or mmscf/d | million cubic feet per day of gas |

**Conversion**

| To Convert From | To | Multiply By |
|---|---|---|
| Mcf | boe | 0.16 |
| Mcf | $m^3$ | 28.174 |
| $m^3$ | cubic feet | 35.494 |
| bbl | cubic metres | 0.159 |
| cubic metres | bbl | 6.290 |
| Acres | Hectares | 0.405 |
| Hectares | Acres | 2.471 |

**Note Regarding Reserves Information**

This Annual Information Form contains disclosure expressed as "boe", "MBoe" and "boepd", among others. All oil and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent equivalency at the wellhead.

**Forward-Looking Statements**

Certain statements included in this Annual Information Form constitute forward-looking statements or information under applicable securities legislation. These statements relate 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 statements or information. These statements or information involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements or information. Such statements reflect 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 statements or information prove incorrect, actual results may vary materially from those described in this Annual Information Form as intended, planned, anticipated, believed, estimated, or expected. Specific forward-looking statements or information in this Annual Information Form include, among others, statements 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.

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

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

Although the Corporation believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on such forward-looking statements or information as the Corporation can give no assurance that such expectations will prove to be correct. The Corporation's actual results could differ materially from those anticipated in these forward-looking statements or information as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- 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
- the other factors considered under "Risk Factors" herein.

Furthermore, statements or information relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future.

The forward–looking statements or information contained in this Annual Information Form are expressly qualified in their entirety by this cautionary statement. These statements speak only as of the date of this Annual Information Form. The Corporation does not intend and does not assume any obligation, to update these forward-looking statements to reflect new information, subsequent events or otherwise, expect as required by law.

**THE CORPORATION**

The Corporation was incorporated by certificate of incorporation dated January 2, 1996 under the *Business Corporations Act* (Alberta) as 679601 Alberta Inc. The Corporation amended its articles on February 15, 1996 to, among other things, change its name to Virginia Energy Corporation and its shares were subsequently listed on the TSX Venture Exchange. On August 1, 2000, the articles of the Corporation were amended to consolidate its Common Shares on the basis of one new Common Share for each five existing Common Shares and to change the Corporation's name from Virginia Energy Corporation to Winstar Resources Ltd., and the shares began trading under the symbol "WRL". Simultaneously, the Common Shares of Virginia Energy Corporation were de-listed from the TSX Venture Exchange. On July 31, 2003, the Corporation was amalgamated with Warwick Energy Ltd. On October 25, 2005, the Corporation once again amended its articles to consolidate its Common Shares on the basis of one new Common Share for each five existing Common Shares. Effective December 29, 2006, the Common Shares began trading on the Toronto Stock Exchange under the symbol "WIX". Simultaneously, the Common Shares were de-listed from the TSX Venture Exchange.

The Corporation has its registered office at Suite 4300, 888 – 3rd Street, S.W., Calgary, Alberta, T2P 5C5 and its principal business office at Suite 845, 401 – 9th Avenue S.W., Calgary, Alberta T2P 3C5.

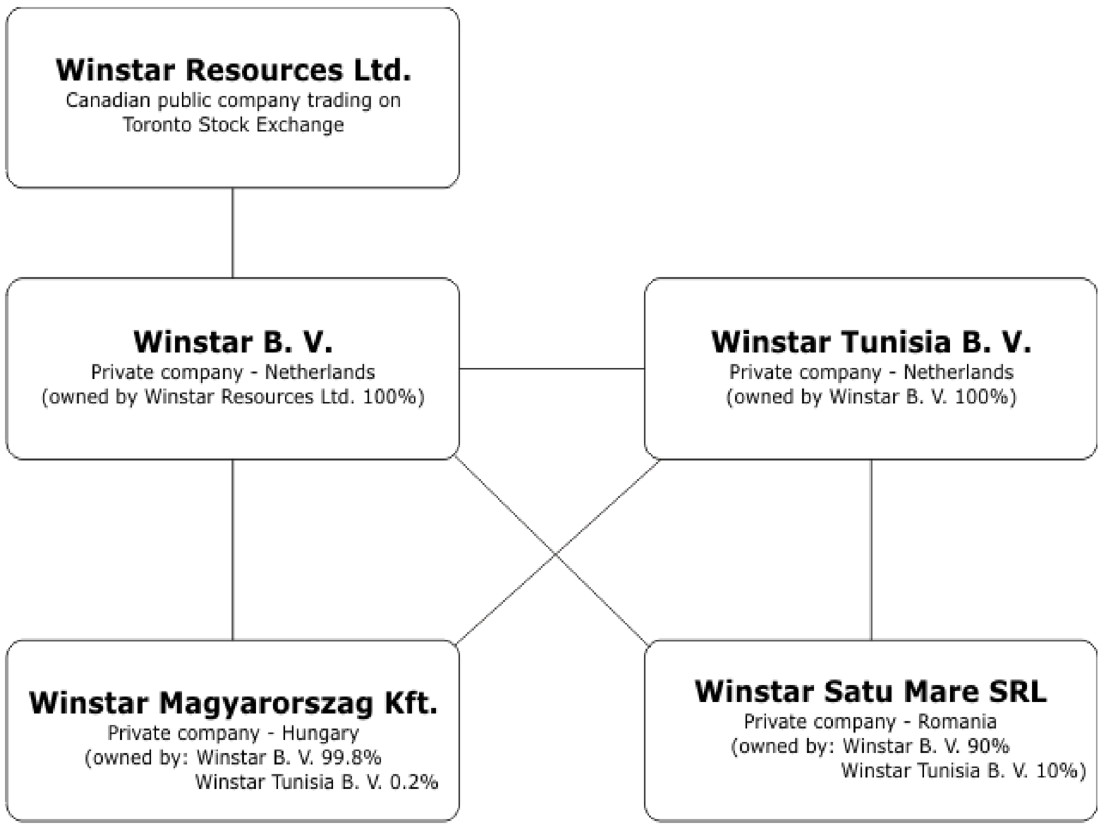
As at December 31, 2010, the Corporation and its subsidiaries had 90 employees and utilized the services of approximately 6 consultants on a regular basis.

The Corporation has one wholly owned subsidiary, Winstar B.V., a private corporation incorporated in Amsterdam, the Netherlands with limited liability under Dutch laws. Winstar B.V. was incorporated on May 1, 2001 under the name Athanor Tunisia Holding B.V. The name was changed effective June 19, 2001 to Athanor B.V. and again effective December 8, 2005 to Winstar B.V.

The official seat of Winstar B.V. is in Breda, the Netherlands, which is the Dutch equivalent of a registered office. Winstar B.V. currently maintains its head office at Burgemeester de Manlaan 2, 4837BN Breda, the Netherlands.

Winstar B.V. currently has three subsidiaries - Winstar Tunisia B.V., Winstar Magyarorszag Kft. (Winstar Hungary Ltd.) and Winstar Satu Mare SRL. Winstar Tunisia B.V. is also a private company with limited liability under Dutch laws and the same official seat in Breda, Netherlands as Winstar B.V. Winstar Tunisia B.V. maintains an office at Immeuble Léman Center, 3eme étage Bloc D, Rue du Lac Léman, Tunis 1053, Tunisia. Winstar Magyarorszag Kft., (full name in English - Winstar Hungary Oil and Gas Concession Limited Liability Company) is a private company incorporated under the laws of Hungary with an office at Arany Janos u8, Szolnok 5000, Hungary. Winstar Satu Mare SRL is a private company incorporated under the laws of Romania with an office at 17 CA Rosetti, Floor 7, Rm 706, Second District, Bucharest 020011 Romania.

The organizational structure of the Corporation is set out below:




## GENERAL DEVELOPMENT OF THE BUSINESS

At its inception in 1996, the Corporation was focused on the identification and acquisition of opportunities in oil and gas properties in Western Canada, specifically in the Province of Alberta. During the period from 1996 to 2005, the Corporation's asset base evolved through a number of acquisitions, dispositions, land purchases, and joint ventures on these assets and focused on exploration and production in Alberta and Saskatchewan.

In 2005, the Corporation acquired Athanor B.V. ("**Athanor**"), a private oil and gas company incorporated in the Netherlands and active in Tunisia and Hungary. Athanor owned and operated five onshore oil and gas concessions in Tunisia (four concessions at 100% working interest, one at 45% working interest) with approximately 570 boepd of high netback production at the time. The

Sabria Concession (45% working interest) located in west-central Tunisia was Athanor's core asset with production of 775 (350 net) boepd at the time. Athanor also had a Hungarian subsidiary, El Paso Hungary Oil and Gas Limited Liability Company (now Winstar Hungary Ltd.) with 470 boepd of high netback gas production in Hungary.

During 2006, the Corporation transformed itself from a purely Canadian junior oil and gas corporation into a junior international explorer and producer with assets in Tunisia, Hungary and Alberta. Drilling and optimization projects were conducted in all three asset areas. During 2007, the Corporation began to refine its business plan and focused a major part of its capital program on the underdeveloped assets in Tunisia. This required significant efforts within the organization to define processes and procedures to handle the increased activity and create operational efficiencies

The Corporation also made significant strides in 2007 to strengthen its financial resources. In September, 2007, the Corporation completed an issue of new equity through a consortium of brokers. The Corporation issued 5,000,000 Common Shares at a price of $4.60 per share for gross proceeds of $23,000,000.00. Then, in November, 2007, the Corporation finalized a new $10,000,000.00 credit facility with HSBC Bank Canada. The new credit facility was secured by the domestic and international assets of the Corporation.

In 2008, the Corporation continued its plan to focus on high impact drilling in Tunisia, specifically in the Chouech Essaida and Sabria concessions, and to continue with exploration in Hungary. In April 2008, the Corporation finalized a major new joint venture transaction with The Rompetrol Group whereby, by fulfilling certain commitments consisting of seismic and one exploratory well, the Corporation could earn a 60% interest in the onshore Satu Mare concession (2,949 square kilometres) in north-western Romania.

In 2009, the Corporation prudently reacted to the global economic and financial environment. The Corporation suspended its drilling program in Tunisia and secured extensions to its commitments in Romania. The Corporation conducted a thorough analysis of the results of the drilling program in Tunisia and established a development plan based on those results, cash flows and careful consideration of the global economic environment. The Corporation resumed the low risk development drilling program in Tunisia at the end of 2009 and embarked on a marketing program to attract joint venture partners for high impact exploration in Tunisia and Hungary.

In September of 2009, the Corporation finalized its transition to a purely international junior exploration and production company. The Corporation sold all of its Canadian oil and gas properties (with the exception of the Sturgeon Lake property) to a private Canadian company for gross proceeds of $9.5MM CAD. Production from the Canadian properties at the time of disposition was approximately 280 boepd. Proceeds from the sale allowed the Corporation retire all of its outstanding debt. The Corporation further fortified its financial stability by renegotiating its $10MM credit facility with HSBC Bank Canada and a new partner, Export Development Canada, secured against its redefined international asset base.

The Corporation maintained its focus on Tunisia with the capital program in 2010. The Corporation continued the Triassic development program at Chouech Essaida with the re-entry of the wellbore at Chouech Essaida #8 ("**CS-8**") and conducted two new drills at Chouech Essaida #11 ("**CS-11**") and Chouech Essaida #13 ("**CS-13**"). The Corporation also initiated exploration on the Silurian Acacus play at Chouech Essaida with the drilling of Chouech Essaida Silurian #1 ("**CS Sil #1**"). The results of these wells are described in greater detail below under "Business And Properties of the Corporation".

The Corporation was unable to secure sufficiently attractive terms for a joint venture in Hungary and thus, in August of 2010, the Corporation completed the disposition of the Igal II exploration permit in Hungary and suspended the Torokkoppany production facility. The Corporation is actively seeking to rationalize the remaining assets in Hungary and focus the remaining European resources on the earning program in Romania. The Corporation plans to drill one or two exploration wells in Romania in 2011 towards fulfillment of its commitments under the April 2008 farmin agreement with Rompetrol SA. The Corporation is also actively looking for other international opportunities.

The Corporation's principal focus now is the identification and acquisition of opportunities in oil and gas properties in Tunisia, and Romania. As of December 31, 2010, the Corporation owned working interests in five production concessions in Tunisia, one production concession in Hungary, and had completed the first stage of earning in one exploration concession in Romania.

See "Business and Properties of the Corporation - Principal Properties" below for current status of the properties in which the Corporation holds an interest and see "Reserves Data and Other Oil and Gas Information" for a discussion of the Corporation's oil and natural gas reserves and the net present values of future net revenue of the Corporation.

## BUSINESS AND PROPERTIES OF THE CORPORATION

### Principal Properties

#### *Tunisia properties and assets*

The following is a description of the principal properties of the Corporation located in Tunisia.

**Tunisia in general:** The Corporation operates five production concessions in Tunisia. The following table describes the Corporation's net interests in such concessions as of December 31, 2010:

| Concession | Gross Surface (km2) | Working Interest | Operator | Number of Producing Wells | Type of Production |
|---|---|---|---|---|---|
| Sabria | 117 | 45% | Corporation | 3 | Oil and Gas |
| Zinnia | 77 | 100% | Corporation | 0 | NA |
| Sanrhar | 150 | 100% | Corporation | 1 | Oil |
| Chouech Essaida | 173 | 100% | Corporation | 6 | Oil and Gas |
| Ech-Chouech | 145 | 100% | Corporation | 1 | Oil |

In 2010, the Corporation maintained the focus of its efforts on the Triassic development program at Chouech Essaida. As a result, Tunisian production averaged approximately 1780 boepd net to the Corporation for 2010.

**Sabria:** The Sabria Concession is located near the southern margin of Chott el Jerid in the Sahara Desert of Tunisia. The Sabria Concession, named after the nearby village of Sabriyah, was carved out of the Kebili Exploration Permit. The first seismic survey was carried out by Mobil who held the exploration permit for the area from 1970-1977. From 1978-1985 the area was operated by Amoco, who drilled four wells: Sabria North 1 ("**SAB-N1**"), Sabria North 2 ("**SAB-N2**"), Sabria North 3 ("**SAB-N3**") and Sabria West 1 ("**W-SAB-1**"). The first exploratory well SAB-N1, was drilled in 1979. SAB-N2 was drilled in 1980-81, W-SAB-1 in 1981-82 and SAB-N3 was drilled in 1984. These exploration wells indicated oil in the Ordovician formations but were considered non-commercial at the time.

In 1991 MOL Hungarian Oil & Gas PLC ("**MOL**") became the operator of the Sabria concession. From 1991-1995 MOL performed three 2D seismic surveys and based on these surveys and re-evaluation of the previous wells, MOL re-completed W-SAB-1 as a horizontal well (W-SAB-1H) near the top of the Hamra Formation. This well tested hydrocarbon potential in August 1996. In 1998 MOL acquired 2D & 3D seismic of the Sabria concession, which led to drilling the well Sabria Northwest 1 ("**SAB-NW1**"). This well was completed as a horizontal producer. In late 1998 and early 1999 MOL re-entered SAB-N1 and drilled a new horizontal leg. Based on disappointing results, the well was suspended in 1999.

Sabria was put on stream in October 1998 with well W-SAB-1H, followed by SAB-NW1 in May 1999 and SAB-N3H in January 2002. In early 2000, Athanor acquired the MOL interest in the Sabria concession and became the field operator. In 2002, the SAB-N3 well was re entered, drilled and completed as a horizontal producer (SAB-N3H). Prior to the drilling of the Sabria 11 well, the operation was comprised of three producing wells, W-SAB-1H, SAB-NW1H and SAB-N3H, all producing under natural flow. The wells have open hole completions with dual concentric tubing strings and production packers. Salt deposits are flushed from the producing wells by intermittent circulation of fresh water across the bottom of the wellbore to dissolve the native salt and produce it with the oil. Associated gas is recovered at the field, compressed to 100 bar pressure and delivered into a third party gas pipeline from where it is transported and sold to Societe Tunisienne de l'Electricite et du Gaz ("**STEG**"), the Tunisian state electricity and gas company. Condensate is recovered from the associated gas via a chilling unit and slip-streamed back into the crude oil stream for sales.

During 2006 the transportation arrangements were upgraded such that oil is now trucked from the field to a transfer terminal on the local pipeline network at Oumchia from which it is transported via pipeline to the Mediterranean Coast at Skhira.

The Corporation finished drilling the Sabria 11 well in the first quarter of 2007 and completed the well in the second quarter of 2007. The Sabria 11 well has been on production since late June, 2007 but is currently shut in awaiting a workover to remedy production fluctuations.

In 2009, the Corporation completed the re-entry and drilling of Sabria N3H, a well in which it owns a 45% interest. The re-entry operation consisted of drilling two new horizontal laterals from the existing wellbore at Sabria N3H using a newly imported 1500 horsepower rig. Prior to the re-entry, this well had been a marginal, single horizontal leg producer (average 10 boepd net to the Corporation). Re-interpretation of the existing 3D seismic data indicated that there was very prospective fractured reservoir nearby that the initial wellbore had failed to intersect. Although numerous operational problems were encountered in the drilling and completion operations, the well has been successful in encountering abundant areas of highly fractured and productive reservoir. The well was brought on stream at a gross rate of 250 boepd and is currently producing approximately 60 boepd net to the Corporation. The Corporation is assessing the development plan for the Sabria concession for 2011 both from a technical perspective and in the context of the potential return on capital for other drilling prospects in Tunisia.

As of December 31, 2010, the total production from the Sabria concession is approximately 200 boepd net to the Corporation. A follow-up location to the Sabria N3H well has been put on hold due to current economic conditions and availability of capital, and to further study the results of Sabria N3H.

**Zinnia:** The Zinnia oil field is located onshore on the Cap Bon peninsula of Tunisia, 60 kilometres Southeast of Tunis, 10 kilometres from the town of Nabeul, approximately 3 kilometres from the Mediterranean shore.

The field was discovered in 1989 by Shell, with the drilling of the Zinnia #1 ("**ZNN-1**") well on the west flank of a faulted anticlinal structure. The productive formation is the Abiod formation, a late Cretaceous fractured carbonate formation. A subsequent operator took over in March 1990 and completed the ZNN-1 well as an oil producing well. In April 1991, the operator drilled a second oil producing well, Zinnia 2 ("**ZNN-2D**"), from the same surface location, in an up-dip bottom hole location position to improve the structural control of the northeast area of the trap. This well tested both oil and gas.

The ZNN-1 well was shut-in in July 1993 and then converted to a water disposal well. The ZNN-2D well was completed with 2 ⅞ inch tubing and had been producing with the assistance of an electric submersible pump which required close monitoring due to $C0_2$ corrosion.

As of December 31, 2010, there was no production from the Zinnia concession as the ZNN-2D well was shut in due to a pump failure and never resumed production as the combination of high operating costs and low productivity for the well made it uneconomic. The Corporation is currently evaluating several options for the Zinnia field including workovers, recompletions and possible joint ventures.

**Sanrhar:** The Sanrhar field is located 60 kilometres northeast of the El Borma oil field in the Sahara desert of Southern Tunisia. Three wells have been drilled on the Sanrhar domal structure of the Triassic Tagi Sandstone formation. The first well in 1957, Sanrhar-1 ("**SN-1**"), was drilled on the flank of the structure near the original oil/water contact. Sanrhar North 1 ("**SNN-1**") the "discovery well" drilled by the operator in 1989 was located near the top of the structure. In 2002, the current operator drilled a third well, Sanrhar West-1 ("**SNW-1**"), 6 kilometres to the west down dip on the west flank of the structure. This well was wet and was plugged and abandoned. SNN-1 is the sole oil producer in the field and has been on-stream since 1991. In 2008, the Corporation installed a new pump system in the SNN-1 well which had a positive impact on production. As of December 31, 2010, production for the Sanrhar concession was approximately 80 boepd net to the Corporation.

**Chouech Essaida:** The Chouech Essaida oil field is located on the southwest border of the southern tip of Tunisia. Seven wells were drilled on the Chouech Essaida structure between 1971 and 1992. The field was put on production in 1977, with the Chouech Essaida #1 ("**CS-1**") well remaining on production until 1992. In 1993, the wells Chouech Essaida #3 ("**CS-3BIS**") and Chouech Essaida #7 ("**CS7-BIS**") were put on production, and produced for seven and two years, respectively. In 1996, the Chouech Essaida #5 ("**CS-5**") well was tested briefly, and was then suspended. Athanor Tunisia B.V. ("**Athanor Tunisia**") acquired the concession together with the neighbouring Ech Chouech concessions, from AGIP in 2002. The field was shut in from 1999 until late 2003, at which time Athanor Tunisia brought the CS7-BIS well back on production. Production is from one or more of seven identified units of the Trias Argilo-Greseux Inferieur ("**TAGI**") zone. The production completion records are questionable and inconsistent; therefore, it is unclear which of the units have contributed to production.

Oil from Chouech Essaida is transported to a sales point at El Borma by a six inch, 80 kilometre pipeline that is owned by the Corporation. Gas had been used for fuel or flared in the past but the Corporation has completed the new gas sales pipeline and compression facility at Chouech Essaida. The 152 centimetre diameter, 78 kilometre line was installed and commissioned in 2009, and is currently in use. The Corporation has also installed two compressors at the Chouech Essaida Central Production Facility with a combined capacity of 170,000 $m^3/d$ (6.0 MMcfd). Sales commenced in April, 2009 at initial rates of 60-75,000 $m^3/d$ (2.0-2.5 MMcfd). The actual rate has fluctuated between 0 and 500 boepd because the purchaser of the gas, STEG, is only required to take the Corporation's gas on a best efforts basis at its facility at El Borma.

The Chouech Essaida concession was the main focus of the capital expenditures of the Corporation in the fourth quarter of 2010. The Corporation is now beginning to reap the benefits from the 2008 Chouech Essaida/Ech Chouech 3D seismic program acquisition and processing, and the construction of the gas sales pipeline and compression facilities for transportation of the natural gas from the concession to El Borma. The 3D seismic program has refocused the Triassic development program and added a number of newly defined locations as well as establishing exploration locations in the Silurian and deeper horizons. The new seismic data along with extensive petrophysical analysis has enabled the Corporation to embark on a project to identify and monitor production from each individual producing interval in the TAGI in each wellbore within the Chouech Essaida field.

The Chouech Essaida #8 well ("**CS-8**") was drilled, completed and placed on production in 2008, however the Corporation attempted a dual completion in the well in the fourth quarter of 2008 and encountered a serious problem during routine cementing and recompletion operations, and the well was lost. The Chouech Essaida #9 well ("**CS-9**") was drilled in the third quarter of 2008, tested over 900 bopd from 4 zones and was placed on production in the fourth quarter of 2008 at approximately 500 bopd.

The re-entry and sidetrack of CS-8 was the first operation of the revived 2009 capital program, and was commenced at the end of December, 2009. The operation was successful in reaching the target reservoir and the Corporation was able to successfully test production from the well at combined rates in excess of 1625 boepd. However, communication with the reservoir was lost after the testing and the well is currently suspended. The Chouech Essaida #11 ("**CS-11**") well was drilled, completed and put on production in 2010 at a rate of approximately 500 bopd. The Chouech Essaida #13 ("**CS-13**") well was drilled, completed and tested in 2010. Although all target zones came in on prognosis and contained reservoir quality sandstones, the reservoirs themselves contained no hydrocarbons so the well was suspended.

In November of 2010, the Corporation commenced the drilling of its first Silurian Acacus exploration well, Chouech Essaida Silurian #1 ("**CS Sil #1**"). Pursuant to a press release dated February 22, 2011 the CS Sil #1 well has been tested at combined production test rates of approximately 3379 boepd. The section below on "Reserves Data and Other Oil and Gas Information" does not include any data or value for the CS Sil #1 well. The Corporation is working on a development plan for the well and the rest of the Silurian play and will proceed with the execution of that plan in 2011.

As at December 31, 2010, production from the concession was down due to pending workovers but average production for 2010 was approximately 1500 boepd net to the Corporation.

**Ech Chouech:** Five wells have been drilled by the operator in the Ech Chouech concession since 1970.

The field was discovered by the Ech Chouech #1 well ("**EC-1**"), which encountered oil in the Devonian - Ouan Kasa sandstone formation at a depth of 3220 metres. EC-1 was completed in 1991 tested for 6 months in order to help determine the commerciality of the field.

The well tested at rates ranging from 200-220 boepd and produced a total of 34,000 bbl. The test was terminated by a well-bore blockage. A workover would be required to reactivate the well. Well EC-2 tested a small quantity of gas in the Ouan Kasa sand to a depth of 3,182 metres. The Ech Chouech #3 well ("**EC-3**") only encountered traces of gas but the Ech Chouech #4 well ("**EC-4**") tested oil in the Ouan Kasa sandstone. The operator assessed the field reserves to be some 478,000 bbl and no further development was undertaken.

The Corporation conducted a workover on the EC-4 well in 2007 but the workover did not result in commercial quantities of hydrocarbons. In 2008, the Corporation conducted a very successful workover of EC-1 and the well was put back on production from the Devonian formation averaging almost 100 bopd. A workover was conducted on EC-1 in 2010 to address some production impediments and the well came back on production at a rate of 140 bopd.

One of the proposed prospects in the Silurian program is the re-entry and deepening of the Ech Chouech South #1 ("**ECS #1**") well. The ECS #1 well was originally drilled in 1986 then deepened in 1992 to a depth of 3800 meters to test the Devonian Tadrart formation. The well was tested and abandoned. Interpretation of the 3D seismic program indicates that the well is positioned above a deeper Silurian structure at 4300 meters and that the well can be deepened to test the structure with minimal deviation.

As of December 31, 2010, production for the Ech Chouech concession was approximately 100 boepd net to the Corporation.

In 2011, the Corporation expects to continue to focus on Tunisia. The Corporation plans to allocate its uncommitted capital generated through operating cashflows to various projects within its concessions in southern Tunisia. Any additional funds that come available are expected to be directed towards drilling and testing new Triassic exploration and development locations at Chouech Essaida and acceleration of the Silurian exploration and development program. If joint venture capital can be accessed, the Corporation plans to leverage that capital to accelerate the Silurian program at Ech Chouech and Chouech Essaida and deploy further capital to the Triassic program.

***Hungary properties and assets***

The following is a description of the principal properties located in Hungary.

**Törökkoppany:** The Törökkoppany gas field is located in Sornogy County, southwestern Hungary, 2.5 kilometres south-east of the village of Törökkoppany, about 230 kilometres southwest of Budapest. The field was discovered in 2001 by El Paso Magyarorszag Kft., a subsidiary of Houston based El Paso Production Oil and Gas Company, with the drilling of the well Törökkoppany #1 ("**Toro 1**"), the third exploratory well drilled on the Igal II Exploration Permit. The field is located in the Sornogy-Drave sub-basin, located in the central part of the Pannonian Basin, south of Lake Balaton.

Toro 1 encountered gas in the Miocene Badenian limestone of the Rakos limestone formation, at a depth of 652 metres. Toro 1 was drilled to a total depth of 771 metres.

In November 2005, the Corporation drilled to 860 metres, tested and abandoned its Szakcs (100% working interest) $1.2 million exploratory well. The well encountered Miocene Badenian Limestone at anticipated depths and thickness but with poor reservoir qualities and produced only water after stimulation. A second producing well, Törökkoppany #2 ("**Toro 2**") was drilled by the Corporation and put on production in December of 2005.

In October 2006, the Corporation drilled to 870 metres, tested and abandoned its Koppanyszanto (100% working interest) $1.2 million exploratory well. The well encountered porous and permeable Miocene Badenian Limestone at anticipated depths and thickness but no commercial production and the well was abandoned.

The Corporation did not conduct any drilling operations in Hungary in 2007. In the first quarter of 2008, the Corporation completed a 42 kilometre 2D seismic program and drilled an 1800 metre exploratory well ("**Nak 1**") in October 2008. The Nak 1 well encountered several zones of excellent reservoir quality sands and carbonates but was deemed to be incapable of production and was abandoned. Based on the 2008 seismic program and the Nak 1 well, the Corporation applied for and received a two year extension of the Igal II Exploration Permit to October, 2010.

The Törökkoppany field was suspended during the fourth quarter of 2008 as it was thought that it had reached the end of the productive life of the reservoir. In early 2009, economic production was restored using a unique gas enrichment system and continued until it was shut in during June, 2009. Reservoir pressure recharged sufficiently after shut in so that production was resumed again in January 2010. Gas production was re-established twice during 2010, but the reservoir pressure declined sufficiently to render any remaining gas reserves uneconomic. The Corporation is evaluating strategies to extract value from the Torokkoppany assets including a search for a partner with the necessary technical and financial capabilities to convert the reservoir and surface facilities into a gas storage reservoir. Other alternatives include a sale or the abandonment of the facility and possible use of the equipment elsewhere in the Corporation's operations.

**Igal II** - Certain work commitments on the Igal II Exploration Permit in Hungary were due by October 2010. Since the majority of the Corporation's capital had been committed to the drilling program in Tunisia, other sources of capital were sought via joint ventures. However, the Corporation was unable to secure sufficiently attractive terms for a joint venture. Thus, in August of 2010, the Corporation finalized a transaction to dispose of its interest in the Igal II Exploration Permit to a local Hungarian company for a 4% net profits interest and the transfer of the Igal II permit and any associated liabilities.

As discussed above, the Corporation is actively seeking to extract value from the remaining assets in Hungary and will focus the remaining European resources on the earning program in Romania as described below.

***Romania properties and assets***

In April 2008, the Corporation finalized a major new joint venture transaction with The Rompetrol Group whereby, by fulfilling certain conditions, the Corporation could earn a 60% interest in the onshore Satu Mare concession in northwestern Romania.

The Satu Mare concession area is on the border with Hungary and is situated within the Pannonian basin, thereby possessing similar geological and geophysical characteristics as the Corporations's existing Igal and Törökkoppany properties in Hungary. The Satu Mare concession comprises 2,949 square kilometres contiguous with Hungary's northeastern border, and is approximately 150 kilometres from the Corporation's Hungarian base of operations in Szolnok.

Rompetrol currently holds the right to explore for and produce hydrocarbons from the Satu Mare concession pursuant to a Concession Agreement, the term of which expires in September, 2033.

Under the terms of the transaction, the Corporation will be appointed as operator and has committed to fulfilling 100% of the first stage of the minimum exploration program under the Concession Agreement. The official work program consists of the re-processing of approximately 1,075 kilometres of existing 2D seismic, the acquisition of 300 kilometres of new 2D seismic, and the drilling of one exploration well, with estimated capital costs of the entire program of US$6.6 million to earn a 60% participating interest in the entire Satu Mare concession. The work program will be performed by Winstar Satu Mare SRL and the details of the full program continue to evolve through discussions with the Romanian authorities. The Romanian authorities have granted an extension for completion of the full stage 1 commitments to 2012. The Company will drill its first well during the second quarter of 2011, with an expected total depth of 1,900 metres targeting a Miocene aged oil reservoir. All necessary services and materials are currently being sourced and contracted.

Applications have been submitted for the drilling of a second exploration well with an anticipated spud date in the third quarter of 2011. This well will target Pliocene aged gas reservoirs at depths of 600 to 800 metres.

The Corporation has an option to continue with the second stage of exploration under the Concession Agreement under the same terms or, to retain its 60% earned interest in any discoveries resulting from activities in the first stage, and relinquish the balance of the lands. Seismic and drilling obligations in the second stage would total approximately US$6 million.

*Alberta properties and assets*

As at December 31, 2010, the Corporation owned an interest in a minor property at Sturgeon Lake in the Province of Alberta. The Corporation plans to rationalize the asset by farmout or disposition in 2011. If the Sturgeon Lake property cannot be sold or otherwise rationalized, there would be future abandonment liabilities associated with the property as described in section 6.4 of "Reserves Data and Other Oil and Gas Information" below.

**Principal Markets and Distribution**

*Crude Oil*

In respect of the Corporation's Tunisian oil production, oil production from the Sabria and Sanrhar concessions is trucked to a third party facility .and then pipelined to a storage terminal. The oil production from the Chouech Essaida and Ech Chouech concessions is pipelined to a third party facility and then to a storage terminal. Except for 20% of the Sabria oil production which is sold into the local market, the oil is loaded from the terminal onto oil tankers arranged by third parties and sold on the world market every one to three months, depending on production levels. The price paid for oil is directly tied to the price quoted for Zarzaitine crude. The oil tanker price is based on the average price for the three days after loading. Revenue from tanker sales is recognized only when the oil has been loaded onto tankers and after the price is determined.

*Natural Gas*

In Tunisia, associated gas production from the Sabria and Chouech Essaida concessions is sold into the domestic market. The price is indexed at 75% of the high sulphur fuel oil price for Zinnia gas (when producing) and at 77% of the low sulphur fuel oil price for Sabria gas. The price for the Chouech Essaida concession is 65% of the low sulphur fuel oil price.

The Corporation's limited 2010 Hungarian production was from two 100% working interest wells (Toro #1 and Toro #2). Gas was processed at a 100% owned and operated gas plant, and sold into the local retail market on a demand contract, renewable annually with E.ON Foldgaz Trade Zrt. a subsidiary of E.On. The local retail market in Hungary is subject to seasonal demand resulting in limited summer sales and full capacity winter sales. The price of natural gas in Hungary is determined by negotiation under the above mentioned demand contract. The gas prices obtained to date by the Corporation appear to be comparable to other European gas prices.

**Cycles**

The petroleum industry is both cyclical and seasonal in nature. The Corporation's Tunisian drilling operations can be adversely affected by temperatures exceeding 50°C in July and August and by restricted work schedules during Ramadan.

**Social Environmental Policies**

The Corporation made significant further progress on the Environment, Health and Safety ("**EHS**") policies and initiatives implemented in 2009. These 2009 initiatives included the installation of produced water disposal facilities for the Chouech Essaida field, formalization of detailed safety policies and procedures for the office and field locations and worksites that apply to employees and contractors, improved security procedures and surveillance, particularly for isolated locations in the southern Tunisian desert, well performance and reliability monitoring systems.. In 2010, the Corporation hired an experienced, full time EHS manager in Tunisia to manage these programs and to initiate further EHS policy and process improvements including an incident monitoring system and improved integration with service providers' EHS programs.

**Specialized Skills and Knowledge**

Exploration for and development of petroleum and natural gas resources requires specialized skills and knowledge, including in the areas of petroleum engineering, geophysics, geology and land. The Corporation has obtained personnel with the required specialized skills and knowledge to carry out their respective operations. While the current labour market in the industry is highly competitive, the Corporation expects to be able to attract and maintain appropriately qualified employees in 2010.

**Competitive Conditions**

Competitive conditions affecting the oil and gas industry are described under the heading "Industry Conditions" in the "Risk Factors" section of this Annual Information Form.

**Foreign Operations**

The Corporation's properties are located in Tunisia, Romania and Hungary. Risks associated with the Corporation's foreign operations are described under the heading "Foreign Operations and Political Risk" in the "Risk Factors" section of this Annual Information Form.

## RESERVES DATA AND OTHER OIL AND GAS INFORMATION

**NOTE: The content, headings, formatting and tables in this section are taken directly from the Form NI 51-101F1 prepared by RPS and dated March 17, 2011 based on the RPS report dated March 9, 2011 and effective December 31, 2010 (the "RPS Report"), which begins with the heading "Reserves and Future Net Revenue" below, and continues to the end of Table 6.9 on page 28.**

**Definitions for the capitalized terms used including, inter alia, "Proved" "Probable" "Developed" and "Undeveloped" are contained in the glossary to National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" which sets out the reserves and resources definitions derived from Section 5 of volume 1 of the Canadian Oil and Gas Evaluation Handbook ("COGEH")**

*Reserves and Future Net Revenue*

The following is a summary of the oil and natural gas reserves and the net present values of future net revenue of Winstar Resources Ltd. and its subsidiaries (the "**Company**") as evaluated by RPS Energy Canada Ltd. ("**RPS**"). RPS is an independent qualified reserves evaluator appointed by the Company pursuant to NI 51-101. Substantially all of the Company's oil and gas properties with reserves in Tunisia and Hungary were independently evaluated by RPS. Readers should note that totals in the following tables may not add due to rounding.

**The estimated future net revenue figures contained in the following tables do not necessarily represent the fair market value of the Company's reserves. There is no assurance that the forecast price and cost assumptions contained in the RPS Report will be attained and variances could be material. Other assumptions relating to costs and other matters are included in the RPS Report. The recovery and reserves estimates attributed to the Company's properties described herein are estimates only. The actual reserves attributed to the Company's properties may be greater or less than those calculated.**

## PART 2: DISCLOSURE OF RESERVES DATA

### 2.1 Reserves Data (Forecast Prices and Costs)

FORM 51-101F1 TABLE 2.1.1

SUMMARY OF OIL AND GAS RESERVES
as of December 31, 2010
FORECAST PRICES AND COSTS

| | RESERVES | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | LIGHT AND MEDIUM OIL | | HEAVY OIL | | NATURAL GAS | | NATURAL GAS LIQUIDS | | SULFUR | |
| RESERVE CATEGORY | Gross (Mbbl) | Net (Mbbl) | Gross (Mbbl) | Net (Mbbl) | Gross (MMscf) | Net (MMscf) | Gross (Mbbl) | Net (Mbbl) | Gross (Mltl) | Gross (Mltl) |
| ***TUNISIA*** | | | | | | | | | | |
| **PROVED** | | | | | | | | | | |
| Developed Producing | 1,920 | 1,659 | - | - | 4,868 | 4,188 | 9 | 8 | - | - |
| Developed Non Producing | 73 | 67 | - | - | 331 | 314 | 1 | 1 | - | - |
| Undeveloped | 550 | 482 | - | - | 959 | 845 | 5 | 5 | - | - |
| **TOTAL PROVED** | **2,542** | **2,208** | **-** | **-** | **6,158** | **5,347** | **15** | **13** | **-** | **-** |
| **PROBABLE** | 5,897 | 5,077 | - | - | 12,576 | 10,898 | 66 | 57 | - | - |
| **TOTAL PROVED PLUS PROBABLE** | **8,439** | **7,284** | | | **18,734** | **16,245** | **80** | **70** | | |
| ***TOTAL COMPANY*** | | | | | | | | | | |
| **PROVED** | | | | | | | | | | |
| Developed Producing | 1,920 | 1,659 | - | - | 4,868 | 4,188 | 9 | 8 | - | - |
| Developed Non Producing | 73 | 67 | - | - | 331 | 314 | 1 | 1 | - | - |
| Undeveloped | 550 | 482 | - | - | 959 | 845 | 5 | 5 | - | - |
| **TOTAL PROVED** | **2,542** | **2,208** | **-** | **-** | **6,158** | **5,347** | **15** | **13** | **-** | **-** |
| **PROBABLE** | 5,897 | 5,077 | - | - | 12,576 | 10,898 | 66 | 57 | - | - |
| **TOTAL PROVED PLUS PROBABLE** | **8,439** | **7,284** | **-** | **-** | **18,734** | **16,245** | **80** | **70** | **-** | **-** |

Tunisian taxes throughout this evaluation are based on project cash flows, assuming no financing charges, and no tax considerations outside of Tunisia have been included.

FORM 51-101F1

TABLE 2.1.2

NET PRESENT VALUE OF FUTURE NET REVENUE
as of December 31, 2010
FORECAST PRICES AND COSTS

NET PRESENT VALUE OF FUTURE NET REVENUE (Cdn$ millions)

| RESERVE CATEGORY | BEFORE INCOME TAXES | | | | | AFTER INCOME TAXES | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 0% | 5% | 10% | 15% | 20% | 0% | 5% | 10% | 15% | 20% |
| ***TUNISIA*** | | | | | | | | | | |
| **PROVED** | | | | | | | | | | |
| Developed Producing | 125.9 | 112.0 | 101.0 | 92.0 | 84.7 | 84.4 | 77.8 | 71.7 | 66.3 | 61.6 |
| Developed Non Producing | 1.5 | 1.5 | 1.3 | 1.2 | 1.0 | (0.1) | 0.2 | 0.3 | 0.3 | 0.3 |
| Undeveloped | 25.1 | 17.3 | 12.3 | 8.9 | 6.5 | 14.0 | 10.2 | 7.6 | 5.7 | 4.4 |
| **TOTAL PROVED** | **152.5** | **130.8** | **114.6** | **102.2** | **92.3** | **98.3** | **88.2** | **79.6** | **72.4** | **66.3** |
| **PROBABLE** | 558.8 | 332.4 | 231.4 | 175.6 | 140.2 | 285.5 | 183.8 | 132.7 | 102.5 | 82.7 |
| **TOTAL PROVED PLUS PROBABLE** | **711.3** | **463.2** | **346.1** | **277.8** | **232.5** | **383.8** | **272.0** | **212.3** | **174.9** | **149.0** |
| ***TOTAL COMPANY*** | | | | | | | | | | |
| **PROVED** | | | | | | | | | | |
| Developed Producing | 125.9 | 112.0 | 101.0 | 92.0 | 84.7 | 84.4 | 77.8 | 71.7 | 66.3 | 61.6 |
| Developed Non Producing | 1.5 | 1.5 | 1.3 | 1.2 | 1.0 | (0.1) | 0.2 | 0.3 | 0.3 | 0.3 |
| Undeveloped | 25.1 | 17.3 | 12.3 | 8.9 | 6.5 | 14.0 | 10.2 | 7.6 | 5.7 | 4.4 |
| **TOTAL PROVED** | **152.5** | **130.8** | **114.6** | **102.2** | **92.3** | **98.3** | **88.2** | **79.6** | **72.4** | **66.3** |
| **PROBABLE** | 558.8 | 332.4 | 231.4 | 175.6 | 140.2 | 285.5 | 183.8 | 132.7 | 102.5 | 82.7 |
| **TOTAL PROVED PLUS PROBABLE** | **711.3** | **463.2** | **346.1** | **277.8** | **232.5** | **383.8** | **272.0** | **212.3** | **174.9** | **149.0** |

FORM 51-101F1

TABLE 2.1.3a

TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
as of December 31, 2010
FORECAST PRICES AND COSTS

| RESERVE CATEGORY | REVENUE | ROYALTIES | OTHER REVENUE | OPERATING COSTS | DEVELOP-MENT COSTS | ABANDON-MENT COSTS | FUTURE NET REVENUE BEFORE INCOME TAXES | INCOME TAXES | FUTURE NET REVENUE AFTER INCOME TAXES |
|---|---|---|---|---|---|---|---|---|---|
| | (MM$Cdn) | (MM$Cdn) | (MMM$Cdn) | (MM$Cdn) | (MM$Cdn) | (MM$Cdn) | (MM$Cdn) | (MM$Cdn) | (MM$Cdn) |
| ***TUNISIA*** | | | | | | | | | |
| **TOTAL PROVED** | 310.2 | 40.6 | 0.0 | 68.9 | 23.8 | 24.5 | 152.5 | 54.1 | 98.3 |
| **TOTAL PROVED PLUS PROBABLE** | 1129.8 | 152.1 | 0.0 | 181.8 | 54.9 | 29.7 | 711.3 | 327.4 | 383.8 |
| ***TOTAL COMPANY*** | | | | | | | | | |
| **TOTAL PROVED** | 310.2 | 40.6 | 0.0 | 68.9 | 23.8 | 24.5 | 152.5 | 54.1 | 98.3 |
| **TOTAL PROVED PLUS PROBABLE** | 1129.8 | 152.1 | 0.0 | 181.8 | 54.9 | 29.7 | 711.3 | 327.4 | 383.8 |

FORM 51-101F1 TABLE 2.1.3c-i

**FUTURE NET REVENUE BY PRODUCTION GROUP**
**as of December 31, 2010**
**FORECAST PRICES AND COSTS**

| RESERVE CATEGORY | FUTURE NET REVENUE BY PRODUCTION GROUP BEFORE INCOME TAXES Net present value discounted at 10% per year | | |
|---|---|---|---|
| | LIGHT AND MEDIUM OIL (including solution gas and other by-products) ($Cdn Millions) | HEAVY OIL (including solution gas and other by-products) ($Cdn Millions) | NATURAL GAS (including by-products but excluding solution gas from oil wells) ($Cdn Millions) |
| *TUNISIA* | | | |
| TOTAL PROVED | 114.62 | - | - |
| TOTAL PROVED PLUS PROBABLE | 346.06 | - | - |
| *TOTAL COMPANY* | | | |
| TOTAL PROVED | 114.62 | - | - |
| TOTAL PROVED PLUS PROBABLE | 346.06 | - | - |

FORM 51-101F1 TABLE 2.1.3c-ii

**FUTURE NET REVENUE (UNIT VALUE BASIS) BY PRODUCTION GROUP**
**as of December 31, 2010**
**FORECAST PRICES AND COSTS**

| RESERVE CATEGORY | FUTURE NET REVENUE BY PRODUCTION GROUP Net present value discounted at 10% per year | | |
|---|---|---|---|
| | LIGHT AND MEDIUM OIL (including solution gas and other by-products) ($Cdn/bbl) | HEAVY OIL (including solution gas and other by-products) ($Cdn/bbl) | NATURAL GAS (including by-products but excluding solution gas from oil wells) ($Cdn/Mcf) |
| *TUNISIA* | | | |
| TOTAL PROVED | 40.94 | - | - |
| TOTAL PROVED PLUS PROBABLE | 37.46 | - | - |
| *TOTAL COMPANY* | | | |
| TOTAL PROVED | 40.94 | - | - |
| TOTAL PROVED PLUS PROBABLE | 37.46 | - | - |

*2.2 Supplemental Disclosure of Reserves Data (Constant Prices and Costs)*

Optional reporting not included in the 2010 report.

## PART 3: PRICING ASSUMPTIONS

### *3.1 Constant Prices Used In Supplemental Estimates:*

Optional reporting not included in 2010 report.

### *3.2 Forecast Prices Used in Estimates*

Forecast benchmark reference product price, inflation rate and exchange rate assumptions are summarized in Table 3.2. These forecast assumptions were provided in the RPS Report.

FORM 51-101F1

Table 3.2

**SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS**

**FORECAST PRICES AND COSTS**

**as of December 31, 2010**

| Year | Oil Benchmarks | | Tunisia Domestic Gas | | | Inflation Rate | Currency Exchange Rates |
|---|---|---|---|---|---|---|---|
| | WTI at Cushing Oklahoma | Brent @ Sollem Voe | Sabria | Chouech / Ech Chouec | Zinnia | | |
| | US$/bbl | US$/bbl | US$/Mcf | US$/Mcf | US$/Mcf | %/annum | US$/CAD$ |
| 2011 | 90.00 | 90.00 | 11.23 | 12.05 | 12.05 | 2.0 | 0.98 |
| 2012 | 89.50 | 89.50 | 11.16 | 11.98 | 11.98 | 2.0 | 0.98 |
| 2013 | 89.10 | 89.10 | 11.11 | 11.93 | 11.93 | 2.0 | 0.98 |
| 2014 | 89.25 | 89.25 | 11.13 | 11.95 | 11.95 | 2.0 | 0.98 |
| 2015 | 91.00 | 91.00 | 11.35 | 12.18 | 12.18 | 2.0 | 0.98 |
| 2016 | 93.20 | 93.20 | 11.63 | 12.48 | 12.48 | 2.0 | 0.98 |
| 2017 | 95.30 | 95.30 | 11.89 | 12.76 | 12.76 | 2.0 | 0.98 |
| 2018 | 97.30 | 97.30 | 12.14 | 13.03 | 13.03 | 2.0 | 0.98 |
| 2019 | 99.40 | 99.40 | 12.40 | 13.31 | 13.31 | 2.0 | 0.98 |
| 2020 | 101.58 | 101.58 | 12.67 | 13.60 | 13.60 | 2.0 | 0.98 |
| 2021 | 103.61 | 103.61 | 12.92 | 13.87 | 13.87 | 2.0 | 0.98 |
| 2022 | 105.68 | 105.68 | 13.18 | 14.15 | 14.15 | 2.0 | 0.98 |
| 2023 | 107.80 | 107.80 | 13.45 | 14.43 | 14.43 | 2.0 | 0.98 |
| 2024 | 109.95 | 109.95 | 13.72 | 14.72 | 14.72 | 2.0 | 0.98 |
| 2025 | 112.15 | 112.15 | 13.99 | 15.02 | 15.02 | 2.0 | 0.98 |
| 2026 | 114.39 | 114.39 | 14.27 | 15.32 | 15.32 | 2.0 | 0.98 |
| 2027 | 116.68 | 116.68 | 14.55 | 15.62 | 15.62 | 2.0 | 0.98 |
| 2028 | 119.02 | 119.02 | 14.85 | 15.93 | 15.93 | 2.0 | 0.98 |
| 2029 | 121.40 | 121.40 | 15.14 | 16.25 | 16.25 | 2.0 | 0.98 |

**Currency Abbreviations**

CAD$ Canadian Dollar

US$ United States Dollar

## PART 4: RECONCILIATIONS OF CHANGES IN RESERVES

### *4.1 Reserves Reconciliation*

A reconciliation of changes to the Company's net proved, net probable and net proved plus probable reserves is provided in Table 4.1. This reconciliation reflects changes to the Company's reserves estimated using forecast prices and costs. (Note: there is no Synthetic oil reserve data to report).

FORM 51-101F1

TABLE 4.1

RECONCILIATION OF COMPANY GROSS RESERVES
BY PRINCIPAL PRODUCT TYPE

FORECAST PRICES AND COSTS

| FACTORS | LIGHT AND MEDIUM OIL (Includes NGL's) | | | HEAVY OIL | | | ASSOCIATED AND NON-ASSOCIATED GAS | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Proved (Mbbl) | Gross Probable (Mbbl) | Gross Proved + Probable (Mbbl) | Gross Proved (Mbbl) | Gross Probable (Mbbl) | Gross Proved + Probable (Mbbl) | Gross Proved (MMscf) | Gross Probable (MMscf) | Gross Proved + Probable (MMscf) |
| ***TUNISIA*** | | | | | | | | | |
| **December 31, 2009** | 3,069.27 | 7,850.46 | 10,919.73 | - | - | - | 7,095.51 | 16,635.43 | 23,730.94 |
| Extensions | - | - | - | - | - | - | - | - | - |
| Improved Recovery | (320.90) | (363.51) | (684.41) | - | - | - | (652.18) | (738.76) | (1,390.94) |
| Technical Revisions | 468.72 | (1,281.62) | (812.90) | - | - | - | 83.34 | (7,600.42) | (7,517.08) |
| Discoveries | - | - | - | - | - | - | - | - | - |
| Acquisitions | - | - | - | - | - | - | - | - | - |
| Dispositions | - | - | - | - | - | - | - | - | - |
| Economic Factors | (5.43) | (242.96) | (248.39) | - | - | - | 185.11 | 4,279.29 | 4,464.40 |
| Production + Inventory changes | (654.56) | - | (654.56) | - | - | - | (553.71) | - | (553.71) |
| **December 31, 2010** | 2,557.09 | 5,962.38 | 8,519.46 | - | - | - | 6,158.08 | 12,575.54 | 18,733.61 |
| ***HUNGARY*** | | | | | | | | | |
| **December 31, 2009** | - | - | - | - | - | - | 215.73 | 88.09 | 303.82 |
| Extensions | - | - | - | - | - | - | - | - | - |
| Improved Recovery | - | - | - | - | - | - | - | - | - |
| Technical Revisions | - | - | - | - | - | - | (94.25) | (499.00) | (593.25) |
| Discoveries | - | - | - | - | - | - | - | - | - |
| Acquisitions | - | - | - | - | - | - | - | - | - |
| Dispositions | - | - | - | - | - | - | - | - | - |
| Economic Factors | - | - | - | - | - | - | (121.48) | 410.91 | 289.43 |
| Production + Inventory changes | - | - | - | - | - | - | - | - | - |
| **December 31, 2010** | - | - | - | - | - | - | - | - | - |
| ***TOTAL COMPANY*** | | | | | | | | | |
| **December 31, 2009** | 3,069.27 | 7,850.46 | 10,919.73 | - | - | - | 7,311.23 | 16,723.52 | 24,034.76 |
| Extensions | - | - | - | - | - | - | - | - | - |
| Improved Recovery | (320.90) | (363.51) | (684.41) | - | - | - | (652.18) | (738.76) | (1,390.94) |
| Technical Revisions | 468.72 | (1,281.62) | (812.90) | - | - | - | (10.91) | (8,099.43) | (8,110.33) |
| Discoveries | - | - | - | - | - | - | - | - | - |
| Acquisitions | - | - | - | - | - | - | - | - | - |
| Dispositions | - | - | - | - | - | - | - | - | - |
| Economic Factors | (5.43) | (242.96) | (248.39) | - | - | - | 63.63 | 4,690.20 | 4,753.83 |
| Production + Inventory changes | (654.56) | - | (654.56) | - | - | - | (553.71) | - | (553.71) |
| **December 31, 2010** | 2,557.09 | 5,962.38 | 8,519.46 | - | - | - | 6,158.08 | 12,575.54 | 18,733.61 |

## PART 5: ADDITIONAL INFORMATION RELATING TO RESERVES DATA

### *5.1 Undeveloped Reserves*

The Company's undeveloped reserves are all associated with its Tunisian properties. Most of these reserves are designated within the undeveloped category where:

1. relatively significant capital expenditures will be required in order to render these reserves capable of production.
2. there is significant upside in the production performance from existing or future planned wells.

Plans for future development of these undeveloped reserves (based on Forecast Prices) are summarized below:

**Tunisian Properties**

**Sabria**

Sabria is an established oilfield producing from the Ordovician Hamra sandstone. With the aid of 3D seismic acquired and interpreted over the whole concession, distinct areas with a high degree of natural fracturing have been identified. Oil is being currently produced from 3 horizontal wells and it is the Company's position that horizontal wells appear to be the optimal development approach for intersecting the fractures thought necessary for commercial production. Winstar has a 45% working interest in the Sabria concession.

RPS assigns 415 Mboe Gross Proved Undeveloped and 4999 MBoe Gross Probable Additional Undeveloped reserves to the Sabria field (Winstar's 45% WI). The Proved Undeveloped volumes are forecast to be recovered from the infill drilling of one undeveloped proved reserve location in 2012. The probable undeveloped reserves are associated with improved well performance and the drilling of three more infill wells, one in 2012 and two in 2013.

**Chouech Essaida**

The producing and prospective reservoirs are Triassic channel sands. During 2010 Winstar conducted remedial pump operations in well CS-1, CS-3, CS-7 and CS-9. At year end 2010, there are six producing wells onstream and one shut-in producer in the field.

RPS assigns 300 Mboe (Winstar 100% WI share) Gross Proved Undeveloped reserves and 2523 Mboe (Winstar 100% WI share) Gross Probable Additional Undeveloped reserves to the Chouech Essaida field. The Proved Undeveloped reserves are forecast to be recovered from drilling and completing one infill wells, and re-drilling the CS-8 well, during 2011. The Probable additional reserves are forecast to be recovered from improved well performance and the drilling one additional infill well in 2012.

**Zinnia**

At Zinnia, there is one producing well (ZNN-2D) completed in the upper Cretaceous Abiod limestone reservoir. A second well (ZNN-1) is suspended but is planned to be used as a water disposal well. The field was shut-in at year end 2009, due to a pump failure in the producer. The field remains shut-in pending workovers on the producing well and the water disposal well. RPS assigns no Proved Undeveloped reserves to Zinnia and forecasts 318 Mboe of Gross Probable Additional Developed reserves due to more favorable decline performance of the producing well.

**Sanrhar**

At Sanrhar, there is one well (SNN-1) producing from the Triassic sandstone reservoir. In 2010, Winstar conducted one workover on the well. The single producer has produced at a stable but slightly lower production rate after the workover to install the new downhole pump.

RPS assigns no Proved Undeveloped reserves to Sanrhar and forecasts 66 Mboe of Gross Probable Additional Developed reserves associated with continued sustained uplift performance of the ESP artificial lift system in SNN-1.

**Ech Chouech**

Agip, as previous operator, drilled five wells in this concession to the Devonian (approx. 3,800m depth). Two wells proved to be productive. One well (EC-1) has produced 164,000 bbls and was suspended due to a wellbore mechanical problem. A second well (EC-4), which is currently suspended, had a successful initial production test but was never put on permanent production. The EC-4 well was tested in 2007, with uneconomic oil rates. The well remains suspended pending future development planning. During 2008, EC-1 was put on production, with stable production rates through 2010 with the exception of a sand plug workover in December 2009. Another sand plug was removed from the bottom of the well in 2010 and a siphon string was installed to continuously lift any more sand that might enter the wellbore with the oil production. Oil rate at year end 2010 for EC-1 has improved over 2009 and is approximately 100-125 stb/d with no water.

RPS assigns no Proved Undeveloped reserves to Ech Chouech and 153 Mboe Gross Probable Additional Developed reserves due to a more favorable decline and ultimate recovery of the EC-1 well.

**Hungarian Properties**

**Törökkoppany**

The Törökkoppany field and facility have been suspended due to uneconomic gas rates following two attempts in 2010 to re-establish commercial production. RPS assigns no Gross Probable Additional Developed reserves.

***5.2 Significant Factors or Uncertainties***

Aside from the potential impact of material fluctuations in commodity prices, other significant factors or uncertainties that may affect either the Company's reserves or the future net revenue associated with such reserves include:

Tunisia

- Technical risk associated with finding the areas of reservoir fracturing in Sabria.
- Future success/performance of infill wells at Chouech Essaida

Material changes to existing taxation or royalty rates and/or regulations in any of the countries in which the company operates.

***5.3 Future Development Costs***

A summary of the estimated development costs deducted in the estimation of future net revenue attributable to various reserves categories and prepared under various price and cost assumptions are summarized in the following table.

FORM 51-101F1 TABLE 5.3

**SUMMARY OF ESTIMATED DEVELOPMENT COSTS ATTRIBUTABLE TO RESERVES USING FORECAST PRICES AND COSTS**

| | ESTIMATED DEVELOPMENT COSTS ($Cdn millions) | |
|---|---|---|
| | TOTAL PROVED | TOTAL PROVED + PROBABLE |
| ***TUNISIA*** | | |
| 2011 | 16.16 | 16.16 |
| 2012 | 7.64 | 15.08 |
| 2013 | - | 7.80 |
| 2014 | - | 15.91 |
| 2015 | - | - |
| **Total all years** | 23.80 | 54.94 |
| ***TOTAL COMPANY*** | | |
| 2011 | 16.16 | 16.16 |
| 2012 | 7.64 | 15.08 |
| 2013 | - | 7.80 |
| 2014 | - | 15.91 |
| 2015 | - | - |
| **Total all years** | 23.80 | 54.94 |

The Company expects to fund its estimated future development costs through some combination of internally generated cash flow and short term debt financing, or the possible sale of existing assets. There can be no guarantee that funds will be available or that the Board of Directors of the Company will allocate funding to develop all of the reserves requiring development in the RPS Report. Failure to develop such reserves could negatively impact future net revenue.

The Company's weighted average cost of capital is between six and ten percent, depending upon the assumptions used. The effect of these costs of capital on funding the Company's reserves and future net revenue is not expected to be material.

## PART 6: OTHER OIL AND GAS INFORMATION

### *6.1 Oil and Gas Properties and Wells*

The following discussion outlines the Company's important properties, plants, facilities and installations:

The principal property of the Company in Tunisia is the onshore oil producing Sabria concession which represents 53% of the Company's net proved plus probable reserve value. The state oil company, ETAP, has already exercised its right to back in to the concession and no other relinquishments, surrenders or back-ins are anticipated until the concession term expiry in the year 2028.

The Chouech Essaida concession in Tunisia represents 40% of the Company's net proved plus probable asset value. The concession has individual oil and gas pipelines that ship oil and gas respectively to the sales point at El Borma, 78km north of the Chouech Essaida production facility. The state oil company, ETAP has the right to back-in for 50% of the Chouech Essaida concession once the operator has sold 6.5 mmbbls of crude net of royalty. To date, the Company estimates that there has been approximately 3.9 mmbbls of net oil sales.

The principal property of the Company in Hungary is the onshore gas producing Torokkoppany Mining Permit which represents 100% of the Company's value in Hungary. There is a small (15mmscf/d design capacity) dehydration and separation facility that was used to process the gas from the Company's two wells. Both wells are currently suspended are not expected to be put back on production. There are no surrenders, back-ins or changes in ownership anticipated.

The Company sold essentially all of its assets in Canada and carries no reserves for the remaining property at Sturgeon Lake, Alberta.

**Oil and Gas Wells**

The following table sets forth the number and status of Winstar's crude oil and natural gas wells as at December 31, 2010.

| | **Crude Oil** | | **Natural Gas** | | **Suspended(1)** | | **Service(2)** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Gross** | **Net** | **Gross** | **Net** | **Gross** | **Net** | **Gross** | **Net** | **Gross** | **Net** |
| **Canada** | - | - | 0 | 0 | 12 | 6.2 | 0 | 0 | 12 | 6.2 |
| **Tunisia** | 11 | 9.35 | - | - | 4 | 4 | 3 | 3 | 19 | 16.35 |
| **Hungary** | 0 | 0 | 0 | 0 | 2 | 2 | 0 | 0 | 2 | 2 |
| **TOTAL** | 11 | 9.35 | 0 | 0 | 16 | 10.2 | 3 | 3 | 30 | 22.55 |

Notes:

1. "Suspended" wells means wells which are capable of production but which, for a variety of reasons, including, but not limited to lack of markets or development are not placed on production at the present time.
2. "Service" wells are used for the disposal or injection of water.
3. The Company sold most of its assets in Canada with the exception of its properties at Sturgeon Lake in Alberta where it has an immaterial amount of gas production and varying working interest in 11 suspended wells.

*6.2 Properties with No Attributed Reserves*

The Company's unproved, undeveloped properties, including those for which the Company expects its rights to explore, develop and exploit to expire within one year, are outlined in the following table.

| | **Canada** | **Tunisia** | **Hungary** | **Romania** |
|---|---|---|---|---|
| Unproved Properties | | | | |
| (Total Company): | | | | |
| Gross Area (acres) | 3320 | 0 | 0 | 765,600 |
| Net Area (acres) | 1658 | 0 | 0 | 459,300 |
| Work Commitments | 0 | 0 | 0 | 1 expl. well<br>seismic prog |
| Unproved Properties expected to expire in 2011: | | | | |
| Gross Area (acres) | 0 | 0 | 0 | 0 |
| Net Area (acres) | 0 | 0 | 0 | 0 |
| Work Commitments | 0 | 0 | 0 | 0 |

*6.3 Forward Contracts*

The Company is not bound by any agreements which may impact the realization of future full market prices for its oil and gas production as described in this report.

The company has no transportation obligations or commitments for future deliveries which exceed its expected related future production from proved reserves, as estimated using forecast prices and costs.

*6.4 Additional Information Concerning Abandonment and Reclamation Costs*

Winstar uses historical costs to estimate its abandonment and reclamation costs when available. The costs are estimated on an area by area basis. If representative comparisons are not readily available, an estimate is prepared based on the various regulatory abandonment requirements**.**

**Canada –** the Company has 6.2 net wells and associated facilities that it anticipates abandoning over the next 7+ years for an undiscounted cost of $750,000 or $600,000 (10% discounted cost)

**Tunisia –** Winstar has 16.35 net wells for which it expects to incur abandonment and reclamation costs. The total of such costs, forecast net of estimated salvage value, is $21.2 million (undiscounted) and $6.0 million (10% discounted cost) 100% of such amounts were deducted as abandonment and reclamation costs in estimating future net revenue of Winstar disclosed above.

**Hungary -** Winstar estimates that the abandonment cost for the Törökkoppany wells will amount to approximately (undiscounted) $0.3 million or $0.27 million (10% discounted cost) based on in-house engineering and operational estimates and anticipated abandonment in 2012.

Estimate abandonment costs for the next three years are as follows for the Company on a consolidated basis:

**Total Consolidated Forecast Prices and Costs (Total Proved) ($000)**

| Year | Abandonment Costs (Undiscounted) | Abandonment Costs (Discounted at 10%) |
|---|---|---|
| 2010 | 0.0 | 0.0 |
| 2011 | 0.0 | 0.0 |
| 2012 | 300.0 | 270.0 |
| **TOTAL** | 300.0 | 270.0 |

### *6.5 Tax Horizon*

Tunisia: The Sabria concession is forecast to become taxable in 2011 and beyond under the forecast price scenario for proved reserves. The Chouech Essaida concession became taxable in 2008.

Hungary: The Torokkoppany mining plot is not forecast to become taxable.

### *6.6 Costs Incurred*

For the year ended December 31, 2010, the Company incurred costs related to its acquisition, exploration and development activities as outlined in the following table. (including accruals, “work in progress” projects and capital additions to inventory.

| | Costs Incurred ($000) | | | |
|---|---|---|---|---|
| | **Canada** | **Tunisia** | **Hungary** | **Romania** |
| Property Acquisition Costs: | | | | |
| Proved Properties | 0 | 0 | 0 | 0 |
| Unproved Properties | 0 | 0 | 0 | 0 |
| Exploration Costs | 0 | 560 | 0 | 200 |
| Development Costs | 0 | 38012 | 0 | 0 |

***6.7 Exploration and Development Activities***

The Company's drilling activity and results for the year ended December 31, 2010 are summarized in the following table. It should be noted that the data outlined in this table reflects those wells that the Company participated in and where the rig was released during the period. The difference between the gross and net wells represents the Company's contribution to the capital expense of the wells.

| | **Exploratory Wells** | | **Development Wells** | |
|---|---|---|---|---|
| | **Gross** | **Net** | **Gross** | **Net** |
| Canada | | | | |
| Oil Wells | 0 | 0 | 0 | 0 |
| Gas Wells | 0 | 0 | 0 | 0 |
| Service Wells | 0 | 0 | 0 | 0 |
| Suspended Wells | 0 | 0 | 0 | 0 |
| Abandoned Wells | 0 | 0 | 0 | 0 |
| Total Wells | 0 | 0 | 0 | 0 |
| Tunisia | | | | |
| Oil Wells | 0 | 0 | 1 | 1 |

| | | | | |
|---|---|---|---|---|
| Gas Wells | 0 | 0 | 0 | 0 |
| Service Wells | 0 | 0 | 1 | 1 |
| Suspended Wells | 0 | 0 | 1 | 1 |
| Abandoned Wells | 0 | 0 | 0 | 0 |
| Total Wells | 0 | 0 | 3 | 3 |
| Hungary | | | | |
| Oil Wells | 0 | 0 | 0 | 0 |
| Gas Wells | 0 | 0 | 0 | 0 |
| Service Wells | 0 | 0 | 0 | 0 |
| Suspended Wells | 0 | 0 | 0 | 0 |
| Abandoned Wells | 0 | 0 | 0 | 0 |
| Total Wells | 0 | 0 | 0 | 0 |

The Company's important exploration and development activities are summarized as follows:

**Tunisia:**

During 2010, the Company commenced the exploration drilling activity of one well in the Chouech Essaida Concession. At yearend, well operations were still underway and there were no results. Development activity was comprised of the drilling of 2 wells and the re-entry and sidetrack drilling of one well in the Chouech Essaida Concession.

**Hungary:**

During 2010, the Company farmed out its working interest in the Igal II Exploration Permit area for a small retained net profits interest and assignment of its reclamation costs associated with the well NAK 1. The Company undertook no development activities in Hungary.

**Romania:**

In 2010, the Company worked on gathering and interpreting existing well and geophysical data from various sources in Romania to be used in the preparation of a regional study which was submitted to and accepted by the National Agency of Mineral Resources of Romania in 2010 as part of its exploration commitment.

## *6.8 Production Estimates*

Estimated production volumes derived from the first year (2011) of the cash flow forecasts prepared in conjunction with the Company's reserves data (and included in the RPS Report) are provided in the following table.

**FORM 51-101F1** **TABLE 6.8**

**SUMMARY OF PRODUCTION ESTIMATES**
**PROVED + PROBABLE RESERVES CASE**
**FOR YEAR 2011**

| | Estimated Production - 2010 | | |
|---|---|---|---|
| **RESERVE CATEGORY** | **LIGHT AND MEDIUM OIL (Mbbl)** | **NATURAL GAS (MMscf)** | **NATURAL GAS LIQUIDS (Mbbl)** |
| ***TUNISIA*** | | | |
| **Total Company** | 656.3 | 965.4 | 0.9 |
| **Significant Fields(1)** | | | |
| Sabria | 52.5 | 110.6 | 0.9 |
| Chouech Es Saida | 534.8 | 773.4 | - |

(1): Significant fields represent greater than 20% of Company total (by country) of production in first year of forecast

## *6.9 Production History*

The Company's historical production and netback data for period ended December 31, 2010 is presented in Table 6.9.

## RISK FACTORS

The Corporation is subject to risk factors due to its involvement in the exploration for, and the acquisition, development, production and marketing of, oil and natural gas and its current stage of development.

**Exploration and Development**

The Corporation is engaged in oil and natural gas exploration and development drilling, which is a high-risk venture with uncertain prospects for success. No assurance can be given that commercial accumulations of oil or natural gas will be discovered as a result of the efforts of the Corporation and shareholders must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of the management of the Corporation.

**Industry Conditions**

The oil and natural gas industry is highly competitive and the Corporation must compete with many companies with greater financial strength and technical resources. Generally, there is intense competition for the acquisition of resource properties considered to have commercial potential. Prices paid for both oil and gas produced are subject to market fluctuations and will directly affect the profitability of producing any oil or gas reserves which may be acquired or developed by the Corporation.

Oil and natural gas operations, including lease acquisitions, are subject to extensive government regulation. Operations may be affected from time to time in varying degrees by political and environmental developments, such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls and changes in conditions under which oil and gas may be exported. Sales are subject to the authorization of state, provincial and federal government agencies. Competition may also be presented by alternative fuels.

**Oil and Gas Operations**

The Corporation's operations are subject to all the risks normally incident to the exploration for and production of oil and gas including geological risks, operating risks, potential risks, development risks, marketing risks, and logistical risks of operation in Canada, Tunisia, Hungary, and Romania.

**Operating Hazards and Drilling Risks**

Oil and natural gas exploration operations are subject to all the risks and hazards typically associated with such operations, hazards such as fire, explosion, blowouts, and oil spills, each of which could result in substantial damage to oil and natural gas wells, producing facilities, other property and the environment or in personal injury. Although the Corporation or the operators of the wells maintain liability insurance in an amount which they consider adequate, 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 materially 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 premature decline of reservoirs and the invasion of water into producing formations.

Drilling involves numerous risks, including the risk that no commercially productive oil and gas reservoirs will be encountered. The cost of drilling and completing wells is often unpredictable, 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, weather conditions and shortages or delays in delivery of equipment. There can be no assurance as to the success of the Corporation's future drilling activities.

**Foreign Operations and Political Risk**

The Corporation's oil and natural gas activities will be subject to extensive controls and regulations imposed by various governments, which may be amended from time to time and foreign oil and gas operations are subject to political, economic and other uncertainties. Those uncertainties include: (i) the risk of war, revolution, border disputes, expropriation, renegotiation or modification of existing contracts, import, export and transportation regulations and tariffs resulting in loss of revenue, property and equipment; (ii) nationalization of assets by foreign governments; (iii) taxation policies, including royalty and tax increases and retroactive tax claims; (iv) exchange controls, currency fluctuations and other uncertainties arising out of foreign government sovereignty over oil and gas properties; (v) laws and policies of Canada affecting foreign trade, taxation and investment; and (vi) the possibility of being subjected to the jurisdiction of foreign courts in connection with legal disputes and the possible inability to subject foreign persons to the jurisdiction of the courts of Canada, all of which could adversely affect the outcome of a legal dispute.

On January 14, 2011, following weeks of demonstrations throughout Tunisia, the former president of Tunisia fled the country after 23 years in power. He was replaced by an interim government that intends to lead the country until elections can be held later this year. The Corporation was not materially affected during these significant events. Its offices remained open at all times and the Corporation was able to complete all of the operations then in progress. The new interim Tunisian government will oversee democratic elections within the year. Although early indications are that the new regime will support the current economic structure, it may adopt new policies, laws or regulations that might exhibit a more hostile attitude toward foreign investment in general or the Corporation in particular. In an extreme case, such change could result in termination of contract rights (including, without cause) and expropriation or nationalization of assets owned by foreign entities. Any such activity could result in significant loss to the Corporation.

In addition, the Corporation may be at a disadvantage in that it may be required to compete against corporations or other entities from countries that are not subject to Canadian laws and regulations, including the *Corruption of Foreign Public Officials Act* (or similar legislation of other jurisdictions, including the United States *Foreign Corrupt Practices Act*). Residents or nationals of countries not subject to such legal régimes may offer inducements to foreign governments and foreign public officials to entice such governments and officials to deal with them to the disadvantage of the Corporation.

Foreign oil and gas operations involve substantial costs and are subject to certain risks owing to the underdeveloped nature of the oil and gas industry in such countries. The oil and gas industry in various countries is not as developed as the oil and gas industry in Canada and the Untied States. As a result, drilling and development operations may take longer to complete and may cost more than similar operations in Canada and the United States. The availability of technical expertise, specific equipment and supplies is more limited in various countries than in Canada and the United States. Such factors may subject oil and gas operations in other countries to economic and operating risks not experienced in Canada and the United States.

**Price Volatility**

The Corporation's revenue, profitability and future rate of growth are also substantially dependent upon the prevailing prices of, and demand for, oil and natural gas. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors that are beyond the control of the Corporation. These factors include the level of consumer product demand, weather conditions, domestic and foreign governmental regulations, the price and availability of alternative fuels, political conditions in the Middle East, the foreign supply of oil and natural gas, the price of oil and gas imports and overall economic conditions. From time to time, excess domestic and imported supplies have depressed oil and gas prices. There can be no assurance that current price levels will be sustained. It is impossible to predict future oil and natural gas price movements with any certainty. Declines in oil and natural gas prices will adversely affect the Corporation's financial condition, liquidity and results of operations and may reduce the amount of the Corporation's oil and natural gas that can be produced economically. As a result, the Corporation could elect not to drill, develop or produce from certain wells.

The exchange rate differential between the Canadian and U.S. dollar also affects the profitability of the Corporation. World oil prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. exchange rate that may fluctuate over time. The Corporation may reduce the impact of fluctuation to foreign exchange fluctuations by using risk management tools related to foreign exchange rates and commodity prices. The Corporation has not entered into any foreign exchange contracts at this time.

**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.

**Replacement of Reserves**

In general, the volume of production from oil and natural gas properties declines as reserves are depleted. The decline rates depend on reservoir characteristics and vary from reservoir to reservoir. Except to the extent the Corporation acquires properties containing proved reserves or conducts successful development and exploration activities, or both, the reserves of the Corporation will decline as reserves are produced. The Corporation's future natural gas and oil production is, therefore, highly dependent upon its level of success in finding or acquiring additional 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 maintain or expand its asset base of oil and gas reserves would be impaired. In addition, there can be no assurance that the Corporation's future development, acquisition and exploration activities will result in additional reserves or that the Corporation will be able to drill productive wells at acceptable costs.

**Capital Markets**

Although the Corporation has secured a new $10,000,000 credit facility, the Corporation, along with all other oil and gas entities, has restricted access to capital and increased borrowing costs. The lending capacity of all financial institutions has diminished and risk premiums have increased. A prolonged period of adverse market conditions may impede the Corporation's ability to finance planned capital expenditures. As future capital expenditures will be financed out of funds generated from operations, borrowings and possible future equity sales, the Corporation's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry and the Corporation's securities in particular.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

**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. Although the Corporation has secured a new $10,000,000 credit facility, failure to obtain access to 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 will be available to meet these requirements or available on terms acceptable to the Corporation.

**Government Regulation**

Although the Corporation only owns one minor asset in Canada, oil and natural gas operations in Canada are subject to various Canadian federal, provincial and local governmental regulations. Matters subject to regulation include permits for drilling operations, reports concerning operations, the spacing of wells, abandonment and reclamation and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and natural gas wells below actual production capacity in order to conserve supplies of oil and natural gas. The production, handling, storage, transportation and disposal of oil and natural gas, by-products thereof and other substances and materials produced or used in connection with oil and natural gas operations are also subject to regulation under federal, state, provincial and local laws and regulations primarily relating to the protection of human health and the environment. To date, expenditures related to complying with these laws and for remediation of existing environmental contamination have not been significant in relation to the results of operations of the Corporation. Although the Corporation believes it is in substantial compliance with all applicable laws and regulations, 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.

In the areas where the Corporation conducts activities, specifically Tunisia, Romania and Hungary, there are statutory laws and regulations governing the activities of oil and gas companies. These laws and regulations allow administrative agencies to govern the activities of oil companies in the development, production and sale of both oil and gas. Changes in these laws and regulations may substantially increase or decrease the costs of conducting any exploration or development project. The Corporation believes that its operations comply with all applicable legislation and regulations in Tunisia and in Hungary and that the existence of such regulations has no more restrictive effect on the Corporation's method of operations than on similar companies in the industry.

**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 businesses 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.

**Marketability**

The marketability of oil and natural gas acquired or discovered will be affected by numerous factors beyond the control of the Corporation. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulation. Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time.

**Issuance of Debt**

From time to time the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

**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 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 is 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 adversely affect the Corporation's financial condition, results of operations or prospects.

Given the evolving nature of climate change action and regulation, it is not possible to predict the nature of future legislation with respect to climate change or the impact on the Corporation, its operations and financial condition at this time.

Compliance with such legislation may require significant expenditures and a failure to comply may result in the issuance of "clean up" orders or the imposition of fines and penalties, some of which may be material. It is possible that the costs of complying with environmental regulations in the future will have a material adverse effect on the Corporation's financial condition or results of operations. The Corporation may incur liabilities that could be material or require the Corporation to cease production on properties if environmental damage occurs.

**Title**

No assurances can be given that title defects to the assets owned by the Corporation do not exist. If title defects do exist, it is possible that the Corporation may lose all or a portion of its right, title, estate and interest in and to the properties to which the title defect relates.

**Reserve Estimates**

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and cash flows to be derived therefrom, 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 therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary 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 therefrom 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, RPS, the independent evaluators, have used forecast price and cost estimates in calculating reserve quantities included in this Annual Information Form. 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 from the reserves will vary from the estimates contained in the RPS Report, and such variations could be material. The RPS Report is 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 from the reserves contained in the RPS Report will be reduced to the extent that such activities do not achieve the level of success assumed in such reports.

**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.

**Foreign Officers and Directors**

Certain of the directors or officers of the Corporation, named herein, reside outside of Canada. Certain of the assets of the Corporation are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the directors and officers referred to above. It may also not be possible to enforce against certain of the Corporation's directors and officers named herein judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

**Operations**

To the extent that the Corporation is not the operator of its oil and natural 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. As a result, there is no assurance that the development work required to bring the proven non-producing properties of the Corporation to proven producing status will be completed.

**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.

**Hedging**

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Corporation would not benefit from the fluctuating exchange rate for the fixed price agreement amount.

**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.

**Tax Considerations**

The Canadian federal and provincial tax treatment of oil and natural gas activities has a material effect on the advisability of investing in the Common Shares. The return on a holder's investment is subject to changes in federal and provincial tax laws. There can be no assurance that the income tax legislation in Canada will not be amended so as to fundamentally alter the tax consequences of holding or disposing of the Common Shares.

The taxation of the Corporation's oil and natural gas activities in Tunisia has been long established in the title documents for each individual concession. Although there have been no changes to the taxation laws in each concession since inception, nor to the Tunisian Hydrocarbons Code of 1999, there can be no assurance that the income tax legislation in Tunisia will not be amended so as to have a material effect on the advisability of investing in the Common Shares.

**International Financial Reporting Standards**

The requirement for the Corporation to implement International Financial Reporting Standards ("**IFRS**") to replace Canadian GAAP effective January 1, 2011 may materially affect the Corporation's financial results as reported in its financial statements **[and may require the Corporation to amend its credit facilities to address the changes in accounting principles**]. As of the date of this Annual Information Form, the Corporation has to yet finalize all of its accounting policies under IFRS. For additional information, see **"International Financial Reporting Standards Transition"** in the Corporation's management's discussion and analysis for the year ended December 31, 2010.

## DESCRIPTION OF CAPITAL STRUCTURE

The Corporation's authorized share capital consists of an unlimited number of Common Shares without nominal or par value and an unlimited number of First and Second Preferred Shares. All of the Common Shares are fully paid and non-assessable. As at December 31, 2010 there were 35,270,332 Common Shares issued and outstanding and no preferred shares were issued and outstanding.

Each Common Share entitles its holder to receive notice of and to attend all meetings of the shareholders of the Corporation (other than meetings at which only the holders of shares of other classes are entitled to vote pursuant to the *Business Corporations Act* (Alberta) and to one vote at such meetings. The holders of Common Shares are, subject to the rights of the holders of the First Preferred Shares and the Second Preferred Shares and any other class of shares ranking senior to the Common Shares, entitled to receive and participate rateably in any dividends declared by the Board of Directors of the Corporation. The holders of the Common Shares are entitled to participate rateably in any distribution of the assets of the Corporation upon the liquidation, dissolution or winding up of the Corporation or other distribution of the assets of the Corporation among its shareholders for the purposes of winding up its affairs. Such participation is subject to the rights of the holders of the First Preferred Shares and the Second Preferred Shares and any other class of shares ranking senior to the Common Shares.

The First Preferred Shares are issuable in one or more series and subject to the articles, the Board of Directors is authorized to fix the number of shares in a series and the designation, rights, privileges, restrictions and conditions attaching to the shares of each series of First Preferred Shares. The First Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, rank on a parity with the First Preferred Shares of every other series and be entitled to preference over the Second Preferred Shares and the Common Shares and any other class ranking junior to the First Preferred Shares. The First Preferred Shares of any series shall also be entitled to such other preferences over the Second Preferred Shares, Common Shares or the shares of any other class ranking junior to the First Preferred Shares as may be fixed by the Board of Directors in accordance with the above.

The Second Preferred Shares are issuable in one or more series and subject to the articles, the Board of Directors is authorized to fix the number of shares in a series and the designation, rights, privileges, restrictions and conditions attaching to the shares of each series of Second Preferred Shares. The Second Preferred Shares, in the above circumstances, shall rank on a parity with the Second Preferred Shares of every other series and be entitled to preference over the Common Shares and any other class ranking junior to the Second Preferred Shares. The Second Preferred Shares of any series shall also be entitled to such other preferences over the Common Shares or the shares of any other class ranking junior to the Second Preferred Shares as may be fixed by the Board of Directors in accordance with the above.

## DIVIDENDS

The payment of dividends in the future is dependent on the earnings and financial condition of the Corporation and such other factors as the directors consider appropriate. The Corporation has not paid dividends in any of the three most recently completed financial years. The Corporation's articles do not contain any restrictions on the payments of dividends.

## MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "WIX".

The trading summary for the Corporation in 2010 on the Toronto Stock Exchange is as follows:

**Name of Market: Toronto Stock Exchange**

| **Month** | **High** $ | **Low** $ | **Close** $ | **Volume** |
|---|---|---|---|---|
| December 2010 | 5.40 | 3.66 | 5.20 | 3,031,500 |
| November 2010 | 3.99 | 3.22 | 3.77 | 2,854,300 |
| October 2010 | 3.88 | 3.19 | 3.25 | 559,500 |
| September 2010 | 3.50 | 3.06 | 3.21 | 335,100 |
| August 2010 | 3.46 | 3.36 | 3.41 | 253,700 |
| July 2010 | 3.85 | 3.30 | 3.42 | 346,200 |
| June 2010 | 4.20 | 3.60 | 3.94 | 1,035,900 |
| May 2010 | 3.85 | 3.05 | 3.80 | 776,400 |
| April 2010 | 3.90 | 3.06 | 3.40 | 626,800 |
| March 2010 | 3.89 | 3.53 | 3.88 | 963,400 |
| February 2010 | 3.55 | 2.88 | 3.53 | 3,994,900 |
| January 2010 | 3.35 | 2.94 | 3.26 | 558,300 |

## ESCROWED SECURITIES

As of December 31, 2010, there are no escrowed securities of the Corporation.

## DIRECTORS AND OFFICERS

The following table sets out, as at December 31, 2010, the names, municipalities of residence, and positions of the directors and officers of the Corporation as well as their principal occupations within the five preceding years, which are as follows:

| **Name and Principal Municipality of Residence** | **Occupation for the Past Five years** | **Date First Elected or Appointed** |
|---|---|---|
| Bruce R. Libin[(1)(2)]<br>Chairman and Director<br>Calgary, Alberta | Chairman of the Board of Winstar Resources Ltd. since December 2002; Executive Chairman and Chief Executive Officer of Destiny Resource Services Corp. (2000-2010); President of Logan International Inc. (2010) President of B.R. Libin Capital Corp.; Director of Logan International Inc. Provident Energy Trust and Greengate Power Corporation | July 11, 2002 |
| Charles A. de Mestral<br>Chief Executive Officer and Director<br>Geneva, Switzerland | General Manager and Director of Athanor until the Corporation acquired Athanor on August 22, 2005; prior to 1998 President of Coparex International (oil and gas exploration); and prior to 1992 President of American Cometra (oil and gas exploration). | August 19, 2005 |

| Name and Principal Municipality of Residence | Occupation for the Past Five years | Date First Elected or Appointed |
|---|---|---|
| David A. Monachello<br>President and Director<br>Calgary, Alberta | President, and Chief Executive Officer of Winstar Resources Ltd.; President, Chief Executive Officer and director of Stylus Exploration Inc. from 1999 to 2002; President, Chief Executive Officer, and director of Coparex Canada Ltd. from 1996 to 1999. | July 11, 2002 |
| Roger G. McMechan<br>Executive Vice President & Director<br>Calgary, Alberta | Executive Vice President and Director of the Corporation, prior to 2005, General Manager – Exploration and Development, Burlington Resources Canada, prior to 2000 General Manager of North Africa, PetroCanada Resources | March 30, 2005<br>(effective April 4, 2005) |
| Bryan H. Lawrence(1)(2)<br>Director<br>New York, New York<br>USA | Co-Founder and general partner of Yorktown Partners LLC. Prior to 1997 manager of oil and gas investments at Dillon Read & Co. | August 19, 2005 |
| Bernard P. de Combret(2)(3)<br>Director<br>Geneva, Switzerland | Businessman. Prior to 2002, Deputy Chairman of the Executive committee and President (gas and power trading) TotalFina Elf | August 19, 2005 |
| W. Russ Duncan(3)<br>Director<br>Calgary, Alberta | Vice President of Sky Hunter Exploration Ltd.; | November 18, 2004 |
| Robert W. Mitchell(3)<br>Director<br>Calgary, Alberta<br>Canada | Retired, prior to 2003, Executive Vice President of Talisman Energy Inc., Director of Provident Energy Trust | August 19, 2005 |
| Douglas Baker(1)(2)<br>Director<br>Calgary, Alberta<br>Canada | Managing Director, Thoroughbred Energy Partnership since 2007, formerly Vice President and Chief Financial Officer with Valiant Energy Inc.; President and Chief Financial Officer of Forte Resources Inc. | November 14, 2005 |
| Evgenij Iorich<br>Director<br>Zug, Switzerland | Adviser, Pala Investments AG since 2006. Prior to 2006, financial manager, Mechel OAO, mining and metals company based in Russia | October 27, 2008 |
| Christopher J. Whyte<br>Director<br>Houston, Texas | President of PetroSantander, Inc. since 1995 | March 26, 2009 |
| James V. O'Connor<br>Corporate Secretary<br>Calgary, Alberta | General Counsel for Winstar Resources Ltd since 2008, Manager of Land and Legal Affairs of Winstar from October 2005; Senior Landman at Burlington Resources Canada Ltd. from 2000 to 2005. | May 10, 2007 |

| Name and Principal Municipality of Residence | Occupation for the Past Five years | Date First Elected or Appointed |
|---|---|---|
| Brad Giblin<br>Chief Financial Officer<br>Calgary, Alberta | Chief Financial Officer, Winstar Resources Ltd since April 2009, Vice President Finance of Winstar 2008-2009 and controller of Winstar 2005-2008; prior to 2005, auditor with PriceWaterhouseCoopers LLP | January 31, 2008 |

Notes:

(1) Members of the Audit Committee.

(2) Members of the Compensation and Corporate Governance Committee.

(3) Members of the Reserves Committee

There have been no cease trade orders, bankruptcies or sanctions applicable within the past 10 years to any company of which any of the directors was a director or officer at the time of such sanction or the event leading to it.

The term of office of each of the directors of the Corporation expires at the next annual meeting of shareholders of the Corporation.

The directors and senior officers of the Corporation, as a group, beneficially owned, directly or indirectly, 2,016,642 Common Shares or approximately 5.71% of the issued and outstanding Common Shares as at the date of this Annual Information Form. Bryan Lawrence is a representative of Yorktown Partners LLC who, together with joint actors, is the owner of approximately 31.5% of the outstanding shares of the Corporation through various investment funds and joint actors. Evgenij Iorich is a representative of Pala Assets Holdings Limited, owner of approximately 22.74% of the outstanding shares of the Corporation as of the date of this Annual Information Form.

**Conflicts of Interest**

Circumstances may arise where members of the board of directors of the Corporation are directors or officers of corporations which are in competition to the interests of the Corporation. No assurances can be given that opportunities identified by such board members will be provided to the Corporation. Pursuant to the *Business Corporations Act* (Alberta), directors who have an interest in a proposed transaction upon which the board of directors is voting are required to disclose their interests and refrain from voting on the transaction.

## AUDIT COMMITTEE INFORMATION

Information concerning the Audit Committee of the Corporation, as required by National Instrument 52-110, is provided in Appendix "C" to this Annual Information Form.

## LEGAL PROCEEDINGS

There are currently no outstanding legal proceedings material to the Corporation to which the Corporation or any subsidiary of the Corporation is a party or of which any property of the Corporation is the subject matter, or are any such proceedings known to the Corporation to be completed.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management is not aware of any material interest, direct or indirect, of any director or executive officer of the Corporation, a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the Common Shares, or their respective associates or affiliates, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or would materially affect the Corporation or any of its subsidiaries.

## TRANSFERS AGENTS AND REGISTRARS

Computershare Trust Company of Canada at principal offices at Calgary Alberta and Toronto, Ontario is the transfer agent and registrar for the Common Shares of the Corporation.

## MATERIAL CONTRACTS

The Corporation has not entered into any other material contracts in the most recently completed financial year, except for contracts entered into by the Corporation in the ordinary course of business.

## INTERESTS OF EXPERTS

The Corporation's auditor is PricewaterhouseCoopers LLP, Chartered Accountants, 3100, 111 – 5th Avenue S.W. Calgary Alberta T2P 5L3. PricewaterhouseCoopers LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

The reserves data set forth in this Annual Information Form is based upon an evaluation of the Corporation's Tunisian and Hungarian assets by RPS in the RPS Report. RPS is an independent qualified reserve evaluator in accordance with the standards of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. As of the date hereof, the principals of RPS, as a group, did not beneficially own, directly or indirectly, any of the outstanding Common Shares.

## ADDITIONAL 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, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's Information Circular for its most recent annual meeting of the security holders that involved the election of directors. Additional financial information is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2010 and related annual management's discussion and analysis filed on SEDAR as described above.

Copies of the foregoing documents may be obtained from the Corporation upon request and in some cases upon payment of a reasonable charge or from the Corporation's website www.winstar.ca

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

David A. Monachello
President
Winstar Resources Ltd.
845, 401- 9 Ave S.W.
Calgary, Alberta  T2P 3C5
Tel: (403) 513-4200
Fax: (403) 205-2722
Email:  dmonachello@winstar.ca
Website:  www.winstar.ca

**APPENDIX "A"**

**FORM 51-101F2 – REPORT ON RESERVES DATA BY CORPORATIONS INDEPENDENT QUALIFIED RESERVES EVALUATOR**

**RPS Energy**

March 12, 2011

**The Board of Directors**
**Winstar Resources Ltd**
**845, 401 – 9th Ave. S.W.**
**Calgary AB Canada T2P 3C5**

**Subject: FORM 51-101F2, REPORT ON RESERVES DATA**

1. We have evaluated the Tunisian reserves data of Winstar Resources Ltd. (the "**Company**") as at December 31, 2010. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2010, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management and board of directors:

| Independent Qualified Reserves Evaluator | Description of Evaluation Report | Preparation Date of Evaluation Report | Location of Reserves | | Net Present Value of Future Net Revenue Before Income Taxes Proved + Probable Reserves Million Canadian Dollars, 10% discount rate | | |
|---|---|---|---|---|---|---|---|
| | | | | | Audited | Evaluated | Reviewed |
| RPS Energy | "Reserves Evaluation Tunisian and Hungarian Properties of Winstar Resources Ltd. as at December 31, 2010." | March 9, 2011 | Tunisia | | $n/a | $346.1 | $n/a |

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and presented in accordance with the COGE Handbook.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after its preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

**RPS Energy Canada Ltd.**

(Signed) *"Brian D. Weatherill"*
Brian D. Weatherill, P.Eng.

**APPENDIX "B"**
**FORM 51-101F3 REPORT FOR**
**WINSTAR RESOURCES LTD.**

**This is the form referred to in item 3 of section 2.1 of National Instrument 51-101** ***Standards of Disclosure for Oil and Gas Activities*** **("NI51-101")**

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

2. The report referred to in item 3 of section 2.1 of NI 51-101 shall, in all material respects, be as follows:

**REPORT OF MANAGEMENT AND**
**DIRECTORS ON RESERVES DATA AND OTHER INFORMATION**

Management of Winstar Resources Ltd. (the "**Company**") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data for the year ending December 31, 2010, which consist of the following:

(a) (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2010, (the last day of the Company's most recently completed financial year), using forecast prices and costs; and

(ii) the related estimated future net revenue.

Independent qualified reserves evaluators have evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluators will be filed with the securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report on Company's reserves without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluators.

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

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

(Signed) *"Charles de Mestral"*

Charles de Mestral,
Chief Executive Officer

(Signed) *"Roger McMechan"*

Roger McMechan,
Executive V.P. Engineering & Operations

(Signed) *"Robert Mitchell"*

Dr. Robert Mitchell,
Independent Director,
Reserve Committee Chair

(Signed) *"Russ Duncan"*

Russ Duncan,
Independent Director

## APPENDIX "C"
## AUDIT COMMITTEE INFORMATION

**Composition of Audit Committee**

As at March 17, 2011 the Audit Committee of Winstar Resources Ltd. (the "**Corporation**") consists of Douglas Baker (Chairman), Bruce Libin and Bryan H. Lawrence. The Board of Directors has determined that all members of the Audit Committee are "independent" and "financially literate" as defined in National Instrument 52-110 – Audit Committees ("**NI 52-110**").

NI 52-110 states that a member of an audit committee is independent if the member has no direct or indirect material relationship with the issuer. A material relationship is a relationship which could, in the view of the issuer's Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

In addition, an individual is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

**Education and Experience**

Mr. Baker, who serves as the Chair of the Canadian Institute of Chartered Accountants, and served as the President of the Institute of Chartered Accountants of Alberta in 2003, brings considerable experience in finance, tax and accounting to the Corporation's Board of Directors. An independent businessman, Mr. Baker is currently Managing Director of Thoroughbred Energy Partnership. Mr. Baker was Vice-President and Chief Financial Officer of Valiant Energy Inc. prior to its takeover by Peerless Energy Inc. in September 2006. He served as President and Chief Financial Officer of Forte Resources and its predecessors since August 2001. Before that, Mr. Baker held positions as President and Chief Financial Officer of Forte Energy Ltd. from July 1997 to May 2001, Vice-President and Chief Financial Officer of Territorial Resources Inc. from 1996 to 1997, Vice-President and Chief Financial Officer of Chancellor Energy Resources Inc. from 1993 to 1996, Vice-President and Chief Financial Officer of American Eagle Petroleum Ltd. from 1991 to 1993, Vice-President and Chief Financial Officer of Canadian Conquest Exploration Inc. from 1983 to 1991 and Manager and staff accountant with Deloitte, Haskins and Sells from 1975 to 1983. Mr. Baker is a graduate of the University of Saskatchewan and holds a Bachelor of Commerce degree with Honours and Distinction. He has been a chartered accountant since 1977. In 1996, Mr. Baker received the honour of being named a Fellow of Chartered Accountants.

Effective January 31, 2011 Mr. Libin has retired as President of Logan International Inc. a position he held from early 2010 until his retirement. From December 2000 until the end of 2010 Mr. Libin was Executive Chairman and Chief Executive Officer of Destiny Resource Services Corp. From 1994 to 2000, his principal occupation was as President of B.R. Libin Capital Corp., an investment, merchant banking and investment banking advisory services company. Prior to 1994 he was a senior partner with the law firm Bennett Jones, practicing mergers and acquisitions and securities law since joining the firm in 1975. Mr. Libin has his Bachelor of Commerce degree (Honours) from the University of Toronto, his Juris Doctorate from the University of Pennsylvania Law School and his Master of Business Administration degree from the Wharton School. He was appointed Queen's Counsel in 1990, received the Canada 125 Medal of Distinction in 1992 and was granted an Honorary Degree from the Southern Alberta Institute of Technology in May 2002. Mr. Libin is a member of the Board of Directors of Logan International Inc., Provident Energy Trust and Greengate Power

Corporation as well as several private corporations and foundations. Other corporate directorships have included Amoco Canada Petroleum Company Limited, Beau Canada Exploration Ltd., Mark's Work Wearhouse Ltd., Maxx Petroleum Ltd., Tonko Development Corp. and United Inc.

Mr. Lawrence joined Dillon Read & Co. Inc. ("**Dillon Read**") in 1966. During his career at Dillon Read he devoted a large portion of his time to energy-related projects, eventually overseeing all of Dillon Read's investments in the energy industry. His clients included Amerada Hess, Arch Coal, Ashland Oil, Goodyear Tire, Hamilton Brothers, Homestake Mining, Noble Affiliates, Quantum Chemical, Vintage Petroleum and Texaco. Mr. Lawrence was critical in the establishment of Yorktown Energy Partners I and Yorktown Energy Partners II following the acquisition of Dillon Read by Swiss Bank Corp. in 1997. In 1997, Mr. Lawrence and six other Dillon Read executives became the general partners of Yorktown Partners LLC, the manager of Yorktown I and Yorktown II, and subsequent Yorktown III, IV, V and Yorktown VI partnerships.

**External Auditor Service Fees**

The following table present fees for the audits of the Corporation's annual consolidated financial statements for 2010 and 2009 and for other services provided by the Corporation's external auditors:

| **(Cdn $ thousands)** | **2010** | **2009** |
|---|---:|---:|
| Audit fees | 173 | 169 |
| Tax fees | 28 | 40 |
| All other fees | 34 | 45 |

The Corporation incurred audit fees during the fiscal periods 2010 and 2009 relating to statutory requirements in all countries in which it operates.

The Corporation incurred fees for professional services by the Corporation's auditors in respect of tax compliance, tax planning and tax advice for the fiscal years ended 2010 and 2009.

The Audit Committee has implemented specific procedures regarding the pre-approval of services to be provided by the Corporation's external auditors. These procedures specify certain prohibited services that are not to be performed by the Corporation's external auditors. In addition, these procedures require that, at least annually, prior to the period in which the services are proposed to be provided, the Corporation's management, in conjunction with the Corporation's external auditors, prepares and submits to the Audit Committee a complete list of all proposed services and related fees to be provided to the Corporation by the Corporation's external auditors. Under the Audit Committee pre-approval procedures, for those non-audit services proposed to be provided by the Corporation's external auditors that have not been previously approved by the Audit Committee, the Audit Committee has delegated to the Chairman of the Audit Committee the authority to grant pre-approvals of such services. The decision to pre-approve a service covered under this procedure is presented to the full Audit Committee at the next scheduled meeting. At each of the Audit Committee's regular meetings, the Audit Committee is provided an update as to the status of services previously approved.

**Charter of the Audit Committee**

The following is the text of the Charter of the Audit Committee for the Corporation:

*Policy Statement*

It is the policy of WINSTAR RESOURCES LTD. (the "**Corporation**") to establish and maintain an Audit Committee, composed entirely of independent directors, to assist the Board of Directors (the "**Board**") in carrying out their oversight responsibility for the Corporation's internal controls, financial reporting and risk management processes. The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

*Composition of the Committee*

1. The Audit Committee shall consist of at least three directors. The Board shall appoint the members of the Audit Committee. The Board shall appoint one member of the Audit Committee to be the Chair of the Audit Committee.

2. Each director appointed to the Audit Committee by the Board shall be an outside director who is unrelated. An outside, unrelated director is a director who is independent of management and is free from any interest, any business or other relationship which could, or could reasonably be perceived, to materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding. In determining whether a director is independent of management, the Board shall make reference to the then current legislation, rules, policies and instruments of applicable regulatory authorities.

3. Each member of the Audit Committee shall be "financially literate". In order to be financially literate, a director must be, at a minimum, able to read and understand basic financial statements, and at least one member shall have "accounting or related financial management expertise", meaning the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

4. A director appointed by the Board to the Audit Committee shall be a member of the Audit Committee until replaced by the Board or until his or her resignation.

5. The Chairman of the Board shall be an ex officio member of the Audit Committee.

*Meetings of the Committee*

1. The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the auditors, or a senior officer of the Corporation. Meetings of the Audit Committee shall correspond with the review of the quarterly financial statements and management discussion and analysis.

2. Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee and to the auditors, who shall be entitled to attend each meeting of the Audit Committee and shall attend whenever requested to do so by a member of the Audit Committee.

3. Notice of a meeting of the Audit Committee shall:

   (a) be in writing;

   (b) state the nature of the business to be transacted at the meeting in reasonable detail;

   (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and

   (d) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.

4. A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee (excluding the Chairman of the Board). However, it shall be the practice of the Audit Committee to require review, and, if necessary, approval of certain important matters by all members of the Audit Committee.

5. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.

6. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.

7. The Chairman of the Board, senior management of the Corporation and other parties may attend meetings of the Audit Committee; however the Audit Committee (i) shall meet with the external auditors independent of management; and (ii) may meet separately with management.

8. Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting.

***Duties and Responsibilities of the Committee***

1. The Audit Committee's primary duties and responsibilities are to:

   (a) identify and monitor the management of the principal risks that could impact the financial reporting of the Corporation;

   (b) monitor the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

(c) monitor the independence and performance of the Corporation's external auditors;

(d) deal directly with the external auditors to approve external audit plans, other services (if any) and fees;

(e) directly oversee the external audit process and results (in addition to items described in Section 4 below);

(f) provide an avenue of communication among the external auditors, management and the Board; and

(g) ensure that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual.

2. The Audit Committee shall have the authority to:

(a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;

(b) discuss with the management of the Corporation, its subsidiaries and affiliates and senior staff of the Corporation, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;

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

(d) to set and pay the compensation for any advisors employed by the Audit Committee.

3. The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.

4. The Audit Committee shall:

(a) review the audit plan with the Corporation's external auditors and with management;

(b) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting;

(c) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;

(d) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

(e) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;

(f) review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from management of all significant variances between comparative reporting periods;

(g) consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;

(h) review with financial management and the external auditors the quarterly unaudited financial statements and management discussion and analysis before release to the public;

(i) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, annual reports, annual information forms, management discussion and analysis and press releases; and

(j) oversee any of the financial affairs of the Corporation, its subsidiaries or affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management.

5. The Audit Committee shall:

(a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor or the discharge of the external auditor when circumstances are warranted;

(b) consider the recommendations of management in respect of the appointment of the external auditors;

(c) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors', or the external auditors of the Corporation's subsidiary entities;

(d) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;

(e) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to National Policy 31 (or any successor legislation) of the Canadian Securities Administrators and the planned steps for an orderly transition period; and

(f) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.

6. The Audit Committee shall:

(a) review with management at least annually, the financing strategy and plans of the Corporation; and

(b) review all securities offering documents (including documents incorporated therein by reference) of the Corporation.

7. The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.

8. The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.

9. The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Audit Committee by any member of the Board, a shareholder of the Corporation, the external auditors, or senior management.

10. The Audit Committee shall periodically review with management the need for an internal audit function.

11. The Audit Committee shall review the Corporation's accounting and reporting of environmental costs, liabilities and contingencies.

12. The Audit Committee shall establish and maintain procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation on concerns regarding questionable accounting or auditing matters.

13. The Audit Committee shall review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors or auditing matters.

14. The Audit Committee shall review with the Corporation's legal counsel as required but at least annually, any legal matter that could have a significant impact on the Corporation's financial statements, and any enquiries received from regulators, or government agencies.

15. The Audit Committee shall assess, on an annual basis, the adequacy of this Mandate and the performance of the Audit Committee.