

## FORM 51-101F1

### STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

#### DATE OF STATEMENT

##### Relevant dates

The statement of reserves data and other oil and gas information set forth below is dated July 6, 2012. The effective date of the Statement is March 31, 2012 and the preparation date of the Statement is July 6, 2012. Readers should note that tables may not add due to rounding. The Report of Management and Directors on Reserves Data and Other Oil and Gas Information in Form 51-101F3 and the Report on Reserves Data by Ralph E. Davis Associates, Inc. in Form 51-101F2 are attached as Appendices "A" and "B", respectively, to this Statement.

#### DISCLOSURE OF RESERVES DATA

##### Disclosure of Reserves Data (Forecast Prices and Cost)

##### *Oil and Natural Gas Reserves*

The reserves data set forth below (the "**Reserves Data**") is based upon the 2012 Report. The Reserves Data summarizes the oil reserves of Canoel and the net present values of future net revenue for these reserves using forecast prices and costs with the supplemental disclosure including constant prices and costs. The Reserves Data conforms to the requirements of NI 51-101. Canoel engaged Ralph E. Davis Associates, Inc. ("R.E.D.") to provide an independent evaluation of Canoel's proved and proved plus probable reserves as documented. No attempt was made to evaluate possible reserves.

Additional information not required by NI 51-101 has been presented to provide additional information which is important to the readers of this information.

**It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the constant prices and costs assumptions and forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of the Company's crude oil reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquid reserves may be greater than or less than the estimates provided herein.**

**SUMMARY OF OIL AND GAS RESERVES  
AND NET PRESENT VALUES OF FUTURE NET REVENUE  
AS OF MARCH 31, 2012  
FORECAST PRICES AND COSTS**

**ITEM 2.1a SUMMARY OF OIL AND GAS RESERVES**

Reserves Category	RESERVES							
	Oil				Gas			
	Light and Medium		Heavy		Natural Gas <sup>(1)</sup>		Natural Gas Liquids	
	Gross <sup>(2)</sup> (Mbbls)	Net <sup>(3)</sup> (Mbbls)	Gross <sup>(2)</sup> (Mbbls)	Net <sup>(3)</sup> (Mbbls)	Gross <sup>(2)</sup> (MMcf)	Net <sup>(3)</sup> (MMcf)	Gross <sup>(2)</sup> (Mbbls)	Net <sup>(3)</sup> (Mbbls)
PROVED								
Developed Producing	477.8	434.8	-	-	-	-	-	-
Developed Non-Producing	765.1	696.3	-	-	-	-	-	-
Undeveloped	734.1	668.0	-	-	-	-	-	-
TOTAL PROVED	1,977.1	1,799.2	-	-	-	-	-	-
PROBABLE	242.0	220.2	-	-	-	-	-	-
TOTAL PROVED PLUS PROBABLE	2,219.1	2,019.4	-	-	-	-	-	-

**Notes:**

1. Estimates of Reserves of natural gas include associated and non-associated gas.
2. "Gross Reserves" are Company's working interest share of remaining reserves before the deduction of royalties.
3. "Net Reserves" are Company's working interest share of remaining reserves less all Crown, freehold and overriding royalties and interests.
4. Income tax estimated by the Company, due to concession is a "Mining Concession" there are no income taxes paid.

**ITEM 2.1b NET PRESENT VALUES (NPV) OF FUTURE NET REVENUE (FNR) (expressed in US dollars)**

Reserves Category	BEFORE INCOME TAXES DISCOUNTED AT					AFTER INCOME TAXES DISCOUNTED AT				
	(%/year)					(%/year)				
	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)
PROVED										
Developed Producing	6,594	5,421	4,485	3,776	3,241	6,594	5,421	4,485	3,776	3,241
Developed Non-Producing	39,915	31,909	26,325	22,239	19,133	39,915	31,909	26,325	22,239	19,133
Undeveloped	31,269	23,962	18,599	14,598	11,567	31,269	23,962	18,599	14,598	11,567
TOTAL PROVED	77,779	61,292	49,410	40,613	33,940	77,779	61,292	49,410	40,613	33,940
PROBABLE	10,806	7,986	5,947	4,459	3,363	10,806	7,986	5,947	4,459	3,363
TOTAL PROVED PLUS PROBABLE	88,585	69,278	55,357	45,072	37,303	88,585	69,278	55,357	45,072	37,303

**ITEM 2.1c TOTAL FUTURE NET REVENUE (UNDISCOUNTED)**

Reserves Category	Revenue (M\$) <sup>(1)</sup>	Royalties (M\$) <sup>(2)</sup>	Operating Costs (M\$)	Develop- ment Costs (M\$)	Well Abandon- ment Costs & Reclama- tion (M\$)	Future Net Revenue (M\$)	Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Proved Developed Producing	30,747	2,767	20,825	0	560	6,595	0	6,595
Proved Dev. Non-Producing	46,436	4,179	1,691	650	0	39,915	0	39,915
Proved Undeveloped	44,389	3,995	3,634	5,490	0	31,269	0	31,269
TOTAL PROVED	121,572	10,941	26,151	6,140	560	77,779	0	77,779
PROBABLE	14,666	1,320	544	1,996	0	10,805	0	10,805
TOTAL PROVED PLUS PROBABLE	136,238	12,261	26,694	8,136	560	88,585	0	88,585

**Notes:**

1. Total revenue includes revenue before royalty and includes other income before ARTC.
2. Royalties include Crown royalties, overriding royalties, freehold royalties and mineral taxes less ARTC.

**ITEM 2.1d FUTURE NET REVENUE BY PRODUCTION GROUP**

		<b>Future Net Revenue Before Income Taxes (discounted at 10%/year) (M\$)</b>	<b>Unit Value Before Income Taxes (discounted at 10%/year) (\$/Bbl)</b>
Proved	Light and Medium Crude Oil (including solution gas)	49,409	27.46
	Heavy Oil	-	
	Natural Gas (including by-products but excluding gas from oil wells)	-	
Proved Plus Probable	Light and Medium Crude Oil (including solution gas)	55,356	27.41
	Heavy Oil	-	
	Natural Gas (including by-products but excluding gas from oil wells)	-	

**Supplemental Disclosure of Reserves Data (Constant Prices and Cost)**

**SUMMARY OF OIL AND GAS RESERVES  
AND NET PRESENT VALUES OF FUTURE NET REVENUE  
AS OF MARCH 31, 2012  
CONSTANT PRICES AND COSTS**

**ITEM 2.2a SUMMARY OF OIL AND GAS RESERVES**

Reserves Category	RESERVES							
	Oil				Gas			
	Light and Medium		Heavy		Natural Gas <sup>(1)</sup>		Natural Gas Liquids	
	Gross <sup>(2)</sup> (Mbbls)	Net <sup>(3)</sup> (Mbbls)	Gross <sup>(2)</sup> (Mbbls)	Net <sup>(3)</sup> (Mbbls)	Gross <sup>(2)</sup> (MMcf)	Net <sup>(3)</sup> (MMcf)	Gross <sup>(2)</sup> (Mbbls)	Net <sup>(3)</sup> (Mbbls)
PROVED								
Developed Producing	466	425	-	-	-	-	-	-
Developed Non-Producing	765	696	-	-	-	-	-	-
Undeveloped	733	667	-	-	-	-	-	-
TOTAL PROVED	1,964	1,788	-	-	-	-	-	-
PROBABLE	242	220	-	-	-	-	-	-
TOTAL PROVED PLUS PROBABLE	2,206	2,008	-	-	-	-	-	-

**Notes:**

- Estimates of Reserves of natural gas include associated and non-associated gas.
- "Gross Reserves" are Company's working interest share of remaining reserves before the deduction of royalties.
- "Net Reserves" are Company's working interest share of remaining reserves less all Crown, freehold and overriding royalties and interests.
- Income tax estimated by the Company, due to concession is a "Mining Concession" there are no income taxes paid.

**ITEM 2.2b NET PRESENT VALUES (NPV) OF FUTURE NET REVENUE (FNR) (expressed in US dollars)**

Reserves Category	BEFORE INCOME TAXES DISCOUNTED AT					AFTER INCOME TAXES DISCOUNTED AT				
	(%/year)					(%/year)				
	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)
PROVED										
Developed Producing	6,364	5,312	4,433	3,750	3,226	6,364	5,312	4,433	3,750	3,226
Developed Non-Producing	37,296	30,202	25,142	21,374	18,473	37,296	30,202	25,142	21,374	18,473
Undeveloped	29,123	22,422	17,469	13,750	10,919	29,124	22,422	17,469	13,750	10,919
TOTAL PROVED	72,783	57,936	47,044	38,874	32,617	72,783	57,936	47,044	38,874	32,617
PROBABLE	9,957	7,374	5,500	4,130	3,117	9,957	7,374	5,500	4,130	3,117
TOTAL PROVED PLUS PROBABLE	82,740	65,310	52,544	43,005	35,734	82,740	63,310	52,544	43,005	35,734

**ITEM 2.2c TOTAL FUTURE NET REVENUE (UNDISCOUNTED)**

<b>Reserves Category</b>	<b>Revenue (M\$)<sup>(1)</sup></b>	<b>Royalties (M\$)<sup>(2)</sup></b>	<b>Operating Costs (M\$)</b>	<b>Develop- ment Costs (M\$)</b>	<b>Well Abandon- ment Costs &amp; Reclama- tion (M\$)</b>	<b>Future Net Revenue (M\$)</b>	<b>Income Taxes (M\$)</b>	<b>Future Net Revenue After Income Taxes (M\$)</b>
Proved Developed Producing	26,394	2,375	17,095	0	560	6,364	0	6,364
Proved Dev Non-producing	43,277	3,895	1,436	650	0	37,296	0	37,296
Proved Undeveloped	41,493	3,734	3,135	5,500	0	29,124	0	29,124
<b>TOTAL PROVED</b>	<b>111,164</b>	<b>10,004</b>	<b>21,666</b>	<b>6,150</b>	<b>560</b>	<b>72,784</b>	<b>0</b>	<b>72,784</b>
<b>PROBABLE</b>	<b>13,692</b>	<b>1,232</b>	<b>503</b>	<b>2,000</b>	<b>0</b>	<b>9,957</b>	<b>0</b>	<b>9,957</b>
<b>TOTAL PROVED PLUS PROBABLE</b>	<b>124,856</b>	<b>11,236</b>	<b>22,169</b>	<b>8,150</b>	<b>560</b>	<b>82,741</b>	<b>0</b>	<b>82,741</b>

**Notes:**

- Total revenue includes revenue before royalty and includes other income before ARTC.
- Royalties include Crown royalties, overriding royalties, freehold royalties and mineral taxes less ARTC.

**ITEM 2.2d FUTURE NET REVENUE BY PRODUCTION GROUP**

		<b>Future Net Revenue Before Income Taxes (discounted at 10%/year) (M\$)</b>	<b>Unit Value Before Income Taxes (discounted at 10%/year) (\$/Bbl)</b>
Proved	Light and Medium Crude Oil (including solution gas)	47,043	26.31
	Heavy Oil	-	
	Natural Gas (including by-products but excluding gas from oil wells)	-	
Proved Plus Probable	Light and Medium Crude Oil (including solution gas)	52,544	26.16
	Heavy Oil	-	
	Natural Gas (including by-products but excluding gas from oil wells)	-	

## NOTES AND DEFINITIONS

In the tables set forth above in "*Disclosure of Reserves Data*" and elsewhere herein the following definitions and other notes are applicable:

"**Gross**" means:

in relation to Canoel's interest in production and reserves, its "Company gross reserves", which are Canoel's interest share before deduction of royalties and without including any royalty interests of the country of Argentina;

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

in relation to properties, the total area of properties in which Canoel has an interest.

"**Net**" means:

in relation to Canoel's interest in production and reserves, its "Company gross reserves", which are Canoel's interest share after deduction of royalties obligations, plus Canoel's royalty interest in production or reserves;

in relation to wells, the number of wells obtained by aggregating Canoel's working interest in each of its gross wells; and

in relation to Canoel's interest in a property, the total area in which Canoel has an interest multiplied by the working interest owned by Canoel.

The crude oil reserve estimates presented in the 2012 Report are based on the definitions and guidelines contained in the COGE Handbook. A summary of those definitions are set forth below:

### *Reserve Categories*

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

analysis of drilling, geological, geophysical and engineering data;

the use of established technology; and

specified economic conditions (see "*Economic Assumptions*" below).

Reserves are classified according to the degree of certainty associated with the estimates:

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

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

Other criteria that must also be met for the categorization of reserves are provided in the COGE Handbook.

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

- (a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

#### *Levels of Certainty for Reported Reserves*

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- 1 at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- 2 at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certain levels associated with reserve estimates and the effect of aggregation is provided in the COGE Handbook.

#### *Disclosure of Reserves data for Forecast prices and costs*

Future prices and costs that are:

generally acceptable as being a reasonable outlook of the future; and

if and only to the extent that, there are fixed or presently determinable future prices or costs to which Canoeel is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

The oil produced in the Canoeel fields of the San Jorge basin is considered medium weight oil, with specific gravity in the range of 18 to 22 degree API. The actual selling price of the Canoeel oil, as stated by Canoeel, is based on prices put forth by the government of Argentina, having a close relationship to the West Texas Intermediate (WTI) benchmark,

#### **Equation 1 Forecast Canoeel Oil Price**

$$\text{PriceCanoel} = \text{WTI} - 42.42 \text{ [US\$/bbl]}$$

The WTI price forecast, together with other crude oil benchmarks, as published by McDaniels and Associates, April, 2012.

#### *Supplementary Disclosures of reserve data for Constant prices and costs*

Prices and costs used in an estimate that are:

Canoeel's prices and costs as at the effective date of the estimation, held constant throughout the estimated lives of the properties to which the estimate applies; and

if, and only to the extent that, there are fixed or presently determinable future prices or costs to which Canoeel is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

#### **Equation 2 Constant Canoeel Oil Price**

$$\text{PriceCanoel} = \{ \text{SalePrice}[\text{Canoel/gal}] - \text{DistributionTax}[\text{Canoel/gal}] \} / (\text{XchgeRate}[\text{Canoel/\$}] \text{ in } [\$/\text{gal}])$$

Substituting values and using the conversion to express volume in barrels, we obtain

$$\text{PriceCanoel} = (1.347 - 0.00) / 1.0000 [\$/\text{gal}] \times (42 \text{ gal/bbl}) [\$/\text{bbl}]$$

$$\text{PriceCanoel} = 56.58 [\$/\text{bbl}]$$

All oil sales in Argentina are based upon USD, there is no exchange rate adjustment factor.

#### *Future Income Tax Expense*

Future income expenses estimate:

The Argentina income tax rate of 35% was not applied because this unique type of concession, a Mining Concession, does not pay income taxes on the revenue in accordance with what is understood to be the tax provisions of Argentina.

**"Development well"** means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

**"Development costs"** means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs,

including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground draining, road building, and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;

drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;

acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

provide improved recovery systems.

**"Exploration well"** means a well that is not a development well, a service well or a stratigraphic test well.

**"Exploration costs"** means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;

costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;

dry hole contributions and bottom hole contributions;

costs of drilling and equipping exploratory wells; and

costs of drilling exploratory type stratigraphic test wells.

**"Service well"** means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.



**PRICING ASSUMPTIONS**

The following prices are the benchmark reference prices, as at March 31, 2012, and are reflected in the Reserves Data. These price assumptions were provided by CanoeL.

**Constant Prices Used in Supplemental Estimates**

**SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS  
AS OF MARCH 31, 2012  
CONSTANT PRICES AND COSTS**

Equation 2 Constant CanoeL Oil Price

$$\text{PriceCanoel} = \{ \text{SalePrice}[\text{Canoel/gal}] - \text{DistributionTax}[\text{Canoel/gal}] \} / (\text{XchgeRate}[\text{Canoel}/\$] \text{ in } [\$/\text{gal}])$$

Substituting values and using the conversion to express volume in barrels, we obtain

$$\text{PriceCanoel} = (1.347 - 0.00) / 1.0000 [\$/\text{gal}] \times (42 \text{ gal/bbl}) [\$/\text{bbl}]$$

$$\text{PriceCanoel} = 56.58 [\$/\text{bbl}]$$

Inflation rate data is presented below in ITEM 3.2.

**Forecast Prices Used in Estimates**

Equation 1 Forecast CanoeL Oil Price

$$\text{PriceCanoel} = \text{WTI} - 42.42 [\text{US}\$/\text{bbl}]$$

The WTI price forecast, together with other crude oil benchmarks, as published by McDaniels and Associates, April, 2012, is provided in part below.

**ITEM 3.2 SUMMARY OF PRICING AND INFLATION  
MARCH 31, 2012  
FORECAST PRICES AND COSTS**

<b>Year</b>	<b>WTI \$/bbl US</b>	<b>Edmonton Light Crude Oil \$/bbl Cdn</b>	<b>Alberta Heavy Crude Oil \$/bbl Cdn</b>	<b>Edmonton Condensate and Natural Gasolines \$/bbl Cdn</b>	<b>Edmonton Butanes \$/bbl Cdn</b>	<b>Edmonton Propane \$/bbl Cdn</b>	<b>Inflation Rate (%/Yr)</b>	<b>Exchange Rate (\$US/\$Cdn)</b>
2012	100.00	97.60	72.90	107.60	78.70	48.00	2.0	0.975
2013	100.00	101.60	76.90	106.70	81.90	56.00	2.0	0.975
2014	100.00	101.50	76.90	104.60	81.80	57.60	2.0	0.975
2015	100.80	102.30	77.50	105.50	82.40	59.40	2.0	0.975
2016	101.70	103.20	78.20	106.40	83.20	60.90	2.0	0.975
2017	102.70	104.30	79.00	107.60	84.00	62.90	2.0	0.975
2018	103.60	105.20	79.70	108.60	84.80	64.00	2.0	0.975

**RECONCILIATION OF CHANGES IN RESERVES**

**reserves reconciliation – forecast price case GROSS as at March 31, 2012**

Canoel is unable to present a reconciliation of change in gross reserves (before royalties) by principal product type for the period from March 31, 2011 to March 31, 2012 as it did not acquire these reserves until after March 31, 2011.

**ADDITIONAL INFORMATION RELATING TO RESERVES DATA**

The 2012, 2013 and 2014 programs will consist of ten workovers planned for 2012 in the Don Alberto field (DA-264, 266, 267, 268, 272, 273, 279, 285, 286 and the 1001) which are currently in the proved non-producing category, the drilling of six Don Alberto wells in the proved undeveloped category in 2013. The 2014 program will consist of drilling two proved undeveloped wells and two probable undeveloped wells in the Don Alberto field.

**a Proved Undeveloped Reserves**

The following table sets forth the volumes of proved undeveloped reserves that were attributed to each of Canoel's product types for the years ended March 31, 2010, 2011 and 2012 using both constant and forecast prices and costs. Canoel did not have any undeveloped oil and gas assets prior to fiscal 2012.

**Proved Undeveloped Reserves**

Period Ended	Medium Oil Liquids (Mbbls) First Attributed	Medium Oil Liquids (Mbbls) Booked
<b><u>Constant Prices</u></b>		
Prior to 2011	0	0
March 31, 2011	0	0
March 31, 2012	667.355	0
<b><u>Forecast Prices</u></b>		
Prior to 2011	0	0
March 31, 2011	0	0
March 31, 2012	668.048	0

**ITEM 5.1b Probable Undeveloped Reserves**

The following table sets forth the volumes of probable undeveloped reserves that were attributed to each of Canoel's product types for the years ended March 31, 2010, 2011 and 2012 using both constant and forecast prices and costs. Canoel did not have any oil and gas assets prior to fiscal 2012.

**Probable Undeveloped Reserves**

Period Ended	Light and Medium Oil Liquids (Mbbls) First Attributed	Light and Medium Oil Liquids (Mbbls) Cumulative at year end
<b><u>Constant Prices</u></b>		
March 31, 2010	0	0
March 31, 2011	0	0
March 31, 2012	220.220	0
<b><u>Forecast Prices</u></b>		
March 31, 2011	0	0
March 31, 2011	0	0
March 31, 2012	220.220	0

## Significant Factors or Uncertainties

The evaluated oil properties of CanoeI have no material extraordinary risks or uncertainties beyond those which are inherent of any oil and gas producing company.

## Future Development Costs

The following table sets forth development costs deducted in the estimation of CanoeI's future net revenue attributable to the reserve categories noted below. All of CanoeI's reserves and subsequent future net revenues are located in Argentina.

Year	Forecast Prices and Costs		Constant Prices and Costs	
	Proved Reserves (M\$)	Proved Plus Probable Reserves (M\$)	Proved Reserves (M\$)	Proved Plus Probable Reserves (M\$)
2012	650.0	650.0	650.0	650.0
2013	3,570.0	3,570.0	3,500.0	3,500.0
2014	2,080.8	4,161.6	2,000.0	4,000.0
2015				
2016				
Remaining				
Total	6,301.8	8,381.6	6,150.0	8,150.0
Undiscounted	6,301.8	8,381.6	6,150.0	8,150.0
Discounted at 10%/yr	6,140.1	8,136.8	5,420.0	7,040.0

### Note:

- (1) Future development costs will be funded out of cash flow and existing working capital.
- (2) Future development costs are escalated 2% per year in the forecast Price and Costs Case

CanoeI will require up to \$8.150MM to fund its 2012, 2013 and 2014 workover and drilling program to include ten wells and ten recompletions in the Don Alberto Field. CanoeI intends to fund its share of future development costs by a combination of equity, and future revenue from its share of oil and gas sales.

## OTHER OIL AND GAS INFORMATION

### Oil and Gas Properties and Wells

The following is a description of CanoeI's principal oil and natural gas properties on production or under development as at March 31, 2012. All of these properties are located in the country of Argentina.

## PRODUCING LANDS

### ARGENTINA

#### Don Alberto:

Gross Land: 491.7 acres = 199 hectares

Net Land: 199 hectares

Working Interest: 100%

Land Description: Onshore, approximately 5 Km from the city of Comodoro Rividavia, Chubut Province,

Argentina

Wells: 31 oil wells of which 8 are producing and 23 are non-producing.

**Don Ernesto:**

Gross Land: 239.7 acres = 97 hectares

Net Land: 97 hectares

Working Interest: 100%

Land Description: Onshore, approximately 5 Km from the city of Comodoro Rividavia, Chubut Province, Argentina

Wells: 15 oil wells of which 5 are producing and 10 are non-producing.

**UNDEVELOPED LANDS:**

**ARGENTINA**

There are 102.4 hectares (253.0 acres) undeveloped lands owned by Canoe International Energy, Ltd.

**Oil and Gas Wells**

The following table sets forth the number and status of wells in which Canoe has a working interest in Argentina as of March 31, 2012.

	<b>Oil Wells</b>			
	<b>Producing</b>		<b>Non-Producing</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Don Alberto	8.0	8.0	23.0	23.0
Don Ernesto	5.0	5.0	10.0	10.0
Total	13.0	13.0	33.0	33.0

**Properties with No Attributable Reserves**

The following table sets out Canoe's developed and undeveloped land holdings as at March 31, 2012.

	<b>Developed Hectares</b>		<b>Undeveloped Hectares</b>		<b>Total Hectares</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Argentina	196	196	102.4	102.4	298.4	298.4.0

There are no developed or undeveloped land holdings in Argentina, as of March 31, 2012, that have any unusual or negatively (or positively) impacted constraints placed upon them, either by location or by geology.

**Forward Contracts**

Canoel has no forward contracts.

**Additional Information Concerning Abandonment and Reclamation Costs**

With respect to abandonment and reclamation costs for surface leases, wells, facilities and pipelines, the Company estimates such costs using experience in the area and historical capital required to abandon and reclaim the well sites. These have been reflected in the reserve report. The undiscounted abandonment and reclamation cost for each category are listed below. The net present value discounted at 10% for these costs are \$60.231 M\$ in the proven category and \$60.231 M\$ in the proven plus probable category. Expected future abandonment costs related to facilities are expected to match salvage value recovery. The Company does not envision abandoning any wells in the next three years.

The Company will be liable for its share of ongoing environmental obligations and for the ultimate reclamation of the properties held by it upon abandonment. These ongoing obligations are expected to be funded out of cash flow and are summarized in the following table:

	<b>Forecast Prices and Costs Total Abandonment and Reclamation Costs Including Well Abandonment and Disconnect Costs all Net of Salvage (M\$)</b>
<b>Total Proved Reserves (yr)</b>	
2012	
2013	
2014	
2015	
Remaining	<u>560.0</u>
Total	<u>560.0</u>
<b>Proved Plus Probable</b>	
Reserves (yr)	
2012	
2013	
2014	
2015	
Remaining	<u>560.0</u>
Total	<u>560.0</u>

**Tax Horizon**

The Company was not required to pay any cash income taxes for the period that ended March 31, 2012. This is based upon the concession owned is a Mining Concession and is exempt from income taxes.

**ITEM 6.6 Costs Incurred**

## Capital Expenditures

The following table summarizes capital expenditures (including capitalized general and administrative expenses) related to Canoe's activities for the year ended March 31, 2012.

	(M\$)
Property acquisition costs	2,841.0
Proved properties	0.0
Unproved properties	0.0
Exploration costs	0.0
Development costs	0.0
Total	<u><u>\$2,841.0</u></u>

### ITEM 6.7 *Exploration and Development Activities*

Canoe intends to do 10 recompletions in 2012, drill 6 development wells (6 net) in 2013 and drill 4 development wells (4 net) in 2014. There will be no exploration wells drilled.

### ITEM 6.8 *Production Estimates*

The following table sets out the volume of Canoe's production estimated for the year ended March 31, 2012 which is reflected in the estimate of future net revenue disclosed in the tables contained under the heading "*Disclosure of Reserves Data*" above.

<u>Reserves Category</u>	<u>Forecast Prices and Costs Net Daily Production<sup>(2)</sup></u>	<u>Constant Prices and Costs Net Daily Production<sup>(2)</sup></u>
Medium Oil (bbls/d)	138.3	138.3
Total <sup>(1)</sup> (boe/d)	138.3	138.3

**Notes:**

- (1) Barrels of Oil Equivalent (boe) have been reported based on natural gas conversion of 6 Mcf:1 Bbl.
- (2) Net production is Company interest after all royalty deductions.

**ITEM 6.9 Production History**

Production began in the Don Alberto and Don Ernesto fields in 1916, the tables below show the last 12 months monthly production for each field.

<b>Month</b>	<b>Don Alberto Field</b>		
	<b>Received Price (\$/Bbl)</b>	<b>Oil Production (Bbls)</b>	<b>Cumulative Oil Production (Bbls)</b>
April, 2011	52.60	2,312.00	6,174,898.00
May	53.60	2,789.00	6,177,687.00
June	53.60	3,202.00	6,180,889.00
July	56.00	2,074.00	6,182,963.00
August	57.00	2,239.00	6,185,202.00
September	58.60	1,583.00	6,186,785.00
October	61.00	1,931.00	6,188,716.00
November	61.00	1,785.00	6,190,501.00
December	61.00	1,798.00	6,192,299.00
January, 2012	61.00	2,109.00	6,194,408.00
February	61.00	3,330.00	6,197,738.00
March	63.00	3,965.00	6,207,703.00
2012 Production		29,117.00	6,207,703.00

<b>Month</b>	<b>Don Ernesto Field</b>		
	<b>Received Price (\$/Bbl)</b>	<b>Oil Production (Bbls)</b>	<b>Cumulative Oil Production (Bbls)</b>
April, 2011	52.60	1,094.00	1,192,091.00
May	53.60	1,106.00	1,193,197.00
June	53.60	1,313.00	1,194,510.00
July	56.00	1,276.00	1,195,786.00
August	57.00	1,092.00	1,196,878.00
September	0.00	0.00	1,196,878.00
October	61.00	1,058.00	1,197,936.00
November	61.00	634.00	1,198,570.00
December	61.00	639.00	1,199,209.00
January, 2012	61.00	370.00	1,199,579.00
February	61.00	614.00	1,200,193.00
March	63.00	749.00	1,200,942.00
2012 Production		9,945.00	1,200,942.00

## CANOEL INTERNATIONAL ENERGY LTD.

### Statement of Reserves Data and Other Oil and Gas Information Year Ended March 31, 2012

Dated July 6, 2012

For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in Italics in sections 1 and 2 of this Form or in NI 51-101F1, Form 51-101F2 or Companion Policy 51-101 CP.

#### SELECTED TERMS

"**Board**" means the Board of Directors of the Company;

"**CDN**" means Canadian;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum;

"**R.E.D.**" means Ralph E. Davis Associates, Inc., independent reserve auditors;

"**NI 51-101**" means National Instrument 51-101 of the Canadian Securities Administration entitled "Standards of Disclosure for Oil and Gas Activities";

"**Canoel**" or the "**Company**" means Canoel International Energy Ltd.; and

"**Statement**" means this statement of reserves data and other oil and gas information.

#### ABBREVIATIONS AND CONVERSIONS

In this document, the abbreviations set forth below have the following meanings:

##### Oil and Natural Gas Liquids

Bbls	barrels
Mbbls	thousand barrels
MMbbls	million barrels
NGLs	natural gas liquids
Stb	stock tank barrels of oil
Mstb	thousand stock tank barrels of oil
MMboe	million barrels of oil equivalent
Bbls/d	barrels per day

##### Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Bcf	billion cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
M <sup>3</sup>	cubic metres
MMbtu	million British Thermal Units
GJ	Gigajoule

##### Other

BOE or Boe	barrel of oil equivalent, using the conversion factor of 6 mcf of natural gas being equivalent to one bbl of oil
BOE/d	barrels of oil equivalent per day
WTI	West Texas Intermediate
API	the measure of the density or gravity of liquid petroleum products derived from a specific gravity
psi	pounds per square inch
\$000's or M\$	thousands of dollars
MM\$	millions of dollars



**BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf: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.**

### CONVENTIONS

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

All dollar amounts set forth in this Statement are in U.S. dollars, except where otherwise indicated.

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

### CONVERSIONS

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	bbls	6.289
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
gigajoules	MMbtu	0.950

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Statement constitute forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect" and similar expressions, as they relate to the Company's management, are intended to identify forwardlooking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to vary from those described in this Statement. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this Statement as intended, planned, anticipated, believed, estimated or expected.

APPENDIX "A"

**FORM 51-101F3**

**Report of  
Management and Directors  
on Oil and Gas Disclosure**

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

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.<sup>1</sup>
2. The report referred to in item 3 of section 2.1 of *NI 51-101* must in all material respects be as follows:

**Report of Management and Directors on Reserves Data and Other Information**

Management of Canoe International Energy Ltd. (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at March 31, 2012, estimated using forecast and constant prices and costs.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Company has

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

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

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and

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<sup>1</sup> For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101, Form 51-101F1, Form 51-101F2* or Companion Policy 51-101CP.

(c) the content and filing of this report.

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

*"Andrea Cattaneo"*

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Andrea Cattaneo  
President and Chief Executive Officer

*"John Arne Farstad"*

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John Arne Farstad  
Chief Financial Officer

*"Dario Sodero"*

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Dario Sodero  
Director

*"Erik Larre"*

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Erik Larre  
Director

Dated the 26th day of July, 2012.

## **APPENDIX "B"**

### **NATIONAL INSTRUMENT FORM 51-101F2**

#### **REPORT ON RESERVES DATA**

To the board of directors of Canoe International Energy, Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as of March 31, 2012. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as of March 31, 2012, estimated using constant prices and costs; forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our audit in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy and Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using constant prices and costs and using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended March 31, 2012 and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors.

**CONSTANT PRICES AND COSTS**

Independent Qualified Reserves Evaluator	Description & Preparation Date of Evaluation __Report__	Location of Reserves	Net Present Value of Future Net Revenue (before income tax, 10% discount rate)			
			Audited M\$-US	Evaluated M\$-US	Reviewed M\$-US	Total M\$-US
Ralph E. Davis Associates, Inc.	Appraisal Report as of March 31, 2012 on Certain Properties owned by Canoel International Energy, Ltd. dated June 11, 2012	Argentina	-	52,544	-	52,544

**FORECASTED PRICES AND COSTS**

Independent Qualified Reserves Evaluator	Description & Preparation Date of Evaluation __Report__	Location of Reserves	Net Present Value of Future Net Revenue (before income tax, 10% discount rate)			
			Audited M\$-US	Evaluated M\$-US	Reviewed M\$-US	Total M\$-US
Ralph E. Davis Associates, Inc.	Appraisal Report as of March 31, 2012 on Certain Properties owned by Canoel International Energy, Ltd. dated June 11, 2012	Argentina	-	55,356	-	55,356

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstance occurring after their respective preparation dates.
7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Ralph E. Davis Associates, Inc. dated July 18, 2012.



RALPH E. DAVIS ASSOCIATES, INC.

*Allen C. Barron*

Allen C. Barron, P.E.  
President

