

CANOEL INTERNATIONAL ENERGY LTD.

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED MARCH 31, 2012

September 25, 2012

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ABBREVIATIONS

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

Oil and Natural Gas Liquids

bbls	barrels of crude oil
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mbbl	thousands of barrels
MSTB	thousand stock tank barrels
NGL	natural gas liquids

Natural Gas

Mcf	thousand cubic feet of natural gas
MMcf	million cubic feet of natural gas
Bcf	billion cubic feet of natural gas
Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet of gas equivalent
MMbtu	million British Thermal Units
MMcf	million cubic feet

Other

AECO	a natural gas storage facility located at Suffield, Alberta	Km	Kilometres
		km ²	square kilometres
AFE	authorization for expenditure	m ³	cubic metres
API	American Petroleum Institute	2D	two dimensional
	the measure of the density or gravity of liquid petroleum products derived from a specific gravity	3D	three dimensional
		US\$	United States dollars
		\$	Canadian dollars
		M\$	thousands of dollars

Conversion

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

To Convert From	To	Multiply By
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.315
bbls	cubic metres	0.159
cubic metres	bbls	6.289
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
acres	hectares	0.405
hectares	acres	2.471
gigajoules	MMbtu	0.950
MMbtu	gigajoules	1.0526

In this Annual Information Form, calculations of barrels of oil equivalent (boe) and thousand cubic feet of gas equivalent (Mcf) are based on the standard of 6 Mcf: 1 bbl when converting natural gas to oil and 1 bbl: 6 Mcf when converting oil to natural gas. Boe and Mcf may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl or a Mcf conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

CONVENTIONS

Certain terms used herein are defined in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("**NI 51-101**") or the Canadian Oil and Gas Evaluation Handbook ("**COGE Handbook**") and, unless the context otherwise requires, shall have the same meanings in this Annual Information Form as in NI 51-101 or the COGE Handbook.

CURRENCY

In this AIF, all dollar amounts are expressed in Canadian currency, unless otherwise noted.

FORWARD-LOOKING STATEMENTS

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

- **the quantity of reserves or resources;**
- **the performance characteristics of the Corporation's oil and gas properties;**
- **oil and natural gas production levels;**
- **capital expenditure programs;**
- **future development and exploration activities and the timing thereof;**
- **future land expiries;**
- **estimated future contractual obligations and the amount expected to be incurred under our farm-in commitments;**

- **future liquidity and financial capacity;**
- **projections of market prices and costs;**
- **supply and demand for oil and natural gas;**
- **expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development;**
- **expectations relating to the award of exploration permits by governmental authorities; and**
- **treatment under government regulatory and taxation regimes.**

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

- **oil and natural gas production levels;**
- **commodity prices;**
- **availability of labour and drilling equipment;**
- **general economic and financial market conditions; and**
- **government regulation in the areas of taxation, royalty rates and environmental protection.**

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

- **volatility in market prices for oil and natural gas;**
- **liabilities and risks inherent in oil and natural gas operations;**
- **uncertainties associated with estimating oil and gas reserves;**
- **competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;**
- **incorrect assessments of the value of acquisitions;**
- **geological, technical, drilling and processing problems;**
- **fluctuations in foreign exchange or interest rates and stock market volatility;**
- **changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry;**

- **failure to realize the anticipated benefits of acquisitions; and**
- **the other factors discussed under "Risk Factors".**

These factors should not be considered exhaustive. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. CANOEL does not undertake any obligation to publicly update or revise any forward-looking statements except as required by securities laws.

PRESENTATION OF OIL AND GAS INFORMATION

All oil and gas information contained in this Annual Information Form, with the exception of the recently acquired properties in Italy, has been prepared and presented in accordance with NI 51-101. The actual oil and gas reserves and future production will be greater than or less than the estimates provided herein. The estimated value of future net revenue from the production of the disclosed oil and gas reserves does not represent the fair market value of these reserves. There is no assurance that the forecast prices and costs or other assumptions made in connection with the reserves disclosed herein will be attained and variances could be material.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of revenue and future net revenue for all properties, due to the effects of aggregation.

CORPORATE STRUCTURE

Name, Address and Incorporation

Canoel International Energy Ltd. ("**Canoel**" or the "**Corporation**" or the "**Company**") was incorporated under the *Business Corporations Act* (British Columbia) ("**BCBCA**") on September 20, 2007. The registered Corporation number is BC0803216 and the registered business address is: 15th Floor, Bankers Court, 850 -2nd Street S.W., Calgary, Alberta T2P 0R8, Canada. The Company's head office is located at Suite 97, 95 Wilton Road, London, England SW1V 1BZ. The Company's website is www.canoelenergy.com.

The Company was listed on the TSX Venture Exchange Inc ("**TSXV**") as a capital pool company on April 10, 2008. On November 21, 2008, the Company completed a Short Form Offering to the public and a non-brokered private placement, which allowed the Company to complete its Qualifying Transaction in accordance with the applicable policies of the TSXV on December 8, 2008. The Company is a Tier 2 listed Issuer on the TSXV. The Company is a development stage entity as defined by the Canadian Institute of Chartered Accountants ("**CICA**") Accounting Guideline 11.

The Company's articles of association are available at the Company's registered address.

Inter-corporate Relationships

The Corporation owns all of the outstanding shares of Ingenieria Petrolera del Rio de la Plata S.R.L. ("**IPRP**"), a company incorporated in Buenos Aires, Argentina, on March 10, 2010. The Company owns

95% of the shares of IPRP directly and the remaining 5% of the shares through Petrolera Patagonia Srl. IPRP was initially established to negotiate management agreements to operate existing producing properties. However, as described in following paragraphs, management saw no immediate needs for IPRP and the company was kept in a dormant state and held in trust by Canoe's trustees in Argentina until late 2011.

On July 20, 2010 Canoe incorporated a wholly owned US subsidiary, Ingenieria Petrolera Patagonia Ltd. ("**IPP**"), to act as the potential acquirer of two US based companies controlling Central Patagonia Srl, the owner of two producing oil fields in the Chubut Province in Argentina.

On July 22, 2010, Canoe acquired two US based companies, namely Central Patagonia Corporation (renamed Petrolera Patagonia Corporation, or "**PPC**") and CPC Holding (renamed PP Holding, or "**PPH**") owning respectively 95% and 5% of Central Patagonia S.R.L (renamed Petrolera Patagonia S.R.L, or "**PPS**"), thereby acquiring two adjacent oil producing properties in Argentina (the "**Argentina Acquisition**").

On March 23, 2011, Canoe established Canoe Italia Srl ("**Italia S.r.l.**") a wholly owned subsidiary of the Company, so that it would have an operating entity if the Company was awarded the oil and gas properties being posted for auction by the Ministry of Economic Development.

In October 2011, Canoe recognized the opportunity to implement its own completion operations and consequently decided to use the dormant company IPRP for these operations. Management commenced the process to transfer the shares of IPRP from Canoe's trustees to Petrolera Patagonia Corporation (95%) and to Petrolera Patagonia Srl (5%). This process was completed in May 2012.

GENERAL DEVELOPMENT OF THE BUSINESS

General

Canoe is an international oil and gas exploration and production company based in Calgary, Canada. The Corporation has an active inventory of international oil and gas opportunities in Argentina and Italy. Canoe has crude oil production from the Don Alberto and Don Ernesto fields, located in the province of Chubut, Argentina.

Corporate Strategy

Canoe's business plan is to grow through international acquisitions and exploration and to increase the production and reserves from its international inventory of oil and gas projects. The Corporation's operations are targeted to areas that have good access for exploration activities, with stable economic and business environments, and where there is an effective legal system. Canoe's primary operations are in Argentina, where the Corporation owns interests in two producing oil fields and where Canoe intends to increase its presence through additional acquisitions and joint ventures. The Corporation has recently established operations in Italy through the acquisition of two gas permits, currently shut-in, and had previously signed joint ventures in Tunisia.

Canoe plans to develop a balanced portfolio of short, medium and long-term opportunities. To accomplish this objective, Canoe intends to seek innovative ways to unlock value by leveraging its assets and subsidiaries, build strong partnerships, participate in bid rounds to gain low cost exposure to high impact opportunities, execute accretive mergers and acquisitions to further strengthen its short

and near-term portfolio, focus on growth in value and reserves potential, leverage its management team's international oil and gas expertise to add accretive production and reserves, and develop and build on strategic alliances with national oil companies and large proven operators.

In reviewing potential drilling or acquisition opportunities, CanoeI considers the following criteria: (i) risk capital to secure or evaluate the opportunity; (ii) the potential return of the project, if successful; (iii) the likelihood of success; and, (iv) the risk return versus cost of capital.

Three Year History

April 1, 2009 to March 31, 2010

Tunisia

Canoel had signed a Farmout and Participation Agreement to earn an interest in three exploration permits in Tunisia held by Rigo Oil Company Limited ("**Rigo**"), a wholly owned subsidiary of CYGAM Energy Inc. ("**CYGAM**"). Under the terms of the Agreement CanoeI had agreed to participate for an 18.7% paying interest in exploration expenditures, inclusive of the drilling of the first well, on the Bazma and Sud Tozeur permits to earn an 11% working interest in the permits. CanoeI had also agreed to participate for a 15% paying interest in exploration expenditures, inclusive of the drilling of the first well, on the Jorf permit to earn an 11% working interest in that permit.

During 2009, CanoeI and CYGAM continued both the evaluation of the Bazma permit and the search for potential farm-in partners. In October, CYGAM's wholly owned subsidiary, Rigo Oil Company Limited, signed an Option and Farm-in Agreement with a large U.S. independent oil and natural gas company (the "U.S. Company") for the Bazma permit. Under the terms of the agreement, the U.S. Company agreed to reprocess a substantial amount of existing 2D seismic data and acquire a large quantity of new 2D seismic data on the permit at no cost to CanoeI and CYGAM. The U.S. Company also reserved the option to conduct a 3D seismic survey and the option of earning an interest by drilling a deep well on the permit. At Jorf, CanoeI and CYGAM continued the interpretation of the 200 km seismic program acquired in 2008 in the north-western portion of the permit. The presence of two pinnacle reefs of Permian age was confirmed by CYGAM's geophysical consultants. The evaluation of several structures on the large Sud Tozeur block continued in 2009. This permit was officially granted in July 2007, for an initial period of four years.

April 1, 2010 to March 31, 2011

Corporate

On March 23, 2011, CanoeI established CanoeI Italia Srl ("**Italia S.r.l.**") a wholly owned subsidiary of the Company, so that it would have an operating entity in case the Company would be awarded the oil and gas properties being posted for auction by the Ministry of Economic Development.

In March 2011, CanoeI agreed to assist and strategically advise a Zambian registered company, Mafula Energy Limited ("**Mafula**"), in its oil and gas exploration activities in Zambia. No oil and gas discoveries have yet been made in Zambia and no advice has yet been given to Mafula.

Tunisia

In the Bazma permit, processing of the new seismic data and reprocessing of a very large quantity of older seismic data was completed and paid by the U.S. Company in September 2010. Unfortunately the U.S. Company announced in late October that, due to other commitments in the United States, it would not exercise its option to drill an Ordovician well on the Bazma permit. However, Canoe and CYGAM retained their interest in all the seismic programs paid by the U.S. Company.

Argentina

On July 22, 2010, the Company signed a Share Purchase Agreement (the "SPA") with a U.S. based privately held company for the purchase of two adjacent oil producing properties located in the San Jorge basin in the Patagonia region of southern Argentina. Pursuant to the SPA, Ingenieria Petrolera Patagonia ("IPP") (a new company 100% owned and established by Canoe on July 20, 2010) completed the acquisition of Central Patagonia Srl ("**Central Patagonia**") from Central Argentina Corporation ("**Central Argentina**") through the purchase of the shares of Central Patagonia Corp ("**CPC**") and CPC Holdings Inc. ("**CPC Holdings**"), which together own 100% of Central Patagonia. The purchase price was US\$2,843,003 (CDN\$2,848,991) plus future royalty payable valued at \$564,470. Central Argentina is the previous parent company of CPC and CPC Holdings. Central Argentina is the previous parent company of CPC and CPC Holdings. Of the total purchase price, US\$1,400,000 was advanced by the Company through IPP on the closing date. The remaining US\$1,443,003 (CDN\$1,408,111) was repayable under two different promissory notes (collectively the "**Notes**"). The first Note was due to Central Argentina on the maturity date of July 22, 2011 and bears an interest rate of 7.5% per annum, payable quarterly. Using its option, IPP decided to repay a portion the amount of the First Note prior to its maturity date. In return for a payment of US\$675,000 made on June 1, 2011, Canoe signed an agreement with Central Argentina to postpone any payment for capital, interest and additional fees (under the SPA) until July 22, 2012. The second Note for the amount of US\$443,003, which was due to Central Argentina on February 12, 2011, was fully paid on that date. Pursuant to the Agreement, adjustments were calculated in favour of Canoe in the amount of US\$74,842; this amount was deducted from the value of the second Note, prior to its payment.

The main assets of Central Patagonia, on which the Company intends to focus development efforts, are two producing fields, Don Alberto and Don Ernesto (the "Producing Fields"), which, during the year ended March 31, 2011, produced 45,000 barrels of sweet, non-paraffinic, crude oil with 22.5° API gravity. The Company was able to access the existing income stream upon closing the SPA. The two Producing Fields are located in the Patagonia region of Southern Argentina, and specifically in the San Jorge basin, Chubut Province, within the area of Comodoro Rivadavia.

The licenses to these fields were granted to Central Patagonia under old mining codes (the "Mining Codes") under which the licenses do not have an expiry date. The wells on the Producing Fields are connected to battery tanks through existing infrastructure, which is now partially owned by Central Patagonia.

In early 2011, the company commenced a workover program in Argentina to enhance the productivity of the Don Alberto and Don Ernesto fields.

Estimated total proved developed producing plus probable oil reserves were assessed at 746,000 barrels as of March 31, 2011. Oil prices in Argentina are the results of complicated formulas that are set by refineries based on instructions or decrees from the government as crude oil and petroleum products

prices in Argentina are capped by the Government at variable levels. The oil price has gradually increased from US \$42.00 per barrel in early 2010, to US \$52.60 per barrel on March 31, 2011.

Norway and Russia

During 2010, Canoel completed a series of investigations in Norway after having been advised that for the purpose of raising additional capital, in a difficult moment for the international financial markets of small Oil & Gas listed companies, it would have been beneficial to acquire an existing corporation having a large number of existing shareholders and being based in the strong energy market of Oslo; this advice was implying a merger and/or a secondary listing in the Oslo Borse. On the strength of this advice, the Company searched for suitable corporations and exploration opportunities in Norway. Among few alternative opportunities, the Company decided to focus its attention to Oren Oil ASA ("**Oren**"), an oil & gas exploration and production company with headquarters in Oslo and registered in Norway. In the previous 5 years, Oren had developed a portfolio of assets exclusively in Russia, in the Province of Orenburg. The Oren portfolio in Russia comprised three 100% owned companies: Promgeotek LLC ("**Promgeotek**"), Saganef LLC ("**Saganef**") and K-Oil LLC ("**K-Oil**").

Pursuant to an agreement dated May 30, 2010, Canoel made an offer to all the existing shareholders of Oren to exchange their shares in Oren with Canoel shares, in the ratio of 1,000 shares of Oren for 1 share in Canoel (the "Swap Offer"). The Swap Offer was conditional on the Norwegian investors' agreement to subscribe to a private placement of new shares. Consequently, in July 2010, Canoel issued 9,110,729 common shares at a price of \$0.12 per common share for aggregate gross proceeds of \$1,093,287. In connection with this Norwegian Placement, the Company incurred share issue costs of \$33,460 which were paid to an unrelated party. In the same transaction, the Company agreed to pay certain creditors of Oren in return for the future delivery of an interest equal to 27% in Saganef. At the same time, Oren agreed to make available all its Russian assets in favour of the old creditors and of the historical shareholders prior to the swap and the Company had agreed to act as a consultant (on best effort basis) for a period of 2 years with the task of disposing of these assets.

In summary, as of this date, Canoel is acting solely as the consultant for the management of the properties in Russia overseeing the large credit positions of Oren. Under the Management Service Agreement with Oren, the Company fulfills its duties on a best efforts basis and would obtain the reimbursement of all expenses incurred plus a commission equal to 50% of sale proceeds, in case of successful disposal of any of the Oren assets. These reimbursements of costs and the payment of a commission equal to 50% of sale proceeds will be paid to Canoel only in the event of a successful disposal of any of these assets.

Canoel continues to operate in the Oslo market. In July 2011, Canoel completed a private placement of Convertible Notes in the amount of NOK\$1,200,000 (approximately \$213,070) bearing interest at a rate of 12% per annum for a period of three years. These notes include a conversion feature where the principal and unpaid interest may be converted to common shares at a price of \$0.15 per common share at any time prior to maturity on July 18, 2014. On April 12, 2012, Canoel received the final TSXV approval for the conversion of the convertible notes at the conversion rate of CAD \$0.10 per common share which resulted in the issuance of 2,091 134 shares.

April 1, 2011 to March 31, 2012

Argentina

On September 21, 2011, Canoe! signed a Confidentiality Letter and a Memorandum of Understanding with a US oil & gas multinational corporation in relation to four oil producing properties located in the San Jorge basin in Argentina. Signing of such documents granted Canoe! an exclusivity period, until the end of December 2011, to complete the necessary due diligence and investigations in order to potentially complete a Purchase Contract Agreement. The potential acquisition of these oil producing properties may be accomplished through the purchase of the operating company which holds a 55% interest in the fields. This transaction was thought to be completed for a proposed cash consideration of US\$1,456,000 plus the issuance of warrants entitling the seller to acquire up to 750,000 Canoe! shares at an exercise price of \$0.15 per share. Canoe! already operates the two 100% owned oil fields, Don Alberto and Don Ernesto. An additional acquisition in the same area would be expected to improve the economics of operating in Argentina where Canoe! has recently established an administrative office and a new management team comprised of professional staff previously employed with large corporations.

In October 2011, Canoe! recognized the opportunity to implement its own completion operations and consequently decided to use the dormant company called Ingenieria Petrolera del Rio de la Plata Srl., ("IPRP"), which had been incorporated in March 2010, for these operations. Management commenced the process to transfer the shares of IPRP from Canoe!'s trustees to Petrolera Patagonia Corporation (95%) and to Petrolera Patagonia S.R.L. (5%). This process was completed in May 2012

Tunisia

On August 4, 2011, Canoe! announced the divestment of its potential interest in the Tunisian blocks of Jorf, Bazma and Sud Tozeur (the "Tunisian Blocks") which were covered under the terms of a Farmout and Participation Agreement signed with CYGAM on July 10, 2008. Pursuant to a Termination and Release Agreement, Canoe! and CYGAM have terminated the Farmout and Participation Agreement wherein Canoe! was granted the opportunity to participate in certain oil and gas operations in order to earn an interest in the Tunisian Blocks, as well as the Memorandum of Understanding ("MOU") whereby Canoe! acquired the opportunity to participate in oil and gas operations in order to earn a further interest in certain of the Tunisian Blocks. Pursuant to the Termination and Release Agreement, CYGAM paid \$621,279 (the "Termination Fee"), an amount equal to those costs paid by Canoe! pursuant to the Farmout Agreement, in exchange for the assignment and transfer of any rights earned by Canoe! under the Farmout Agreement or the MOU. As the carrying value of these assets was \$691,218 at March 31, 2011, this resulted in a loss on disposal of \$69,939. Following the prompt approval of the Termination and Release Agreement by the board of directors of both CYGAM and Canoe!, CYGAM paid an initial \$50,000 then paid the remaining balance of \$571,278 on March 28, 2012. Therefore, as of March 28, 2012, Canoe! has no remaining interests or liabilities in Tunisia.

Norway and Russia

On October 11, 2011, the Company announced that, in its role as advisor/manager for the disposal of the Russian assets owned by Oren ASA ("Oren") and its stakeholders, it had agreed to sell 100% of the shares of Promogeotek LLC (one of the three 100% owned Russian subsidiaries of Oren, with oil properties in the Orenburg province but essentially insolvent at the time) to three Russian entrepreneurs for US\$400,000. As part of the sale purchase contracts, the buyers would receive, on a

pro-rata basis, 100% of the loans that Oren had made in the past to Promogeotek which have a total face value of approximately NOK\$144 million (approximately \$26 million).

Canoel acted in this transaction purely as an intermediary and will be entitled to receive only the reimbursement of costs plus a commission, when the transaction is eventually completed. After these deductions, the remaining amount from the sale price of US\$400,000 will be disbursed to Oren creditors and shareholders. Payment will occur upon the physical transfer of shares and receivables and is subject to the approval of Russian authorities.

Oren still holds other assets in Russia and Canoel will continue in its advisor/manager role to assist in the disposition of properties. For these efforts, the Corporation will receive a reimbursement of costs plus a commission.

Italy

On August 27, 2011, Canoel Italia S.r.l. was awarded two gas properties, which were previously on production but currently shut-in, at the auction. Canoel's bid was accepted on the basis of its technical presentation and proposed program to place the properties back on stream. In the following months, upon verification by the Ministry of Economic Development of the technical competence and the economic capability of Canoel Italia S.r.l., our wholly owned subsidiary was approved as the future operator of the gas properties.

The properties are Torrente Vulgano, located in the Puglia region, and Canaldente, located in the Basilicata region. Both regions are located in Southern Italy, where the majority of current Italian oil and gas production is occurring.

Recent Developments

Corporate

On June 28, 2012, the Company completed the first tranche of a private placement for 4,833,333 units at a price of \$0.06 per unit for gross cash proceeds of \$293,000. Each unit consists of one common share of Canoel and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of \$0.10 per common share at any time on or before one year from the date the warrants were issued. The Company will pay a finder's fee of \$14,460 and grant 244,000 warrants.

On July 11, 2012, the Company completed the second tranche of a private placement for 2,725,000 units at a price of \$0.06 per unit for gross cash proceeds of \$163,500. Each unit consists of one common share of Canoel and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of \$0.10 per common share at any time on or before one year from the date the warrants were issued. The Company will pay a finder's fee of \$13,080 and grant 218,000 common share purchase warrants.

On August 1, 2012, the Company completed the third tranche of a private placement for 2,166,666 units at a price of \$0.06 per unit for gross cash proceeds of \$130,000. Each unit consists of one common share of Canoel and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of \$0.10 per common share at any time on or before one year from the date the warrants were issued.

Argentina

In April 2012, the Company decided to suspend negotiations with the US oil & gas multinational corporation in relation to the potential acquisition of four oil producing properties located in the San Jorge basin based on the growing evidence of certain negative aspects of the proposed transaction.

Italy

On September 6, 2012, the Company entered into a purchase and sale agreement with Medoilgas Italia SpA and Medoilgas Civita Limited, each a subsidiary of Mediterranean Oil and Gas Plc (collectively, "MOG") to acquire MOG's entire working interest in 13 onshore exploration and production assets (the "**Proposed Transaction**").

The production assets (the "**Assets**") are comprised of (i) six operated onshore gas production concessions: Masseria Grottavecchia (20% working interest), San Teodoro (100% working interest), Torrente Cigno (45% working interest), Misano Adriatico (100% working interest), Sant'Andrea (40% working interest) and Masseria Petrilli (50% working interest); (ii) three non-operated onshore gas production concessions: Masseria Acquasalsa (8.8% working interest), Lucera (13.6% working interest) and San Mauro (18% working interest) (collectively, the "**Gas Licences**"); (iii) one operated exploration permit: Montalbano (57.15% working interest) (the "**Exploration Permit**"); and (iv) and three exploration permit applications: Serra dei Gatti (100% working interest), Villa Carbone (50% working interest) and Colle dei Nidi (25% working interest) (the "**Exploration Applications**").

Upon completion of the Proposed Transaction the Company will (i) pay MOG the sum of €100 as consideration for the acquisition of MOG's working interests in the Assets; (ii) assume the liability for all future plug-in and abandonment of wells plus site remediation costs associated with the Assets; (iii) receive €1,250,000 (approximately CAD \$1,560,000) as a partial contribution towards the future plug-in and abandonment of wells plus site remediation costs for the Assets; and (iv) receive the revenue MOG receives from the Assets during the period between the effective date of the Proposed Transaction (August 24, 2012) and the date the Proposed Transaction is closed, net of allowable operating costs and agreed capital expenditure associated with the Assets and incurred by MOG from the effective date until closing.

The current average daily gas production from the Gas Licences is approximately 487 MCF per day (equal to 13,800 m3/day.)

Most of the Gas Licenses are located in the southern part of continental Italy in the Regions of Puglia, Basilicata, Molise, Abruzzo and Marche. This is the same area where last year CanoeL was awarded 2 gas producing concessions by the Italian Ministry of Economic Development. These concessions, Torrente Vulgano and Canaldente, are respectively located in the Regions of Puglia and Basilicata.

The Exploration Permit and Exploration Applications are in respect of properties located in the South of Italy and encompass 1.285,41 square kilometres.

CanoeL has engaged an engineering company to prepare a 51-101 report on the Gas Licences and the Exploration Permit, as well as the previously acquired Torrente Vulgano and Canaldente concessions.

The Proposed Transaction is subject to MOG and Canoe receiving the approval by the Italian Ministry of Economic Development.

Italy ranks as the 4th largest producer of oil & gas in Europe with 8,330 billion m3 (294,500 bcf) of annual natural gas production. Current European pricing metrics offer a premium to North American commodity prices, with current cost per MM Btu ranging in the equivalent of approximately CAD \$13.50 compared to North American pricing approximately around CAD \$2.35. (Source NEB).

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Reference is made to the Corporation's Statement of Reserves Data and Other Oil & Gas Information dated effective March 31, 2012, the Report on Reserves Data by Qualified Reserves Evaluator dated July 6, 2012, prepared by Ralph E. Davis Associates, Inc., independent petroleum reservoir engineers and the Report of Management and Directors dated July 26, 2012, all of which were prepared pursuant to NI 51-101 and filed on SEDAR on July 26, 2012. These documents are available on the SEDAR website at www.sedar.com and are attached hereto as Appendices A, B and C. All of the Corporation's oil and gas reserves as at March 31, 2012 are attributable to the Don Alberto and Don Ernesto fields in Argentina.

The Statement of Reserves and Other Information does not include the two gas properties assigned to Canoe at the government auction in Italy as the final acquisition parameters for these assets were not officially received during the financial year for which the disclosure under National Instrument 51-101 – Standards of Disclosure of Oil and Gas Activities relates.

The following tables summarize the Corporation's reserves at March 31, 2012.

SUMMARY OF RESERVES AS OF MARCH 31, 2012 (Forecast Prices & Costs)

	Reserves					
	Light/Medium Oil (MBbl)		Natural Gas (MMcf)		NGL (MBbl)	
	Gross	Net	Gross	Net	Gross	Net
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.

**SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE AS
OF MARCH 31, 2012
(Forecast Prices & Costs)**

	Before Income Tax Discounted At					After Income Tax Discounted At					Unit Value \$/BOE Net Reserves Discounted at 10% before Income Tax (\$/BOE)
	0% (MS)	5% (MS)	10% (MS)	15% (MS)	20% (MS)	0% (MS)	5% (MS)	10% (MS)	15% (MS)	20% (MS)	
Proved											
Developed	6,594	5,421	4,485	3,776	3,241	6,594	5,421	4,485	3,776	3,241	
Producing											
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	27.46
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	55,537	45,072	37,303	88,585	69,278	55,537	45,072	37,303	27.41

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the various levels of governments, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect the operations of Canoe in a manner materially different than they would affect other oil and gas issuers of similar size. All current legislation is a matter of public record and Canoe is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

The Company operates two oil fields in Argentina and, subject only to the approval by the Italian Ministry of Economic Development of the acquisition of gas producing properties in Italy, will also produce natural gas in the Southern Part of Italy.

Both crude oil and natural gas are transported by pipeline to collection centers from which the hydrocarbons are transferred to purchasing companies.

In Argentina the only client is Exxon, while in Italy the Company will have several clients.

For the 2011 and 2012 fiscal years, 100% of the product sold was represented by crude oil.

It is expected that, during the fiscal year 2013, the Company will further develop the Argentinean properties by way of workovers and development drilling activities.

Within the fiscal year 2012 the company acquired two shut-in gas properties in Italy, which are expected to commence production in the fiscal year 2013. Additional environmental filings have been prepared

and submitted to the local authorities in order to obtain permission place the wells on these properties back on production.

Pricing and Marketing - Oil and Natural Gas

In general, the market determines the price of oil as producers of oil negotiate sales contracts directly with oil purchasers. The price depends in part on oil type and quality, price of competing fuels, distance to market, the value of refined products, supply/demand balance and other contractual terms.

In Argentina, crude oil is sold throughout the country at various market hubs that are connected to several pipelines. From certain terminals crude is then sold to local markets or loaded onto oil tankers arranged by third parties and sold on the world market.

Canoel currently operates all the assets in which the Company has an interest. As a result, Canoel does not depend on other operators, other than its own contractors, for the operation of those assets.

Canoel's current crude oil production in Argentina is subject to the pricing provisions set by the Argentine government, which provides for sales into the Argentine domestic market at rates less than those which would be realized in the international market. Canoel sells its oil to arm's length purchasers priced on a sale by sale basis. The oil produced by Canoel is sold domestically in Argentina at rates less than those which could be realized in other markets by international operators.

Royalties, Taxes and Incentives

Argentina

Royalties in Argentina are quite attractive and are currently set at 9% for most oil and gas fields. The corporate tax in Argentina is pegged at 35%. However, the two fields operated by Canoel, Don Alberto and Don Ernesto, are exempted from income tax as they fall under the old Mining Code of Argentina.

Italy

In Italy, for onshore permits, the state royalty on production of both oil and gas is a maximum of 10%, with a provision that no royalties are paid on yearly production less than 125,000 bbls of oil and 700 MMcf of gas, per field (or approximately 340 bbls/d and 1.9 MMcf/d). For offshore exploration permits, the state royalty on oil production is 4% with a provision that no royalties are paid on the first 300,000 bbls of oil production per year, per field. This represents a royalty-free production on the first 822 bbls of oil per day, per field. Offshore gas production is subject to a 7% royalty, but the first 1,750 MMcf per year, per field (or approximately 4.8 MMcf per day) are also royalty-free. The corporate tax is a maximum of 33% and there are no restrictions on repatriation of profits.

Land Tenure

Argentina

Argentina offers a politically stable environment and an attractive investment climate for petroleum exploration. Both the federal government and the provinces encourage foreign participation in oil and gas exploration and production. Exploration permits are obtained through an application process which

usually involves a multi-year program of seismic and drilling commitments, but does not require payment of signature bonuses or competitive bidding processes.

Italy

In Italy a permit for the exploration for oil and gas may be issued for the exploration of an area not exceeding 75,000 hectares. Applicants may obtain more than one permit to the extent that an aggregate permitted zone does not exceed 1,000,000 hectares.

A permit is granted for a period of six years and under certain conditions may be extended for two further periods of three years each. Upon the expiration of a permit's initial period, the permit area has to be reduced by 25% and, upon the expiration of the first renewed period, by a further 25%. Should the permit area be less than 30,000 hectares, these reductions do not apply.

A permit may be extended beyond twelve years if further time is required to complete the work obligations (and the delays have not been due to inactivity, carelessness or incapacity of the entity granted the permit). Such further extension is limited to one period of one year. In case of expiration, waiver or loss of the permit, the holder will be entitled to apply for a new permit over the same zone only after the expiry four years after the termination of the original permit.

Impact of Environmental Protection Regulations

The Corporation is subject to significant environmental and other regulations in respect of its operational activities in all jurisdictions and seeks to conduct its operations in an environmentally responsible manner and to maintain compliance with relevant regulations.

All elements of the oil and natural gas industry are associated with environmental risks and hazards that are subject to various environmental regulations pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation typically addresses, amongst other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. Legislation also typically 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 has been evolving in a manner that is expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

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

Compliance with such legislation may require significant expenditures and a failure to comply may result in the issuance of "clean-up" orders or the imposition of fines and penalties, some of which may be

material. It is possible that the costs of complying with environmental regulations in the future will have a material adverse effect on the Corporation's financial condition or results of operations. The Corporation may incur liabilities that could be material or require the Corporation to cease production on properties if environmental damage occurs.

Argentina

Environmental legislation in the Province of Chubut, Argentina, is governed by the Provincial Secretary for the Environment. The Corporation takes such steps as required to ensure compliance with the regulations of in which it operates.

Canoel is unable to predict the total impact of the potential regulations upon its business as different federal and regional programs may be implemented in the future in Argentina.

Rehabilitation of individual field projects is completed progressively to ensure necessary rehabilitation restoration is kept to a minimum at any particular time.

Italy

A Legislative Decree setting forth amendments and additions to Legislative Decree No. 152 of April 3, 2006, which contained regulations governing environmental issues, pursuant to Article 12 of Law No. 69 of June 18, 2009" was published on August 11, 2010 in Issue No. 186 of the Official Gazette of the Italian Republic. These amendments included significant changes to Part II and Part V of Legislative Decree No. 152/2006, which dealt with the Environmental Impact Assessment procedure and the Integrated Environmental Authorization procedure respectively, as well as air quality protection regulations.

Specialized Skill and Knowledge

Argentina

Since having acquired the two oil producing properties (Don Alberto and Don Ernesto) in Comodoro Rivadavia, the Company has been able to establish a team of local professionals specialized in crude oil production enhancement in mature fields.

Italy

Since having been assigned two shut-in properties in Italy, the company has been able to establish a team of local professionals specialized in natural gas production and environmental protection.

With the proposed acquisition of additional gas properties in Italy, the Company will expand and enhance its team of professionals to oversee this larger portfolio of properties.

Competitive Conditions

Argentina

Starting two years ago, Argentina has lost its energy self-sufficiency and it is now expected that, unless extraordinary political and economic changes occur, the price of energy is expected to rise.

Italy

The demand for natural gas in Italy is steady and high; this situation allows the existence of a large spectrum of different type of operators of different sizes, all able to trade in normal conditions.

Nevertheless Canoe! will compete with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Canoe!'s competitors will include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. Canoe!'s ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources. Canoe! believes its competitive position is equivalent to that of other oil and gas companies of similar size and at a similar stage of development.

Cycles

During the last 50 years, demand for energy has been influenced by economic factors, with oil and gas prices varying markedly within different economic periods.

Personnel

As at March 31, 2012, Canoe! and its subsidiaries had 13 full time employees and 7 part time employees or consultants based in its offices in Buenos Aires and Comodoro Rivadavia, Argentina, and in Genoa, Italy.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in Canoe!'s other public filings before making an investment decision. If any of the following risks or other risks occur, Canoe!'s business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted.

Operational Risks

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

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

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

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Although economic conditions improved towards the latter portion of 2009 and in 2010, as anticipated, the recovery from the recession has been slow in various jurisdictions including in Europe and the United States and has been impacted by various ongoing factors including sovereign debt levels and high levels of unemployment which continue to impact commodity prices and to result in high volatility in the stock market.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by Canoel is and will continue to be affected by numerous factors beyond its control. Canoel's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. Canoel may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The prices of oil and natural gas prices may be volatile and subject to fluctuation. Any material decline in prices could result in a reduction of Canoel's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of Canoel's reserves. Canoel might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Canoel's expected net production revenue and a reduction in its oil and gas acquisition, development and exploration activities. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of Canoel. These factors include economic conditions in the United States and Canada, the actions of OPEC, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on Canoel's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on Canoel's business, financial condition, results of operations and prospects.

Canoel's current crude oil production in Argentina is subject to the pricing provisions set by the Argentine government, which provides for sales into the Argentine domestic market at rates less than those which would be realized in the international market. While Canoel sells its oil to arm's length purchasers priced on a sale by sale basis, a portion of the oil produced by Canoel is required to be sold domestically in Argentina at rates less than those which would be realized in the international market.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing credit and liquidity concerns. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to Canoel may, in part, be determined by Canoel's borrowing base. A sustained material decline in prices from historical average prices could reduce Canoel's borrowing base, therefore reducing the bank credit available to Canoel which could require that a portion, or all, of Canoel's bank debt be repaid.

Regulatory

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. See "Industry Conditions". Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase Canoel's costs, any of which may have a material adverse effect on Canoel's business, financial condition, results of operations and prospects. In order to conduct oil and gas operations, Canoel will require licenses from various governmental authorities. There can be no assurance that Canoel will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Environmental Concerns

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Canoel to incur costs to remedy such discharge. Although Canoel believes that it will be in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on Canoel's business, financial condition, results of operations and prospects.

Argentina is a signatory to the United Nations Framework Convention on Climate Change. Argentina has ratified the Kyoto Protocol established thereunder and is thereby required to establish legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other "greenhouse gases". The Corporation may be subject to legislation in Argentina regulating emissions of greenhouse gases. The direct and indirect costs of complying with these emissions regulations may adversely affect the business of the Corporation. See "Industry Conditions– Impact of Environmental Protection Regulations".

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. Many of the operational and other expenses incurred by Canoel are paid in US dollars or in Argentine peso, the local currency of the country, where Canoel's foreign operations are performed. In recent years, the Canadian dollar has increased materially in value against the United States dollar.

Material increases in the value of the Canadian dollar negatively impact Canoel's production revenues. Future Canadian/United States exchange rates could accordingly impact the future value of Canoel's reserves as determined by independent evaluators.

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

An increase in interest rates could result in a significant increase in the amount Canoel pays to service debt.

Substantial Capital Requirements

Canoel will require additional capital to fund the acquisition, exploration, development and production of oil and natural gas reserves in the future. Canoel's management will continue to consider various means of obtaining additional capital, within the context of existing market conditions (equity financings, debt, sale of assets, joint venture agreements or other) to further the exploration and development of the Company's properties and to provide sufficient working capital. The Corporation may not have access to 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. There is also no assurance that farmouts or sale of assets will be arranged. Moreover, future activities may require Canoel to alter its capitalization significantly. 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 and prospects.

Additional Funding Requirements.

Canoel's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, Canoel 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 Canoel to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Canoel's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect Canoel's ability to expend the necessary capital to replace its reserves or to maintain its production. If Canoel'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, if available, on terms acceptable to Canoel. Continued uncertainty in domestic and international credit markets could materially affect Canoel's ability to access sufficient capital for its capital expenditures and acquisitions, and as a result, may have a material adverse effect on Canoel's ability to execute its business strategy and on its business, financial condition, results of operations and prospects.

Leverage and Restrictive Covenants

The ability of Canoel to make payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing any indebtedness of Canoel. The degree to which Canoel is leveraged could have important consequences for shareholders including: (i) Canoel's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) all or part of Canoel's cash flow from operations may be dedicated to the payment of the

principal of and interest on Canoel's indebtedness, thereby reducing funds available for future operations; (iii) Canoel's borrowings may be at variable rates of interest, which would expose Canoel to the risk of increased interest rates; and (iv) Canoel may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors could have a material adverse effect on Canoel's business, financial condition, results of operations and prospects.

Issuance of Debt

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

Hedging

From time to time Canoel 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, Canoel will not benefit from such increases and Canoel may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Similarly, from time to time Canoel 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, Canoel will not benefit from the fluctuating exchange rate.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Canoel and may delay exploration and development activities.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat Canoel's claim which may have a material adverse effect on Canoel's business, financial condition, results of operations and prospects.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are 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 materially from actual results. 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 associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. Canoel'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. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. 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, Canoel's independent reserves evaluators have used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows 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 cash flows derived from Canoel's oil and gas reserves will vary from the estimates contained in the reserve evaluations, and such variations could be material. The reserve evaluations are based in part on the assumed success of activities Canoel intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the reserve evaluations will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluations. The reserve evaluations are effective as of a specific effective date and have not been updated and thus do not reflect changes in Canoel's reserves since that date.

Insurance

Canoel's involvement in the exploration for and development of oil and natural gas properties may result in Canoel becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although Canoel maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, Canoel 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 any uninsured liabilities would reduce the funds available to Canoel. The occurrence of a significant event that Canoel is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on Canoel's business, financial condition, results of operations and prospects.

Management of Growth

Canoel may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Canoel to manage growth effectively will require it to continue to implement and improve its operational financial systems and to expand, train and manage its employee base. The inability of Canoel to deal with this growth may have a material adverse effect on Canoel's business, financial condition, results of operations and prospects.

Third Party Credit Risk

Canoel may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to Canoel, such failures may have a material adverse effect on Canoel's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in Canoel's ongoing capital program, potentially delaying the program and the results of such program until Canoel finds a suitable alternative partner.

Conflicts of Interest

Certain directors of Canoel are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the BCBCA. See "Directors and Executive Officers — Conflicts of Interest".

Reliance on Key Personnel

Canoel's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on Canoel's business, financial condition, results of operations and prospects. Canoel does not have any key person insurance in effect. The contributions of the existing management team to the immediate and near term operations of Canoel 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 Canoel 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 Canoel.

Forward-Looking Information May Prove Inaccurate

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

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

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings. In order to mitigate these risks, the

Corporation has qualified technical and financial personnel, with experience in Tunisia and Italy. Further, the Corporation has focused its foreign operations, and plans to target future foreign operations, in known and prospective hydrocarbon basins in jurisdictions that have previously established long-term oil and gas ventures with foreign oil and gas companies, and that have stable political and favourable fiscal environments. Additional risks and uncertainties not currently known to the management of the Corporation may also have an adverse effect on Canoel's business and the information set out below does not purport to be an exhaustive summary of the risks affecting Canoel.

Operational Risks

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

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

To the extent the Corporation is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent.

Canoel's success depends in large measure on the performance of its management and key personnel. The loss of the services of such key personnel or the inability to attract suitably qualified personnel in the future could have a material adverse effect on the Corporation's business. Difficulties may also be experienced in certain jurisdictions in employing and retaining qualified personnel who are willing to work in such jurisdictions.

The Corporation's ability to market oil and natural gas from its wells also depends upon numerous factors beyond its control, including, among other things, the availability of natural gas processing and storage capacity, the availability of pipeline capacity, the price of oilfield services and the effects of

inclement weather. Canoel may be unable to market some or all of the oil and natural gas it produces or to obtain favourable prices for the oil and natural gas produced.

Competition

The petroleum industry is competitive in all its phases. Canoel will compete with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Canoel's competitors will include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of the Corporation. Canoel's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources. Canoel believes its competitive position is equivalent to that of other oil and gas companies of similar size and at a similar stage of development.

Seasonality

The level of activity in the international jurisdictions where the Corporation is or is intending to be active is influenced by seasonal weather patterns. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines may delay the Corporation's activities and/or affect the prices for the Corporation's sales.

Risks Associated with Foreign Operations

International operations are subject to political, economic and other uncertainties, including, among others, risk of war, risk of terrorist activities, border disputes, expropriation, renegotiations or modification of existing contracts, restrictions on repatriation of funds, import, export and transportation regulations and tariffs, taxation policies including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes, sudden changes in laws, government control over domestic oil and gas pricing, and other uncertainties arising out of foreign government sovereignty over the Corporation's international operations. With respect to taxation matters, the governments and other regulatory agencies in the foreign jurisdictions in which Canoel operates and intends to operate in future may make sudden changes in laws relating to royalties or taxation or impose higher tax rates which may affect Canoel's operations in a significant manner. These governments and agencies may not allow certain deductions in calculating tax payable that Canoel believes should be deductible under applicable laws or may have differing views as to values of transferred properties. This can result in significantly higher tax payable than initially anticipated by Canoel. In many circumstances, re-adjustments to tax payable imposed by these governments and agencies may occur years after the initial tax amounts were paid by Canoel, which can result in the Corporation having to pay significant penalties and fines. Furthermore, in the event of a dispute arising from international operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Corporation operates in such a manner as to minimize and mitigate its exposure to these risks; however, there can be no assurance that Canoel will be successful in protecting itself from the impact of all these risks.

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.

Variation in Foreign Exchange Rates and Interest

The Corporation's expenses on Canadian operations are denominated in Canadian dollars and a significant portion of the Company's international activities are conducted in Euros in Italy and in US dollars and Argentine Pesos in Argentina where the Company is exposed to changes in foreign exchange rates as operating expenses, capital expenditures, and financial instruments fluctuate due to changes in exchange rates. The Company does not use derivative instruments to hedge its exposure to foreign exchange risks.

Reserve Replacement

Canoel's future oil and gas reserves, production, and cash flows to be derived therefrom are highly dependent on successfully acquiring or discovering new reserves. Existing reserves and production will decline over time without the continual addition of new reserves. A future increase in reserves will depend on Canoel's ability to develop any properties it may have from time to time and its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Canoel's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Economic Conditions

Unfavourable economic conditions may adversely affect the Corporation's development and exploration activities and could also increase the Corporation's financing costs, decrease revenues, limit access to capital markets and negatively impact any of the availability of credit facilities to the Corporation.

Possible Failure to Realize Anticipated Benefits of Future Acquisitions and Dispositions

Canoel may make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of any future 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 its own. The integration of acquired businesses requires substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect Canoel's ability to achieve the anticipated benefits of these and future acquisitions. Non-core assets may be periodically disposed of, so that Canoel 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 Canoel's financial statements.

Environmental Concerns

The oil and natural gas industry is subject to environmental regulations pursuant to local, provincial and federal legislation. A breach of such legislation may result in the imposition of fines or other penalties. Should the Corporation be unable to fully fund the cost of remedying an environmental problem, the Corporation might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. Environmental legislation is evolving in a manner expected to result in more strict 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.

Abandonment and Reclamation Costs

Canoel will be responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding abandonment and reclamation in respect of its properties, which abandonment and reclamation costs may be substantial. A breach of environmental legislation or regulations may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made.

Geo-Political Risks

The marketability and price of oil and natural gas that may be acquired or discovered by Canoel is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle-East, and other areas of the world, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of the Corporation's net production revenue.

In addition, Canoel's oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of the Corporation's properties, wells or facilities are the subject of terrorist attack it could have a material adverse effect on Canoel. The Corporation does not have insurance to protect against the risk from terrorism.

Dilution

Canoel may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive. Canoel may also issue additional Common Shares from time to time as the Board may determine pursuant to its stock option plan.

Expiration of Permits, Licenses and Leases

Canoel's properties are held in the form of permits, licenses and leases and working interests in permits, licenses and leases. If the Corporation or the holder of the permit, license or lease fails to meet the specific requirement of a permit, license or lease, the permit, license or lease may terminate or expire.

There can be no assurance that any of the obligations required to maintain each permit, license or lease will be met. The termination or expiration of the Corporation's permits, licenses or leases or the working interests relating to a permit, license or lease may have a material adverse effect on the Corporation's results of operations and business.

Price Volatility of Publicly Traded Securities

In recent years the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operation performance of, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It is likely that the market price for Common Shares will be subject to market trends generally, notwithstanding the financial and operational performance of the Corporation.

Delay in Cash Receipts

In addition to the expected time-lags in payment by producers of oil and natural gas to the operators of Canoe's properties, and by the operators to Canoe, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of Canoe's properties or the establishment by the operator of reserves for such expense.

Net Asset Value

Canoe's net asset value will vary dependent upon a number of factors beyond the control of Canoe management, including oil and natural gas prices. The trading prices of Common Shares are also determined by a number of factors which are beyond the control of management and such trading prices may be greater than or less than the net asset value of Canoe.

Impact of Future Expenditures

The reserve values of Canoe's properties, as estimated by independent engineering consultants, are based in part on cash flows to be generated in future years as a result of future capital expenditures. The reserve values of Canoe's properties, as estimated by independent engineering consultants, will be reduced to the extent that such capital expenditures on such properties do not achieve the level of success assumed in such engineering reports.

Structure of Canoe

From time to time Canoe may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of Canoe and its subsidiaries. If the manner in which Canoe structures its affairs is successfully challenged by a taxation or other authority, Canoe may be adversely affected.

Changes in Legislation

It is possible that the Canadian and international governments and provincial/state or regulatory authorities could choose to change the income tax laws, royalty regimes, environmental laws or other laws applicable to oil and gas companies and that any such changes could materially adversely affect Canoeel and the market value of its Common Shares. In addition it is also possible that legislation changes, which could adversely affect Canoeel and the market value of Canoeel could occur in other jurisdictions where Canoeel operates.

Additional Risks Relating to Argentinean Operations

Political Risks

In late 2010 and early 2011, in the Province of Chubut where Canoeel has its oil operations, there have been isolated incidents where sporadic peaceful demonstrations targeting improved labour conditions have disrupted day to day normal operations. Should such disruptions occur again, depending on the stage of Canoeel's operations, they could potentially have an impact on the cost or completion of Canoeel's operations. Canoeel has security protocols and policies in place to manage the eventualities we consider possible. Canoeel regularly assesses the situation in the context of what its plans are and how those plans may be impacted by the local and national conditions at that time. Although at present, Canoeel is proceeding normally with its operational plans in the Don Alberto and Don Ernesto fields in the province of Chubut, it is possible that more disruptions may occur in the future.

Canoeel's oil and gas operations in Argentina are subject to political, economic and other uncertainties. Those uncertainties include: (i) the risk of war, revolution, border disputes, expropriation, renegotiation or modification of existing contracts, import, export, and transportation regulations and tariffs resulting in loss of revenue, property and equipment; (ii) nationalization of assets by the Argentine government; (iii) taxation policies, including royalty and tax increases and retroactive tax claims; (iv) exchange controls, currency fluctuations and other uncertainties arising out of the Argentine 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 Argentinean 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 Argentina could result in a new government or the adoption of new policies, laws or regulations that might exhibit a substantially more hostile attitude toward foreign investment in general or Canoeel 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 Canoeel. In addition, Canoeel 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).

Furthermore, international oil and gas operations in Argentina involve substantial costs and are subject to certain risks owing to the nature of the oil and gas industry in Argentina. The oil and gas industry in Argentina is not as developed as the oil and gas industry in Canada. As a result, drilling and development operations may take longer to complete and may cost more than similar operations in Canada. The availability of technical expertise, specific equipment and supplies is more limited in Argentina than in

Canada. Such factors may subject oil and gas operations in Tunisia to economic and operating risks not experienced in Canada.

Requirements for Permits and Licenses

The operations of Canoel in Argentina require licenses, permits and in some cases renewals of existing licenses and permits from the Government of Argentina. Canoel believes that it currently holds or has applied for all necessary licenses and permits to carry on the activities, which it is currently conducting under applicable laws and regulations in respect of its properties, and also believes that it is complying in all material respects with the terms of such licenses and permits. However, the ability of Canoel to obtain, sustain or renew such licenses or permits on acceptable terms is subject to change in regulations and policies and to the discretion of the government.

Argentinean Legal System

Argentina has a legal system which is slightly different from the Canadian system. This may result in risks such as: (i) effective legal redress in the courts of such jurisdiction, whether in respect of a breach of law or regulation, or, in an ownership dispute, being difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders or resolutions; or (v) relative inexperience of the judiciary and courts in such matters.

In addition, the commitment of local businesspeople, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses and agreements for businesses. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance the joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of an enforcement of such arrangements in Argentina cannot be assured. As a result of the local infrastructure present in Argentina, the land titles systems are not developed to the extent found in other nations. Although Canoel believes that it has good title to its oil and gas properties, there is little it can do to control this risk.

Tax Risks Related to Argentinean Operations

Canoel pays relatively low taxes or royalties on production from the Don Alberto and Don Ernesto fields. Going forward, potential changes in the tax and/or royalty system could have a significant impact on the tax payable by Canoel.

DIVIDENDS OR DISTRIBUTIONS

Canoel has not declared or paid any cash dividends or distributions to shareholders in the past three years. The future payment of dividends or distributions will be dependent upon the financial condition of the Corporation and other factors which the Board of Directors may consider appropriate in the circumstances.

DESCRIPTION OF SHARE CAPITAL

Canoel is authorized to issue an unlimited number of Common Shares, of which 52,559,492 were issued and outstanding as of March 31, 2012 and 64,425,625 are issued and outstanding as at the date hereof. Canoel is authorized to issue an unlimited number of preferred shares, issuable in series, of which none have been issued as of the date of this Annual Information Form.

Common Shares

The holders of Common Shares are entitled to receive notice of, to attend and vote at any meetings of the Shareholders, to receive such dividends declared by Canoel and to receive the remaining property of Canoel on dissolution after creditors of Canoel and holders of the preferred shares outstanding at the time have been satisfied.

Preferred Shares

Canoel is authorized to issue an unlimited number of preferred shares issuable in series, each series consisting of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board of Directors prior to the issuance thereof. With respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of Canoel, the preferred shares are entitled to preference over the Common Shares and any other shares ranking junior to the preferred shares and may also be given such other preferences over the Common Shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of each series.

MARKET FOR SECURITIES

The Common Shares are listed for trading on the TSX Venture Exchange ("**Exchange**") under the symbol, "CIL".

The following table sets out the price range for, and trading volume of, the Common Shares as reported by the Exchange for each month during the year ended March 31, 2012:

Price Range (March 2012 to April 2011)				
	High Low		Volume	
	(Canadian Dollars)			
2012	<u>High</u>	<u>Low</u>	<u>Volume</u>	
March	0.080	0.040	173,000	
February	0.065	0.040	320,757	
January	0.100	0.055	184,500	
2011	<u>High</u>	<u>Low</u>	<u>Volume</u>	
December	0.070	0.035	519,750	
November	0.090	0.065	291,034	
October	0.090	0.055	255,500	
September	0.135	0.075	689,750	

Price Range (March 2012 to April 2011)
High Low Volume
(Canadian Dollars)

August	0.120	0.060	303,403
July	0.095	0.070	61,003
June	0.100	0.080	674,750
May	0.100	0.080	90,650
April	0.100	0.070	811,000

PRIOR SALES

The following table summarizes each class of securities of the Corporation's outstanding but not listed or quoted on a marketplace and that were issued in the most recently completed financial year, the price at which the securities were issued, the number and description of the securities issued and the dates such securities were issued.

Date of Issue	Description of Securities	Number of Securities	Price per Security
APR 25, 2011	Warrants	800,000	\$0.17 ⁽¹⁾
JUL 20, 2011	12% Unsecured Convertible Notes	Approx. \$213,170	See note (2)
SEP 14, 2011	Warrants	800,000	\$0.17 ⁽³⁾
SEP 23, 2011	Warrants	1,100,000	\$0.15 ⁽⁴⁾
NOV 24, 2011	Warrants	6,188,034	\$0.10 ⁽⁵⁾
DEC 16, 2011	9% Unsecured Convertible Notes	Approx. \$1,075,890	See note (6)
MAR 30, 2012	Warrants	4,000,000	\$0.10 ⁽⁷⁾

Notes:

- (1) Represents the exercise price. The warrants were issued in conjunction with a conversion of convertible debt and expired on April 25, 2012.
- (2) The convertible notes may be converted into common shares of the Corporation at a price of \$0.15 per common share at any time prior to July 18, 2014.
- (3) Represents the exercise price. The warrants were issued in conjunction with a conversion of convertible debt and expire on September 14, 2012.
- (4) Represents the exercise price. The warrants were issued in conjunction with a private placement of units, each unit consisting of 1 common share and 1 warrant. The warrants expire on September 23, 2014.
- (5) Represents the exercise price. The warrants were issued in conjunction with a private placement of units, each unit consisting of 1 common share and 1 warrant. The warrants expire on November 23, 2013.
- (6) The convertible notes may be converted into common shares of the Corporation at a price of CDN\$0.15 per common share at any time prior to January 11, 2015.
- (7) Represents the exercise price. The warrants were issued in conjunction with a private placement of units, each unit consisting of 1 common share and 1 warrant. The warrants expire on March 28, 2014.

DIRECTORS AND OFFICERS

The following table sets forth the name, residence, position with Canoe, time served as a director (if applicable) and the principal occupation during the last five years of each director and officer of Canoe.

Directors are elected at the annual meetings of shareholders and serve until the next annual meeting or until a successor is elected or appointed. The board of directors presently consists of six directors.

Name, Residence and Position with the Corporation	Director/Officer Since	Principal Occupation	No. of Common Shares Owned or Controlled
Jose' Ramon Lopez-Portillo ^{(1) (2) (4)} Oxford, England, Director	September 24, 2008 Chairman	Founder and Coordinator of the Centre for Mexican Studies at Oxford University since 2002 and organizer of annual conference and seminar on energy security in Mexico at Oxford, and a Director of World SkyCat Ltd since 2000.	480,000 0.75%
Luigi (Gino) Regis Milano ^{(2) (3)} Genoa, Italy, Director,	September 24, 2008	Director and owner of D.P.L. Srl. an Italian oil refinery.	475,000 0.74%
Andrea Cattaneo London, England Director, President and CEO ⁽³⁾	December 9, 2008	Energy consultant specialized in emerging countries. He began his career in trading with Comecon; subsequently moved into banking where he specialized in sovereign loans and trade finance with emerging countries, principally socialist countries in Africa, Eastern Europe and Asia; finally he moved to petroleum trading and exploration. He has thirty years experience in advising governments in financial and energy related matters. He has matured some experience in manufacturing. He presently serves as Member of the Business Advisory Council to the Great Tumen Initiative, a project, sponsored by the United Nations Development Program, involving China, Mongolia, Russia, North Korea and South Korea. In a non-business capacity, in 2007 he organized in Genoa the first worldwide exhibition of artists from North Korea and is a director of the CIFF Calgary International Film Festival	4,875,782 7.57%
Dario E. Sodero ^{(1) (3)} ⁽⁴⁾ Okotoks, Alberta Director	June 24, 2009	Geologist and Independent businessman. CEO & President of CYGAM Energy Inc. until April 2011 Director of CYGAM Energy Inc. from October 2005 to September 2012.	110,000 0.17%

Name, Residence and Position with the Corporation	Director/Officer Since	Principal Occupation	No. of Common Shares Owned or Controlled
		Director of Rockbridge Resources Inc.; both are listed in the TSXV.	
Francesco Zofrea ⁽¹⁾ ^{(3) (4)} , Rome, Italy, Director	June 24, 2009	Director of Eni Power Spa. Previously the Managing Director of Agip Petroli spa, the largest operative arm of the ENI group, the major state controlled Italian oil company	Nil 0%
Erik Larre, ^{(1)(2) (4)} Oslo, Norway, Director	March 22, 2011	Director and Chairman of the Audit Committee of Sparebank 1 Nord Norge, Norway	6,529,633 10.13%
John Arne Farstad, Molde, Norway, Chief Financial Officer	November 29, 2010	Chief Financial Officer of the Corporation since November 2010. Prior thereto, Chartered Accountant in Norway, CFO and director of several Norwegian companies	683,527 1.06%

Notes:

- (1) Audit Committee member.
- (2) Remuneration Committee member.
- (3) Reserves Committee member
- (4) Corporate Governance Committee member.
- (5) To the knowledge of the Corporation, no director together with the director's associates and affiliates beneficially own or control or direct, directly or indirectly, 10% or more of the voting rights attached to all voting securities of the Corporation. Information regarding ownership of securities by the proposed directors and their respective associates and affiliates, not being within the knowledge of the Corporation, has been provided by the respective proposed directors.

As of the date hereof, the directors and officers of the Corporation, as a group, own or control, directly or indirectly 13,153,942 Common Shares representing approximately 20.42% of the issued and outstanding Common Shares. The information as to the number of Common Shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective directors and officers of the Corporation individually.

Corporate Cease Trade Orders

To the knowledge of management, none of the directors or executive officers of the Corporation is, or has been within the past ten years, a director, chief executive officer or chief financial officer of any company, including the Corporation, that while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or after such persons ceased to be a director, chief executive officer or chief financial officer of the company, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, which resulted from an event that occurred while acting in such capacity.

Bankruptcies

To the knowledge of management, no director or executive officer or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or has been within the past 10 years, a director or executive officer of any company, including the Corporation, that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the knowledge of management, none of the Corporation's directors or executive officers, nor any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

LEGAL PROCEEDINGS

Except as described below, management of the Corporation is not aware of any existing or contemplated legal proceedings to which Canoel or its subsidiaries is or was a party to, or that any of the Corporation's property is or was the subject of, during the most recently completed financial year, that were or are material to the Corporation.

On March 22, 2011, solicitors for Stacey Kivel sent a demand letter to Canoel claiming that £35,295.05 remains due and owing in respect of an invoice for a finder's fee pursuant to a finder's agreement between Stacey Kivel and Canoel. Canoel disputed the claim on the basis that it had already paid Stacey Kivel's corporation, Universal Communications Ltd., a finder's fee for the introductions in respect of which the amount was claimed. Canoel also notes that the finder's agreement was in respect of loan financing that was never obtained. Canoel's counsel responded to the demand letter and outlined Canoel's reasons for refusing to pay the claimed amount. Stacey Kivel's solicitors responded on June 30, 2011, indicating an intention to bring an action in the High Court in London if no payment was made by June 14, 2011. Canoel refuted any allegation and refused to pay on the basis explained above. Such action was commenced by the claimant. However, after the initial filings by both parties, no further development occurred and, as such, we are not able to indicate the potential outcome of this claim.

The Corporation is of the view that the foregoing does not constitute a material contemplated legal proceeding.

CONFLICTS OF INTERESTS

There are potential conflicts of interest to which the directors and officers of Canoel will be subject in connection with the operations of Canoel. In particular, certain of the directors and officers of Canoel are involved in managerial or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of Canoel or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Canoel See "Directors

and Officers". Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. The BCBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the BCBCA.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein or as previously disclosed by the Corporation, the Corporation is not aware of any material interest, direct or indirect, of any director or executive officer of the Corporation, any person or company that beneficially owns or controls or directs, directly or indirectly, more than 10% of any class or series of the Corporation's outstanding securities or an associate or affiliate of any of the foregoing, in any transaction within the three most recently completed financial years or the during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The Corporation's auditors are BDO LLP ("**BDO**"), Chartered Accountants, of Calgary, Alberta.

Olympia Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario, is the transfer agent and registrar of the Common Shares.

MATERIAL CONTRACTS

There are no contracts entered into by the Corporation in the last financial year or entered into before the last financial year and which are still in effect that can reasonably be regarded as presently material to the Corporation, except for contracts entered into in the ordinary course of business.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 by us during, or related to, the Corporation's most recently completed financial year other than Ralph E. Davis, independent engineering evaluators engaged by the Corporation and BDO, auditors of the Corporation. None of the designated professionals of Ralph E. Davis has any registered or beneficial interests, direct or indirect, in any securities or other property of Canoel.

BDO has advised that it is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to Canoel is available on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's comparative consolidated financial statements for its financial year ended March 31, 2012, together with the accompanying report of the auditor and management's discussion & analysis filed on SEDAR.

APPENDIX A
Form 51-101F1

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 ⁽¹⁾		Natural Gas Liquids	
	Gross ⁽²⁾ (Mbbbls)	Net ⁽³⁾ (Mbbbls)	Gross ⁽²⁾ (Mbbbls)	Net ⁽³⁾ (Mbbbls)	Gross ⁽²⁾ (MMcf)	Net ⁽³⁾ (MMcf)	Gross ⁽²⁾ (Mbbbls)	Net ⁽³⁾ (Mbbbls)
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\$) ⁽¹⁾	Royalties (M\$) ⁽²⁾	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

		Future Net Revenue Before Income Taxes (discounted at 10%/year) (M\$)	Unit Value Before Income Taxes (discounted at 10%/year) (\$/Bbl)
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 ⁽¹⁾		Natural Gas Liquids	
	Gross ⁽²⁾ (Mbbls)	Net ⁽³⁾ (Mbbls)	Gross ⁽²⁾ (Mbbls)	Net ⁽³⁾ (Mbbls)	Gross ⁽²⁾ (MMcf)	Net ⁽³⁾ (MMcf)	Gross ⁽²⁾ (Mbbls)	Net ⁽³⁾ (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:

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 2.2b 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)

Reserves Category	Revenue (M\$)⁽¹⁾	Royalties (M\$)⁽²⁾	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	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
TOTAL PROVED	111,164	10,004	21,666	6,150	560	72,784	0	72,784
PROBABLE	13,692	1,232	503	2,000	0	9,957	0	9,957
TOTAL PROVED PLUS PROBABLE	124,856	11,236	22,169	8,150	560	82,741	0	82,741

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 2.2d FUTURE NET REVENUE BY PRODUCTION GROUP

		Future Net Revenue Before Income Taxes (discounted at 10%/year) (M\$)	Unit Value Before Income Taxes (discounted at 10%/year) (\$/Bbl)
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 Canoe's interest in production and reserves, its "Company gross reserves", which are Canoe'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 Canoe has an interest; and

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

"Net" means:

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

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

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

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 Canoe 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 Canoe 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 Canoe oil, as stated by Canoe, 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 Canoe Oil Price

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

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:

Canoe'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 Canoe 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 Canoe Oil Price

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

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

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

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

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 Canoe.

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 Canoe Oil Price

$$\text{PriceCanoe} = \{ \text{SalePrice}[\text{Canoe/gal}] - \text{DistributionTax}[\text{Canoe/gal}] \} / (\text{XchgRate}[\text{Canoe/\$}] \text{ in } [\$/\text{gal}])$$

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

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

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

Inflation rate data is presented below in ITEM 3.2.

Forecast Prices Used in Estimates

Equation 1 Forecast Canoe Oil Price

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

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

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

Year	WTI \$/bbl US	Edmonton Light Crude Oil \$/bbl Cdn	Alberta Heavy Crude Oil \$/bbl Cdn	Edmonton Condensate and Natural Gasolines \$/bbl Cdn	Edmonton Butanes \$/bbl Cdn	Edmonton Propane \$/bbl Cdn	Inflation Rate (%/Yr)	Exchange Rate (\$US/\$Cdn)
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
<u>Constant Prices</u>		
Prior to 2011	0	0
March 31, 2011	0	0
March 31, 2012	667.355	0
<u>Forecast Prices</u>		
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
<u>Constant Prices</u>		
March 31, 2010	0	0
March 31, 2011	0	0
March 31, 2012	220.220	0
<u>Forecast Prices</u>		
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 Canoel 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 Canoel's future net revenue attributable to the reserve categories noted below. All of Canoel'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

Canoel 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. Canoel 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 Canoel'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 Rivadavia, 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 Rivadavia, 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.

	Oil Wells			
	Producing		Non-Producing	
	Gross	Net	Gross	Net
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.

	Developed Hectares		Undeveloped Hectares		Total Hectares	
	Gross	Net	Gross	Net	Gross	Net
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:

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

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>\$2,841.0</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⁽²⁾</u>	<u>Constant Prices and Costs Net Daily Production⁽²⁾</u>
Medium Oil		
(bbls/d)	138.3	138.3
Total ⁽¹⁾ (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.

Month	Received Price (\$/Bbl)	Don Alberto Field	
		Oil Production (Bbls)	Cumulative Oil Production (Bbls)
April, 2011	52.60	2,312.00	6,174,898.00
May	53.60	2,789.00	6,177,768.00
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

Month	Received Price (\$/Bbl)	Don Ernesto Field	
		Oil Production (Bbls)	Cumulative Oil Production (Bbls)
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 ³	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 B
Form 51-101F2

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)				Total M\$-US
			Audited M\$-US	Evaluated M\$-US	Reviewed 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

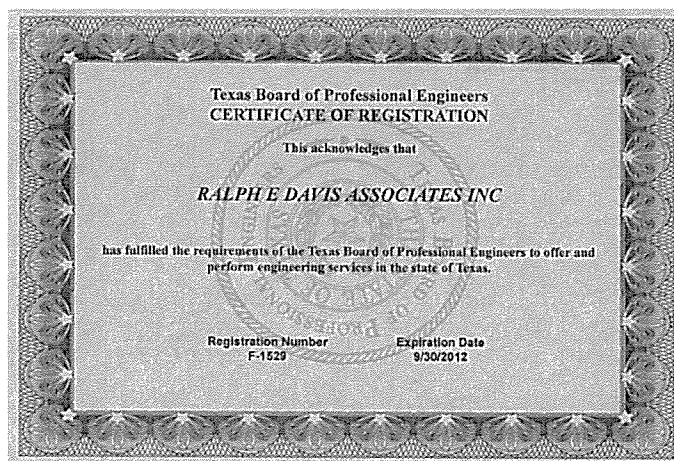
FORECASTED PRICES AND COSTS

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)				Total M\$-US
			Audited M\$-US	Evaluated M\$-US	Reviewed 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:

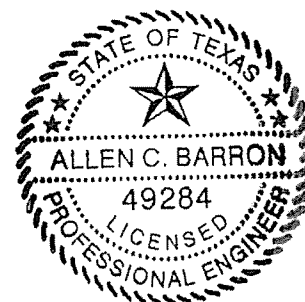
Ralph E. Davis Associates, Inc. dated July 18, 2012.



RALPH E. DAVIS ASSOCIATES, INC.

Allen C. Barron

Allen C. Barron, P.E.
President



APPENDIX C
Form 51-101F3

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.¹
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

¹ 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"

Andrea Cattaneo
President and Chief Executive Officer

"John Arne Farstad"

John Arne Farstad
Chief Financial Officer

"Dario Sodero"

Dario Sodero
Director

"Erik Larre"

Erik Larre
Director

Dated the 26th day of July, 2012.

APPENDIX D

Definitions Used for Contingent Resource Categories

The following definitions form the basis of the classification of reserves and values presented in the Ralph E. Davis Report. They have been prepared by the Standing Committee on Reserves Definitions of the Petroleum Society of the CIM incorporated in the Society of Petroleum Evaluation Engineers Canadian Oil and Gas Evaluation Handbook ("**COGE Handbook**") and specified by National Instrument 51-101 ("**NI 51-101**").

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

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology;
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed; and
- a remaining reserve life of 50 years.

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

1. Proved Reserves

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.

2. Probable 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 + probable reserves.

3. Possible Reserves

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves. Possible reserves have not been considered in the Ralph E. Davis Report.

Other criteria that must also be met for categorization of reserves are provided in Section 5.5 of the COGE Handbook.

Each of the reserves categories (proved, probable, and possible) may be divided into developed and undeveloped categories.

4. Developed Reserves

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 (e.g., 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.

5. Developed Producing Reserves

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.

6. Developed Non-Producing Reserves

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.

7. Undeveloped Reserves

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

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to 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 what will be recovered from specific wells, facilities, and completion intervals in the pool and their respective development and production status.

8. Levels of Certainty for Reported Reserves

The qualitative certainty levels contained in the definitions in Section 5.4.1 Reserves Categories above are applicable to individual reserves entities, which refer to the lowest level at which reserves estimates are made, and to reported reserves, which refers to the highest level sum of individual entity estimates for which reserve estimates are made.

Reported total reserves estimated by deterministic or probabilistic methods, whether comprised of a single reserves entity or an aggregate estimate for multiple entities should target the following levels of certainty under a specific set of economic conditions:

- (a) There is a 90% probability that at least the estimated proved reserves will be recovered.
- (b) There is a 50% probability that at least the sum of the estimated proved reserves plus probable reserves will be recovered.

- (c) There is a 10% probability that at least the sum of the estimated proved reserves plus probable reserves plus possible reserves will be recovered.

A quantitative measure of the probability associated with a reserves estimate is generated only when a probabilistic estimate is conducted. The majority of reserves estimates will be performed using deterministic methods that do not provide a quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5.5.3 of the COGE Handbook. Whether deterministic or probabilistic methods are used, evaluators are expressing their professional judgment as to what are reasonable estimates.

9. **Pipeline Gas Reserves** are gas reserves remaining after deducting surface losses due to process shrinkage and raw gas used as lease fuel.
10. **Remaining Recoverable Reserves** are the total remaining recoverable reserves associated with the acreage in which the Company has an interest.
11. **Company Gross Reserves** are the Company's working interest share of the remaining reserves, before deduction of any royalties.
12. **Company Net Reserves** are the gross remaining reserves of the properties in which the Company has an interest, less all Crown, freehold, and overriding royalties and interest owned by others.
13. **Net Production Revenue** is income derived from the sale of net reserves of oil, pipeline gas, and gas by-products, less all capital and operating costs.
14. **Fair Market Value** is defined as the price at which a purchaser seeking an economic and commercial return on investment would be willing to buy, and a vendor would be willing to sell, where neither is under compulsion to buy or sell and both are competent and have reasonable knowledge of the facts.
15. **Barrels of Oil Equivalent (BOE) Reserves** - BOE are the sum of the oil reserves, plus the gas reserves divided by a factor of 6, plus the natural gas liquid reserves, all expressed in barrels or thousands of barrels.