DeeThree Exploration Ltd.

ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2011

March 28, 2012

Statements in this Annual Information Form may be viewed as forward-looking statements. Such statements involve risks and uncertainties that could cause actual results to differ materially from those projected. There are no assurances the Corporation can fulfill such forward-looking statements and the Corporation undertakes no obligation to update such statements. Such forward-looking statements are only predictions; actual events or results may differ materially as a result of risks facing the Corporation, some of which are beyond the Corporation's control. The forward-looking statements or information contained in this Annual Information Form are made as of the date hereof and the Corporation undertakes no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

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GLOSSARY

Certain terms and abbreviations used in this Annual Information Form are defined below:

"**2009 Subscription Receipt Private Placement**" means the brokered private placement of subscription receipts at a price of $2.00 per subscription receipt, which was completed through three tranches, closing on April 30, 2009, June 4, 2009 and June 16, 2009, for aggregate gross proceeds of $3,952,500;

"**2011 AGM**" means the annual general and special meeting of the shareholders of the Corporation held on May 27, 2011;

"**2011 Information Circular**" means the management information circular of the Corporation dated April 26, 2011 provided with respect to the 2010 AGM;

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

"**affiliate**" or "**associate**" when used to indicate a relationship with a person or company, has the meaning set forth in the *Securities Act* (Alberta);

"**Amalgamation**" means the amalgamation which occurred on June 25, 2009 of a wholly-owned subsidiary of the Corporation and DeeThree Ltd. in accordance with the provisions of the ABCA and pursuant to the terms of the Amalgamation Agreement with the resulting entity being a wholly-owned subsidiary of the Corporation which has subsequently been vertically amalgamated with the Corporation;

"**Amalgamation Agreement**" means the amalgamation agreement dated May 25, 2009 among the Corporation, a wholly-owned subsidiary of the Corporation and DeeThree Ltd. governing the terms and conditions of the Amalgamation;

"**Board of Directors**" means the board of directors of the Corporation, as constituted from time to time, including where applicable, any committee thereof;

"**Common Shares**" means the common shares without par value in the capital of the Corporation;

"**Corporation**" unless specifically indicated otherwise, means a corporation, unincorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

"**Consolidation**" means the consolidation of the issued and outstanding common shares of DeeThree Exploration Inc. on the basis of one share for each twelve shares of DeeThree Exploration Inc. which occurred on June 25, 2009;

"**Corporation**" or "**DeeThree**" means DeeThree Exploration Ltd., being the Corporation resulting from the amalgamation of DeeThree Exploration Inc. and its wholly-owned subsidiary DeeThree Ltd. on January 1, 2010 and when used in the context of describing the Corporation's assets and business, may include its predecessors;

"**CPC Policy**" means Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual entitled "*Capital Pool Companies*";

"**CPC**" means a corporation:

(a) that has been incorporated or organized in a jurisdiction in Canada,

(b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the TSXV's CPC Policy, and

(c) in regard to which the Final TSXV Bulletin has not yet been issued;

“Credit Facility” means the revolving demand credit facility the Corporation has with a Canadian chartered bank;

“**DeeThree Ltd.**” means DeeThree Exploration Ltd., which became a wholly owned subsidiary of the Corporation pursuant to the Amalgamation on June 25, 2009;

“**DeeThree Shares**” means the common shares in the capital of DeeThree Ltd. which were outstanding immediately prior to the Amalgamation and were subsequently exchanged for Common Shares on June 25, 2009;

“**Effective Date**” means the effective date of this Annual Information Form, being March 28, 2012;

“**Fall 2010 Private Placement”** means the private placement of Flow-Through Shares at a price of $4.55 per Flow-Through Share completed in two tranches, on November 19, 2010 and November 24, 2010, for aggregate gross proceeds of $16,500,000;

“**Flow-Through Shares**” means Common Shares issued on a “flow-through” basis as defined in the Tax Act;

“**Initial Public Offering**” means the offering of Common Shares pursuant to the amended and restated final prospectus of the Corporation dated April 23, 2008;

“**March 2011 Acquisition**” means the acquisition of the Northern Properties pursuant to the terms of the March 2011 Acquisition Agreement and completed on March 22, 2011;

“**March 2011 Acquisition Agreement**” means the asset purchase and sale agreement dated as of February 17, 2011 in respect of the Corporation’s acquisitions of the Northern Properties among arm’s length oil and gas producers and the Corporation;

“**March 2012 Financing**” means the bought-deal short-form prospectus financing of Flow-Through Shares at a price of $4.50 per Flow-Through Share completed on March 4, 2010 for aggregate gross proceeds of $17,253,450;

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

“NI 51-102” means National Instrument 51-102 — *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

“**Northern Properties**” means the petroleum and natural gas properties and related assets that are the subject of the March 2011 Acquisition Agreement;

“**October 2009 Flow-Through Share Private Placement**” means the underwritten private placement of Flow-Through Shares at a price of $2.50 per Flow-Through Share completed on October 14, 2009 for aggregate gross proceeds of $5,000,000;

“**Options**” means the stock options granted by the Corporation to purchase Common Shares;

“**OTCQX**” means the top tier of the United States Over-the-Counter market;

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

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

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

"**proved reserves**" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

"**Qualifying Transaction**" means the acquisition of all of the outstanding shares of DeeThree Ltd. by the Corporation by way of the Amalgamation on June 25, 2009 whereby DeeThree Ltd. became wholly-owned by the Corporation and the shareholders of DeeThree Ltd. each received one Common Share (on a post-Consolidation basis) for each DeeThree Share held;

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

"Spring 2009 Flow-Through Share Private Placement" means the brokered private placement of Flow-Through Shares at a price of $2.40 per Flow-Through Share completed in two tranches on April 30, 2009 and May 15, 2009 for aggregate gross proceeds of $1,727,266;

"Spring 2010 Prospectus Financing" means the bought-deal short-form prospectus financing of Common Shares and Flow-Through Shares at a price of $2.40 per Common Share and $2.80 per Flow-Through Share completed on March 4, 2010 for aggregate gross proceeds of $13,535,500;

"**Spring 2011 Prospectus Financing**" means the bought-deal short-form prospectus financing of Flow-Through Shares and Subscription Receipts at a price of $5.15 per Flow-Through Share and $4.30 per Subscription Receipt completed on March 11, 2011 for aggregate gross proceeds of $130,668,500;

"**Sproule**" means Sproule Associates Limited;

"**Sproule Report**" means the reserve report dated February 29, 2012 and prepared by Sproule in relation to the crude oil and natural gas reserves of the Corporation and the future net production revenues attainable thereto with an effective date of December 31, 2011;

"**Subscription Receipts**" means the subscription receipts issued pursuant to the Spring 2011 Prospectus Financing, which each Subscription Receipt exchangeable into one Common Share upon completion of the March 2011 Acquisition;

"Summer 2010 Prospectus Financing" means the bought-deal short-form prospectus financing of Common Shares at a price of $2.75 per Common Share completed on September 8, 2010 for aggregate gross proceeds of $22,000,000;

"Tax Act" means *the Income Tax Act* (Canada) and the regulations thereto, as may be amended from time to time;

"**Taxes**" means, with respect to any entity, all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes, franchise taxes, licence taxes, withholding taxes or other withholding obligations, payroll taxes, employment taxes, Canada or Québec Pension Plan premiums, excise, severance, social security premiums, workers' compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, property taxes, provincial Crown royalties, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes of any kind whatsoever, together with any interest and any penalties or additional amounts imposed by any taxing authority (domestic or foreign) on such entity or for which such entity is responsible, and any interest, penalties, additional taxes, additions to tax or other amounts imposed with respect to the foregoing;

"**TSX**" means the Toronto Stock Exchange;

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

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

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

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

MONETARY REFERENCES

All monetary references contained in this Annual Information Form are in Canadian dollars unless otherwise specified. All monetary references contained in the reserves data are in Canadian dollars.

ABBREVIATIONS

Crude Oils and Natural Gas Liquids	
Bbl	Barrel
Bbls	Barrels
Bbls/d	Barrels per day
BOPD	Barrels of oil per day
MBbls	Thousand barrels
MMBbls	Million barrels
BOE	Barrels of oil equivalent
BOE/d	Barrels of oil equivalent per day
MBOE	Thousand of barrels of oil equivalent
MMBOE	Million of barrels of oil equivalent
NGLs	Natural gas liquids
MMbtu	Million British thermal units
WTI	West Texas Intermediate

Natural Gas	
Mcf	Thousand cubic ft
MMcf	Million cubic ft
Mcf/d	Thousand cubic ft per day
MMcf/d	Million cubic ft per day
McfGE	Thousand cubic ft gas equivalent
Gj	Gigajoules

Other	
M	1,000

BOE Conversion

The calculation of barrels of oil equivalent (BOE) is based on a conversion ratio of six thousand cubic feet (Mcf) of natural gas for one barrel (Bbl) of oil based on an energy equivalency conversion method. A barrel of oil equivalent may be misleading, particularly if used in isolation. A BOE conversion ratio of 6Mcf:1Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

McfGE Conversion

McfGE is derived by converting oil to gas in the ratio of one barrel of oil to six thousand cubic feet of gas (1Bbl:6Mcf). Mcfes may be misleading, particularly if used in isolation. An McfGE conversion ratio of 1Bbl:6Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

METRIC CONVERSION TABLE

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

To convert from	To	Multiply by
BOE	Mcf	6.00
Mcf	Cubic metres (“m3”)	28.17
Cubic metres	Cubic ft	35.49
Bbls	Cubic metres (“m3”)	0.16
Cubic metres (“m3”)	Bbls	6.29
Feet (“ft”)	Metres	0.31
Metres	Feet (“ft”)	3.28
Miles	Kilometres (“Km”)	1.61
Kilometres (“Km”)	Miles	0.62
Acres	Hectares (“Ha”)	0.41

FORWARD LOOKING STATEMENTS

Certain statements contained in this Annual Information Form may constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors facing the Corporation. Risks, uncertainties and other factors may be beyond the Corporation’s control and may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon by investors. These statements speak only as of the date of this Annual Information Form and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this Annual Information Form contains forward-looking statements, pertaining to the following:

- the Corporation's capital expenditure and investment program and the timing and results therefrom;
- drilling inventory, drilling plans and timing of drilling, completion and tie-in of wells;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;

- the impact of changes in oil and natural gas prices on cash flow;
- expectations regarding the ability to raise capital and to add to reserves;
- oil and natural gas production levels and sources of their growth;
- the performance characteristics of the Corporation's oil and natural gas properties;
- timing of development of undeveloped reserves;
- the existence, operation and strategy of the Corporation's commodity price risk management program;
- the Corporation's business, disposition and acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the impact of Canadian federal and provincial governmental regulation on the Corporation relative to other oil and gas issuers of similar size;
- future development and growth prospects;
- expected levels of royalties, operating costs, general administrative costs, costs of services and other costs and expenses;
- determination of future quantities of oil and natural gas reserves and the size of and future net revenues therefrom;
- ability to meet current and future obligations;
- the tax horizon and taxability of the Corporation;
- treatment under governmental regulatory regimes and tax laws;
- projections of market prices and costs;
- weighting of production between different commodities;
- supply and demand for oil and natural gas;
- the ability to obtain equipment, services and supplies in a timely manner to carry out its activities;
- the ability to market oil and natural gas successfully to current and new customers;
- the timing and costs of pipeline, terminal and storage facility construction and expansion and the ability to secure adequate product transportation;
- the ability to obtain financing on acceptable terms or at all;
- currency, exchange and interest rates;
- potential dispositions and acquisitions;
- the timely receipt of governmental approvals; and
- realization of the anticipated benefits of acquisitions and dispositions.

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

- the legislative and regulatory environments of the jurisdictions where the Corporation carries on business or has operations;
- levels of royalties, operating costs, general administrative costs, costs of services and other costs and expenses;
- the impact of increasing competition; and
- the Corporation's ability to obtain additional financing on satisfactory terms.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- volatility in the market prices for oil and natural gas;
- uncertainties associated with estimating reserves;
- geological, technical, drilling and processing problems;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations;
- uncertainties associated with estimating levels of royalties, operating costs, general administrative costs, costs of services and other costs and expenses;
- incorrect assessments of the value of acquisitions;

- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; and
- the other factors referred to under “Risk Factors”.

Additional information on these and other factors is available in the reports filed by the Corporation with Canadian securities regulators. The forward-looking statements or information contained in this Annual Information Form are made as of the date hereof

Readers are cautioned against placing undue reliance on forward-looking information, which is given as of the date it is expressed in this AIF, or the MD&A disclosure incorporated by reference herein, and not to use future-oriented information or financial outlooks for anything other than their intended purpose. The Corporation undertakes no obligation to publicly update or revise any forward-looking information in this AIF or the MD&A disclosure incorporated by reference herein whether as a result of new information, future events or otherwise, except as required by law.

NAME, ADDRESS AND INCORPORATION

The Corporation was incorporated pursuant to the provisions of the ABCA on November 22, 2007 as “Royal Capital Corp.”. The Consolidation and the Amalgamation were completed on June 25, 2009. The Corporation changed its name by Certificate of Amendment to “DeeThree Exploration Inc.” on June 25, 2009. On January 1, 2010, the Corporation completed a vertical amalgamation with its wholly-owned subsidiary, DeeThree Ltd. The name of the Corporation was changed to “DeeThree Exploration Ltd.” pursuant to the amalgamation that occurred on January 1, 2010.

The Corporation is a reporting issuer in every province of Canada except for Quebec. The Common Shares of the Corporation are listed on the TSX under the trading symbol “DTX” and on the OTCQX under the trading symbol of “DTHRF”.

The Corporation's head office is located at 2200, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3, and the registered office is located at Suite 1000, 250 - 2nd Street, S.W., Calgary, Alberta, T2P 0C1.

The Corporation has no subsidiaries as at the date hereof.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Period From Incorporation to the Qualifying Transaction

The Corporation was incorporated on November 22, 2007 and was previously a CPC. Its sole business was to identify and evaluate opportunities with a view to completing a qualifying transaction pursuant to the CPC Policy.

The Corporation made its Initial Public Offering for gross proceeds of $800,000 by way of an amended prospectus dated April 23, 2008, filed in the provinces of Alberta and British Columbia. The Initial Public Offering was completed on May 15, 2008 and the Common Shares were listed on the TSXV effective June 17, 2008 under the symbol “RCX.P”.

On March 24, 2009, the Corporation announced that it had entered into a letter of intent with DeeThree Ltd. regarding the Qualifying Transaction.

DeeThree Ltd.

DeeThree Ltd. was incorporated on January 24, 2007 and commenced operations shortly thereafter. DeeThree Ltd.’s principal business activity was petroleum and natural gas exploration, development and production in Alberta. On July 31, 2008, DeeThree Ltd. acquired all the common shares of 1265953 Alberta Inc., and on September 30, 2008, the companies were amalgamated to form DeeThree Ltd. In November 2008, DeeThree Ltd. significantly increased its scope of operations as a result of the 2008 Acquisition (as defined below) of oil and gas assets in the Lethbridge area of southern Alberta. DeeThree Ltd. also had producing oil and natural gas wells in the Chinchaga and Balsam areas of north western Alberta and in the Killam area of central Alberta.

DeeThree Ltd. completed the Spring Flow-Through Share Private Placement in two tranches which closed on April 30, 2009 and May 15, 2009. DeeThree Ltd. also completed the 2009 Subscription Receipt Private Placement in three tranches which closed on April 30, 2008, June 4, 2009 and June 16, 2009.

The Qualifying Transaction on June 25, 2009

On June 25, 2009, the Corporation completed its Qualifying Transaction via the Amalgamation and the transactions contemplated therein, pursuant to which, among other things, the Corporation completed the Consolidation, changed its name to "DeeThree Exploration Inc." and acquired DeeThree Ltd. In accordance with the terms of the Amalgamation Agreement, former holders of DeeThree Shares received one Common Share for each DeeThree Share held. A total of 4,278,100 Common Shares were deposited into escrow in conjunction with the Amalgamation pursuant to the policies of the TSXV relating to CPCs. Following the Qualifying Transaction, the Corporation ceased to be a CPC and the business of DeeThree Ltd. became the business of the Corporation.

Period from June 25, 2009 to December 31, 2009

In October 2009, the Corporation completed the October 2009 Flow-Through Share Private Placement, pursuant to which the Corporation issued 2,000,000 Flow-Through Shares at $2.50 per Flow-Through Share for aggregate gross proceeds of $5,000,000. The Corporation also completed further exploration and development on the Lethbridge Property, as described below.

In June 2009, the authorized borrowing base of the Credit Facility was decreased from $8,500,000 to $8,000,000.

2010

On January 1, 2010, the Corporation amalgamated with its wholly owned subsidiary, DeeThree Ltd., and formed DeeThree Exploration Ltd. On February 19, 2010, the authorized borrowing base of the Credit Facility was increased from $8,000,000 to $12,000,000.

On March 4, 2010, the Corporation completed the Spring 2010 Prospectus Financing, raising aggregate gross proceeds of $13,535,500. A total of 4,197,500 Common Shares were issued at $2.40 per Common Share and a total of 1,236,250 Flow-Through Shares were issued at $2.80 per Flow-Through Share.

On April 20, 2010, the Corporation obtained a two-year extension to the Commitment Agreement with the Vendor (as defined below). Pursuant to the extension of the Commitment Agreement, the Corporation committed to drill an additional 20 wells (10 wells per year) on the Lethbridge Property in the Mississippian horizon over the following two year period, ending November, 2013.

On September 8, 2010, the Corporation completed the Summer 2010 Short Form Prospectus Financing, issuing 8,000,000 Common Shares at a price of $2.75 per Common Share, raising aggregate gross proceeds of $22,000,000.

On October 19, 2010, the Corporation announced that it had graduated from the TSXV to listing on the TSX. The Common Shares of the Corporation began trading on the TSX as of the opening of market on October 20, 2010.

On November 24, 2010, the Corporation completed the Fall 2010 Private Placement, raising aggregate gross proceeds of $16,500,000 via the issuance of 3,626,374 Flow-Through Shares at a price of $4.55 per Flow-Through Share.

The Corporation drilled a total of 16 wells in 2010 and as at December 31, 2010, the Corporation had over 90% of the total seismic commitment complete with an approximate 10 sections left to shoot in 2011. In late 2010, the Corporation spud its first vertical Bakken stratigraphic test well on the Lethbridge Property.

For additional information regarding activities on the Lethbridge Property during 2010, see "*The Lethbridge Property*" below.

2011

On February 11, 2011, the Corporation announced a decline in its reserves as at December 31, 2010 as compared to December 31, 2009 due to both a significant decline in current and future natural gas prices as well as the Corporation's shallow gas drilling results throughout 2010.

On February 17, 2011, the Corporation entered into the March 2011 Acquisition Agreement to purchase the Northern Properties (as described in more detail below under the heading "*The Northern Properties*") for an aggregate purchase price of $125,000,000, subject to customary closing adjustments. On March 11, 2011, the Corporation completed the Spring 2011 Prospectus Financing and issued 3,000,000 Flow-Through Shares and 26,795,000 Subscription Receipts for aggregate gross proceeds of $130,668,500.

On March 24, 2011, the Corporation's lender approved a credit facility increase to $40,000,000; however, the Corporation elected an increase to only $20,000,000 in order to reduce standby fees associated with the unutilized balance.

The Corporation completed the March 2011 Acquisition on March 22, 2011. The purchase price was funded from the net proceeds from the sale of Subscription Receipts and cash on hand. Concurrently with the completion of the March 2011 Acquisition, the net proceeds from the sale of the Subscription Receipts were released by Olympia Trust Corporation and the Subscription Receipts were exchanged into Common Shares.

In April 2011, DeeThree entered into a farmout and joint venture agreement (the "**Western Lethbridge Farmout**") with a major oil and gas company with respect to a portion of the Lethbridge Property. The Western Lethbridge Farmout involved a four well commitment on a total of 15,815 acres of DeeThree's undeveloped land. The farmee was committed to drill four horizontal earning wells by December 31, 2011 and was responsible for 100% of the costs through completion to earn 60% working interest in the farmout lands with no payout terms. Also see "*The Lethbridge Property - The Alberta Bakken Play*" section below.

In June 2011, DeeThree entered into a farmout and joint venture agreement (the "**Northern Lethbridge Farmout**") with a Calgary-based junior oil and gas company pursuant to which the farmee agreed to pay DeeThree $5,000,000 and committed to drill and complete, at its sole cost, risk and expense, two horizontal wells evaluating the Mississippian and/or upper Devonian formations on 58 sections of land located in the northern portion of DeeThree's Lethbridge Property. The farmee was responsible for 100% of the costs of the test wells through completion to earn a 60% working interest in seven sections of farmout lands (with no payout terms) for each well drilled. The test wells were to be drilled and completed prior to December 31, 2011. After fulfilling the two test well obligation, the farmee had the continuing right to elect to drill additional wells on similar terms and conditions until it had either elected to not drill an option well or had earned an interest in the balance of the 58 sections of lands. Also see "*The Lethbridge Property - The Alberta Bakken Play*" section below.

In August 2011, DeeThree promoted Clayton Thatcher to Vice President, Exploration and Brendan Carrigy to Executive Vice President.

On September 28, 2011, the Corporation announced that due to its successful drilling results achieved year to date, the Corporation has increased its 2011 capital expenditure budget by $15 million.

On November 22, 2011, the Corporation announced that it has commenced trading on the OTCQX, the top tier of the U.S. Over-the-Counter market, under the symbol "DTHRF."

In December 2011, the authorized borrowing of the Credit Facility was increased to $50,000,000.

Subsequent to December 31, 2011

On January 19, 2012, the Corporation announced an operational update and its 2012 Guidance. The Corporation's Board of Directors approved a capital budget of $57 million focused entirely on the development and exploration of oil prospects. The capital to be directed primarily towards the Brazeau and Lethbridge areas. The Corporation's plans include the drilling of 8 gross (7.1 net) horizontal wells in the Brazeau area, a minimum of 2 gross (2.0 net) horizontal Bakken locations on the Lethbridge Property and up to 11 gross (11.0 net) Sunburst horizontal locations on the Lethbridge Property. The remaining 13% of the budget to be allocated to additional strategic land purchases and other expenses. Average 2012 production is expected to be in the range of 3,700 and 3,900 BOE/d excluding approximately 200 BOE/d of low netback natural gas that is currently shut-in and will remain shut-in indefinitely due to extreme depressed natural gas prices. The Corporation's 2012 exit rate is expected to be in the range of 4,300 BOE/d. The Corporation's average commodity price assumptions for 2012 are US $90.00 per barrel for WTI oil, $2.70 per GJ for AECO natural gas and a US/Canadian dollar exchange rate of CAD $1.03. On this basis, the Corporation expects to generate $40 - $42 million of cash flow throughout 2012.The Corporation intends to fund its capital program through internally generated cash flow and its current credit facility of $50 million. DeeThree expects to exit 2012 with a working capital deficit of approximately $35 million or approximately0.8 times forecasted 2012 funds from operations.

On February 14, 2012, the Corporation announced the results of its fifth Bakken well on its Lethbridge property and the termination of the Western Lethbridge Farmout. This Bakken well was flowed for clean-up for four days with final stabilizing flowing rates of approximately 550 Bbls/d of 30o API reservoir oil and 60 mscf/d of natural gas. The well will be tied-in to DeeThree's extensive oil and gas processing infrastructure.

The farmee under the Western Lethbridge Farmout elected to terminate the agreement after having drilled only one well of the four well commitment. This well is currently producing. The farmee earned a 60% working interest in the well and in 6.0 sections of the farmout lands and has no right to earn additional interests in the farmout lands. A termination fee of $3,000,000 has been paid to DeeThree. The lands subject to the agreement are located approximately 41 kilometers from the Bakken discovery well described above and targeted a different Bakken interval.

On March 6, 2012, the Corporation announced an increase in its oil and gas reserves as at December 31, 2011 as compared to December 31, 2010.

On March 27, 2012, the Corporation completed the March 2012 Financing and issued 3,834,100 Flow-Through Shares for aggregate gross proceeds of $17,253,450.

The farmee under the Northern Lethbridge Farmout elected not to drill the second test well, and as a result, has paid DeeThree a termination fee of $1,000,000 pursuant to the original agreement.

Principal Areas

The following is a description of the material oil and natural gas properties, pipelines, facilities and installations in which the Company has an interest. The production data noted below represents the Company's share of sales volumes before deduction of royalties.

The Lethbridge Property

DeeThree Ltd. acquired (the "**2008 Acquisition**") certain oil and gas assets (the "**Lethbridge Property**") located in the Lethbridge area of southern Alberta from an arm's length senior Canadian oil and gas producer (the "**Vendor**") on November 14, 2008.

Pursuant to the 2008 Acquisition, DeeThree Ltd. acquired an approximate average working interest of 99% in over 220,000 acres of land, 100% ownership in over 200 km of natural gas pipelines, 100% ownership in five operational booster compression stations ranging from 95hp to 250hp, 100% ownership in a gas compression and dehydration facility with a sales connection, a 25% non-operated working interest in a second gas compression and dehydration facility with a sales connection and an approximate average working interest of 96% in a total of 144 wellbores.

The Lethbridge Property is characterized as a sweet natural gas producing property, with productive zones including the Milk River, Medicine Hat, Barons, Bow Island (multiple sands) and Sunburst formations. Historically, oil has been produced from the Barons, Lower Mannville, Sunburst, Sawtooth and Livingstone formations in and surrounding the Lethbridge Property area.

In connection with the 2008 Acquisition, DeeThree Ltd. entered into a lease issuance, seismic and drilling commitment agreement (the "**Commitment Agreement**") dated November 15, 2008 with the Vendor pursuant to which DeeThree Ltd. committed to the drilling of 30 wells on the Lethbridge Property (10 wells per year) and to shoot four townships of seismic data over the same period (1 township in year 1, 2 townships in year 2, and 1 township in year 3) over a three year period ending November 2011 (the "**Lethbridge Commitment**").

The royalty payable to the Vendor in connection with the 2008 Acquisition is a sliding scale royalty determined monthly on a well-by-well basis by a calculation that is based on the Alberta New Royalty Framework as at January 1, 2009, with the exception of the cap which is 30% for the Corporation rather than the 50% cap proposed in the Alberta New Royalty Framework. The sliding scale varies based on productivity (a higher royalty is payable from wells with higher production rates) and gas prices (a higher royalty is payable in times of higher gas prices).

Throughout 2009, the Corporation drilled its ten 100% working interest commitment wells with all wells being drilled deeper than the primary target to assist in the evaluation by the Corporation of the multi-zone potential of the Lethbridge Property. The Corporation achieved a success rate of 80% on the first ten wells, all resulting in natural gas wells. Also in November 2009, the Corporation completed a 3D seismic program that was over 36 square miles in size. By drilling ten wells and completing the required seismic program in 2009, the Corporation fulfilled the requirements of the first year of the Lethbridge Commitment.

Throughout 2010, the Corporation drilled an additional 16 100% working interest wells (bringing the total to 26 wells drilled out of the 30 well commitment) in the Lethbridge area. Drilling results fell short of the Corporation's expectations throughout the year resulting in a 50% success rate. Towards the end of 2010, the Corporation drilled its first vertical stratigraphic Bakken well on the Lethbridge Property which was drilled horizontally in the first quarter of 2011 and was the beginning of the Corporation's strategic shift from natural gas targets to strictly crude oil targets. The Corporation also had over 90% of the total seismic commitment completed at the end of 2010. On April 20, 2010, the Corporation obtained a two-year extension to the Commitment Agreement with the Vendor. Pursuant to the extension of the Commitment Agreement, the Corporation committed to drill an additional 20 wells on the Lethbridge Property in the Mississippian horizon over the following two year period, ending November 2013. There were no additional seismic commitments associated with the extension. The Corporation views this extension as a significant development which will allow the corporation more flexibility in its development in the Lethbridge Area. At the conclusion of the five year term of the Commitment Agreement, the applicable areas of the Lethbridge Property which do not have well located thereon revert back to the Lethbridge Property Vendor subject to the right of the Corporation to extend the term in respect of an additional five or ten sections of land of the Lethbridge Property by committing to drill an additional five or ten wells, respectively, on such sections of land. Unless cured within a 45 day period, a default by the Corporation of its obligations under the Commitment Agreement may result in the applicable areas of the Lethbridge Property which do not have well located thereon reverting back to the Lethbridge Property Vendor.

Throughout 2011, the Corporation continued to test the Bakken play through the drilling of an additional three 100% working interest wells plus the horizontal portion of the vertical stratigraphic well drilled in 2010. The Corporation also drilled six 100% working interest Sunburst wells (two commitment wells) in the area targeting crude oil.

The Alberta Bakken Play

The Corporation began to shift its focus to the new and emerging Alberta Bakken play in early 2010. In late 2010, the Corporation spud its first vertical Bakken stratigraphic test well on the Lethbridge Property. The 30 day average initial production rate on this first Bakken well was 175 BOE/d (80% oil and NGLs with no associated water).

The Corporation also entered into the Western Lethbridge Farmout and the Northern Lethbridge Farmout in April and June of 2011, respectively, in order to expedite the exploration with the Alberta Bakken. On the Western Lethbridge Farmout, the farmee drilled one well (which is currently producing), earned a 60% working interest in the well and in six sections of farmout lands, and has terminated the Western Lethbridge Farmout paying a $3,000,000 termination fee to DeeThree. On the Northern Lethbridge Farmout, the farmee drilled one well and earned a 60% working interest in seven sections of farmout lands, defaulted on the remaining well commitment and paid DeeThree a $1,000,000 default payment.

Throughout 2011, the Corporation drilled 3 (3 net) additional gross (2.4 net) horizontal wells on its Bakken play on the Lethbridge Property. On the fourth Bakken well, the Corporation was able to reduce drilling and completion costs by over 50%.

The Northern Properties

Through the March 2011 Acquisition, the Corporation acquired approximately 1,830 BOE/d (2010 exit production) of primarily high working interest, operated oil, natural gas and natural gas liquids production and reserves principally situated in Brazeau, West Pembina and the Peace River Arch area of northern Alberta.

The Northern Properties are principally situated in Brazeau, West Pembina and the Peace River Arch area of northern Alberta and have the following material attributes:

- Low-decline production of approximately 2,235 BOE/d (as of December 31, 2011) of which approximately 40% is light crude oil and natural gas liquids;
- High working interest, operated light oil resource style play with production from the Belly River formation over a contiguous land base in the Brazeau area with associated facilities and infrastructure ownership;
- Various oil and gas producing assets in the Peace River Arch consisting of stable diversified production from the Montney, Charlie Lake, Bluesky, Spirit River Group and Doe Creek formations with ownership in associated facilities and infrastructure including a gas processing plant;
- Proved plus probable reserves of approximately 7.367 MMBOE as of December 31, 2011;
- Undeveloped land of approximately 32,000 net acres; and
- Numerous identified vertical and horizontal drilling locations.

Brazeau/West Pembina Properties

The Brazeau Belly River oil producing fairway is located in west central Alberta, approximately 160 kilometres southwest of Edmonton. The Northern Properties include an 89.3% working interest in the Brazeau Belly River Unit #6 (the "Brazeau Unit") as well as various non-unitized wells in close proximity to the Brazeau Unit. The Brazeau Unit is one of the deepest Belly River oil fields in the basin and represents a 500 metre thick section of stacked fluvial traps with oil and gas reservoirs at various levels through the section. Development continues within the Brazeau Unit using horizontal and multi-stage fracturing technologies that improves recovery from the oil charged tight sandstones. In the first half of 2010, the vendors of the Northern Properties drilled two Basal Belly River horizontal oil wells with one such well having an initial production rate of 240 Bbls/day of oil and 180 Mcf/day of gas. The fourth horizontal well completed in December 2011 proved to be the most successful well to date as it flowed 600 BOE/d. The 2011 exit daily production from the Brazeau Unit was 1,579 BOE/d (net) including 2,178 Mcf/d (net) of natural gas and 1,216 Bbls/d (net) of oil and NGLs.

The West Pembina property, south of the Brazeau Unit, includes sour natural gas production from various wells in the Elkton/Shunda and Nisku formations. The 2011 exit daily production from the West Pembina property was nil BOE/d (net) including nil mcf/d (net) of natural gas production and nil Bbls/d (net) of oil and NGLs. The Northern Properties also include an interest in 32,102 gross (23,600 net) acres of land in the Brazeau and West Pembina areas, with 50% of net acres currently undeveloped.

In the year ended December 31, 2011, the Corporation drilled 4.0 gross (3.6 net) horizontal oil wells in the Belly River formation of Brazeau. All four horizontal wells are now producing with stabilized rates. The most successful well to date has an IP30 rate of 480 BOE/d. (83% oil and NGL).

Peace River Arch Properties

The Northern Properties located in the Peace River Arch are comprised of six different producing properties with the property located in the Valhalla/Rycroft area being the single largest producing property. Other significant properties are located in the Gordondale, Basset Lake and Rainbow Lake areas. The 2011 exit daily production for these properties was 1,010 BOE/d (net) including 4,668 Mcf/d (net) natural gas and 232 Bbls/d (net) oil and associated liquids.

The Valhalla/Rycroft area is located 35 kilometers north of the city of Grande Prairie in northwest Alberta. Due to the multi-zone characteristic of this area, production from the Northern Properties located in the Valhalla/Rycroft area comes from numerous different reservoirs. The Northern Properties include 32,421 gross acres (14,052 net) of land in this area, with 54% of net acres currently undeveloped. The 2011 exit daily production from this area was 651 BOE/d (net) including 3271 Mcf/d (net) natural gas and 103 Bbls/d (net) oil and NGLs. The Northern Properties also include a gas plant in the Rycroft area.

The Gordondale property is a natural gas property located approximately 75 kilometers northwest of the city of Grande Prairie in Northwestern Alberta. Production from the Gordondale property is from reservoirs in Cretaceous and Triassic aged strata. The Northern Properties include an interest in 13,442 gross (6,487 net) acres of land in the Gordondale area, with 22% of net acres currently undeveloped. The 2011 exit daily production from this area was 94.4 BOE/d (net) including 559 Mcf/d (net) natural gas and 1.2 Bbls/d (net) oil and NGLs.

Basset Lake is a winter access area located approximately 50 kilometers southwest of Rainbow Lake in northern Alberta. The Northern Properties include an interest in 10,724 gross (5,377 net) acres of land in the Basset Lake area. Production is from the Bluesky formation and the 2011 exit daily production from this area was 81.3 BOE/d (net) including 466.2 (net) Mcf/d natural gas. The Rainbow Lake property, located west of the Basset Lake property, includes production from various wells in the Keg River and Banff formations. The 2011 exit daily production from this area was 107 BOE/d (net) including 132 Mcf/d (net) natural gas and 85 Bbls/d (net) oil and NGLs.

In the year ended December 31, 2011, the Corporation drilled 3 gross (2.1 net) horizontal oil wells and 1 gross (1.0 net) vertical oil well in the Montney formation of Peace River Arch.

Significant Acquisitions and Dispositions

On March 22, 2011, the Corporation completed the March 2011 Acquisition, which was a significant acquisition as defined in NI 51-102. A business acquisition report with respect to the March 2011 Acquisition was filed on May 27, 2011 and is available under the Corporation's profile on SEDAR at www.sedar.com.

DESCRIPTION OF THE BUSINESS OF THE CORPORATION

General

The Corporation is a public oil and gas production, exploration and development company with its offices located in Calgary, Alberta. The Corporation's principal properties as at December 31, 2011 are the Lethbridge Property and the Northern Properties, as described above.

The Corporation has a broad production base, over 250,000 net acres of undeveloped land, an extensive seismic database, and mainly 100% ownership in what the Corporation believes is under-utilized gas gathering and processing infrastructure.

The following map of Alberta shows the general location of the Corporation's petroleum and natural gas properties.

Employees/Consultants

As at December 31, 2011, the Corporation has 23 employees and 8 full-time and part-time consultants whose services are used on a regular basis for day-to-day operations.

Environmental

The Corporation believes that it is in compliance with applicable existing environmental laws and regulations and is not aware of any proposed environmental legislation or regulations with which it would not be in material compliance. However, the natural resources industry may in the future become subject to more stringent environmental protection rules. This could increase the cost of doing business and may have a negative impact on earnings in the future.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Date of Statement

This Statement of Reserves Data and Other Oil and Gas Information is dated effective December 31, 2011 unless indicated otherwise.

Disclosure of Reserves Data

All oil and natural gas reserve information contained in this Annual Information Form has been prepared and presented in accordance with NI 51-101. The tables below are a summary of the oil, NGL and natural gas reserves of the Corporation and the net present value of future net revenue attributable to such reserves as evaluated in the Sproule Report based on forecast price and cost assumptions. The tables summarize the data contained in the Sproule Report and as a result may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly.

Reserves Estimates

The reserves of the Corporation were evaluated by Sproule, as set out in the Sproule Report dated February 29, 2012, in which Sproule has evaluated, as of December 31, 2011, the oil and natural gas reserves attributable to all of the properties of the Corporation. The information was prepared between January 2012 and February 29, 2012.

The following information is a summary of reserves data and related information contained in the Sproule Report. All of the oil and gas properties to which reserves have been attributed are located in the Province of Alberta, Canada. The Sproule Report also presents the estimated net value of future revenue of the Corporation's properties before and after Taxes, at various discount rates. Assumptions and qualifications relating to costs, prices for future production and other matters are summarized in the notes to the following tables.

The information concerning oil and gas reserves includes forward-looking statements relating to future net revenues, forecast capital expenditures, future development plans and costs related thereto, forecast operating costs and anticipated production and abandonment costs. Refer to "*Forward-Looking Statements*" and "*Risk Factors*" in this Annual Information Form.

All estimates of future revenues made by Sproule in the Sproule Report are stated after the deduction of royalties, and capital and operating costs, but before consideration of income taxes and indirect costs such as administrative, overhead and miscellaneous expenses. It should not be assumed that the estimates of the present value of future net revenues presented in the following tables represent the fair market value of the reserves. There can be no assurance that the forecast price and cost assumptions contained in the Sproule Report will be consistent with actual prices and costs and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the Sproule Report and summarized in the notes to the following tables. The recovery and reserves estimates described herein are estimates only. The actual reserves may be greater or less than those calculated and differences may be material. For more information on the risks involved, see "*Risk Factors*" in this Annual Information Form.

Reserves Data - Forecast Prices and Costs

The following table discloses, in the aggregate, the Corporation's gross and net proved reserves, estimated using forecast prices and costs, by product type. "Forecast prices and costs" means future prices and costs used by Sproule in the Sproule Report that are generally accepted as being a reasonable outlook of the future.

SUMMARY OF RESERVES AS OF DECEMBER 31, 2011 (Forecast Prices & Costs)

	Light & Medium Oil		Heavy Oil		Natural Gas (1)		Natural Gas Liquids		Total	
RESERVES CATEGORY	Gross (2) (MBbl)	Net (3) (MBbl)	Gross (2) (MBbl)	Net (3) (MBbl)	Gross (2) (MMcf)	Net (3) (MMcf)	Gross (2) (MBbl)	Net (3) (MBbl)	Gross (2) (MBOE)	Net (3) (MBOE)
PROVED										
Developed Producing	2,115.3	1,785.6	0	0	16,278	14,491	347.4	233.5	5,175.8	4,434.2
Developed Non-Producing	0	0	0	0	1,438	1,135	1.2	0.6	241.0	189.8
Undeveloped	1,405.2	1,202.8	0	0	2,436	2,221	169.5	124.7	1,980.7	1,697.6
Total Proved	3,520.6	2,988.4	0	0	20,153	17,847	518.1	358.9	7,397.5	6,321.7

SUMMARY OF RESERVES AS OF DECEMBER 31, 2011 (Forecast Prices & Costs)

RESERVES CATEGORY	Light & Medium Oil Gross (2) (MBbl)	Light & Medium Oil Net (3) (MBbl)	Heavy Oil Gross (2) (MBbl)	Heavy Oil Net (3) (MBbl)	Natural Gas (1) Gross (2) (MMcf)	Natural Gas (1) Net (3) (MMcf)	Natural Gas Liquids Gross (2) (MBbl)	Natural Gas Liquids Net (3) (MBbl)	Total Gross (2) (MBOE)	Total Net (3) (MBOE)
PROBABLE	1,088.4	864.7	0	0	6,447	5,617	133.3	88.0	2,296.1	1,888.9
TOTAL PROVED + PROBABLE	4,608.9	3,853.1	0	0	26,600	23,464	651.4	446.9	9,693.6	8,210.6

Notes:

(1) Estimates of Reserves of natural gas include associated and non-associated gas.
(2) "Gross Reserves" are Corporation's working interest share of remaining reserves before the deduction of royalties owned by others.
(3) "Net Reserves" are Corporation's working interest share of remaining reserves less all Crown, freehold, and overriding royalties and interests owned by others.

The following table discloses, in the aggregate, the net present value of the Corporation's future net revenue attributable to the reserves categories in the previous table, estimated using forecast prices and costs, before and after deducting future income tax expenses, and calculated using discount rates of 0%, 5%, 10%, 15% and 20%.

SUMMARY OF NET PRESENT VALUE OF FUTURE NET REVENUE AS OF DECEMBER 31, 2011 (Forecast Prices & Costs)

RESERVES CATEGORY	Net Present Value (NPV) of Future Net Revenue (FNR) — Before Income Taxes - Discounted at (%/yr) 0 (M$)	5 (M$)	10 (M$)	15 (M$)	20 (M$)	After Income Taxes - Discounted at (%/yr) 0 (M$)	5 (M$)	10 (M$)	15 (M$)	20 (M$)	Unit Value Before Income Tax Discounted at 10%/Year $/BOE	$/Mcfe
PROVED												
Developed Producing	153,556	121,227	101,951	89,018	79,683	153,556	121,227	101,951	89,018	79,683	22.99	4.60
Developed Non-Producing	3,639	2,749	2,147	1,722	1,410	3,639	2,749	2,147	1,722	1,410	11.31	2.26
Undeveloped	61,616	44,288	32,668	24,473	18,456	52,493	37,546	27,469	20,324	15,050	19.24	3.85
Total Proved	218,811	168,265	136,766	115,214	99,549	209,688	161,523	131,567	111,064	96,143	21.63	4.33
PROBABLE	80,532	52,740	39,037	30,929	25,585	61,965	39,902	29,273	23,063	18,999	20.67	4.13
TOTAL PROVED + PROBABLE	299,343	221,005	175,804	146,143	125,134	271,653	201,425	160,840	134,127	115,142	21.41	4.28

Notes:

(1) NPV of FNR includes all resource income: sale of oil, gas, by-product reserves; processing of third party reserves; and other income.
(2) Income Taxes includes all resource income, appropriate income tax calculations and prior tax pools.
(3) Unit values are based on net reserve volumes.
(4) The after-tax NPV value of DeeThree's oil and gas properties here reflect the tax burden on the properties on a stand-alone basis. It does not consider the business-entity-level tax situation, or tax planning. It does not provide an estimate of the value at the level of the business entity, which may be significantly different. The financial statements and the Management's Discussion and Analysis of DeeThree should be consulted for information at the level of the business entity.

The following two tables provide additional information regarding the future net revenue attributable to the reserves outlined in the previous table.

This table discloses, in the aggregate, certain elements of the Corporation's future net revenue attributable to its proved reserves and its proved plus probable reserves, estimated using forecast prices and costs, and calculated without discount.

TOTAL FUTURE NET REVENUE (Undiscounted)
AS OF DECEMBER 31, 2011 (Forecast Prices & Costs)

RESERVES CATEGORY	Revenue (M$)	Royalties (M$)	Operating Cost (M$)	Development Costs (M$)	Well Aband. Costs (M$)	BT Future Net Revenue (1) (M$)	Income Taxes (M$)	AT Future Net Revenue (1) (M$)
PROVED								
Proved Producing	316,663	49,219	110,103	-	3,785	153,556	-	153,556
Proved Developed Nonproducing	7,321	1,367	1,717	540	59	3,639	-	3,639
Proved Undeveloped	158,214	24,012	32,907	39,098	581	61,616	9,123	52,493
Total Proved	482,199	74,598	144,728	39,638	4,425	218,811	9,123	209,688
PROBABLE	162,080	30,320	45,717	5,109	402	80,532	18,566	61,965
TOTAL PROVED + PROBABLE	644,279	104,918	190,445	44,747	4,826	299,343	27,690	271,653

This table discloses, by production group, the net present value of the Corporation's future net revenue attributable to its proved reserves and its proved plus probable reserves, before deducting future income tax expenses, estimated using forecast prices and costs, and calculated using a 10% discount rate.

NET PRESENT VALUE OF FUTURE NET REVENUE BY PRODUCTION GROUP
AS OF DECEMBER 31, 2011 (Forecast Prices & Costs)

RESERVES CATEGORY	PRODUCTION GROUP	BT Discounted (10%/Yr) Future Net Revenue (1) (M$)	Unit Value ($/BOE)	Unit Value ($/Mcfe) (2)
TOTAL PROVED	Light & Medium Crude Oil (including solution gas and other by-products)	116,112	26.88	-
	Heavy Oil (including solution gas and other by-products)	0	0	-
	Natural gas (including by-products but excluding solution gas from oil wells)	20,654	10.32	1.72
TOTAL PROVED + PROBABLE	Light & Medium Crude Oil (including solution gas and other by-products)	148,913	27.07	-
	Heavy Oil (including solution gas and other by-products)	0	0	-
	Natural gas (including by-products but excluding solution gas from oil wells)	26,890	9.93	1.66

Notes:
(1) BT = Before Taxes.
(2) Unit values based on net reserve volumes.

Pricing Assumptions

Forecast Prices Used in Estimates

The forecast reference prices used in preparing the Corporation's reserves data are provided in the below table.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
AS OF DECEMBER 31, 2011 (Forecast Prices & Costs)

	OIL	GAS	NGL	INFLATION	
	WTI Cushing Oklahoma ($US/Bbe)	Natural Gas [(1)] AECO-C Spot Price ($Cdn/MMBtu)	Pentanes Plus FOB Ficldgate ($Cdn/Bbe)	Inflation Rate [(2)] (%/Yr)	Exchange Rate [(3)] ($US/$Cdn)
Historical					
Year 2003	31.14	6.66	44.16	2.5	0.716
Year 2004	41.42	6.87	53.91	1.4	0.770
Year 2005	56.46	8.58	69.13	1.3	0.826
Year 2006	66.09	7.16	75.03	1.5	0.882
Year 2007	72.27	6.65	77.33	2.0	0.935
Year 2008	99.59	8.15	104.70	1.0	0.943
Year 2009	61.63	4.19	68.13	2.0	0.880
Year 2010	79.43	4.16	84.21	1.0	0.971
Year 2011	95.00	3.72	104.12	1.5	1.012
Forecast					
Year 2012	98.07	3.16	103.57	2.0	1.012
Year 2013	94.90	3.78	100.23	2.0	1.012
Year 2014	92.00	4.13	97.17	2.0	1.012
Year 2015	97.42	5.53	102.89	2.0	1.012
Year 2016	99.37	5.65	104.94	2.0	1.012
Year 2017	101.35	5.77	107.04	2.0	1.012
Year 2018	103.38	5.89	109.18	2.0	1.012
Year 2019	105.45	6.01	111.37	2.0	1.012
Year 2020	107.56	6.14	113.59	2.0	1.012
Thereafter	2%/yr	2%/yr	2%/yr	2%/yr	1.012

Notes:
(1) Summary table identifies benchmark reference pricing schedules used in the analysis.
(2) Inflation rates for forecasting prices and costs.
(3) Exchange rates used to generate the benchmark reference prices in table.
(4) Product sale prices will reflect these reference prices with further adjustments for quality and transportation to point of sale.

This price forecast is Sproule's standard price forecast effective December 31, 2011.

In 2011, the Corporation received a weighted average price of $3.71 per Mcf (before transportation, marketing fees and hedging) for natural gas and $91.03 per Bbe for light oil and NGLs.

Reconciliation of Changes In Reserves And Future Net Revenue

The following table provides a reconciliation of the Corporation's gross reserves based on forecast prices and costs.

RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPLE PRODUCT TYPE

	Light Medium Oil			Natural Gas [(1)]			Natural Gas Liquids			TOTAL		
	Proved (MBbl)	Probable blc (MBbl)	Proved Plus Probable (MBbl)	Proved (MMcf)	Probable (MMcf)	Proved Plus Probable (MMcf)	Proved (MBbl)	Probable (MBbl)	Proved Plus Probable (MBbl)	Proved (MBOE)	Probable (MBOE)	Proved Plus Probable (MBOE)
December 31, 2010 [(1)]	49.1	14.5	63.6	7,626	1,530	9,156	0.2	0.1	0.3	1,320.3	269.6	1,589.9
Discoveries, Extensions and Improved Recovery	60	305.0	365.0	912	506	1,418	0	0	0	212	389.3	601.3
Acquisitions	3,399.8	620.8	4,020.6	14,246	4,041	18,288	558.6	133.4	692.0	6,332.7	1,427.7	7,760.4
Economic Factors	(0.1)	(0.1)	(0.2)	(324)	(116)	(440)	0	0	0	(54.1)	(19.4)	(73.5)

RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPLE PRODUCT TYPE

	Light Medium Oil			Natural Gas [1]			Natural Gas Liquids			TOTAL		
	Proved (MBbl)	Probable blc (MBbl)	Proved Plus Probable (MBbl)	Proved (MMcf)	Probable (MMcf)	Proved Plus Probable (MMcf)	Proved (MBbl)	Probable (MBbl)	Proved Plus Probable (MBbl)	Proved (MBOE)	Probable (MBOE)	Proved Plus Probable (MBOE)
Exploration discoveries infill	238.6	158.7	397.3	141	60	200	0	0	0	262.1	168.7	430.8
Production	(204.7)	0.0	(204.7)	(2,545)	0	(2,545)	(50.0)	0	(50.0)	(678.9)	0	(678.9)
Technical Revisions	(22.2)	(10.5)	(32.7)	97	427	524	9.3	(0.2)	9.1	3.3	60.5	63.8
December 31, 2011	3,520.5	1,088.4	4,608.9	20,152	6,448	26,600	518.1	133.3	651.4	7397.3	2,296.4	9693.7

Note:
(1) Estimates of reserves of natural gas include associated and non-associated gas.

Additional Information Relating To Reserves Data

Undeveloped Reserves

The following discussion generally describes the basis on which the Corporation attributes proved and probable undeveloped reserves and its plans for developing those undeveloped reserves.

Proved Undeveloped Reserves

Proved undeveloped reserves are generally those reserves related to wells that have been tested and not yet tied-in, wells drilled near the end of the fiscal year or wells further away from gathering systems. In addition, such reserves may relate to planned infill-drilling locations. The majority of these reserves are planned to be on stream within a two-year timeframe.

Probable Undeveloped Reserves

Probable undeveloped reserves are generally reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. The majority of these reserves are planned to be on stream within a two-year timeframe. All Probable Undeveloped reserves in the Sproule Report relate to Proved Undeveloped projects (i.e. higher recovery assumptions).

SUMMARY OF PROVED UNDEVELOPED RESERVES ((Forecast Prices & Costs)

	Light & Medium Oil Cumulative at Yr End [1] (MBbl)	Natural Gas [2] Cumulative at Yr End [1] (MMcf)	Natural Gas Liquids Cumulative at Yr End [1] (MBbl)
Year			
2011	1405.2	2436	169.5
2010	--	183	--
2009	--	2,283	--
2008 and the two years prior to 2008	--	507	--

Notes:
(1) Cumulative at Yr End = Residual Cumulative of Previous Year PLUS First Attributed.
(2) Includes Associated and Non-Associated Gas.

SUMMARY OF PROBABLE UNDEVELOPED RESERVES ((Forecast Prices & Costs)

	Light & Medium Oil Cumulative at Yr End (1) (MBbl)	Natural Gas (2) Cumulative at Yr End (1) (MMcf)	Natural Gas Liquids Cumulative at Yr End (1) (MBbl)
Year			
2011	606.6	513	32.5
2010	--	12	--
2009	--	164	--
2008	--	83	--
2007	--	--	--

Notes:
(1) Cumulative at Yr End = Residual Cumulative of Previous Year PLUS First Attributed.
(2) Includes Associated and Non-Associated Gas.

Significant Factors or Uncertainties

The main area of uncertainty is commodity price as the Corporation currently sells all production at spot market pricing and has no present and future hedging plans in place.

Sproule conducted its independent engineering evaluation on the Corporation's reserves as at December 31, 2011. The process of establishing reserves requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions. Factors and assumptions that affect these reserve estimates include, among other things: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance.

The evaluated oil and gas properties of the Corporation have no material extraordinary risks or uncertainties beyond those that are inherent in an oil and gas producing company.

Future Development Costs

The following table provides information regarding the development costs deducted in the estimation of future net revenue attributable to the Corporation's reserves.

FUTURE DEVELOPMENT COSTS [1]

	Forecast Prices & Costs	
	For Proved Reserves (M$)	**For Proved & Probable Reserves (M$)**
Year		
2012	28,482	33,591
2013	11,156	11,156
2014	0	0
2015	0	0
2016 – 2022	0	0
Other	0	0
TOTAL	39,638	44,747
Undiscounted	39,638	44,747
Discounted @ 10%/Yr.	36,940	41,977

Note:

(1) Future Development Costs shown are associated with booked reserves in the Sproule Report and do not necessarily represent the Corporation's full exploration and development budget.

The Corporation expects that such funds will be obtained from internally-generated cash flow and debt or equity financing.

Oil and Gas Properties and Wells

The Corporation's focus areas for the year ended December 31, 2011 were Lethbridge, Alberta and the Northern Properties.

Lethbridge Property

With the Lethbridge Property, the Corporation has an approximate average working interest of 99% in approximately 200,000 acres of land, mainly 100% ownership in over 200 km of natural gas pipelines, 100% ownership in five operational booster compression stations ranging from 95hp to 250hp, 100% ownership in a gas compression and dehydration facility with a sales connection and a 25% non-operated working interest in a second gas compression and dehydration facility with a sales connection. The Corporation owns an interest in a total of 154 wellbores in the Lethbridge area, with an average working interest of over 96%. The property is characterized as a sweet natural gas producing property, with productive zones including the Milk River, Medicine Hat, Barons, Bow Island (multiple sands), and Sunburst formations. Historically, oil has been produced from the Barons, Lower Mannville, Sunburst, Sawtooth, and Livingstone formations in and surrounding the Corporation's lands.
2011 Lethbridge development activity highlights include:

- Delineating the Sunburst oil play with horizontal drilling;
- Drilling and producing one of the first discovery Alberta Bakken wells. The 30 day average initial production rate for the well was 175 BOE/d (80% oil & NGLs with no associated water); and
- DeeThree continues to delineate the Bakken and Sunburst pools while expanding their already extensive infrastructure in the area.

The estimated net production from the Lethbridge Property at December 31, 2011 was 344.7 Bbl/d, 2,895 Mcf/d, or 832 BOE/d (41% oil and NGLs).

Northern Properties

The Corporation also drilled 4 Belly River wells in the Brazeau area and 3 Montney wells in the Peace River Arch area in 2011. The 2011 Northern Properties highlights include:

- Drilling 4 horizontal wells in the Belly River which has increased oil production 100% in the area by year end;
- Drilling a Montney horizontal well which, after nearly 180 days of production still exceeds 330 BOE/d
- Continuing to develop Brazeau and Peace River Arch properties.

The estimated net production from Brazeau/Belly River at December 31, 2011 was 1519 Bbl/d oil and NGLs and 2052 Mcf/d gas, or 1861 BOE/d (82% oil and NGLs) and the estimated net production from Peace River Arch/Montney was 212 Bbl/d Oil and NGL, 4432 Mcf/d, or 948 BOE/d (22% oil and NGLs).

The Corporation's non-core properties include the Killam, Chinchaga, and Balsam properties. The Killam property includes one producing natural gas well in which the Corporation holds a 33.75% interest, which produces to a third party gathering and sales system. The Chinchaga property includes three producing natural gas wells in which the Corporation holds a 33.75% interest, a pipeline gathering system, and a compressor station that produces into a third party sales point. The Balsam property includes one producing oil well in which the Corporation holds a 95% interest, with solution gas producing to a third party gathering and sales system. No capital was deployed in these areas in 2011.

The following table shows additional information regarding the Corporation's wells at December 31, 2011.

OIL AND GAS WELLS

	Producing				**Non-Producing**			
	Oil		**Natural Gas**		**Oil**		**Natural Gas**	
	Gross(1)	**Net** (2)	**Gross**(1)	**Net** (2)	**Gross** (1)	**Net** (2)	**Gross** (1)	**Net**(2)
Wells								
Alberta	134	107	207	167	74	57	132	105
TOTAL	134	107	207	167	74	57	132	105

Notes:

(1) Gross wells means the number of wells in which the Corporation has a working interest or a royalty interest that may be converted into a working interest.

(2) Net wells means the aggregate number of wells obtained by multiplying each gross well by the Corporation's percentage working interest therein.

Properties with No Attributed Reserves

The following table sets forth information respecting the Corporation's undeveloped lands as at December 31, 2011.

PROPERTY WITH NO ATTRIBUTED RESERVES

Unproved Properties

	Gross Acres	**Net Acres**	**2012 Expiring Net Acres**
LOCATION			
Alberta	284,780	254,405	27,985
TOTAL	284,780	254,405	27,985

Note:

(1) Unproved Properties have no attributed reserves as of December 31, 2011. Undeveloped acreage within properties where proven reserves have been booked as of December 31, 2011 has not been included.

As part of the 2008 Acquisition, the Corporation committed to complete certain exploration and development activities on the Lethbridge Property. On April 20, 2010, the Corporation obtained a two year extension to the Commitment Agreement. A description of the Corporation's commitments under the Commitment Agreement, as amended, is as set out below.

- To be completed prior to November 14, 2009: Shoot 1 township (36 square miles) of 3D seismic and drill 10 wells (five of which must terminate in the Mississippian, no depth restriction on the other five).
- To be completed prior to November 14, 2010: Shoot 2 townships (72 square miles) of 3D seismic and drill 10 wells (five of which must terminate in the Mississippian, no depth restriction on the other five).
- To be completed prior to November 14, 2011: Shoot 1 township (36 square miles) of 3D seismic and drill 10 wells (five of which must terminate in the Mississippian, no depth restriction on the other five).
- To be completed prior to November 14, 2013: Drill 20 wells, all of which must terminate in the Mississippian.

The requirements of the Lethbridge Commitment for 2011 have been fulfilled.

Forward Contracts

As at December 31, 2011, the Corporation had the following forward contracts in place.

Period	Commodity	Type of Contract	Quantity	Pricing Point	Contract Price
Jan.1/12 – Dec.31/12	Crude oil	Collar	250 Bbls/d	WTI – NYMEX	US$95.00/Bbl (floor) – US$115.00/Bbl (cap) (1)
Jan.1/12 – Dec.31/12	Crude oil	Collar	250 Bbls/d	WTI – NYMEX	US$85.00/Bbl (floor) – US$112.50/Bbl (cap) (2)
Jan.1/12 – Dec.31/12	Crude oil	Collar	250 Bbls/d	WTI – NYMEX	US$90.00/Bbl (floor) – US$116.60/Bbl (cap) (3)
Jan.1/13 – Dec.31/13	Crude oil	Collar	250 Bbls/d	WTI – NYMEX	US$85.00/Bbl (floor) – US$111.00/Bbl (cap) (4)
Jan.1/13 – Dec.31/13	Crude oil	Collar	250 Bbls/d	WTI – NYMEX	US$90.00/Bbl (floor) – US$113.25/Bbl (cap) (5)
Jan.1/13 – Dec.31/13	Crude oil	Collar	250 Bbls/d	WTI - NYMEX	US$90.00/Bbl (floor) – US$116.25/Bbl (cap) (6)

Notes:

(1) Unless the monthly WTI price averages over US$115.00/Bbl every day for the entire month, in which case the cap becomes US$100.00/Bbl.
(2) Unless the monthly WTI price averages over US$112.50/Bbl every day for the entire month, in which case the cap becomes US$95.00/Bbl.
(3) Unless the monthly WTI price averages over US$116.60/Bbl every day for the entire month, in which case the cap becomes US$95.00/Bbl.
(4) Unless the monthly WTI price averages over US$111.00/Bbl every day for the entire month, in which case the cap becomes US$90.00/Bbl.
(5) Unless the monthly WTI price averages over US$113.25/Bbl every day for the entire month, in which case the cap becomes US$92.00/Bbl.
(6) Unless the monthly WTI price averages over US$116.25/Bbl every day for the entire month, in which case the cap becomes US$92.00/Bbl.

As at December 31, 2011, the Corporation had the following foreign currency exchange risk management contracts in place:

Period	Currency	Type of Contract	Quantity	Pricing Point (CDN$/US$)
Jan.1/12 – Dec. 31/12	US$	Average Rate Participating Forward	US$1,400,000	Strike – $1.0275 Fade In – $0.9300 Participating – $1.0800 (1)
Jan.1/12 – Dec.31/13	US$	Average Rate Range Bonus Accumulator	US$700,000	Target – $1.10 CDN$/US$ + $1,000 bonus/day (2)

Notes:

(1) If the Bank of Canada average daily noon rate ("average rate") for the month is equal to or greater than the fade-in level and equal to or less than the strike, the Corporation is committed to sell U.S. dollars at the strike price. If the average rate settles greater than the strike and

equal to or less than the participating level, no transaction occurs. If the average rate for the month settles above the participating level, the Corporation is obligated to settle at the strike price and if the average rate settles less than the fade-in level, no transaction occurs.

(2) The Corporation can earn a bonus payout of up to $1,000/day depending on the period in which the exchange rate remains in the applicable range of equal to or greater than $0.9350 and equal to or less than $1.10.

Additional Information Concerning Abandonment and Restoration Costs

The Corporation estimates the costs associated with abandonment and reclamation costs for surface leases, wells and facilities based on previous experience or by estimating such costs. The following table discloses the abandonment costs in the Sproule Report for wells with reserves assigned as at December 31, 2011 calculated both undiscounted and at a 10% discount rate with a portion thereof anticipated to be paid in each of the next six years. The additional abandonment and reclamation costs of the Corporation not deducted in the reserves data in determining future net revenue, are estimated to be approximately $14.4 million (undiscounted) at December 31, 2011 and the salvage value is estimated to be $12.0 million (undiscounted) at December 31, 2011. The Corporation currently anticipates incurring abandonment and reclamation costs on 436 net wells. The Corporation estimates it will incur abandonment and reclamation costs of approximately $2.2 in the next three financial years.

	2012	2013	2014	2015	2016	2017	Remainder	Total	Discounted at 10%
Proved Producing	214	71	73	74	242	267	2,844	3,785	1,486
Total Proved	214	71	73	77	242	284	3,464	4,425	1,631
Total Proved plus Probable	46	10	33	239	142	239	4,117	4,826	1,406

Tax Horizon

DeeThree was not required to pay income taxes during the year ended December 31, 2011. Based on a strategy of reinvesting fully all internally generated cash flow in an exploration and development program and based on the commodity prices used in the Sproule Report, DeeThree estimates that it will not be required to pay income taxes until sometime after 2012.

Costs Incurred

The following table summarizes certain expenditures for the Corporation during the year ended December 31, 2011. All costs were incurred in Alberta, Canada.

PROPERTY ACQUISITION / DISPOSITION COSTS AND CAPITAL EXPENDITURES FOR THE YEAR ENDING DECEMBER 31, 2011

	Amount ($000)
Property Acquisition	
Proved	125,979
Unproved	-
Capital Expenditures	
Land Purchases	5,305
Geological and geophysical	1,150
Drilling and completions	49,480

PROPERTY ACQUISITION / DISPOSITION COSTS AND CAPITAL EXPENDITURES FOR THE YEAR ENDING DECEMBER 31, 2011

	Amount ($000)
Facilities	5,949
Other	1,078
TOTAL	188,941

Exploration and Development Activities

The Corporation participated in the drilling and completion of 20 gross (17.4 net) wells in 2011, 12 (10.8 net) of which were drilled on the Lethbridge Property, 4 (3.5 net) were drilled at Brazeau Belly River and 4 (3.1 net) were drilled at Peace River Arch Montney. The following table summarizes the Corporation's drilling results.

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Natural gas	-	-	1.0	1.0	1.0	1.0
Crude oil and NGLs	3.0	3.0	8.0	7.7	11.0	10.7
Standing	3.0	1.8	2.0	1.0	5.0	2.8
Dry and abandoned	3.0	3.0	-	-	3.0	3.0
Total wells	9.0	7.8	11.0	9.6	20.1	17.4
Success rate (%)		67		100		85
Average working interest (%)		87		88		87

Exploration and development activities in 2011 consisted of a total of 20 wells being drilled as at December 31, 2011. The Corporation had completed its total seismic commitment and there are no sections left to shoot in 2012.

The Corporation's 2012 capital expenditure budget of approximately $82 million includes 11 (11.0 net) Bakken wells, 4 (4.0 net) Sunburst wells and 8 (7.3 net) Belly River wells in the Brazeau area.

Production Estimates

The following tables summarize the Corporation's estimated future average daily production volumes for 2012 for each product type.

SUMMARY OF PRODUCTION ESTIMATES (1) BY FIELD
TOTAL PROVED RESERVES FOR YEAR 2012
(Forecast Prices & Costs)

	Light & Medium Oil (Bbl/d)	Heavy Oil (Bbl/d)	Natural Gas (2) Mcf/d
FIELD			
Lethbridge	275	0	3069
Brazeau - Belly River	1056	0	2065
Peace River Arch	182	0	3406
All Other Areas	8	0	50
TOTAL	1521	0	8590

Notes:

(1) Daily production is taken from the Sproule Report as of December 31, 2011.
(2) Natural Gas includes Associated and Non-Associated sales gas volumes.

SUMMARY OF PRODUCTION ESTIMATES [1] BY FIELD
PROVED PLUS PROVABLE RESERVES FOR YEAR 2012
(Forecast Prices & Costs)

	Light & Medium Oil (Bbl/d)	Heavy Oil (Bbl/d)	Natural Gas [2] Mcf/d
FIELD			
Lethbridge	582	0	3309
Brazeau - Belly River/West Pembina	1061`	0	2457
Peace River Arch	192	0	3655
All Other Areas	8	0	76
TOTAL	1844	0	9497

Notes:
(1) Daily production is taken from the Sproule Report as of December 31, 2011.
(2) Natural Gas includes Associated and Non-Associated sales gas volumes.

Production History - Year Ended December 31, 2011

The following tables summarize certain information in respect of the Corporation's production, product prices received, royalties paid, operating expenses and resulting netback for the indicated periods during the financial year ended December 31, 2011.

	Q1 31-Mar-11	Q2 30-Jun-11	Q3 30-Sep-11	Q4 31-Dec-11
Average Daily Production				
Oil (Bbls/d)	71	609	597	957
NGL (Bbls/d)	18	189	177	161
Gas (mcf/d)	3,744	8,214	8,167	7,714
BOE/d	713	2,167	2,135	2,403
Average Price Received				
Oil ($/Bbl)	94.33	96.30	92.76	94.17
NGL ($/Bbl)	58.71	72.86	87.23	73.73
Gas ($/mcf)	3.77	3.85	3.82	3.44
Combined ($/BOE)	30.68	48.00	48.05	53.70
Royalties	12.08	15.03	16.49	17.17
Oil ($/Bbl)	9.98	8.77	10.19	15.81
NGL ($/Bbl)	0.52	0.68	1.03	0.99
Gas ($/mcf)	4.18	7.55	9.40	11.09
Combined ($/BOE)				
Operating Expenses				
Combined ($/BOE)	10.27	10.73	15.26	17.87
Transportation	1.31	1.67	1.03	2.06
Netback Received	14.92	28.04	22.36	22.68
Combined ($/BOE)				

The following table summarizes the Corporation's average net production volumes during the year ended December 31, 2011 for each field in total, by product type.

PRODUCTION HISTORY BY MAJOR FIELD - YEAR 2011

	Light & Medium Oil (Bbl/d)	Heavy Oil (Bbl/d)	Natural Gas [(1)] (Mcf/d)	Natural Gas Liquids (Bbl/d)
FIELD				
Lethbridge	90	0	2,880	-
Brazeau - Belly River/West Pembina	389	0	1,371	96
Peace River Arch - Montney	82	0	2,369	26
All Other Areas	-	0	354	15
TOTAL	561	0	6,974	137

Note:
(1) Natural Gas includes Associated and Non-Associated sales gas volumes.

RISK FACTORS

Overview

The Corporation's business consists of the exploration and development of oil and gas properties in Western Canada. There are a number of inherent risks associated with the exploration, development and production of oil and gas reserves. Many of these risks are beyond the control of the Corporation.

An investment in the Common Shares involves a number of risks. In addition to the other information contained in this Annual Information Form, investors should give careful consideration to the following, factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. If any of the following events described as risks or uncertainties actually occurs, the business, prospects, financial condition and operating results of the Corporation would likely suffer, possibly materially. In that event, the market price of the Common Shares could decline and investors could lose all or part of their investment. Additional risks and uncertainties presently unknown, or that are not believed to be material at this time, may also impair or have a material adverse effect on the Corporation's operations. In addition to the risks described elsewhere and the other information contained in this Annual Information Form, prospective investors should carefully consider each of and the cumulative effect of all of the following risk factors. References in the below Risk Factors to "we", "our" or "us" refer to the management of the Corporation.

Nature of Business

An investment in the Corporation should be considered highly speculative due to the nature of the Corporation's involvement in the exploration for, and the acquisition, development, production and marketing of, oil and natural gas reserves and its current stage of development. Oil and gas operations involve many risks which even a combination of experience and knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Corporation.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration by the Corporation will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones, tools lost in the hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. The long-term commercial success of the Corporation will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Corporation will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees. In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Corporation. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices. All of these factors could result in a material decrease in the Corporation’s future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Corporation are expected to be determined in part by the borrowing base of the Corporation. A sustained material decline in prices from historical average prices could limit the Corporation’s borrowing base, therefore reducing the bank credit available to the Corporation, and could require that a portion of any existing bank debt of the Corporation be repaid.

In addition to establishing markets for its oil and natural gas, the Corporation must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by the Corporation will be affected by numerous factors beyond its control. The Corporation will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by the Corporation. The ability of the Corporation to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. the Corporation will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, Taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Corporation has limited direct experience in the marketing of oil and natural gas.

Substantial Capital Requirements: Liquidity

The Corporation anticipates that it will make capital expenditures for the acquisition, exploration and development and production of oil and natural gas reserves in the future. If the Corporation’s revenues or reserves decline, as a result of lower oil and natural gas prices or otherwise, the Corporation may have limited ability to expend the capital necessary to undertake or complete future drilling programs to replace its reserves or to maintain its production. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation’s financial condition, results of operations or prospects.

Additional Funding Requirements

From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Such equity and/or debt financing may not be available or if available, may not be on favourable terms. Failure to obtain acceptable 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. Additionally, debt financing obtained may increase the Corporation's debt levels above industry standards. Moreover, future activities may require the Corporation to alter its capitalization significantly, which may impact its financial condition.

Capital Markets

As a result of the weakened global economic situation, the Corporation along with all participants in the oil and gas industry will have restricted access to capital and increased borrowing costs. The lending capacity of all financial institutions has diminished and risk premiums have increased independent of the Corporation's business and asset base. As future capital expenditures will be financed out of cash generated from operations, borrowing 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 demand 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.

Significant Fluctuations in Market Price of Common Shares

The trading price of the Common Shares has been and may continue to be subject to significant fluctuations, which may be based on factors unrelated to its financial performance or prospects. These factors include macroeconomic developments in North America, Europe, and globally, and market perceptions of the attractiveness of particular industries. The price of the Common Shares may also be significantly affected by changes in commodity prices, currency exchange fluctuation or in the Corporation's financial condition or results of operations. Other factors unrelated to the performance of the Corporation that may have an effect on the price of the securities of the Corporation include the following: the extent of analytical coverage available to investors concerning the business of the Corporation may be limited if investment banks with research capabilities do not follow the Corporation's securities; lessening in trading volume and general market interest in the Corporation's securities may affect an investor's ability to trade significant numbers of securities of the Corporation; the size of the Corporation's public float may limit the ability of some institutions to invest in the Corporation's securities. If an active market for the securities of the Corporation does not continue, the liquidity of an investor's investment may be limited and the price of the securities of the Corporation may decline.

Possible Failure to Realize Anticipated Benefits of Acquisitions

Achieving the benefits of any future acquisitions the Corporation may complete depends in part on successfully consolidating functions and integrating operations, procedures and personnel 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 requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the Corporation's ability to achieve the anticipated benefits of these and future acquisitions.

Insurance

Oil and natural gas exploration operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities or other property and the environment or in personal injury. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Although the Corporation maintains liability insurance in an amount which it considers adequate and consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition.

Competition

The petroleum industry is competitive in all its phases. The Corporation competes with numerous other participants in the search for the acquisition of oil and natural gas properties and in the marketing of oil and natural gas. The Corporation’s competitors include oil and gas companies which have greater financial resources, staff and facilities than those of the Corporation. The Corporation’s ability to increase reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods of reliability of delivery.

Environmental Risks

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 international conventions and state and/or provincial and municipal 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 gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of the 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 foreign governments and third parties and may require the Corporation to incur costs to remedy such discharge. 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.

Reserve Replacement

The Corporation's future oil and natural gas reserves, production and cash flows to be derived therefrom are highly dependent on the Corporation successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on the Corporation’s ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Corporation's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Risks Associated with Acquisitions

Acquisitions of oil and gas properties or companies are dependent in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Corporation. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Although title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Corporation's title to certain assets or that environmental defects or deficiencies do not exist.

Reliance on Operators and Key Employees

To the extent that the Corporation is not the operator of some of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators. In addition, the Corporation's success depends in large measure on certain key executive 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, discretions, integrity and good faith of the management of the Corporation.

Permits and Licenses

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

Dilution

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

Title of Properties

Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Corporation which could result in a reduction of the revenue received by the Corporation.

Commitment Agreement

There is no certainty that the Corporation will be able to fulfill its obligations under the Commitment Agreement in a timely manner or at all. If the Corporation is not able to fulfill its obligations under the Commitment Agreement in a timely manner, the applicable areas of the Lethbridge Property which do not have well located thereon may revert back to the Lethbridge Property Vendor. There is no certainty that the Corporation will be able to drill a sufficient number of wells on the Lethbridge Property such that the no areas of the Lethbridge Property revert back to the Lethbridge Property Vendor upon the expiration of the term of the Commitment Agreement.

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.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Corporation is not aware that any claims have been made in respect of its assets, however, if a claim arose and was successful this could have an adverse effect on the Corporation and its operations.

Delays in Business Operations

In addition to the usual delays in payments by purchasers of oil and natural gas to the Corporation or to the operator, and the delays by operators in remitting payment to the Corporation, payments between these parties may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connections of wells to a gathering system, adjustment for prior periods, or recovery by the operator of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the business of the Corporation in a given period and expose the Corporation to additional third party credit risks.

Changes in Legislation

The return on an investment in securities of the Corporation is subject to changes in Canadian federal and provincial tax Laws and government incentive programs and there can be no assurance that such Laws or programs will not be changed in a manner that adversely affects the Corporation of the holding and disposing of the securities of the Corporation.

Seasonality

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

Income Taxes

The Corporation will file all required income tax returns and believes that it will be in full compliance with the provisions of the *Income Tax Act* (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future Taxes payable.

Assessments of Value of Acquisitions

Acquisitions of oil and gas issuers and oil and gas assets are typically based on engineering and economic assessments made by independent engineers and the Corporation's own assessments. These assessments both will include a series of assumptions regarding such factors and recoverability and marketability of oil and gas, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the Corporation's control. In particular, the prices of and markets for oil and natural gas products may change from those anticipated at the time of making such assessment. In addition, all such assessments involve a measure of geologic and engineering uncertainty which could result in lower production and reserves than anticipated. Initial assessments of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm the Corporation uses for its year end reserve evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by the Corporation. Any such instance may offset the return on and value of the Common Shares.

Borrowing

The Corporation's lender is provided with security over substantially all of the assets of the Corporation. If the Corporation becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, this lender may foreclose on or sell the Corporation's properties. The proceeds of such sale would be applied to satisfy amounts owed to the Corporation's lenders and other creditors and only the remainder, if any, would be available to the Corporation.

Variations in Foreign Exchange Rates and Interest Rates

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

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

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, which could negatively impact the market price of the Shares.

Third Party Credit Risk

The Corporation is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations.

Reserves and Estimated Future Net Cash Flows

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows to be derived therefrom, including many factors that are beyond the control of the Corporation. The reserve and cash flow information set forth herein represent estimates only. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs, royalties and government royalties and levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of the Corporation. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. The foregoing evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

Forward-Looking Information May Prove to be Inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this Annual Information Form under the heading "Forward Looking Statements".

DIVIDENDS

The Corporation has not declared or paid any dividends since incorporation. Any decision to pay dividends on the Common Shares will be made by the Board of Directors on the basis of the Corporation's earnings, financial requirements and other conditions existing at the relevant time.

DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares and preferred shares. As of December 31, 2011, an aggregate of 63,152,091 Common Shares were issued and outstanding. As at the Effective Date, there are 66,986,191 Common Shares issued and outstanding. The holders of Common Shares are entitled to notice of and to vote at all meetings of shareholders (except meetings at which only holders of a specified class or series of shares are entitled to vote) and are entitled to one vote per Common Share. Holders of Common Shares are entitled to receive, if, as and when declared by the Board of Directors, such dividends as may be declared thereon by the Board of Directors from time to time. In the event of the liquidation, dissolution or winding-up of the Corporation, or any other distribution of assets among its shareholders for the purpose of winding-up its affairs, holders of Common Shares, are entitled to share equally, share for share, in the remaining property. No preferred shares have been issued.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX under the symbol “DTX” and on the OTCQX under the symbol “DTHRF”.

Trading History

The following table sets forth the price range (high and low closing prices) in Canadian dollars of Common Shares and volume traded on the TSX, for the periods indicated.

	High	Low	Volume
2011			
January	5.45	4.25	4,167,976
February	5.20	4.18	5,145,092
March	5.00	3.46	5,702,846
April	4.15	3.17	4,636,911
May	4.64	3.65	5,425,053
June	4.48	2.81	3,816,150
July	4.18	3.25	3,291,179
August	3.95	2.82	5,877,563
September	3.82	2.28	3,757,701
October	2.95	1.76	8,130,192
November	2.72	2.07	6,192,617
December	2.22	1.80	8,361,726

Prior Sales

The following table summarizes the issuances of securities convertible into Common Shares for the year ended December 31, 2011.

Date of Issuance	Securities	Number of Securities	Price per Security
March 11, 2011	Common Shares	3,000,000	$5.15
March 11, 2011	Subscription Receipts	26,795,000	$4.30
March 15, 2011	Stock Options	135,000	N/A(1)
March 16, 2011	Common Shares	10,000	N/A(2)
March 22, 2011	Common Shares	26,795,000	Nil(3)

March 23, 2011	Stock Options	50,500	N/A(4)
April 4, 2011	Stock Options	60,000	N/A(5)
May 2, 2011	Stock Options	120,000	N/A(6)
May 13, 2011	Stock Options	765,000	N/A(7)
May 16, 2011	Stock Options	105,000	N/A(8)
June 1, 2011	Stock Options	25,000	N/A(9)
June 16, 2011	Stock Options	60,000	N/A(10)
July 4, 2011	Stock Options	7,500	N/A(11)
July 18, 2011	Stock Options	30,000	N/A(12)
July 21, 2011	Common Shares	400,000	N/A(13)
August 15, 2011	Stock Options	5,000	N/A(14)
October 17, 2011	Stock Options	1,200,000	N/A(15)
October 17, 2011	Stock Options	40,000	N/A(16)
January 26, 2012	Stock Options	130,000	N/A(17)
February 16, 2012	Stock Options	1,000,000	N/A(18)

Notes:

(1) These Options were issued under the Corporation's stock option plan. The exercise price is $4.39 per Common Share and the expiration date is five years from the date of issuance.

(2) Issued pursuant to the exercise of Options with an exercise price of $2.29 per Common Share.

(3) Issued upon the conversion of subscription receipts into Common Shares upon the completion of the Fairborne Asset Acquisition.

(4) These Options were issued under the Corporation's stock option plan. The exercise price is $4.22 per Common Share and the expiration date is five years from the date of issuance.

(5) These Options were issued under the Corporation's stock option plan. The exercise price is $4.01 per Common Share and the expiration date is five years from the date of issuance.

(6) These Options were issued under the Corporation's stock option plan. The exercise price is $4.00 per Common Share and the expiration date is five years from the date of issuance.

(7) These Options were issued under the Corporation's stock option plan. The exercise price is $4.08 per Common Share and the expiration date is five years from the date of issuance.

(8) These Options were issued under the Corporation's stock option plan. The exercise price is $4.16 per Common Share and the expiration date is five years from the date of issuance.

(9) These Options were issued under the Corporation's stock option plan. The exercise price is $4.45 per Common Share and the expiration date is five years from the date of issuance.

(10) These Options were issued under the Corporation's stock option plan. The exercise price is $3.44 per Common Share and the expiration date is five years from the date of issuance.

(11) These Options were issued under the Corporation's stock option plan. The exercise price is $3.53 per Common Share and the expiration date is five years from the date of issuance.

(12) These Options were issued under the Corporation's stock option plan. The exercise price is $3.42 per Common Share and the expiration date is five years from the date of issuance.

(13) Issued as consideration for the purchase of certain oil and gas assets.

(14) These Options were issued under the Corporation's stock option plan. The exercise price is $3.13 per Common Share and the expiration date is five years from the date of issuance.

(15) These Options were issued under the Corporation's stock option plan. The exercise price is $2.57 per Common Share and the expiration date is five years from the date of issuance.

(16) These Options were issued under the Corporation's stock option plan. The exercise price is $2.17 per Common Share and the expiration date is five years from the date of issuance.

(17) These Options were issued under the Corporation's stock option plan. The exercise price is $2.90 per Common Share and the expiration date is five years from the date of issuance.

(18) These Options were issued under the Corporation's stock option plan. The exercise price is $3.85 per Common Share and the expiration date is five years from the date of issuance.

DIRECTORS AND OFFICERS

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

Name, Occupation and Security Holding

Name and Municipality of Residence	Position Held and Date Appointed	Principal Occupation
Michael Kabanuk Cochrane, Alberta	Chairman of the Board and Director (July 22, 2008)	Mr. Kabanuk was Chief Operating Officer and Vice-President, Operations at Cyries Energy Inc. from May 2004 to March 2008. Prior thereto, Mr. Kabanuk was Vice-President, Operations of Cequel Energy Inc. from July 2003 to May 2004, and prior thereto was the Operations Manager of Cequel Energy Inc. from January 24, 2002 to August 7, 2003.
Martin Cheyne Calgary, Alberta	President, Chief Executive Officer and Director (January 24, 2007)	Mr. Cheyne has been the President, Chief Executive Officer and a director of the Corporation since January 24, 2007. Mr. Cheyne has been a director of Phoenix Oilfield Hauling, a public company listed on the TSXV, since May 2006. Mr. Cheyne was President, CEO and a director of Dual Exploration Inc. from July 2005 to December 2006. Prior thereto, Mr. Cheyne was President, CEO and a director of Devlan Exploration Inc. from November 1995 to July 2005.
Dennis Nerland (1)(2)(3) Calgary, Alberta	Director (November 22, 2007)	Mr. Nerland has been a partner with the law firm Shea Nerland Calnan since 1990 practicing primarily in the areas of tax and trust law. Mr. Nerland is a current and past director of a number of private and public companies listed on the TSXV and the TSX and is currently a trustee of a number of private investment trusts. Mr. Nerland has a Bachelor of Laws degree from the University of Calgary, a Master of Arts degree (Economics) from Carleton University and a Bachelor of Science degree (Economics and Mathematics) from the University of Calgary. He is a member of the Law Society of Alberta.
Bradley Porter(1)(2)(3) Okotoks, Alberta	Director (January 24, 2007)	Mr. Porter was Executive Vice President, COO and a director of Dual Exploration Inc. from July 2005 to December 2006. Prior thereto, Mr. Porter was Executive Vice President, COO and a director of Devlan Exploration Inc. from December 1995 to July 2005.
Henry Hamm (1)(2)(3) Grande Prairie, Alberta	Director (January 25, 2010)	Mr. Hamm owns and operates a number of private companies in the Grande Prairie region including Prudential Lands Corporation, a land development company formed in 1995 and Dirham Homes Inc., a home building company formed in 1976. Mr. Hamm was awarded the Business Citizen of the Year Award by the Grande Prairie Chamber of Commerce in February 2009.
Brendan Carrigy Nanoose Bay, British Columbia	Director (March 23, 2009)	Mr. Carrigy was the Vice-President, Exploration of the Corporation from July, 2009 to August, 2011 and Executive Vice President from August, 2011 to March, 2012.. Mr. Carrigy was Vice-President, Exploration for Cyries Energy Inc. from inception in July 2004 to July 2007. Prior thereto, Mr. Carrigy was Exploration Manager of Cequel Energy Inc. from January 2002 to July 2004.
Gail Hannon Calgary, Alberta	Chief Financial Officer (July 2, 2009)	Ms. Hannon has been the Chief Financial Officer of the Corporation since July 2, 2009. Ms. Hannon was the Controller with Artek Exploration Ltd. From March 2006 to May 2009. Prior thereto, Ms. Hannon was the Controller with White Fire Energy Ltd. From April 2005 to February 2006 and prior thereto was Accounting Manager/Controller with Lightning Energy Inc. from June 2002 to March 2005.

Name and Municipality of Residence	Position Held and Date Appointed	Principal Occupation
Trevor Murray Calgary, Alberta	Vice-President, Land (July 22, 2008)	Mr. Murray has been the Vice-President, Land of the Corporation since July 22, 2008. Mr. Murray was the Senior Landman of Iteration Energy Ltd. from January 2008 to May 2008. Prior thereto, Mr. Murray was employed at Cyries Energy Inc. as Senior Landman from August 2006 to January 2008. Prior thereto, Mr. Murray was the Negotiating Mineral Landman for PrimeWest Energy Trust from September 2004 to August 2006. Prior thereto, Mr. Murray was the Area Landman at Calpine Canada Ltd. from August 2001 to September 2004.
Clayton Thatcher Calgary, Alberta	Vice-President, Exploration (August 11, 2011)	Mr. Thatcher has been the Vice President, Exploration of the Corporation since August 11, 2011. Mr. Thatcher was the Vice President, Geophysics of the Corporation from March 2011 to August 2011 and Geophysicist from June 2010 to March 2011. Prior thereto, Mr. Thatcher was Geophysicist at Cenovus Energy and EnCana Corporation.
Dan Kenney	Corporate Secretary (June 25, 2009)	Mr. Kenney has been a partner with the law firm Davis LLP and has practiced corporate and securities law since 1996. Dan practices in the Securities Group with a primary focus on securities and transactional corporate matters, principally with clients in the upstream energy industry, the oilfield services industry and the mining industry. Mr. Kenney is a current and past director and corporate secretary of a number of public companies.

Notes:

(1) Member of the Audit Committee. Each member of Audit Committee is considered independent and financially literate.

(2) Member of the Reserves Committee.

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

As at December 31, 2011, the directors and officers of the Corporation, and their associates and affiliates, as a group, whether, beneficial, direct or indirect, own 6,334,607 Common Shares, representing approximately 10.0% of the Common Shares then outstanding and approximately 9.5% of the Common Shares outstanding as at the Effective Date.

The directors listed above will hold office until the next annual meeting of the Corporation or until their successors are elected or appointed.

Corporate Cease Trade Orders or Bankruptcies

No director, executive officer or other member of management of the Corporation is, or within the ten years prior to the date of hereof has been a director, executive officer or promoter of any other corporation that while that person was acting in that capacity:

(a) was the subject of a cease trade order or similar order or an order that denied the Corporation access to any statutory exemptions for a period of more than 30 consecutive days; or

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

(c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets.

Dennis Nerland was a director of Samsports.com Inc., a software company previously listed on the TSXV. In January 2001, Samsports.com Inc. went out of business and was put into receivership. Subsequently, the common shares of Samsports.com Inc. were delisted from the TSX for failure by Samsports.com Inc. to meet the TSXV's minimum listing requirements. Subsequent to this, each of the Alberta Securities Commission and the British Columbia Securities Commission issued cease trade orders against Samsports.com Inc. for its failure to file financial statements as required by applicable securities legislation. All of the directors of Samsports.com Inc. including Dennis L. Nerland, were sued by a former investor of Samsports.com Inc. That investor alleged that an officer of Samsports.com Inc. made misrepresentations to the investor to induce him to invest in Samsports.com Inc. in contravention of the Securities Act (Alberta) and that the directors of Samsports.com Inc. were aware or should have been aware of such misrepresentations. Mr. Nerland filed a statement of defence denying any wrongdoing on his part. Mr. Nerland's defence of the claim was successful and the claim was expunged with no finding of liability or wrongdoing.

Penalties or Sanctions

No director or officer of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body including a self-regulatory body that would be likely to be considered important to a reasonable security holder making a decision about the Corporation.

Personal Bankruptcies

No director or executive officer or a personal holding company of any such person has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

Conflicts of Interest

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

AUDIT COMMITTEE

Audit Committee Charter

The Corporation's Audit Committee Charter is attached hereto as Schedule "C".

Audit Committee Composition

As at the date hereof, the Audit Committee is comprised of the following members:

Dennis Nerland	Independent[1]	Financially literate[1]
Bradley Porter	Independent[1]	Financially literate[1]
Henry Hamm	Independent[1]	Financially literate[1]

Note:
(1) As defined by National Instrument 52-110 ("**NI 52-110**").

Relevant Education and Experience

Dennis Nerland

Mr. Nerland has been a partner with the law firm Shea Nerland Calnan since 1990 practicing primarily in the areas of tax and trust law. Mr. Nerland is a current and past director of a number of private and public companies listed on the TSXV and the Toronto Stock Exchange and is currently a trustee of a number of private investment trusts. Mr. Nerland has a Bachelor of Laws degree from the University of Calgary, a Master of Arts degree (Economics) from Carleton University and a Bachelor of Science degree (Economics and Mathematics) from the University of Calgary. He is a member of the Law Society of Alberta. Mr. Nerland received the ICD.D designation in 2011.

Bradley Porter

Mr. Porter was the Chief Operating Officer, Executive Vice-President, Operations of DeeThree Ltd., one of the predecessors of the Corporation, from January 24, 2007 to March 23, 2009 and a director of DeeThree Ltd. since January 24, 2007. Mr. Porter was Executive Vice President, COO and a Director of Dual Exploration Inc. from July 2005 to December 2006. Prior thereto, Mr. Porter was Executive Vice President, COO and a Director of Devlan Exploration Inc. from December 1995 to July 2005.

Henry Hamm

Mr. Hamm owns and operates a number of private companies in the Grande Prairie region including Prudential Lands Corporation, a land development company formed in 1995 and Dirham Homes Inc., a home building company formed in 1976. Mr. Hamm was awarded the Business Citizen of the Year Award by the Grande Prairie Chamber of Commerce in February 2009.

Audit Committee Oversight

At no time since the commencement of the Corporation's financial year ended December 31, 2011, was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's financial year ended December 31, 2011, has the Corporation relied on any exemption from NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services other than the general requirements under the heading "External Auditors" of the Audit Committee Charter which states that the Audit Committee must pre-approve any non-audit services to the Corporation and the fees for those services.

External Auditor Service Fees

The aggregate fees billed by the Corporation's external auditors in each of the three fiscal years noted below for audit and other fees are as follows:

Financial Year Ending	Audit Fees ($)	Audit Related Fees ($)	Tax Fees ($)	All Other Fees ($)
2011	283,700	--	5,025	--
2010	143,000	Nil	36,500	145,900
2009	40,700	Nil	6,300	77,800

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

There are no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during legal proceedings material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated during the financial year ended December 31, 2011.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than set forth herein or an SEDAR, there are no material interests, direct or indirect, of any informed person of the Corporation, any proposed directors of the Corporation or any associates or affiliates of such persons, in any material transaction or in any proposed material transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries other than as described below.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are KPMG LLP, Chartered Accountants, 2700, 250 - 5th Ave. SW, Calgary, AB, T2P 4B9.

Olympia Trust Corporation of Canada is the transfer agent and registrar for the Common Shares at its principal office in Calgary, Alberta.

INTERESTS OF EXPERTS

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

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

As at the date of hereof, the partners and associates of KPMG LLP, Chartered Accountants, the external auditors of the Corporation, as a group, did not beneficially own any of the Corporation's outstanding Common Shares and are independent in accordance with the auditors' rules of professional conduct in Canada.

Daniel Kenney, the Corporate Secretary of the Corporation, is a lawyer at Davis LLP, which law firm provides legal services to the Corporation. As of the date hereof, the associates and partners of Davis LLP, as a group, beneficially own, directly or indirectly, less than 1% 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 directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities, audit committee information and interests of insiders in material transactions, if applicable, is contained in the 2011 Information Circular.

Additional information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2011, which are available on SEDAR. Additional information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2011.

SCHEDULE "A"
FORM 51 -101F2
REPORT OF RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR

Form 51-101F2

Report on Reserves Data
by Independent Qualified Reserves Evaluator or Auditor

Report on Reserves Data

To the Board of Directors of DeeThree Exploration Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2011. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2011, 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 as of December 31, 2011, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's management and Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Report	Location of Reserves (Country)	Net Present Value of Future Net Revenue Before Income Taxes (10% Discount Rate)			
			Audited (M$)	Evaluated (M$)	Reviewed (M$)	Total (M$)
Sproule	Evaluation of the P&NG Reserves of DeeThree Exploration Ltd., As of December 31, 2011, prepared October 2011 to February 2012	Canada				
Total			**Nil**	**175,804**	**Nil**	**175,804**

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are presented in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update the report referred to in paragraph 4 for events and circumstances occurring after its preparation date.

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

Executed as to our report referred to above:

Sproule Associates Limited
Calgary, Alberta
February 29, 2012

Original Signed by Nora T. Stewart, P.Eng.

Nora T. Stewart, P.Eng.
Manager, Engineering and Partner

Original Signed by Reza M. Saedi, P.Eng.

Reza M. Saedi, P.Eng.
Senior Petroleum Engineer

Original Signed by Alec Kovaltchouk, P.Geol.

Alec Kovaltchouk, P.Geol.
Manager, Geoscience and Partner

Original Signed by Harry J. Helwerda, P.Eng., FEC

Harry J. Helwerda, P.Eng., FEC
Executive Vice-President and Director

SCHEDULE “B”
REPORT OF MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE (FORM 51-1013)

erms to which a meaning is ascribed in National Instrument 51-101 have the same meaning herein.

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

An independent qualified reserves evaluator has evaluated and reviewed the Corporation’s reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Corporation has: (a) reviewed the Corporation’s procedures for providing information to the independent qualified reserves evaluator; (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation and, in the event of a proposal to change the independent qualified reserves evaluator, to inquire whether there had been disputes between the previous independent qualified reserves evaluator; and (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Corporation’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 evaluator on the reserves data; and (c) the content and filing of this report.

Because the reserves data is 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”
Martin Cheyne, President, Chief Executive Officer and Director

“signed”
Gail Hannon, Chief Financial Officer

“signed”
Bradley Porter, Director

“signed”
Dennis Nerland, Director

March 28, 2012

SCHEDULE "C"
AUDIT COMMITTEE CHARTER

1. Role and Objective

The Audit Committee (the "**Committee**") is a committee of the Board of Directors of the Corporation to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board of Director approval, the audited financial reports and other mandatory disclosure releases containing financial information. The objectives of the Committee, with respect to the Corporation and its subsidiaries, are as follows:

- To assist Directors to meet their responsibilities in respect of the preparation and disclosure of the financial reports of the Corporation and related matters.
- Provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors.
- To ensure the external auditors' independence and review and appraise their performance.
- To increase the credibility and objectivity of financial reports.
- To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

2. Composition

The Committee shall be composed of at least three individuals appointed by the Board from amongst its members, all of which members will be independent (within the meaning of National Instrument 52-110 *Audit Committees*) unless the Board determines to rely on an exemption in NI 52-110. "Independent" generally means free from any business or other direct or indirect material relationship with the Corporation that could, in the view of the Board, reasonably interfere with the exercise of the member's independent judgment.

The Secretary to the Board shall act as Secretary of the Committee.

A quorum shall be a majority of the members of the Committee.

All of the members must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being "financially literate" means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements.

3. Meetings

The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions.

Agendas, with input from management, shall be circulated to Committee members and relevant management personnel along with background information on a timely basis prior to the Committee meetings.

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

The Chief Executive Officer and the Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon the invitation of the Committee.

The Controller, Treasurer and/or such other staff as appropriate to provide information to the Committee shall attend meetings upon invitation by the Committee.

4. Mandate and Responsibilities

To fulfill its responsibilities and duties, the Committee shall:

1 undertake annually a review of this mandate and make recommendations to the Corporate Governance and Compensation Committee as to proposed changes;

2 satisfy itself on behalf of the Board with respect to the Corporation's internal control systems, including, where applicable, relating to derivative instruments:

- a) identifying, monitoring and mitigating business risks; and
- b) ensuring compliance with legal and regulatory requirements;

3 review the Corporation's financial reports, MD&A, any annual earnings, interim earnings and press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial reports), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors; the process should include but not be limited to:

- a) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial reports;
- b) reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
- c) reviewing accounting treatment of unusual or non-recurring transactions;
- d) ascertaining compliance with covenants under loan agreements;
- e) reviewing financial reporting relating to asset retirement obligations;
- f) reviewing disclosure requirements for commitments and contingencies;
- g) reviewing adjustments raised by the external auditors, whether or not included in the financial reports;
- h) reviewing unresolved differences between management and the external auditors;
- i) obtain explanations of significant variances with comparative reporting periods; and
- j) determine through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed;

4 review the financial reports and related information included in prospectuses, management discussion and analysis (MD&A), information circular-proxy statements and annual information forms (AIF), prior to Board approval;

5 with respect to the appointment of external auditors by the Board:

- a) require the external auditors to report directly to the Committee;

b) review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Corporation;

c) obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation;

d) review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;

e) be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors' report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;

f) review management's recommendation for the appointment of external auditors and recommend to the Board appointment of external auditors and the compensation of the external auditors;

g) review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors' fees;

h) when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and

i) take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors;

j) at each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial reports;

6 review all public disclosure containing audited or unaudited financial information before release;

7 review financial reporting relating to risk exposure;

8 satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information from the Corporation's financial reports and periodically assess the adequacy of those procedures;

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

10 review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial reports of the Corporation and its subsidiaries;

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

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

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

c) such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee;

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

12 review any other matters that the Audit Committee feels are important to its mandate or that the Board chooses to delegate to it;

13 with respect to the financial reporting process:

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

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

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

d) review significant judgments made by management in the preparation of the financial reports and the view of the external auditors as to appropriateness of such judgments;

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

f) review any significant disagreement among management and the external auditors regarding financial reporting;

g) review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented;

h) review the certification process;

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

j) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

5. Authority

Following each meeting, in addition to a verbal report, the Committee will report to the Board by way of providing copies of the minutes of such Committee meeting at the next Board meeting after a meeting is held (these may still be in draft form).

Supporting schedules and information reviewed by the Committee shall be available for examination by any director.

The Committee shall have the authority to investigate any financial activity of the Corporation and to communicate directly with the internal and external auditors. All employees are to cooperate as requested by the Committee.

The Committee may retain, and set and pay the compensation for, persons having special expertise and/or obtain independent professional advice to assist in fulfilling its duties and responsibilities at the expense of the Corporation.