



**ANNUAL INFORMATION FORM  
FOR THE YEAR ENDED DECEMBER 31, 2008**

May 6, 2009

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## **ADDENDA**

### **APPENDIX "A" AUDIT COMMITTEE INFORMATION**

## INTERPRETATION

### Glossary

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

**“Alentar”** means Alentar Holdings Inc.;

**“Alentar Transaction”** has the meaning attributed to it under the heading *“General Development of the Business”*;

**“Annual Information Form”** means this Annual Information Form of the Corporation dated May 6, 2009;

**“ASC”** has the meaning attributed to it under the heading *“Directors and Officers - Penalties or Sanctions”*;

**“Association Contract”** has the meaning attributed to it under the heading *“General Development of the Business”*;

**“Bbls/day”** means barrels of oil per day;

**“Boe”** means barrels of oil equivalent;

**“CCE”** means Consorcio Colombia Energy;

**“Common Shares”** means the common shares in the capital of the Corporation;

**“Corporation”** means Suroco Energy Inc.;

**“E&P”** means NCT Estudios y Proyectos, C.A.;

**“High Plains”** means High Plains Energy Inc.;

**“Lagoon”** means Lagoon Resources Ltd.;

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

**“Permission”** has the meaning attributed to it under the heading *“General Development of the Business”*;

**“Postell”** means Postell Energy Co. Ltd.;

**“Protocol”** has the meaning attributed to it under the heading *“Risk Factors - Environmental”*;

**“Proved”** reserves means those reserves that can be estimated with a high degree of certainty to be recoverable and it is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

**“QT Properties”** has the meaning attributed to it under the heading *“General Development of the Business”*;

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval;

**“SES”** means Suroco Energy S.L.U. (formerly known as NCT Corporación Petrolera Latinoamericana, S.L.), a wholly owned subsidiary of the Corporation, which is a limited liability company formed under the laws of Spain with an office in Bogota, Colombia;

**“SES Acquisition”** has the meaning attributed to it under the heading *“General Development of the Business”*;

**“Special Warrants”** has the meaning attributed to it under the heading *“General Development of the Business”*;

**“Transferees”** has the meaning attributed to it under the heading *“Legal Proceedings Regulatory Actions”*; and

**“Treviño Transaction”** has the meaning attributed to it under the heading *“General Development of the Business”*.

## **Oil and Natural Gas Information**

Boe’s are presented on the basis of one Boe for six thousand cubic feet of natural gas. Disclosure provided herein in respect of Boe’s may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 thousand cubic feet:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

All oil and natural gas reserves information contained in this Annual Information Form and the documents incorporated by reference herein, has been prepared and presented in accordance with NI 51-101.

## **Currency**

All dollar amounts herein are expressed in Canadian dollars unless otherwise indicated.

## **Forward-Looking Statements**

Certain statement in this Annual Information Form constitute forward-looking statements or information under applicable securities legislation. These statements or information relate to future events or future performance of the Corporation. When used in this Annual Information Form, the words “may”, “would”, “could”, “will”, “intend”,

“plan”, “anticipate”, “believe”, “estimate”, “predict”, “seek”, “propose”, “expect”, “potential”, “continue”, and similar expressions, are intended to identify forward-looking statements or information. These statements or information involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements or information. Such statements or information reflect the Corporation’s current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation’s actual results, performance, or achievements to vary from those described in this Annual Information Form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements or information prove incorrect, actual results may vary materially from those described in this Annual Information Form as intended, planned, anticipated, believed, estimated, or expected. Specific forward-looking statements or information in this Annual Information Form include, among others, statements pertaining to the following:

- factors upon which the Corporation will decide whether or not to undertake a specific course of action;
- world-wide supply and demand for petroleum products;
- expectations regarding the Corporation’s ability to raise capital;
- treatment under governmental regulatory regimes; and
- commodity prices.

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

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

Although the Corporation believes that the expectations reflected in such forward looking statements or information are reasonable, undue reliance should not be placed on such forward-looking statements or information as the Corporation can give no assurance that such expectations will prove to be correct.

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

- the availability of capital;
- general economic conditions;
- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;
- alternatives to and changing demand for petroleum products;
- changes in legislation and the regulatory environment; and
- the other factors considered under “Risk Factors” herein.

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

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

## THE CORPORATION

The Corporation was incorporated by certificate of incorporation dated January 31, 2005 under the *Business Corporations Act* (Alberta). The Corporation amended its articles on March 4, 2005 to remove its “private company” restrictions. The Corporation completed an initial public offering of its common shares on April 4, 2005 and commenced trading on the TSX Venture Exchange under the symbol “SRN” on April 19, 2005. The Corporation was initially classified as a “Capital Pool Company” as defined in Policy 2.4 of the TSX Venture Exchange until the closing of its “Qualifying Transaction” on August 22, 2005 (as described below) and receipt of TSX Venture Exchange approval on September 7, 2005.

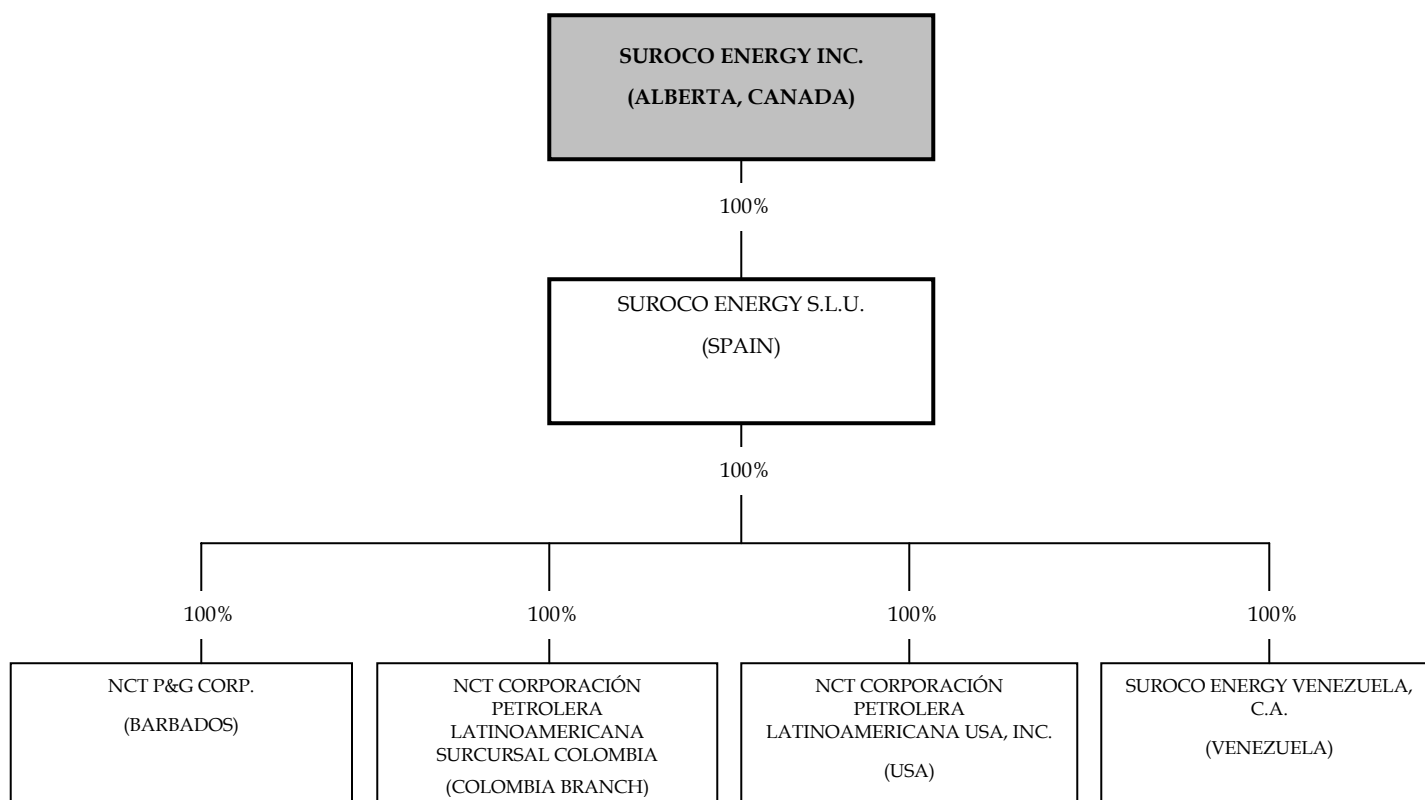
The Corporation has its registered office at Suite 4300, 888 - 3rd Street, S.W., Calgary, Alberta, T2P 5C5 and its principal business office at Suite 302, 1300 - 8th Street S.W., Calgary, Alberta, T2R 1B2.

As at year end 2008, the Corporation had 31 employees. Since the end of 2008, the Corporation has taken significant steps in reducing its total headcount and this is more fully explained under the section “*General Development of the Business*”. As at the date of this Annual Information Form, the Corporation has 13 employees.

The Corporation has one wholly owned subsidiary, SES, a limited liability company formed under the laws of Spain. SES currently maintains its head office in Bogota, Colombia located at Carrera 7- No. 80-49 - Ofc 901. Edf. Centro de Negocios El Nogal. Nogal - Bogotá.

SES currently has four wholly owned subsidiaries, NCT P&G Corp., NCT Corporación Petrolera Latinoamericana Surcursal Colombia, NCT Corporación Petrolera Latinoamericana USA, Inc. and Suroco Energy Venezuela, C.A. NCT P&G Corp. is a private company incorporated under the laws of Barbados. As at the year ended December 31, 2008, the Corporation owned 65% of the outstanding shares of NCT P&G. The Corporation acquired the remaining shares of NCT P&G pursuant to the Alentar Transaction as described below. SES’s Colombian branch, NCT Corporación Petrolera Latinoamericana Surcursal Colombia has been incorporated under the laws of Colombia. NCT Corporación Petrolera Latinoamericana USA, Inc. is a private corporation incorporated under the laws of Texas and is in the process of being wound-up. Suroco Energy Venezuela, C.A. is a private company incorporated in Venezuela and is also in the process of being wound-up.

As of the date of this Annual Information Form, the corporate structure of the Corporation is as follows:



NCT P&G Corp. holds 72.5% of the outstanding shares of Vetra-NCT E&P Corp. (Barbados), which in turn holds a 67.67% interest in Southeast Investment Corporation (Panama), which in turn holds a direct 62.0% interest in CCE. CCE is the operator of the Suroriente Block in Colombia which produces all of the Corporation's oil production in Colombia. See "Business and Properties of the Corporation – Colombian Properties and Assets in General – Suroriente Block" for further information on the Corporation's interests in the Suroriente Block. As of the date of this Annual Information Form, the Corporation is in the process of winding-up NCT P&G Corp. and transferring its assets and liabilities to Suroco Energy S.L.U.. As well, the Corporation is working with its minority interest partner to wind-up Vetra-NCT E&P Corp and Southeast Investment Corporation so that Suroco Energy S.L.U. would end up holding the Corporation's working interest in CCE directly.

### GENERAL DEVELOPMENT OF THE BUSINESS

Since its inception in 2005, the Corporation has focused on the identification and evaluation of opportunities for the acquisition of interests in oil and gas properties, corporations, assets or businesses, and once identified and evaluated, negotiating acquisitions thereof or participation therein. The Corporation was listed as a "Capital Pool Company" through the facilities of the TSX Venture Exchange in April 2005, with trading of its Common Shares commencing on April 19, 2005. On September 7, 2005, the Corporation received final approval from the TSX Venture Exchange for its Qualifying Transaction

whereby it acquired a 30% working interest in each of four oil and gas properties (the “**QT Properties**”) located in the Flat Lake area of Saskatchewan from Postell, a private Alberta company. Postell was the 100% owner and operator of the QT Properties. The transaction was considered to be a related party transaction because Mr. Jeff Scott, who was President and Chief Executive Officer of the Corporation at the time of the transaction, was also the President of Postell and indirectly owned 25% of the outstanding common shares of Postell.

The Corporation issued 100,000 Common Shares at a deemed price of \$0.25 per share and paid \$400,000 to Postell in exchange for the 30% working interest in the QT Properties.

Concurrent with the completion of its Qualifying Transaction, the Corporation completed a non brokered private placement of Common Shares at a price of \$0.25 per share. Aggregate gross proceeds of \$300,000 were raised with 1,200,000 Common Shares being issued. The Corporation paid a finders fee in an amount of \$12,000, representing 4% of the gross proceeds of that private placement.

Effective November 7, 2005, the Corporation issued an offer to the shareholders of Lagoon by a letter agreement transmitted to each shareholder of Lagoon, for the arm’s length acquisition of Lagoon. Lagoon is a privately held company based in Belize. Pursuant to the terms of the Letter Agreement, the Corporation intended to acquire all of the issued and outstanding common shares of Lagoon in exchange for an aggregate of 1,000,000 Common Shares at a deemed price of \$0.375 per share, and the grant of a 5% gross overriding royalty. Lagoon’s significant asset at the time of the offer was a permission (the “**Permission**”) to conduct geological and geophysical investigations on petroleum resources in an area of Belize of approximately 1,123,094 acres.

On August 29, 2007, the Corporation announced that it learned that the Permission had expired prior to Lagoon obtaining the necessary Production Sharing Agreement with the Government of Belize. As a result, the Corporation determined that the conditions to closing of the acquisition of Lagoon had not been fulfilled, the Corporation no longer had an obligation to complete the acquisition of Lagoon and the Corporation was no longer pursuing the acquisition of Lagoon.

On November 11, 2005 the Corporation completed a non brokered private placement of equity units at a price of \$0.44 per equity unit. Each equity unit was comprised of one Common Share and one-quarter of one common share purchase warrant, each whole common share purchase warrant entitling the holder thereof to acquire an additional Common Share at a price of \$0.55 for a period of 9 months from the date of issuance. Aggregate gross proceeds of \$7,161,490.16 were raised with 16,276,114 Common Shares and 4,069,023 common share purchase warrants being issued.

On April 17, 2008, the Corporation completed the arm’s length acquisition (the “**SES Acquisition**”) of SES (at that time known as NCT Corporación Petrolera Latinoamericana, S.L.). Pursuant to the SES Acquisition, the Corporation acquired all of the issued and outstanding participation units of SES in exchange for 11,594,706 Common Shares at a deemed price of USD\$0.80 per share, the issuance of 4,375,000 special warrants (the “**Special Warrants**”) of the Corporation and the payment of USD\$24,234 in cash to two of the former

unitholders of SES who elected to receive cash as partial consideration for their participation units of SES.

The Special Warrants were registered in the name of Manuel Treviño and entitled him to acquire an aggregate of 4,375,000 Common Shares in exchange for 704,653 participation units of SES, at no additional cost, in the event that the “**Treviño Transaction**” was completed. The Treviño Transaction is a transaction pursuant to an agreement entered into by SES whereby SES would acquire from Manuel Treviño a 6.0% interest in Monclova Pirineo Gas, S.A. de C.V, a Mexican corporation incorporated under the laws of Mexico. The Treviño Transaction was subject to requisite approvals from Petroleus Mexicanos, Mexico’s state-owned petroleum company that is commonly referred to as PEMEX. The conditions on which PEMEX granted its approval were not satisfactory to the Corporation and as a result, on March 24, 2009, the Corporation made a strategic decision not to complete the Treviño Transaction and the Special Warrants have been cancelled.

The Corporation filed a Business Acquisition Report (Form 51-102F4) dated June 30, 2008 for the SES Acquisition. A copy of such Business Acquisition Report can be found on SEDAR.

Effective November 19, 2007, the Corporation entered into an agreement whereby it acquired a 25% participating interest in the Bugarviles Block comprising 150,000 acres in the Upper Magdalena Basin in Colombia. The Corporation acquired this interest pursuant to an assignment of the 25% participating interest in the Bugarviles Association Contract dated September 18, 2000. In exchange for that assignment of the interest in that Bugarviles Association Contract, the Corporation paid USD\$1,500,000 for exclusive use towards drilling and completing the Delta-1 exploratory well in the Bugarviles Block. After encountering significant operational difficulties in drilling the well, the Corporation’s management made the decision to withdraw from ongoing operations from this project.

On June 10, 2008 the National Agency of Hydrocarbons of Colombia awarded the Alea 1848 A Block, located in the Putumayo Province of Colombia, to the NCT P&G Petrotesting Consortium, a consortium in which the Corporation, indirectly through SES, held, at that time, a 32.5% working interest. As of the date of this Annual Information Form, the Corporation, through SES, holds a 50% working interest in the NCT P&G Petrotesting Consortium. See “*Business and Properties of the Corporation – Colombian Properties and Assets in General – Alea 1848 A Block*” for further information on the Corporation’s interests in the Alea 1848 A Block.

On June 26, 2008 the National Agency of Hydrocarbons of Colombia awarded the Alea 1947 C Block, located in the Putumayo Province of Colombia, to the Petrotesting Southeast Consortium, a consortium in which the Corporation, indirectly through SES, held, at that time, a 15.9% working interest. As of the date of this Annual Information Form, the Corporation holds, through SES, a 24.5% working interest in the Petrotesting Southeast Consortium. See “*Business and Properties of the Corporation – Colombian Properties and Assets in General – Alea 1947 C Block*” for further information on the Corporation’s interests in the Alea 1947 C Block.

At closings on December 9, 2008 and January 19, 2009, the Corporation completed a non-brokered private placement of Common Shares at \$0.22 per share. Aggregate gross proceeds of \$2,223,963.75 were raised with 10,108,928 Common Shares being issued.

On March 24, 2009, the Corporation announced the arm's length disposition of its non-core interests in the oil and gas properties commonly known as the Hardin Field, located approximately 80 kilometres northeast of Houston, Texas in exchange for forgiveness of approximately USD\$885,000 of the Corporation's debts related to its interests in the Hardin Field. Those interests were held through SES and consisted of a 15% participating interest in the Hardin Field and interests in various leases and equipment, ranging from 4.5% to 15%, which included 9% of the revenues from the Barret #5 well and an interest which entitled it to 15% of the revenues proceeding from the Teten #1 and B&B#5 wells.

On March 31, 2009, the Corporation completed the arm's length acquisition from Alentar of interests held by Alentar in the Suroriente Block, Arjona Field, Alea 1848 A Block and Alea 1947 C Block, all in Colombia, in exchange for 8,700,000 Common Shares at a deemed price of USD\$1.00 per share and 4,000,000 Contingent Value Rights (the "**Alentar Transaction**").

The Contingent Value Rights issued to Alentar entitle it to acquire one Common Share for each Contingent Value Right deemed exercised. The Contingent Value Rights contain terms such that 1,000,000 Contingent Value Rights will be deemed exercised upon the occurrence of a "Declaration of Commerciality" in either the Alea 1848 A Block or the Alea 1947 C Block, subject to a maximum of two Declarations of Commerciality per the Alea 1848 A Block and two Declarations of Commerciality per the Alea 1947 C Block. The Contingent Value Rights expire within ten (10) years of the date of issuance.

The Corporation acquired Alentar's interests in the Suroriente Block, the Alea 1848 A Block and the Alea 1947 C Block by acquiring from Alentar 35% of the outstanding securities of NCT P&G Corp., resulting in the Corporation, through SES, holding all outstanding securities of NCT P&G Corp. See "*Business and Properties of the Corporation - Colombian Properties and Assets in General*" for further information on the Corporation's interests in the Suroriente Block, Alea 1848 A Block and Alea 1947 C Block.

The Corporation acquired Alentar's interest in the Arjona Field by having SES take assignment of Alentar's interest in an agreement between Alentar and NCT Estudios y Proyectos, C.A., whereby Alentar held absolute rights to the profits or losses resulting from NCT Estudios y Proyectos, C.A.'s entire 25% participation in the VETRA-NCT Consortium and then novating SES into the place of NCT Estudios y Proyectos, C.A. in the agreement creating the VETRA-NCT Consortium. See "*Business and Properties of the Corporation - Colombian Properties and Assets in General - Arjona Field*" for further information on the Corporation's interest in the Arjona Field.

As a result of the Alentar Transaction, all as described above, the prior divestiture of non-core interests in the oil and gas properties commonly known as the Hardin Field and the intentional expiry of the Trevino Transaction, as all described above, the Corporation

intends to focus its future efforts in its existing assets in Colombia and in developing new opportunities in that country.

To this end, in the second half of 2009 the Corporation intends to fund development drilling to grow the oil production in the Suroriente Block, where there has been no development drilling activity since 1991 and where the Corporation believes that there is significant unexploited potential. In addition to development drilling, the Corporation is expecting to participate in exploration drilling on its exploration properties in the Putumayo Basin in 2010.

In concert with its directed focus on Colombia, the Corporation made the decision in early 2009 to close its Caracas office and significantly reduce its employee headcount. These changes were effectively implemented in the first quarter of 2009 and by the end of May, 2009, the Corporation intends to have approximately 10 employees located in Bogota. The Bogota office will be responsible for managing the Corporation's non-operated assets in Colombia, and in conjunction with the Calgary head office, in identifying and screening new business opportunities in that country.

## **BUSINESS AND PROPERTIES OF THE CORPORATION**

### **Colombian Properties and Assets in General**

The Corporation holds, indirectly through SES, interests in the Suroriente Block, Arjona Field and the Hato Nuevo Field in Colombia. As of the date of this Annual Information Form, SES has oil production of approximately 310 Bbls/d (net after royalties).

#### *Suroriente Block*

The Corporation, through SES, holds 100% of the shares of NCT P&G Corp., resulting in an indirect participation by the Corporation of 30.4% in CCE. CCE has entered into the "Crude Incremental Production Contract" with ECOPETROL S.A. for the operation of the Suroriente Block, through which CCE holds a 52% participating interest. The Suroriente Block (36,528 hectares) is located in the southeast sector of the Putumayo Basin. The Suroriente Block is currently producing approximately 2,030 Bbls/d on a gross basis from four wells (approximately 300 Bbls/d net after royalty). Although the contract with ECOPETROL S.A. described above is an incremental production contract, in this particular case, CCE shares in the entire amount of the crude production with ECOPETROL S.A., due to the base production level being set at zero.

The Suroriente Block contains three oil pools, of which two are presently producing. There has been little development activity in the Suroriente Block, with no new drilling since 1991. CCE recently completed acquisition of the first-ever 3D seismic acquisition program to be recorded in the Suroriente Block in the first quarter of 2009. Based upon the evaluation of this survey, CCE intends to commence a development drilling program in the second half of 2009. CCE believes that the Suroriente Block also contains undrilled exploration potential and one exploration lead is being defined by the recent 3D seismic survey.

### *Arjona Field*

The Corporation, through SES, holds a 50% interest in Vetra-NCT Consortium. Vetra-NCT Consortium participates with ECOPETROL S.A. in the “Operational Contract for Risk Production of Discovered, Undeveloped and Inactive Fields” for the Arjona Field, through which Vetra-NCT Consortium holds a 65% interest. The Arjona Field (11,891 hectares) is a 24 billion cubic feet gas pool discovery (gross recoverable contingent resource basis) in the Chimichagua Block, which is situated in the Lower Magdalena Basin in Colombia. Following the negotiation of amended contract terms with ECOPETROL S.A. in August 2008, the Vetra-NCT Consortium has three years in which to further appraise this gas discovery. In early 2009, a seismic attribute study was completed and an environmental survey was undertaken as a pre-requisite for any future drilling activity. At this time, the Vetra-NCT Consortium has no immediate drilling activity planned in the Arjona Field and, in the interim, intends to evaluate the Arjona Field’s potential in light of ongoing technical studies, commercial discussions with third parties and also the results of industry exploration drilling activity in the immediate vicinity of the Arjona Field.

### *Hato Nuevo Field*

The Corporation, through SES, holds a 16.67% interest in the Empesa-NCT Consortium. Empesa-NCT Consortium participates with ECOPETROL S.A. in the “Operational Contract for Risk Production of Discovered, Undeveloped and Inactive Fields” for the Hato Nuevo Field, through which Empesa-NCT Consortium holds a 59% interest. The Hato Nuevo Field (525 hectares) is an inactive field located 20 kilometres north of the city of Neiva, Colombia, on the eastern bank of the Magdalena River within the sub-basin of Neiva.

### *Alea 1848 A Block*

The Corporation, through SES, holds an indirect participation of approximately 50% in the NCT P&G Petrotesting Consortium. The NCT P&G Petrotesting Consortium has entered into an agreement for the exploration and production of hydrocarbons in the Alea 1848 A Block with the National Agency of Hydrocarbons of Colombia. The Alea 1848 A Block has a total area of approximately 306 square kilometres and it is located northwest of the Surorientado Block (see “*Surorientado Block*” above for further information about the Surorientado Block). The commitment in the Alea 1848 A Block is to acquire 110 kilometres of new 2D seismic in 18 months at an estimated cost of USD\$3.3 million. The NCT P&G Petrotesting Consortium have funded the total committed minimum work program (phase 1) for the Alea 1848 A Block through an administration trust and stand-by letters of credit, for a total \$1.8 million net to SES. During the first quarter of 2009 a 110 kilometers 2D seismic acquisition program was commenced in the Alea 1848 A Block by the NCT P&G Consortium. The program is designed to cover in more detail several exploration leads identified on legacy data and is expected to be completed during the second quarter of 2009.

### *Alea 1947 C Block*

The Corporation, through SES, holds an indirect participation of approximately 24.5% in the Petrotesting Southeast Consortium. The Petrotesting Southeast Consortium

has entered into an agreement for the exploration and production of hydrocarbons in the Alea 1947 C Block with the National Agency of Hydrocarbons of Colombia. The Alea 1947 C Block has a total area of approximately 235 square kilometres and is located northeast of the Suroriente Block (see "*Suroriente Block*" above for further information about the Suroriente Block). The commitment in the Alea 1947 C Block is to acquire 100 kilometres of new 2D seismic in 18 months at an estimated cost of USD\$3.0 million. The Petrotesting Southeast Consortium has funded the total committed minimum work program (phase 1) for the Alea 1947 C Block through an administration trust and stand-by letters of credit, for a total \$610,000 net to SES. The Petrotesting Southeast Consortium expects to undertake a seismic program on the Alea 1947 C Block in 2009. This survey will be designed to cover in more detail those exploration leads which have been identified on the existing legacy data.

### **Canadian Non-Core Properties and Assets in General**

The Corporation has a 30% working interest in four oil and gas properties located in the Flat Lake area of Saskatchewan. Postell is the operator of those oil and gas properties in which the Corporation has an interest. The Corporation's share of production from these properties averaged 7 Boe/d for the year ended December 31, 2008.

### **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this Annual Information Form from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the President and Chief Executive Officer of the Corporation at 302, 1300 - 8th Street S.W., Calgary, Alberta, T2R 1B2, Telephone: (403) 232-6784. These documents are also available through the Internet on SEDAR, which can be accessed at [www.sedar.com](http://www.sedar.com).

The following documents of the Corporation, filed with the various provincial securities commissions or similar authorities in Canada, are specifically incorporated into and form an integral part of this Annual Information Form:

- (a) the Corporation's Statement of Reserves Data and Other Oil and Gas Information (Form 51-101F1) dated March 30, 2009 and effective December 31, 2008;
- (b) the Corporation's Report on Reserves Data by the Independent Qualified Reserves Evaluator (Form 51-101F2), completed by Chapman Petroleum Engineering Ltd. and dated March 23, 2009;
- (c) the Corporation's Report on Reserves Data by the Independent Qualified Reserves Evaluator (Form 51-101F2), completed by GLJ Petroleum Consultants Ltd. and dated March 24, 2009; and
- (d) the Corporation's Report of Management and Directors on Reserves Data and Other Information (Form 51-101F3) dated March 30, 2009.

Any statement contained in this Annual Information Form or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Annual Information Form to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded shall not be deemed to constitute a part of this Annual Information Form, except as so modified or superseded.

## **RISK FACTORS**

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

### **Capital Markets**

As a result of the weakened global economic situation, the Corporation, along with all other oil and gas entities, will have restricted access to capital and increased borrowing costs. Although the Corporation's business and asset base have not changed, the lending capacity of all financial institutions has diminished and risk premiums have increased. A prolonged period of adverse market conditions may impede the Corporation's ability to finance planned capital expenditures. As future capital expenditures will be financed out of funds generated from operations, borrowings and possible future equity sales, the Corporation's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry and the Corporation's securities in particular.

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

### **Substantial Capital Requirements**

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

At the current time, the Corporation is not the operator of the properties in which it holds an interest. The operator for all four of its core properties in Colombia is the same company. The Corporation will be dependent upon other guarantors or third parties' operations for the timing of activities and will be largely unable to control the activities of such operators. In addition, because the Corporation is not the operator, the Corporation has limited control over the timing of capital expenditures. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to the Corporation and the Corporation could face significant dilution in its interests in those properties.

### **Additional Funding Requirements**

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

### **Failure to Realize Anticipated Benefits of Acquisitions and Dispositions**

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

### **Operations**

To the extent that the Corporation is not the operator of its oil and natural gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators. As a result, there is no assurance that the development work required to bring

the proven non-producing properties of the Corporation to proven producing status will be completed.

### **Exploration and Development**

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

### **Replacement Reserves**

In general, the volume of production from oil and natural gas properties declines as reserves are depleted. The decline rates depend on reservoir characteristics and vary from reservoir to reservoir. Except to the extent the Corporation acquires properties containing Proved reserves or conducts successful development and exploration activities, or both, the reserves of the Corporation will decline as reserves are produced. The Corporation's future natural gas and oil production is, therefore, highly dependent upon its level of success in finding or acquiring additional reserves. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flow from operations is reduced and external sources of capital become limited or unavailable, the Corporation's ability to make the necessary capital investment to maintain or expand its asset base of oil and gas reserves would be impaired. In addition, there can be no assurance that the Corporation's future development, acquisition and exploration activities will result in additional reserves or that the Corporation will be able to drill productive wells at acceptable costs.

### **Operating Hazards and Drilling Risks**

Oil and natural gas exploration operations are subject to all the risks and hazards typically associated with such operations, hazards such as fire, explosion, blowouts, and oil spills, each of which could result in substantial damage to oil and natural gas wells, producing facilities, other property and the environment or in personal injury. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Drilling involves numerous risks, including the risk that no commercially productive oil and gas reservoirs will be encountered. The cost of drilling and completing wells is often unpredictable, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, weather conditions and shortages or delays in delivery of equipment. There can be no assurance as to the success of the Corporation's future drilling activities.

## **Industry Conditions**

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

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

## **Government Regulation**

The Corporation's oil and natural gas operations are subject to various federal, provincial, state and local governmental regulation. Matters subject to regulation include, but are not limited to, permits for drilling operations, reports concerning operations, the spacing of wells, and unitization and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and natural gas wells below actual production capacity in order to conserve supplies of oil and natural gas. The production, handling, storage, transportation and disposal of oil and natural gas, by-products thereof and other substances and materials produced or used in connection with oil and natural gas operations are also subject to regulation under federal, state, provincial and local laws and regulations primarily relating to the protection of human health and the environment. To date, expenditures related to complying with these laws and for remediation of existing environmental contamination have not been significant in relation to the results of operations of the Corporation. Although the Corporation believes it is in substantial compliance with all applicable laws and regulations, the requirements imposed by such laws and regulations are frequently changed and subject to interpretation, and the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on its operations.

## **Environmental**

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and

penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

In 1994, the United Nations' Framework Convention on Climate Change came into force and three years later led to the Kyoto Protocol (the "**Protocol**"). The Protocol came into force on February 16, 2005 and requires certain nations to reduce their emissions of carbon dioxide and other greenhouse gases. Canada is a signatory to the United Nations' Framework Convention on Climate Change and has ratified the Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide, and other so-called "greenhouse gases." On June 22, 2007, the *Kyoto Protocol Implementation Act* received royal assent and was implemented to ensure that Canada meets its global climate change obligations under the Protocol through a yearly Climate Change Plan prepared by the Minister of Environment which will set out measures by which Canada will meet its obligations. On March 10, 2008, the federal government released its plan "Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas Emissions," which is an action plan to reduce greenhouse gases from 2006 levels by an absolute 20% by 2020 and by 60% to 70% by 2050. The regulatory framework for industrial greenhouse gas emissions is being translated into regulation and is expected to come into force on January 1, 2010.

As this program is under development, the Corporation is unable to predict the total impact of the potential regulations upon its business; therefore, it is possible that the Corporation could face increases in operating costs in order to comply with greenhouse gas emissions legislation or any provincial emissions legislation.

### **Price Volatility**

The Corporation's revenue, profitability and future rate of growth are also substantially dependent upon the prevailing prices of, and demand for, oil and natural gas. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors that are beyond the control of the Corporation. These factors include the level of consumer product demand, weather conditions, domestic and foreign governmental regulations, the price and availability of alternative fuels, political conditions in the Middle East, the foreign supply of oil and natural gas, the price of oil and gas imports and overall economic conditions. From time to time, excess domestic and imported supplies have depressed oil and gas prices. There can be no assurance that current price levels will be sustained. It is impossible to predict future oil and natural gas price movements with any certainty. Declines in oil and natural gas prices will adversely affect the Corporation's

financial condition, liquidity and results of operations and may reduce the amount of the Corporation's oil and natural gas that can be produced economically.

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

### **Marketability**

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

### **Issuance of Debt**

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

### **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.

## **Title**

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

## **Reserve Estimates**

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

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

In accordance with applicable securities laws, Chapman Petroleum Engineering Ltd. and GLJ Petroleum Consultants Ltd., the independent reserves evaluators for the Corporation's Canadian and Colombia assets, respectively, have used forecast prices and cost estimates in calculating reserve quantities in their reports that have been incorporated by reference into this Annual Information Form. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and revenues derived therefrom will vary from the estimates contained in the reports prepared by Chapman Petroleum Engineering Ltd. and GLJ Petroleum Consultants Ltd., and such variations could be material.

## **Insurance**

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

## **Management of Growth**

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

## **Foreign Operations**

The Corporation's oil and natural gas activities will be subject to extensive controls and regulations imposed by various governments, which may be amended from time to time and foreign oil and gas operations of the Corporation will be subject to political, economic and other uncertainties. Those uncertainties include: (i) the risk of war, revolution, border disputes, expropriation, renegotiation or modification of existing contracts, import, export and transportation regulations and tariffs resulting in loss of revenue, property and equipment; (ii) nationalization of assets by foreign governments; (iii) taxation policies, including royalty and tax increases and retroactive tax claims; (iv) exchange controls, currency fluctuations and other uncertainties arising out of foreign government sovereignty over oil and gas properties; (v) laws and policies of Canada affecting foreign trade, taxation and investment; and (vi) the possibility of being subjected to the jurisdiction of foreign courts in connection with legal disputes and the possible inability to subject foreign persons to the jurisdiction of the courts of Canada, all of which could adversely affect the outcome of a legal dispute. Political instability in other countries could result in new governments or the adoption of new policies, laws or regulations that might exhibit a substantially more hostile attitude toward foreign investment in general or the Corporation in particular. In an extreme case, such change could result in termination of contract rights (including, without cause) and expropriation or nationalization of assets owned by foreign entities. Any such activity could result in significant loss to the Corporation. In addition, the Corporation may be at a disadvantage in that it may be required to compete against corporations or other entities from countries that are not subject

to Canadian laws and regulations, including the *Corruption of Foreign Public Officials Act* (or similar legislation of other jurisdictions, including the United States *Foreign Corrupt Practices Act*). Residents or nationals of countries not subject to such legal régimes may offer inducements to foreign governments and foreign public officials to entice such governments and officials to deal with them to the disadvantage of the Corporation.

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

### **Oil and Gas Operations**

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

### **Tax Considerations**

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

### **Reliance on Key Personnel**

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on the Corporation. The Corporation does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

### **Security**

Colombia has a publicized history of security problems associated with certain narco-terrorist groups. The Corporation and its personnel are subject to these risks, but through effective security and social programs, the Corporation believes these risks can be

effectively managed. It is difficult to obtain insurance coverage to protect against terrorist incidents and as a result the Corporation's insurance program excludes this coverage. Consequently, incidents like this in the future could have a material adverse impact on the Corporation's operations. In addition to the potential effect of direct terrorist activities against the Corporation's facilities, increased kidnapping and terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with the Corporation's operations.

### **Foreign Officers and Directors**

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

### **DESCRIPTION OF CAPITAL STRUCTURE**

The Corporation's authorized share capital consists of an unlimited number of Common Shares without nominal or par value and an unlimited number of preferred shares. All of the Common Shares are fully paid and non-assessable. As at December 31, 2008 there were 48,215,240 Common Shares issued and outstanding and no preferred shares were issued and outstanding. As of the date of this Annual Information Form, there are 58,045,240 Common Shares outstanding and no preferred shares issued and outstanding, the increase in Common Shares being, for the most part, as a result of the completion of a non-brokered private placement of Common Shares and the Alentar Transaction.

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

The preferred shares are issuable in one or more series and subject to the articles, the Board of Directors is authorized to fix the number of shares in a series and the designation, rights, privileges, restrictions and conditions attaching to the shares of each series of preferred shares. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, rank on a parity with the preferred

shares of every other series and be entitled to preference over the Common Shares and any other class ranking junior to the preferred shares.

## DIVIDENDS

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

## MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX Venture Exchange under the symbol "SRN". The Common Shares commenced trading on the TSX Venture Exchange on April 19, 2005.

### Name of market: TSX Venture Exchange

Month	High	Low	Close	Volume
December 2008	\$0.29	\$0.17	\$0.17	805,500
November 2008	\$0.32	\$0.17	\$0.19	356,000
October 2008	\$0.35	\$0.17	\$0.18	430,500
September 2008	\$0.61	\$0.38	\$0.465	367,100
August 2008	\$0.71	\$0.52	\$0.60	91,900
July 2008	\$0.93	\$0.60	\$0.75	961,800
June 2008	\$0.90	\$0.75	\$0.87	495,700
May 2008	\$0.88	\$0.63	\$0.89	464,000
April 2008	\$0.69	\$0.52	\$0.63	387,000
March 2008	\$0.80	\$0.40	\$0.45	230,000
February 2008	\$0.60	\$0.56	\$0.60	54,500
January 2008	\$0.75	\$0.56	\$0.56	266,000

## ESCROWED SECURITIES

The following tables sets forth the number of securities of each class of the Corporation held, in the Corporation's knowledge, in escrow and the percentage that number represents of the outstanding securities of that class as at December 31, 2008:

Designation of Class	Number of securities held in escrow	Percentage of Class
Common Shares	5,227,121 <sup>(1)</sup>	10.8%
Special Warrants	2,844,843 <sup>(1)(2)</sup>	65.0%
Common Shares	191,250 <sup>(3)</sup>	0.4%

**Notes:**

- As a condition of closing of the SES Acquisition, an escrow agreement dated April 17, 2008 was entered into by the Corporation, Computershare Trust Company of Canada and certain shareholders of the Corporation. Those securities that were escrowed were subject to release as to 10% thereof on the closing of the SES Acquisition which occurred on April 17, 2008 and 15% thereof on the 6 month, 12 month, 18 month, 24 month, 30 month and 36 month anniversaries of

such closing date. Computershare Trust Company of Canada, Suite 600, 530 - 8th Avenue S.W., Calgary, Alberta, T2P 3S8 acts as escrow agent under that escrow agreement.

2. The Special Warrants have been cancelled. See "General Development of the Business".
3. As a result of the assistance of a consultant on the SES Acquisition, the Corporation issued 250,000 Common Shares to such consultant as a finder's fee. Those 250,000 Common Shares are subject to an escrow agreement dated August 22, 2008 among the Corporation, Computershare Trust Company of Canada and the consultant. Those 250,000 Common Shares that were escrowed are subject to release as to 10% thereof on day of issuance by the TSX Venture Exchange of its final bulletin with respect to the SES Acquisition, which occurred on September 25, 2008, and 15% thereof on the 6 month, 12 month, 18 month, 24 month, 30 month and 36 month anniversaries of such date. Computershare Trust Company of Canada, Suite 600, 530 - 8th Avenue S.W., Calgary, Alberta, T2P 3S8 acts as escrow agent under that August 22, 2008 escrow agreement.

## DIRECTORS AND OFFICERS

The following table sets out the names, municipalities of residence, and positions of the directors and officers of the Corporation as at the date of this Annual Information Form, as well as their principal occupations within the five preceding years, which are as follows:

<b>Name and Principal Municipality of Residence</b>	<b>Occupation for the Past Five years</b>	<b>Date First Elected or Appointed</b>
David H.W. (Harry) Dobson Director Monte Carlo, Monaco	Entrepreneur and financier with extensive interests in the natural resources sector. Currently the director and Chairman of: Kirkland Gold Lake Inc., Rambler Metals and Mining Plc, Borders and Southern Petroleum Plc, Belvedere Resources Ltd. and Suroco Energy Inc. Currently a director of Mountain Province Diamonds Inc. and Western Uranium Corp.	February 6, 2005
Brian A. Hinchcliffe Director Larchmont, New York	Entrepreneur who has been involved in projects in the natural resources sector for nearly 20 years. He is currently the director, President and Chief Executive Officer of Kirkland Lake Gold Inc.	February 6, 2005
Verne Johnson <sup>(1)(2)</sup> Director Calgary, Alberta	Independent businessman. Chairman of Fort Chicago Energy Partners LP and director of Harvest Energy Trust, Essential Energy Services Trust and Gran Tierra Energy Inc.	June 20, 2006
Jeffrey J. Scott <sup>(2)</sup> Calgary, Alberta	President and Chief Executive Officer of the Corporation until July 28, 2008 when a full time management team was put in place. Was the Chief Financial Officer of the Corporation until August 10, 2005, the date of the Corporation's Qualifying Transaction. President of Postell Energy Co. Ltd., a private oil and gas company. Chairman and director of Gran Tierra Energy Inc. and director of Essential Energy Services Trust and Galena Capital Corp.	January 31, 2005
Juan Szabo <sup>(2)</sup> Director Caracas, Venezuela	Served as a member of the Board of Directors of Pequiven, PDVSA Oil and Gas, Citgo Petroleum and several other joint venture companies.	April 29, 2009

Name and Principal Municipality of Residence	Occupation for the Past Five years	Date First Elected or Appointed
Alastair Hill <sup>(1)</sup> President, Chief Executive Officer and Director Calgary, Alberta	Vice President with the International Division at EnCana Corporation, prior to which he led the business development and operations activities in Africa and the Middle East regions at PanCanadian Energy	July 28, 2008
Manuel Treviño Director Caracas, Venezuela	Currently the President and a director of SES, a wholly owned subsidiary of the Corporation. Founder of SES. Founder of the NCT group of companies.	June 26, 2008
Fernando Puig Director Caracas, Venezuela	Currently a director and officer of NCT Corporación Petrolera Latinoamericana Surcursal Colombia, a wholly owned subsidiary of the Corporation's wholly-owned subsidiary SES. Formerly held positions such as President of PDVSA Gas, President of INTEVEP (Centre for Research and Development), President of CIED (Corporate University of PDVSA) and General Manager for Production for the Western Division of PDVSA.	June 26, 2008
Travis Doupe Chief Financial Officer Calgary, Alberta	Chief Financial Officer of the Corporation, formerly Vice President, Finance and Chief Financial Officer at Milagro Energy Ltd. and Controller at Sherritt Oil and Gas.	April 10, 2008
Gordon Chmilar Corporate Secretary Calgary, Alberta	Lawyer with Stikeman Elliott LLP.	June 26, 2006

**Notes:**

1. Members of the Reserves Committee. Mr. Walter Dawson, formerly a director of the Corporation, resigned as a director in April, 2009 and as of the date of this Annual Information Form, his replacement on the Reserves Committee has yet to be appointed.
2. Members of the Audit Committee.

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

As at the date of this Annual Information Form, the directors and officers of the Corporation, as a group, beneficially own, directly or indirectly, 10,193,292 Common Shares or approximately 17.6% of the issued and outstanding Common Shares.

**Conflicts of Interest**

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

which the Board of Directors is voting are required to disclose their interests and refrain from voting on the transaction.

### **Corporate Bankruptcies**

Mr. Verne Johnson, a director of the Corporation, was a director of Mystique Energy, Inc., an issuer listed on the TSX Venture Exchange, when it was granted protection from its creditors pursuant to an order from the Court of Queen's Bench (Alberta) pursuant to the *Companies' Creditors Arrangement Act* (Canada) in April 2007. Mr. Johnson resigned as a director of Mystique Energy, Inc. in April 2007, along with two of the other independent directors. In July 2007, Mystique Energy, Inc. sold all of its assets and has no remaining liabilities.

### **Penalties and Sanctions**

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

### **PROMOTERS**

Mr. Jeffrey J. Scott and Mr. Walter Dawson, a former director of the Corporation who resigned on April 7, 2009, may be considered to be the promoters of the Corporation, in that they took the initiative in founding and organizing the Corporation. Mr. Scott owns or controls or directs, directly or indirectly, 971,000 Common Shares, representing approximately 1.7% of the outstanding Common Shares at the date of this Annual Information Form. Mr. Dawson owns or controls or directs, directly or indirectly, 1,912,900

Common Shares, representing approximately 3.3% of the outstanding Common Shares at the date of this Annual Information Form.

Mr. Scott is also the President of Postell, the operator of the Corporation's wells in the Flat Lake area of Saskatchewan. See *"Interest of Management and Others in Material Transactions"*.

### AUDIT COMMITTEE INFORMATION

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

### LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

- Holsan Oil S.A. was one of the original members of CCE, whose interest in CCE was terminated pursuant to payment defaults under the applicable joint operating agreement relating to CCE. In 2003, the interest in CCE then held by Holsan Oil S.A. was transferred to other parties (the "**Transferees**"), including Southeast Investment Corporation, through which the Corporation, indirectly holds an interest in the Suroriente Block. See *"The Corporation"*, *"General Development of the Business"* and *"Business and Properties of the Corporation - Colombian Properties and Assets in General - Suroriente Block"* for further information on the Corporation's interests in the Suroriente Block. Holsan Oil S.A. disputes the transfer of its interests in CCE and has refused to sign the necessary documentation to transfer such interest to the Transferees. As a result in February 2005, in accordance with the terms of the aforementioned joint operating agreement, the Transferees filed a demand for arbitration and statement of claim against Holsan Oil S.A. with the International Centre for Dispute Resolution of the American Arbitration Association. In June, 2006, the arbitrator awarded in favour of the Transferees and ordered CCE to execute the necessary documentation to transfer its interest in CCE to the Transferees. Holsan Oil S.A. has not complied with the arbitration award. For International arbitration awards such as this to become enforceable under Colombian law it must be recognized by a Colombian court. In 2008 the Transferees commenced the process to have this arbitration award recognized under Colombian law. Management of the Corporation understands that this process normally takes two to three years to be finalized.

During the year ended December 31, 2008 there were no penalties or sanctions imposed against the Corporation or by a court relating to securities legislation or by a securities regulatory authority. In addition, there were (i) no other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, and (ii) the

Corporation did not enter into any settlement agreements between a court relating to a securities legislation or with a securities regulatory authority during the year ending December 31, 2008.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

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

- Postell is a private company in which Mr. Jeffrey Scott, a director of the Corporation, is an officer. During 2005, the Corporation purchased a 30% working interest in four oil and gas properties located in the Flat Lake area of Saskatchewan from Postell. The wells are operated by Postell, and all oil and gas revenue, oil and gas royalties and well costs reported in the financial statements for the year ended December 31, 2008 relate to production from those wells. At December 31, 2008, \$11,583 was receivable from Postell relating to net production revenues from those wells, which amount was collected by the Corporation in January 2009.
- Prior to completion of the SES Acquisition and Mr. Manuel Treviño's appointment to the Board of Directors of the Corporation, Mr. Treviño founded NCT Corporación Petrolera Latinoamericana, S.L. (now known as SES after it was acquired by the Corporation), and also was a controlling shareholder and a director and officer of NCT Corporación Petrolera Latinoamericana, S.L. Pursuant to the terms of the SES Acquisition, Mr. Treviño was issued 4,103,415 Common Shares and the 4,375,000 Special Warrants in exchange for his securities of NCT Corporación Petrolera Latinoamericana, S.L. Pursuant to the terms of the SES Acquisition, each Common Share issued to holders of securities of NCT Corporación Petrolera Latinoamericana, S.L. had a deemed value of USD\$0.80 per share. After completion of the SES Acquisition and in accordance with the terms of the SES Acquisition, Mr. Treviño was appointed a director of the Corporation.
- At December 31, 2008, \$911,691 was receivable from E&P, a company 100% owned and controlled by Mr. Manuel Trevino, one of the Corporation's directors. This amount is non-interest bearing and was due to SES when it was purchased by the Corporation pursuant to the SES Acquisition. The Corporation is currently in negotiations with E&P for the finalization of repayment terms.
- SES currently rents office facilities in Caracas, Venezuela and Bogota, Colombia, from E&P. The rental cost is recorded at the exchange value, being the amounts negotiated by Suroco and E&P. Total rent paid to E&P during the twelve months ended December 31, 2008 is \$193,762. Subsequent to year-end 2008, the Corporation informed E&P that the Caracas office lease would be cancelled without penalty as of May 31, 2009. The estimated annual cost of all of the facilities rented from E&P for

2009 is \$181,675. At December 31, 2008, the Corporation owes \$47,282 to E&P relating to these contracts.

- At December 31, 2008, \$678,525 was receivable from Mr. Manuel Treviño, one the Corporation's directors. This amount is non-interest bearing and was due to SES when it was purchased by the Corporation pursuant to the SES Acquisition. The entire balance is due to be collected in 2009.
- During 2008, SES rented accommodation facilities in Bogota, Colombia, from Mr. Treviño. Total rent paid to Mr. Treviño during the twelve months ended December 31, 2008 was \$60,093. On December 31, 2008 the lease agreement with Mr. Treviño expired and was not renewed.
- As referenced above under the heading "*General Development of the Business*", pursuant to the terms of the Alentar Transaction, Alentar was issued 8,700,000 Common Shares at a deemed price of USD\$1.00 per share and 4,000,000 Contingent Value Rights. Mr. Juan Szabo, a director of the Corporation, holds approximately 3% of the outstanding securities of Alentar. It was after completion of the Alentar Transaction and in accordance with the terms of the Alentar Transaction that Mr. Szabo was appointed a director of the Corporation.

#### **TRANSFERS AGENTS AND REGISTRARS**

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

#### **MATERIAL CONTRACTS**

The Corporation has not entered into any material contracts in the most recently completed financial year, except for contracts entered into by the Corporation in the ordinary course of business or as described under the heading "*General Development of the Business*".

#### **INTERESTS OF EXPERTS**

The Corporation's auditor is Ernst & Young LLP, Chartered Accountants, Ernst & Young Tower, 1000, 440 2<sup>nd</sup> Avenue SW, Calgary, Alberta, T2P 5E9. Ernst & Young LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

The reserves data incorporated by reference into this Annual Information Form is based upon an evaluation of the Corporation's Canadian assets by the independent qualified reserves evaluator, Chapman Petroleum Engineering Ltd. and of the Corporation's Colombian assets by GLJ Petroleum Consultants Ltd. As at the date of this Annual Information Form, the designated professionals of Chapman Petroleum Engineering Ltd., as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of each class of the Corporation. As at the date of this Annual Information Form, the designated professionals of GLJ Petroleum Consultants Ltd., as a group, beneficially own,

directly or indirectly, less than 1% of the outstanding securities of each class of the Corporation.

### ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including information as to directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's Information Circular for its most recent annual meeting of the security holders that involved the election of directors. Additional financial information is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2008 and related annual management's discussion and analysis.

Copies of the foregoing documents may be obtained from the Corporation upon request and in some cases upon payment of a reasonable charge.

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

Alastair Hill  
President and Chief Executive Officer  
Suroco Energy Inc.  
302, 1300 - 8<sup>th</sup> Street S.W.  
Calgary, Alberta T2R 1B2  
Tel: (403) 232-6784  
Fax: (403) 232-6747

## APPENDIX "A" AUDIT COMMITTEE INFORMATION

### Composition of Audit Committee

As at May 6, 2009 the Audit Committee of Suroco Energy Inc. (the "Corporation") consists of Verne Johnson, Jeffrey Scott and Juan Szabo. The Board of Directors of the Corporation has determined that all members of the Audit Committee are "independent" and that all members of the Audit Committee are "financially literate" as defined in National Instrument 52-110 – Audit Committees ("NI 52-110").

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

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

### Education and Experience

The following sets out the education and experience of each director relevant to the performance of his duties as a member of the Audit Committee:

#### *Verne Johnson*

Mr. Johnson is based in Calgary and has accumulated over 35 years of experience in the oil and natural gas industry with the multinational majors as well as has served in senior management positions on a number of Alberta based junior and intermediate exploration and production companies. Mr. Johnson has served as the Chief Executive Officer of five public corporations and has served as an independent director for 12 public corporations over the course of his career. In these roles he has been a member of various committees, including audit committees. Mr. Johnson holds a B.Sc. in Mechanical Engineering.

#### *Jeffrey Scott*

Mr. Scott has extensive management and operational experience with over 26 years in the oil and gas industry. Mr. Scott holds a Bachelor of Arts from the University of Calgary and a Masters of Business Administration from California Coast University.

#### *Juan Szabo*

Mr. Szabo is a professional engineer with over 39 years of experience in the petroleum industry. A significant period of his career was spent with PDVSA, where

he was responsible for the acquisition of most of PDVSA's downstream assets in the United States and the opening of the petroleum industry to private investment during the mid 1990's. Mr. Szabo also served as a member of the Board of Directors of Pequiven, PDVSA Oil and Gas, Citgo Petroleum and several Joint Venture Companies.

After taking early retirement from PDVSA in 2000, Mr. Szabo was appointed General Manager of Inepetrol, a Venezuelan E & P company which, during his tenure, became one of the most relevant Venezuelan oil and gas concerns with over 100 million barrels of reserves.

Since 2007, Mr. Szabo has served as an advisor to private and public companies such as Inepetrol, P.T. Energi Mega Persada Tbk (Indonesia), CANTV and Alentar Holdings Inc. (an affiliate of Activalores S.A, a Venezuelan Investment Bank), as well as for multilateral organizations such as the InterAmerican Development Bank (IDB) and the Central Bank of Ecuador.

***Audit Committee Oversight***

Since the commencement of the Corporation's most recently completed fiscal year, the Board of Directors has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

***Reliance on Certain Exemptions***

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on the exemptions contained in 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 but will review the engagement of all such services.

***External Auditor Service Fees***

<b>Type of Work</b>	<b>Year-ended December 31, 2008</b>	<b>Year-ended December 31, 2007</b>
Audit Fees	\$115,000	\$31,000
Audit Related Fees	\$15,000	\$ 3,500
Tax Fees	\$21,556	Nil
All Other Fees	\$141,869	Nil
<b>Totals</b>	<b>\$293,428</b>	<b>\$34,500</b>

## **Terms of Reference Of The Audit Committee**

The following is the text of the Terms of Reference of the Audit Committee for the Corporation:

### **1. Constitution**

Pursuant to the *Business Corporations Act* (Alberta), By-Law No. 1 of Suroco Energy Inc. (the "**Corporation**") and a resolution of the Board of Directors of the Corporation (the "**Board**") dated March 9, 2006 and in intended compliance with applicable corporate and securities laws and the requirements of the exchange upon which securities of the Corporation are listed, there is hereby constituted, as a standing committee of the Board, a committee designated as the "Audit Committee" (the "**Committee**") which Committee is delegated the powers and subject to the terms of reference hereinafter set forth.

### **2. Mandate**

The mandate of the Committee shall be to assist the Board in fulfilling its oversight responsibilities in respect of: (i) the adequacy, integrity and effectiveness of the Corporation's financial reporting process and financial statements, including without limitation the adequacy, integrity and effectiveness of internal financial and management controls and systems; and the adequacy and integrity of the audit process; and (ii) risk management for the Corporation, including without limitation the adequacy, integrity and effectiveness of risk management systems and reporting, in addition to any mandate or function prescribed by applicable law, regulation or rule to be discharged by a Committee constituted as the audit committee of a corporation such as the Corporation.

### **3. Organization and Operation**

- (a) The Committee shall be comprised of a minimum of three (3) members of the Board.
- (b) A majority of the members of the Committee shall be "independent" as defined by National Instrument 52-110 or any rule or instrument implemented in substitution or addition thereto and to the extent practicable.
- (c) Each of the members of the Committee shall be "financially literate" as required by National Instrument 52-110 or any rule or instrument implemented in substitution or addition thereto and to the extent practicable the Committee shall include at least one member who may reasonably be regarded as a financial expert. In order to be financial literate, a member of the Committee must be, at a minimum, able to read and understand financial statements of the complexity of those of the Corporation and the accounting principles used in their preparation, as well as an understanding of internal controls and procedures for financial reporting.

- (d) A majority of the members of the Committee shall be residents of Canada.
- (e) The Committee shall have the power to appoint its chairman, who must be a resident of Canada.
- (f) Any member of the Committee or the auditors of the Corporation (the “**auditors**”) may call a meeting of the Committee upon not less than 48 hours’ notice to the other members of the Committee.
- (g) The auditors of the Corporation are entitled to receive notice of every meeting of the Committee and at the expense of the Corporation, to attend and be heard thereat and, if so requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the auditors.
- (h) The Committee shall meet at least four times annually.
- (i) A quorum for meetings of the Committee shall be a majority of its members, provided that a majority of the members of the Committee comprising such quorum must be residents of Canada.
- (j) Questions arising at any meeting of the Committee shall be decided by a majority of the votes cast.
- (k) The rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing meetings of the Board or as otherwise provided in the by-laws of the Corporation.
- (l) Except as set forth herein, the Committee may determine its own rules of procedure.

#### **4. Duties and Responsibilities**

In the discharge of its mandate, the Committee shall:

##### *Corporate Information and Internal Control*

- (a) review and recommend for approval by the Board annual and quarterly financial statements, and all financial information in any prospectus, offering memorandum, annual information form, management’s discussion and analysis (“**MD&A**”) or annual report of the Corporation;
- (b) review and make recommendations with respect to information and control systems of the Corporation;
- (c) review and approve all major changes to information and control systems of the Corporation;

- (d) review and approve spending authorities and approval limits of officers of the Corporation;
- (e) review and approve all determinations made in respect of significant accounting and tax compliance issues;
- (f) review all significant financial, accounting and tax issues in connection with proposed non-recurring events such as mergers, acquisitions or divestitures;
- (g) review and approve all press releases or other publicly circulated documents containing financial information;
- (h) satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and the related MD&A, and periodically assess the adequacy of those procedures;

***Auditors***

- (i) make recommendations to the Board in respect of the auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, in respect of the terms of retainer of the auditors and, as determined desirable or necessary, in respect of the replacement of the auditors (subject to securityholder notification and approval);
- (j) review the terms of the auditors' engagement and make recommendations to the Board as to the compensation of the auditors;
- (k) oversee the work of auditors engaged for the purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the auditors regarding financial reporting;
- (l) annually, obtain and review a report by the auditors of the Corporation's internal quality control procedures and systems;
- (m) review and make recommendations in respect of any material issues raised by any internal quality control review (or peer review) of the Corporation or by any inquiry or investigation by governmental or professional authorities;
- (n) annually, evaluate the auditors' qualifications, performance and independence;
- (o) annually, to assure continuing auditor independence, consider the rotation of lead audit partner or the auditor itself;
- (p) where there is a change of auditor, review all issues related to the change, including information to be included in the notice of change of auditors

(National Policy No. 31 as adopted by the Canadian Securities Regulatory Authorities (“NP31”)), and the planned steps for an orderly transition;

- (q) review all reportable events, including disagreements, unresolved issues and consultations, as defined in NP 31, on a routine basis, whether or not there is a change of auditors;
- (r) pre-approve engagements for non-audit services provided by the auditors or their affiliates, together with estimated fees and potential issues of independence;
- (s) set hiring policies for partners, employees and former partners and employees of the present and former auditors;
- (t) at least annually, separately interview management and the auditors to discuss the relationship between them, especially as regards to the competency, communication, access provided and cooperation displayed in matters relating to the audit and the financial affairs of the Corporation;
- (u) establish procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (v) monitor changes to applicable laws, regulations and rules and industry standards and practices with respect to financial reporting;

***Audit***

- (w) review with management and the auditors the audit plan for the coming year;
- (x) review with management and the auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;  
separately interview management and the auditors regarding significant financial reporting issues during the fiscal period and the method of resolution;
- (y) review any problems experienced by the auditors in performing the audit, including any restrictions imposed by management or significant accounting issues in which there was a disagreement with management;

- (z) review annual and quarterly financial statements with management and the auditors (including disclosures under MD&A), in conjunction with the report of all significant variances between comparative reporting periods;
- (aa) review and make recommendations as to the auditors' report to management and management's response and subsequent remedy of any identified weaknesses;

#### ***Risk Management and Controls***

- (bb) provide oversight in respect of risk management policies and practices, including the identification of major business risks and the processes and other steps taken to mitigate such risks;
- (cc) review and make recommendations as to hedging strategies, policies, objectives and controls;
- (dd) review, not less than quarterly, a mark to market assessment of the Corporation's hedge positions and counter party credit risk and exposure;
- (ee) review the Corporation's risk retention philosophy and resulting exposure to the Corporation;
- (ff) review the adequacy of insurance coverage;
- (gg) review loss prevention policies and programs in the context of competitive and operational considerations;
- (hh) review and recommend for approval the annual operating and capital budgets of the Corporation and any amendments thereto;
- (ii) annually review authority limits for capital expenditures; and
- (jj) review all pending litigation involving the Corporation and assess the prospective exposure to the Corporation.

#### ***Other Duties and Responsibilities***

The responsibilities, practices and duties of the Committee outlined herein are not intended to be comprehensive. The Board may, from time to time, charge the Committee with the responsibility of reviewing other items of a financial or control nature or a risk management nature.

The Committee shall periodically report to the Board decisions taken in exercise of powers conferred herein and the results of reviews undertaken and any associated recommendations.

## 5. Authority

The Committee shall have all power and authority necessary or desirable to fully and effectively discharge its mandate hereunder and, in that connection and without limitation, the Committee may:

- (a) investigate any corporate activity, in any area, that the Committee considers necessary or advisable, and, for such purposes and the performance of its other responsibilities, the Committee shall have unrestricted access to all personnel and records of the Corporation, the auditors and all other advisors to the Corporation;
- (b) make any recommendation to the Board, as it considers necessary or advisable, in respect of matters within its mandate, provided however that where the Committee intends to make any such recommendation, the recommendation shall first be presented to the Chairman of the Board and in respect of financial matters, to the auditor for comment before being communicated to the Board, unless the Committee concludes that such action would not be in the best interest of the Corporation and/or the securityholders; and
- (c) engage and obtain the advice of outside advisors if necessary to properly discharge its functions, duties and responsibilities including, without limitation,
  - (i) to engage independent counsel and other advisors as it determines necessary to carry out its duties;
  - (ii) to set and pay the compensation for any advisors employed by the Committee; and
  - (iii) to communicate directly with the auditors.

## 6. Limitation

The foregoing is (i) subject to and without limitation of the requirement that in exercising their powers and discharging their duties the members of the Board act honestly and in good faith with a view to the best interests of the Corporation; and (ii) subject to and not in expansion of the requirement that in exercising their powers and discharging their duties the members of the Board exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Dated for reference: March 9, 2006.