Form 51-101 F1

Brownstone Energy Inc.

Statement of Reserves Data

And Other Oil and Gas Information

As of June 30, 2012

Table of Contents

Glossary of Terms

Reserves	Estimated reserves of natural gas, natural gas liquids and crude oil.
Working interest	Those lands in which the Company receives its acreage share of net production revenues.
Gross reserves	Estimated reserves before royalties based on working interest.
Net reserves	Estimated reserves after royalties based on working interest.
Future net revenue	Working interest revenues after royalties, development costs, production costs and well abandonment costs, but before administrative, overhead and other such indirect costs. Future net revenue may be presented either before or after tax.
Proved reserve	Reserve 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	Reserve that is less certain than proved reserve at being recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserve.
Developed reserve	Reserve that is 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.
Producing reserve	Reserve that is expected to be recovered from completion intervals open at the time of estimate. The category of reserve 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 reasonably certainty.
Non-prod. reserve	Reserve that either has not been on production, or has previously been on production, but is shut-in, and the date of resumption of production is unknown.
Stb/stock tank barrel	A 42-US gallon barrel of crude oil at standard conditions of 1 atmosphere and 60 ^{o}F.
M	Thousand (1,000).
MM	Million (1,000,000)
Mbbl	1,000 barrels of oil and/or natural gas liquids.
MMBtu	A unit of heat energy equal to one million British thermal units.
Mcf	1,000 cubic feet of natural gas.
Bcf	One billion (1,000,000,000) cubic feet of natural gas
bbl or barrel	A 42-US gallon barrel of crude oil or natural gas liquids.
Undeveloped reserve	Reserve that is expected to be recovered from known accumulation where a significant expenditure is required to render them capable of production (e.g. in comparison to the costs of drilling a well). Such reserve must fully meet the requirements of the reserve classification to which they are assigned (proved or probable).

Form 51-101 F1

Statement of Reserves Data and Other Oil and Gas Information for Brownstone Energy Inc.

Part 1 Date of Statement

Item 1.1 Relevant Dates

1. Date of Statement: October 17, 2012
2. Effective Date: June 30, 2012
3. Preparation Date: October 25, 2012

The following information is related to the Company's reserves, future net revenue and discounted value of future net cash flow of the heavy oil in Colombia. Petrotech Engineering Ltd. ("Petrotech"), independent qualified evaluators of Burnaby, British Columbia estimated the Colombian reserves effective June 30, 2012, and Gustavson Associates LLC ("Gustavson") independent qualified evaluators of Boulder, Colorado estimated the U.S.A. reserves effective June 30, 2012. The Company used the reserves in the preparation of the Financial Statements for the fiscal year ended June 30, 2012.

All of the Company's oil and gas reserves are onshore in the countries of Colombia and the U.S.A..

The reserves on the properties described herein are estimates only. Actual reserves on the properties may be greater or less than those calculated.

The estimated future net revenue contained in the following tables does not necessarily represent the fair market value of the reserves. There is no assurance that forecast prices and costs assumed in the Petrotech and Gustavson evaluations will be attained, and variances could be material. Assumptions and qualifications relating to costs and other matters are summarized in the notes to the following tables.

The following tables provide the reserves data and the breakdown of future net revenue by commodities and reserve category using forecast prices and costs, based on the Company's working interest portion before royalties (gross) and/or after royalties (net) (see "Glossary of Terms").

The pricing used in tables that reflect forecast price evaluations is in Items 3.1 and 3.2. All cash flow data is in U.S. dollars.

In certain instances, numbers may not total due to computer-generated rounding. In such cases, differences are not material and amounts presented are as shown in the Petrotech Report and the Gustavson Report.

Part 2 Disclosure of Reserves Data

Item 2.1 Reserves Data (Forecast Prices and Costs)

Item 2.1.1 Breakdown of Reserves

Onshore Colombia

	Heavy Oil	
Reserve Category	Gross (Mbbl)	Net (Mbbl)
Proved Producing	104	95
Proved Non-Prod.	136	124
Proved Undeveloped	530	485
Total Proved	**770**	**704**
Total Probable	789	722
Proved + Probable	**1,559**	**1,426**

Onshore U.S.A.:

	Non-Associated Gas		Natural Gas Liquids	
Reserve Category	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
Proved Producing	0	0	0	0
Proved Non-Prod.	131	63	11	5
Proved Undeveloped	656	368	56	32
Total Proved	**787**	**431**	**68**	**37**
Total Probable	0	0	0	0
Proved + Probable	**787**	**431**	**68**	**37**

Item 2.1.2 Net Present Value of Future Net Revenue

Onshore Colombia:

	Before Tax NPV @				
Reserve Category	0% (M$US)	5% (M$US)	10% (M$US)	15% (M$US)	20% (M$US)
Proved Producing	3,288	2,986	2,734	2,521	2,340
Proved Non-Prod.	5,770	5,391	5,060	4,768	4,509
Proved Undeveloped	4,671	3,351	2,301	1,454	764
Total Proved	**13,729**	**11,729**	**10,095**	**8,744**	**7,613**
Total Probable	26,576	22,531	19,385	16,895	14,888
Proved + Probable	**40,306**	**34,259**	**29,480**	**25,639**	**22,501**

	After Tax NPV @				
Reserve Category	0% (M$US)	5% (M$US)	10% (M$US)	15% (M$US)	20% (M$US)
Proved Producing	3,288	2,986	2,734	2,521	2,340
Proved Non-Prod.	5,770	5,391	5,060	4,768	4,509
Proved Undeveloped	4,671	3,351	2,301	1,454	764
Total Proved	**13,729**	**11,729**	**10,095**	**8,744**	**7,613**
Total Probable	23,982	20,494	17,750	15,556	13,774
Proved + Probable	**37,711**	**32,222**	**27,845**	**24,300**	**21,387**

Onshore U.S.A.:

	Before Tax NPV @				
Reserve Category	0% (M$US)	5% (M$US)	10% (M$US)	15% (M$US)	20% (M$US)
Proved Producing	0	0	0	0	0
Proved Non-Prod.	213	126	82	56	39
Proved Undeveloped	1,044	466	201	62	-16
Total Proved	**1,258**	**592**	**282**	**118**	**23**
Total Probable	0	0	0	0	0
Proved + Probable	**1,258**	**592**	**282**	**118**	**23**

	After Tax NPV @				
Reserve Category	0% (M$US)	5% (M$US)	10% (M$US)	15% (M$US)	20% (M$US)
Proved Producing	0	0	0	0	0
Proved Non-Prod.	148	87	56	38	26
Proved Undeveloped	769	347	146	37	-25
Total Proved	**917**	**434**	**202**	**75**	**0**
Total Probable	0	0	0	0	0
Proved + Probable	**917**	**434**	**202**	**75**	**0**

Item 2.1.3 (a) (b) Additional Information Concerning Future Net Revenue

Onshore Colombia:

Reserve Category	Revenue (M$US)	Oil Royalties (Mbbl)	ORR (M$US)	Operating Costs (M$US)	Development Costs (M$US)	Abandon Costs (M$US)	Future Net Revenue Before Income Tax (M$US)	Future Income Tax Expenses (M$US)	Future Net Revenue After Income Tax (M$US)
Total Proved	61,505	65	1,752	34,917	10,867	239	13,729	-	13,729
Total Proved + Probable	124,509	133	3,264	65,544	14,852	544	40,306	2,595	37,711

Note: *Oil royalties are paid in kind and figures may be rounded off.

Onshore U.S.A:

Reserve Category	Revenue (M$US)	Oil Royalties (M$US)	Operating Costs (M$US)	Development Costs (M$US)	Abandon Costs (M$US)	Future Net Revenue Before Income Tax (M$US)	Future Income Tax Expenses (M$US)	Future Net Revenue After Income Tax (M$US)
Total Proved	3,904	798	1,060	867	12	1,257	341	917
Total Proved + Probable	3,904	798	1,060	867	12	1,257	341	917

Note: *Figures may be rounded off.

Item 2.1.3 (c) Unit Value of Net Present Value of Future Net Revenue based on Forecast Prices and Costs

Unit Value of the NPV of Future Net Revenue based on Net Share, Forecast Prices and Costs before deduction of income tax and calculating using discount rate of 10%.

Onshore Colombia:

	Heavy Oil @ PW 10%
	$/bbl
Proved	14.33
Proved + Probable	20.67

Onshore U.S.A.:

	Non-Associated Gas @ PW 10% before tax
	$/Mcf
Proved	0.66
Proved + Probable	0.66

Item 2.2 Supplemental Disclosure of Reserves Data (Constant Prices and Costs) - Not applicable.

Item 2.3 Reserves Disclosure Varies with Accounting - Not applicable.

Item 2.4 Future Net Revenue Disclosure Varies with Accounting - Not applicable.

Part 3 Pricing Assumptions

Item 3.1 Constant Prices Used in Supplemental Estimates - Not applicable.

Item 3.2 Forecast Prices Used in Estimates

Item 3.2.1(a)

Petrotech – Forecast Oil Prices in Colombia

The June 29, 2012 oil price closed at $84.96 per barrel for West Texas Intermediate (WTI) and at $97.53 per barrel for Brent. The forecast Vasconia oil price is $92.46 per barrel for the remaining months of 2012. All future commodity prices of crude oil prices were taken from NYMEX (www.cmegroup.com) on the last day of trading in June 2012. The historical prices for oil were taken from Sproule and Associates Inc. The following summarizes the NYMEX futures and the forecast oil prices:

Forecast Oil Prices

	WTI Light Sweet Crude	Brent Oil	Vasconia Oil @ 25°API	Canaguaro Oil @ 19.8°API	Flami Oil @ 15°API
Year	($/bbl)	($/bbl)	($/bbl)	($/bbl)	($/bbl)
2006	66.09	65.15			
2007	72.27	72.57			
2008	99.59	97.06			
2009	61.63	61.53			
2010	79.43	79.48	77.40		
2011	95.00	111.22			
31-Dec-11	98.83		103.11		
2012	85.79	97.80	91.80	88.94	86.69
2013	88.29	97.54	92.92	90.03	87.75
2014	87.83	95.85	91.84	88.98	86.73
2015	87.00	93.79	90.39	87.58	85.36
2016	86.55	92.23	89.39	86.61	84.42
2017	86.12	91.12	88.62	86.87	83.69

The above forecast oil prices are based on forecast Vasconia posted oil price and adjusted to the percentage of West Texas Intermediate and Brent crude oil prices on the NYMEX futures to 2017. In 2018, all oil prices are then escalated at 2% per year thereafter.

The forecast natural gas, condensate and natural gas liquid prices in the Gustavson's report are as follows:

	Henry Hub Gas	CIG Gas in Colorado	Condensate for Colorado	Natural Gas Liquids for Colorado
Year	($/MMbtu)	($/MMbtu)	($/bbl)	($/bbl)
2007	6.86			
2008	9.04			
2009	4.01			
2010	4.39			
2011	4.04			
Jun-12	2.49	1.88	84.36	43.38
2013		2.39	85.67	50.07
2014		2.78	84.40	53.19
2015		3.01	83.11	56.2
2016		3.19	82.49	55.74
2017		3.35	82.30	55.61
2018		3.54	82.25	55.57
2019		3.77	82.00	55.29
2020		4.03	81.86	55.29
2021		4.29	81.86	55.29
2022		4.57	81.86	55.29
2023		4.87	81.86	55.29
2024		5.16	81.86	55.29

The forecast gas prices after 2024 are flat as are the prices for condensate and natural gas liquids.

Item 3.2.1(b)

Item 3.2.2

For Colombia, the forecast oil prices are based on forecast Vasconia posted oil price and adjusted to the percentage of West Texas Intermediate and Brent crude oil prices on the NYMEX futures to 2017. There is also adjustment to the quality of the oil based on API gravity and salinity of the sales oil.

For the U.S.A. the oil and gas prices were taken from the following:

Sources: NGL pricing data from various recent "NGL Monitor" by Bentek. WTI data from U.S. Energy Information Agency.
WTI Oil, Henry Hub gas, and CIG gas pricing futures strips obtained as follows:
WTI: http://www.cmegroup.com/tradin/energy/crude-oil/light-sweet-crude_quotes_settlements_futures.html
Henry Hub: http://www.cmegroup.com/trading/energy/natural-gas/natural-gas_quotes_settlements_futures.html

CIG: http://www.cmegroup.com/trading/energy/natural-gas/cig-rocky-mountain-natural-gas-basis-swap-futures-platts-iferc_quotes_settlements_futures.html

Item 3.2.3 - Not applicable.

Part 4 Reconciliations of Changes in Reserves

Item 4.1 Reserves Reconciliation

Onshore Colombia:

	Gross Heavy Oil		
	Proved (Mbbl)	Probable (Mbbl)	Proved+Prob (Mbbl)
Total			
Opening Balance (June 30, 2011)	329.0	708.0	1,037.0
Extension & Improved Recovery	-	-	-
Technical Revisions	-	-	-
Discoveries	494.7	81.5	576.2
Acquisitions	-	-	-
Dispositions	-	-	-
Economic Factors	-	-	-
Production	- 54.1	-	- 54.1
Closing Balance (June 30, 2012)	**769.6**	**789.5**	**1,559.1**

Onshore U.S.A.:

	Natural Gas Liquids			A & NA Gas		
	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)
Total						
Opening Balance (June 30, 2011)	271	371	642	24,681	33,704	58,385
Extension & Improved Recovery	-	-	-	-	-	-
Technical Revisions	-203	-371	-574	-23,893	-33,704	-57,597
Discoveries	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-
Production	-	-	-	-	-	-
Closing Balance (June 30, 2012)	**68**	**0**	**68**	**788**	**0**	**788**

Figures may be rounded off.

The technical revision is mainly due to booking reserves in the South Rangely Field in Colorado relating to the well drilled during the 2012 fiscal year. The Company has decided that the technical revision of the Kokopelli Field proved and probable reserves is mainly unconventional resources at this time. A portion of what is labeled “natural gas liquids” is condensate which will

condense from the produced gas stream at well head conditions. The natural gas will be processed to obtain the remainder of the NGLs.

Part 5 Additional Information Relating to Reserves Data

Item 5.1 Undeveloped Reserves

Item 5.1.1 The following tables outlines the proved undeveloped reserves attributed to the Company's onshore Colombian property:

Onshore Colombia (Forecast Case) for Proved Undeveloped Reserves

	Gross Heavy Oil
Year	(Mbbl)
2008 and Prior	0
2009	0
2010	0
2011	174
2012	530

Onshore U.S.A.

	A & NA Gas	**NGL**
Year	(MMcf)	(Mbbl)
2008 and Prior	0	0
2009	0	0
2010	43,734	0
2011	24,681	0
2012	2,298	68

Item 5.1.1 The following table outlines the probable undeveloped reserves attributed to the Company's onshore Colombian property:

Onshore Colombia (Forecast Case) for Probable Undeveloped Reserves

	Gross Heavy Oil
Year	(Mbbl)
2008 and Prior	0
2009	0
2010	0
2011	708
2012	703

Onshore U.S.A.:

	A & NA Gas	NGL
Year	(MMcf)	(Mbbl)
2008 and Prior	0	0
2009	0	0
2010	59,723	0
2011	33,704	0
2012	0	0

Item 5.2 Significant Factors or Uncertainties

Item 5.2.1

The process of evaluating reserves is inherently complex. It requires significant judgements and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices, and economic conditions. These factors and assumptions include among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performances, prices, economic conditions, and government restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance, and geologic conditions or production. These revisions can be either positive or negative.

Item 5.3 Future Development Costs

Item 5.3.1 (a) (b)

The table below sets out the future development costs deducted in the estimation of future net revenue attributable to the proved reserves and proved plus probable reserves using ***forecast prices and escalated costs:***

Onshore Colombia:

Onshore Colombia	Forecast Case	
	Proved	Proved + Probable
Year	$M	$M
2012	6,973	6,973
2013	3,437	6,702
2014	0	218
2015	225	225
2016	232	232
2017	0	0
Total	**10,867**	**14,350**

Onshore U.S.A.:

Onshore U.S.A	Forecast Case	
	Proved	Proved + Probable
Year	$M	$M
2012	70	70
2013	136	136
2014	272	272
2015	388	388
2016	0	0
2017	0	0
Total	**866**	**866**

Item 5.3.2 (a) (b)

Brownstone expects to finance future development costs from existing and future cash flow and funds raised in the capital markets through equity financings. Management does not believe that the costs of these sources of funding will have a material impact of the Company's reserves or future net revenue. However, there can be no guarantee that funds will be available when required or will be allocated to develop all of the reserves attributed to the Company in the Reports, and failure to develop the reserves would have a negative impact on the Company's future net revenue.

Item 5.3.3 - If the *reporting issuer* expects that the costs of funding referred to in section 2, could make development of a *property* uneconomic for that *reporting issuer*, disclose that expectation and its plans for the *property*. .

Part 6 Other Oil and Gas Information

Item 6.1 Oil and Gas Properties and Wells

Our important properties are located in Colombia, Israel, U.S. (Utah and Colorado) and Argentina, and are described below. All are located onshore, except for our Israeli properties

which are all offshore. We do not have any properties to which reserves have been attributed and which are capable of producing but which are not producing.

Onshore Colombia

Our material properties in Colombia are comprised of private participating interests of between 14% and 35% in Blocks LLA-21, 27, 36 and Canaguaro in the Llanos Basin of central Colombia.

Producing Lands

Our producing lands in Colombia are comprised of participating interests of between 25% and 34.25% in our Llanos Basin Canaguaro and LLA-27 Blocks.

Undeveloped Lands

Our undeveloped lands in Colombia are comprised of participating interests of between 14% and 35% in our Llanos Basin LLA-27 and 21 Blocks.

Oil Wells

Onshore Colombia	**Forecast Case**	
Property	Gross Wells	Net Wells
Canaguaro	1	0.25
LLA 27	2	1
Total	**3**	**1.25**

Onshore U.S.A.

Our material properties in the U.S. are comprised of 10% and 28% working interests, as applicable, in approximately 270 oil and gas leases, covering in excess of 300,000 acres located in the Piceance and Unita Basins in Colorado and Utah, respectively.

Producing Lands

Our producing lands in the U.S. are comprised of our minor interest in the South Rangely, Colorado property.

Undeveloped Lands

Our undeveloped lands in the U.S. are comprised of our 28% interest in the Kokopelli, Colorado property.

Gas Wells

Onshore U. S. A.	**Forecast Case**	
	Gross	Net
Property	Well	Wells
South Rangely, Colorado	1	0.248
Total	**1**	**0.248**

Item 6.1.2 Gross and net oil and gas wells:

Onshore Colombia

Oil Wells

Onshore Colombia	**Forecast Case**	
	Gross	Net
Property	Wells	Wells
Canaguaro	1	0.25
LLA 27	2	1
Total	**3**	**1.25**

Onshore U.S.A.

Gas Wells

Onshore U. S. A.	**Forecast Case**	
	Gross	Net
Property	Well	Wells
South Rangely, Colorado	1	0.248
Total	**1**	**0.248**

Item 6.2 Properties with No Attributed Reserves

Onshore Colombia

Blocks LLA-21 and 36 are our unproved properties in Colombia.

Block LLA-21:
Under the terms of the original farm-in agreement, Brownstone was to pay for 50 per cent of two wells in exchange for a private participating interest of 35 per cent. Under the new arrangement, Brownstone will pay a maximum of $3,875,000 toward the two wells and will have the option, following the completion of those wells to: (i) waive any right to a private participating interest going forward and have no further financial obligations; or (ii) retain a 24.75-per-cent private participating interest in the block by reimbursing Omega Energy Colombia for its incurred cost in the two wells, such that Brownstone will have paid 50 per cent.

The Company is required to fund its share of a two well drilling commitment on Block 21 that will cost approximately US$3.5MM net per well, US7.0MM total net, by September, 2012. As a June 30, 2011, letters of credit in an aggregate amount of $2,700,000 had been posted with the ANH in support of our interest and obligations on the Block.

The operator of the block has requested an extension on the block from the Colombian ANH relating to delays in receipt of approvals from other administrative agencies.

Block LLA-36:
Pursuant to the terms of our participation agreement in respect of Block LLA-36, we have a 14% (private) participating interest in the Block, are required to pay 20% of the capital costs incurred during the exploration and production phases of the block, and will be entitled to receive 18.2% of all net production revenue, until all aggregate costs have been recouped, following which we will be obligated to fund 14% of any ongoing costs in order to be entitled to receive 14% of any further net production revenue.

The Company is required to fund its share of an exploration well by February, 2012 with a minimum cost of US$3.5MM. The Operator has informed the Company that due to delays related to weather and regulatory issues it has submitted to the ANH a request for an extension on the block. As a June 30, 2011, letters of credit in an aggregate amount of $1,100,000 have been posted with the ANH in support of our interest and obligations on the Block.

The operator of the block has requested and received an extension on the block from the Colombian ANH relating to delays in receipt of approvals from other administrative agencies.

Onshore U.S.A.

Under the terms of our participation agreements with our partners, we are obligated to pay 10% to 28.57% of all work done on the Piceance and Unita Basin properties in Colorado and Utah, including drilling and other work costs. The operators of our U.S. interests are actively evaluating alternatives to advance the acreages, including developing parcels and selling or farming-out interests in parcels.

There is presently one well being drilled, completed and tested in the Kokopelli Field which is required to hold and preserve title to the acreage. There are no additional work commitments being contemplated on these properties during the remainder of the 2012 calendar year or for 2013.

Offshore Israel

Gabriella:
In accordance with the terms of our international operating agreement in respect of the Gabriella license, we have a 15% (private) participating interest in the rights to the licence and are required

to fund 15% of all costs incurred in the conduct of the work programs undertaken in respect of the license.

Yitzhak:
In accordance with the terms of our international operating agreement in respect of the Yitzhak license, we have a 15% (private) participating interest in the rights to the licence and are required to fund 15% of all costs incurred in the conduct of the work programs undertaken in respect of the license.

Samuel:
We have a 6.75% (registered) interest in the rights to the Samuel license and pursuant to our international operating agreement in respect of the license we are required to fund 6.75% of all costs and expenses incurred in the conduct of operations and activities under the agreement by the operator.

The Operator of our Israeli blocks has informed the Company that it has received an extension from the regulatory authorities that extends the requirement to begin drilling operations on the Gabriella Block by June 30, 2013; on the Yitzhak Block by October 30, 2013; and on the Samuel Block by April 30, 2013. Gross drilling and abandonment costs for the wells are estimated to range from US$40MM to US$100MM per well depending on water depth and total depth drilled.

Onshore Argentina

Under the terms of a participation agreement with our partner, Petrolifera Petroleum Limited ("Petrolifera"), we were obligated to pay 50% of the costs incurred in the conduct of the work program on the Vaca Mahuida block in the Neuquen Basin, including drilling and other work costs. The Company has fulfilled its earning requirements and now has a 25% Working Interest in the block. Petrolifera was acquired by Gran Tierra Energy Inc. during the 2011 fiscal year. There are presently no work commitments approved for the remainder of the 2012 calendar year or for 2013.

The Company through its Operator conducted flow testing of several of the wells drilled pursuant to our previous work commitments on the block to ascertain whether there is sufficient gas in place to warrant making an application to the relevant regulatory authorities for an exploitation permit on the block. Results are currently under review.

Item 6.3 Forward Contracts – Not applicable.

Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs

The following table summarizes the abandonment and reclamation costs (net of salvage) applied to the reserves disclosed in Item 2.1 – Reserves Data (Forecast Prices and Costs):

Onshore Colombia:

Onshore Colombia	**Forecast Case**	
	Proved	Proved + Probable
Year	$M	$M
2012	-	-
2013	-	-
2014	-	-
2015	-	-
2016	-	-
2017	-	-
All Years	**239**	**322**
Discounted at 10%	107	234

Onshore U.S.A.:

Onshore U.S.A.	Forecast Case	
	Proved	Proved + Probable
Year	$M	$M
2052	1.7	1.7
2053	1.7	1.7
2054	3.4	3.4
2055	4.9	4.9
2056	0.0	0.0
2057	0.0	0.0
All Years	11.7	11.7
Discounted at 10%	0.2	0.2

The following table summarizes the gross and net wells for which the Company expects to incur the abandonment and reclamation costs shown in the table above:

Onshore Colombia:

Onshore Colombia	**Forecast Case**	
Property	Gross Wells	Net Wells
Canaguaro	3	0.75
LLA 27	3	1.5
Total	**6**	**2.25**

Onshore U.S.A.:

Onshore Colombia	**Forecast Case**	
Property	Gross Wells	Net Wells
South Rangely	6	1.21
Total	**6**	**1.21**

Abandonment costs of $10,000 per well (escalating at 2% per year) were assumed by Gustavson in estimating the future net revenue attributable to our U.S. reserves. Costs were based upon average costs for the applicable areas.

Abandonment costs of $250,000 per well, net of salvage value and adjusted for a cost escalation factor of 3.1% per year using the Colombian inflation index, were assumed by Petrotech in estimating the future net revenue attributable to our Colombian reserves, resulting in total costs of $ 239,000, undiscounted, and $ 107,000, discounted at a rate of 10%, based upon 4 gross wells and 1 net well in the proved reserve and $322,000 undiscounted and $234,000 discounted at a rate or 10%, based on the same number of wells in the proved + probable reserve. Costs were based upon the historical costs of the operating fields in the area.
We have not incurred any abandonment or reclamation costs and do not anticipate incurring any in the next three financial years.

Item 6.5 Tax Horizon

Onshore Colombia:

The after-tax cash flow analyses were conducted using a tax pool of $9,645,388 Cdn in the Canaguaro Block and a tax pool of $17,034,094 Cdn in the LLA 27 Block ($Cdn-$US exchange rate = 1:1).

Item 6.6 Costs Incurred

The following table summarizes our *property acquisition costs*, *exploration costs* and *development costs* for the financial year ended June 30, 2012 in respect of our properties:

	Property Acquisition Costs (M$Cdn)			
Country	**Proved Properties**	**Unproved Properties**	**Exploration Costs (M$Cdn)**	**Development Costs (M$Cdn)**
Colombia	--	--	6,782	11,043
Israel	--	--	2,575	--
U.S.	--	--	1,170	--
Argentina	--	--	--	--

Item 6.7 Exploration and Development Activities

Exploration and Development Wells:

We completed 2 gross (1.0 net) wells during fiscal year ended June 30, 2012. Mani-1 and Flami-1 are exploratory oil wells drilled on Block 27 in Colombia.

Exploration and Development Activities:

Colombia

In the Canaguaro Block, the Canaguay-1 well continues to produce oil under the Long Term Testing program. Further exploration and development activities on the block are pending receipt of regulatory approvals.

In Block 27, the Mani-1 exploratory oil well is under the Long Term Testing program and is currently suspended pending a work over to remediate water incursion due to cement integrity issues over the producing zone. Also in Block 27, the Flami-1 exploratory oil well continues to produce oil under the Long Term Testing program. Further exploration and development activities on the block are pending completion and evaluation of the results of the Long Term Testing programs.

Exploration and development plans on Blocks 21 and 36 are discussed above.

U.S.A.

The Operator of the Kokopelli project plans to commenced drilling, completion and testing operations on a single, title preserving well, during late 2012 as discussed above.

Israel

The Operator has applied for and received extensions from regulators, as discussed above, which would result in drilling on the Company's Yitzhak, Gabriella and Samuel blocks in 2013.

Item 6.8 Production Estimates

Gross production (forecast case) of the Company from June 30, 2012 to June 30, 2013:

Onshore Colombia:

	Heavy Oil	
Onshore Colombia	Proved	Probable
Property	Mbbl	Mbbl
Canaguaro	19	0
LLA 27	44	0
Total	**63.0**	**0**

Onshore U.S.A.:

	Non-Associated Gas		**Natural Gas Liquids**	
Onshore USA	Proved	Probable	Proved	Probable
Property	MMcf	MMcf	Mbbl	Mbbl
Colorado	788	0	68	0.00
Total	**788**	**0**	**68**	**0.00**

Item 6.9 Production History

The following table outlines the gross production from July 1, 2011 to June 30, 2012 for important fields for each product type.

Onshore Colombia:

Heavy Oil	**Canaguaro (bbl)**	**LLA 27 (bbl)**
Q1	2,252	0
Q2	3,371	0
Q3	2,289	3,674
Q4	3,277	3,150
Total 2012	**11,188**	**6,825**

Figures may be rounded off.

The following table (Item 6.9.1b) outlines as an average per unit volume (for example, $/bbl or $/Mcf), the Company's prices received, royalties paid, production costs, and resulting netback (need to be done by each quarter for each product type):

Onshore Colombia:

	2012 Heavy Oil Unit Values									
Onshore Colombia	Q1					Q2				
	Price Received	Royalties Paid to Gov't	Overriding Royalties Paid	Opex	Net Back	Price Received	Royalties Paid to Gov't	Overriding Royalties Paid	Opex	Net Back
Property	$/bbl	bbl	$/bbl	$/bbl	$/bbl	$/bbl	bbl	$/bbl	$/bbl	$/bbl
Canaguaro	60.2	180.2	3.7	36.6	19.9	54.7	269.6	3.7	39.7	11.3

	2012 Heavy Oil Unit Values									
Onshore Colombia	Q3					Q4				
	Price Received	Royalties Paid to Gov't	Overriding Royalties Paid	Opex	Net Back	Price Received	Royalties Paid to Gov't	Overriding Royalties Paid	Opex	Net Back
Property	$/bbl	bbl	$/bbl	$/bbl	$/bbl	$/bbl	bbl	$/bbl	$/bbl	$/bbl
Canaguaro	104.8	183.1	6.3	56.5	42.0	107.3	895.0	6.4	53.2	47.7

	2012 Heavy Oil Unit Values									
Onshore Colombia	Q1					Q2				
Property	Price Received $/bbl	Royalties Paid to Gov't bbl	Overriding Royalties Paid $/bbl	Opex $/bbl	Net Back $/bbl	Price Received $/bbl	Royalties Paid to Gov't bbl	Overriding Royalties Paid $/bbl	Opex $/bbl	Net Back $/bbl
LLA 27	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	2012 Heavy Oil Unit Values									
Onshore Colombia	Q3					Q4				
Property	Price Received $/bbl	Royalties Paid to Gov't bbl	Overriding Royalties Paid $/bbl	Opex $/bbl	Net Back $/bbl	Price Received $/bbl	Royalties Paid to Gov't bbl	Overriding Royalties Paid $/bbl	Opex $/bbl	Net Back $/bbl
LLA 27	106.2	293.9	6.4	40.4	59.4	81.4	252.0	4.9	72.6	4.0

*Note: Royalties to the government are paid in kind