



**NOTICE OF ANNUAL AND SPECIAL MEETING OF SECURITYHOLDERS**

**of**

**GALLIC ENERGY LTD.**

**to be held November 29, 2012**

**and**

**NOTICE OF APPLICATION TO**

**THE COURT OF QUEEN'S BENCH OF ALBERTA**

**and**

**INFORMATION CIRCULAR AND PROXY STATEMENT**

**with respect to a proposed**

**PLAN OF ARRANGEMENT**

**involving**

**GALLIC ENERGY LTD.**

**PETROMANAS ENERGY INC.**

**PETROMANAS ACQUISITIONS LTD.**

**and**

**THE SHAREHOLDERS AND WARRANTHOLDERS OF GALLIC ENERGY LTD.**

**October 30, 2012**

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October 30, 2012

Dear Gallic Securityholders:

You are invited to attend an annual general and special meeting (the "Meeting") of holders (the "Gallic Securityholders") of class A shares ("Gallic Shares") of Gallic Energy Ltd. ("Gallic") and warrants to purchase Gallic Shares (the "Gallic Warrants") to be held in the Angus/Northcot Room at Bow Valley Square at 205 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta on Thursday, November 29, 2012 at 9:00 a.m. (Calgary time).

At the Meeting, you will be asked, among other things, to consider and approve a proposed plan of arrangement (the "Arrangement") involving Gallic, Petromanas Energy Inc. ("Petromanas"), Petromanas Acquisitions Ltd., a wholly-owned subsidiary of Petromanas, and the Gallic Securityholders. Pursuant to the Arrangement, Petromanas will acquire all of the Gallic Shares from the Gallic shareholders in exchange for 0.3736 (the "Exchange Ratio") of a common share of Petromanas (the "Petromanas Shares") for each Gallic Share and the Gallic warrant holders will receive replacement warrants of Petromanas exercisable for Petromanas Shares equal to that number of Gallic Shares which were otherwise issuable upon exercise of the Gallic Warrants previously held, multiplied by the Exchange Ratio, with the exercise price adjusted accordingly.

The resolution approving the Arrangement must be approved by not less than 66 2/3% of the votes cast by the holders of Gallic Shares and Gallic Warrants, present in person or by proxy, at the Meeting voting together as a single class and a majority of the votes cast by the holders of Gallic Shares, present in person or by proxy, at the Meeting, excluding those votes in respect of Gallic Shares which are required to be excluded pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

Completion of the Arrangement is subject to various conditions, including the receipt of applicable regulatory, Gallic Securityholder and court approvals. If the Arrangement is approved by the Gallic Securityholders and all other conditions to the implementation of the Arrangement are satisfied or waived, Gallic anticipates that the Arrangement will become effective on or about November 30, 2012.

The Arrangement presents an attractive opportunity for the Gallic Securityholders for the following reasons:

- Based on the average closing price of the Petromanas Shares on the TSX Venture Exchange (the "TSXV") for the ten trading days ended October 1, 2012 (the last trading day prior to the announcement of the Arrangement), the Exchange Ratio represents a price of \$0.07 per Gallic Share and a premium of 11% of the average closing price of the Gallic Shares on the TSXV for the same period.
- The Arrangement provides Gallic Securityholders with the opportunity to continue to participate in the future growth of Gallic's portfolio of assets and opportunities through the ownership of Petromanas Shares.
- The Arrangement is anticipated to provide Gallic Securityholders with equity ownership in a larger entity with stronger growth potential from a more diversified and resource-oriented asset base and with greater financial resources to develop such asset base.
- The Arrangement is anticipated to provide Gallic Shareholders with enhanced liquidity due to Petromanas' larger market capitalization and access to capital.

- Under the Arrangement Agreement, the board of directors of Gallic retains the ability to consider and respond to superior proposals prior to completion of the Arrangement on the specific terms and conditions set forth in the Arrangement Agreement and subject to, if applicable, the payment of a \$350,860 termination fee to Petromanas.
- The Arrangement provides the opportunity for a tax deferred rollover under the *Income Tax Act* (Canada) for Gallic Shareholders who receive Petromanas Shares under the Arrangement.
- The Arrangement removes capital markets risk for Gallic as additional funding is required to finance continued operations. Such funding would be dilutive to existing Gallic Shareholders.

Macquarie Capital Markets Canada Ltd. ("Macquarie Capital") has provided the board of directors of Gallic with its opinion that, as of October 1, 2012, the consideration to be received under the Arrangement by the Gallic Shareholders is fair, from a financial point of view, to the Gallic Shareholders. **The directors of Gallic, other than one director who recused himself from the process of considering the Arrangement due to a potential conflict of interest, based upon their own investigations, including their consideration of the fairness opinion of Macquarie Capital, have unanimously determined that the Arrangement is in the best interests of Gallic and is fair to the Gallic Securityholders and recommend that Gallic Securityholders vote in favour of the Arrangement.**

The directors and senior officers of Gallic have entered into voting support agreements with Petromanas pursuant to which they have agreed to vote their Gallic Shares and Gallic Warrants, inclusive of Gallic Shares issued upon the exercise of any options, warrants or other convertible securities of Gallic, in favour of the Arrangement.

The Information Circular contains a detailed description of the Arrangement, as well as detailed information regarding Gallic and Petromanas. It also includes certain risk factors relating to the completion of the Arrangement and the potential consequences to holders of Gallic Shares and Gallic Warrants who exchange their Gallic Shares and Gallic Warrants for Petromanas Shares and replacement warrants of Petromanas. Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisors.

To be represented at the Meeting, you must either attend the Meeting in person or complete and sign the enclosed form of proxy and forward it so as to reach or be deposited with Valiant Trust Company, Stock Transfer Department, 310, 606 – 4<sup>th</sup> Street S.W., Calgary, Alberta T2P 1T1, not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the time fixed for the Meeting or any adjournment thereof. An envelope addressed to Valiant Trust Company is enclosed for your convenience.

**If you are a non-registered holder of Gallic Shares and/or Gallic Warrants and have received these materials from your broker or another intermediary, please complete and return the proxy or other authorization form provided to you by your broker or other intermediary in accordance with the instructions provided with it. Failure to do so may result in your Gallic Shares and/or Gallic Warrants not being eligible to be voted at the Meeting.**

Your vote is very important. Whether or not you plan to attend the Meeting, Gallic urges you to vote promptly to ensure your Gallic Shares and/or Gallic Warrants are represented at the Meeting or any adjournment thereof.

Yours very truly,

(signed) "Jason Bednar"

Jason Bednar

Chairman

Gallic Energy Ltd.

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF  
SECURITYHOLDERS OF GALLIC ENERGY LTD.  
to be held November 29, 2012**

**NOTICE IS HEREBY GIVEN** that an annual general and special meeting (the "Meeting") of the holders ("Gallic Securityholders") of class A shares ("Gallic Shares") and the holders of warrants to purchase Gallic Shares ("Gallic Warrants") of Gallic Energy Ltd. ("Gallic") is to be held in the Angus/Northcot Room at Bow Valley Square at 205 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta on Thursday, November 29, 2012 at 9:00 a.m. (Calgary time) for the following purposes:

- (a) to consider pursuant an order (the "Interim Order") of the Court of Queen's Bench of Alberta (the "Court") dated October 26, 2012, and, if thought advisable, to pass, with or without variation, a special resolution (the "Arrangement Resolution"), the full text of which is set forth in Appendix "A" to the accompanying information circular and proxy statement of Gallic dated October 30, 2012 (the "Information Circular"), to approve a plan of arrangement under section 193 of the *Business Corporations Act* (Alberta) (the "Arrangement"), involving Gallic, holders of Gallic Shares ("Gallic Shareholders"), holders of Gallic Warrants ("Gallic Warrantholders"), Petromanas Energy Inc. ("Petromanas") and Petromanas Acquisitions Ltd. ("AcquisitionCo"), a wholly-owned subsidiary of Petromanas, whereby, among other things, Gallic will amalgamate with AcquisitionCo, Gallic Shareholders will receive 0.3736 common shares of Petromanas ("Petromanas Shares") for each Gallic Share held and Gallic Warrantholders will receive replacement warrants of Petromanas exercisable for the number of Petromanas Shares equal to the number of Gallic Shares issuable on exercise of Gallic Warrants previously held, multiplied by 0.3736 (with the exercise prices adjusted accordingly), all as more particularly described in the Information Circular;
- (b) to receive and consider Gallic's audited financial statements for the year ended December 31, 2011 and the report of the auditor thereon;
- (c) to fix the number of directors to be elected at the Meeting at six (6) until the Arrangement becomes effective, or, if the Arrangement does not become effective, until the next annual meeting of Gallic Shareholders;
- (d) to elect the directors of Gallic to hold office until the Arrangement becomes effective, or, if the Arrangement does not become effective, until the next annual meeting of Gallic Shareholders;
- (e) to appoint the auditor of Gallic to hold office until the Arrangement becomes effective or, if the Arrangement does not become effective, for the ensuing year and to authorize the board of directors of Gallic to fix their remuneration;
- (f) to consider, and if thought fit, approve, with or without variation, the ordinary resolution, as more particularly set forth in the accompanying Information Circular prepared for the purpose of the Meeting, relating to the re-approval of Gallic's stock option plan for the ensuing year; and
- (g) to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Please note that the Gallic Warrantholders are only entitled to vote on the Arrangement Resolution (voting together with the Gallic Shareholders as a single class) while the remaining resolutions shall be voted upon by the Gallic Shareholders only. Specific details of the matters proposed to be put before the Meeting are set forth in the accompanying Information Circular.

**The board of directors of Gallic recommends that Gallic Shareholders and Gallic Warrantholders vote in favour of the Arrangement Resolution. It is a condition to the completion of the Arrangement that the Arrangement Resolution be approved at the Meeting.**

The full text of the plan of arrangement implementing the Arrangement is attached as Schedule "A" to the Arrangement Agreement between Gallic and Petromanas dated October 1, 2012, which is attached as Appendix "C" to the Information Circular. The Interim Order obtained by Gallic in connection with the Arrangement is attached as Appendix "B" to the Information Circular.

The Arrangement Resolution must be approved by not less than 66 2/3% of the votes cast by the holders of Gallic Shares and Gallic Warrants, present in person or by proxy, at the Meeting voting together as a single class and a majority of the votes cast by the holders of Gallic Shares, present in person or by proxy, at the Meeting, excluding those votes in respect of Gallic Shares which are required to be excluded pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

The record date for determination of Gallic Securityholders entitled to receive notice of and to vote at the Meeting is October 30, 2012 (the "Record Date"). Only Gallic Securityholders of record as at the close of business on the Record Date and holders of Gallic Shares issued by Gallic after the Record Date and prior to the Meeting will be entitled to receive notice of and to vote at the Meeting, provided that, to the extent a Gallic Securityholder transfers the ownership of any of his Gallic Shares and/or Gallic Warrants after the Record Date and the transferee of those shares and/or warrants establishes that he owns the shares and/or warrants and demands, not later than ten (10) days before the Meeting, to be included in the list of holders of Gallic Shares and/or Gallic Warrants eligible to vote at the Meeting, such transferee will be entitled to vote those shares and/or warrants at the Meeting.

**If you are a registered holder of Gallic Shares and/or Gallic Warrants and are unable to attend the Meeting or any adjournment thereof in person, please complete, sign and mail to or deposit the enclosed form of proxy with Valiant Trust Company, Stock Transfer Department, 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1, so that it is received not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof.**

**If you are a non-registered holder of Gallic Shares and/or Gallic Warrants and receive these materials through your broker or through another intermediary, please complete and return the form of proxy provided to you by your broker or other intermediary in accordance with the instructions provided therein.**

If a Gallic Shareholder or Gallic Warrantholder receives more than one form of proxy because such holder owns Gallic Shares or Gallic Warrants registered in different names or addresses, each form of proxy should be completed and returned.

A proxyholder has discretion under the accompanying forms of proxy in respect of amendments or variations to matters identified in this Notice and with respect to other matters which may properly come before the Meeting, or any adjournment thereof. As of the date hereof, management of Gallic knows of no amendments, variations or other matters to come before the Meeting other than the matters set forth in this Notice. Gallic Shareholders and Gallic Warrantholders who are planning on returning the form of proxy are encouraged to review the Information Circular carefully before submitting the proxy form.

It is the intention of the persons named in the applicable enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote in favour of the Arrangement Resolution and each of the other matters to be considered at the Meeting.

Registered Gallic Shareholders have the right to dissent with respect to the Arrangement and to be paid the fair value of their Gallic Shares in accordance with the provisions of section 191 of the *Business Corporations Act* (Alberta) and the Interim Order. A Gallic Shareholder's right to dissent is more particularly described in the accompanying Information Circular. **Failure to strictly comply with the requirements set forth in section 191 of the *Business Corporations Act* (Alberta), as modified by the Interim Order, may result in the loss of any right of dissent.**

Dated at the City of Calgary, in the Province of Alberta, this 30<sup>th</sup> day of October, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS OF GALLIC ENERGY LTD.**

(signed) "Jason Bednar"

Jason Bednar  
Chairman  
Gallic Energy Ltd.



**IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY**

**IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING GALLIC ENERGY LTD., PETROMANAS ENERGY INC., PETROMANAS ACQUISITIONS LTD. AND THE HOLDERS OF CLASS A SHARES AND WARRANTS OF GALLIC ENERGY LTD.**

**NOTICE OF APPLICATION**

**NOTICE IS HEREBY GIVEN** that an originating application (the "Application") has been filed with the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "Court") on behalf of Gallic Energy Ltd. ("Gallic") with respect to a proposed arrangement (the "Arrangement") under section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "ABCA"), involving Gallic, Petromanas Energy Inc. ("Petromanas"), Petromanas Acquisitions Ltd., a wholly-owned subsidiary of Petromanas, the holders (the "Gallic Shareholders") of class A shares ("Gallic Shares") and the holders (the "Gallic Warrantholders", and collectively with the Gallic Shareholders, "Gallic Securityholders") of warrants to purchase Gallic Shares (the "Gallic Warrants"), which Arrangement is described in greater detail in the Information Circular and Proxy Statement of Gallic dated October 30, 2012 accompanying this Notice of Application. At the hearing of the Application, Gallic intends to seek:

- (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the persons affected, including the Gallic Shareholders and Gallic Warrantholders, both from a substantive and procedural perspective;
- (b) an order declaring that registered Gallic Shareholders shall have the right to dissent in respect of the Arrangement pursuant to the provisions of Section 191 of the ABCA, as modified by the Interim Order of the Court dated October 26, 2012 (the "Interim Order");
- (c) an order approving the Arrangement pursuant to the provisions of Section 193 of the ABCA;
- (d) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement pursuant to the provisions of Section 193 of the ABCA, become effective in accordance with its terms and will be binding on and after the Effective Date as defined in the Arrangement; and
- (e) such other and further orders, declarations and directions as the Court may deem just.

The Court has been advised that its order approving the Arrangement, if granted, will constitute the basis for an exemption from the registration requirements of the United States Securities Act of 1933, as amended, pursuant to Section 3(a)(10) thereof, with respect to the offer and sale of the common shares and warrants of Petromanas issuable to Gallic Securityholders pursuant to the Arrangement.

**AND NOTICE IS FURTHER GIVEN** that the said Application was directed to be heard at the Court of Queen's Bench of Alberta, Calgary Courts Centre, 601 – 5<sup>th</sup> Street S.W., Calgary, Alberta T2P 5P7, on the 29<sup>th</sup> day of November, 2012 at 2:00 p.m. (Calgary time) or as soon thereafter as counsel may be heard. Any Gallic Securityholder or any other interested party desiring to support or oppose the Application, may appear at the time of hearing in person or by counsel for that purpose. **Any Gallic Securityholder or any other interested party desiring to appear at the hearing in person or by counsel is required to file with the Court of Queen's Bench of Alberta, Judicial District of Calgary, and serve upon Gallic on or before noon (Calgary time) on November 22, 2012, a notice of his or her intention to appear, including his or her address for service in the Province of Alberta and indicating whether such Gallic Securityholder or other interested party intends to**

**support or oppose the application or make submissions, together with a summary of the position such Gallic Securityholder or other interested party intends to advocate and any evidence or materials which are to be presented to the Court.** Service on Gallic is to be effected by delivery to the solicitors for Gallic at the address below. If any Gallic Securityholder or any other interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

**AND NOTICE IS FURTHER GIVEN** that no further notice of the Application will be given by Gallic and that in the event the hearing of the Application is adjourned, only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

**AND NOTICE IS FURTHER GIVEN** that the Court, by Interim Order, has given directions as to the calling of a meeting of Gallic Securityholders for the purpose of such holders voting upon a resolution to approve the Arrangement and directed that registered Gallic Shareholders shall have the right to dissent on their own behalf from the resolution approving the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by the Interim Order, and be paid the fair value of their Gallic Shares in respect of which right of dissent is exercised.

**AND NOTICE IS FURTHER GIVEN** that a copy of the said Application and other documents in the proceedings will be furnished to any Gallic Securityholder or other interested party requesting the same by the undermentioned solicitors for Gallic upon written request delivered to such solicitors as follows:

Davis LLP  
Barristers & Solicitors  
Suite 1000 - 250 2<sup>nd</sup> Street S.W.  
Calgary, Alberta T2P 0C1

Attention: Trevor Wong-Chor

DATED at the City of Calgary, in the Province of Alberta, this 30<sup>th</sup> day of October, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS  
OF GALLIC ENERGY LTD.**

(signed) "Jason Bednar"  
Jason Bednar  
Chairman  
Gallic Energy Ltd.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular.

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

"**AcquisitionCo**" means Petromanas Acquisitions Ltd., a company incorporated under the ABCA and a wholly-owned subsidiary of Petromanas;

"**AmalCo**" means the corporation resulting from the amalgamation of AcquisitionCo and Gallic pursuant to subsection 3.1(c) of the Plan;

"**Applicable Laws**" means all applicable corporate laws, rules of applicable stock exchanges and applicable securities laws, including the rules, regulations, notices, instruments, blanket orders and policies of the securities regulatory authorities in Canada;

"**Arrangement**" means the arrangement involving Gallic, Gallic Shareholders, Gallic Warrantholders, Petromanas and AcquisitionCo pursuant to section 193 of the ABCA set forth in the Plan of Arrangement;

"**Arrangement Agreement**" means the arrangement agreement dated October 1, 2012 between Gallic and Petromanas pursuant to which the parties thereto have proposed to implement the Arrangement, a copy of which is attached as Appendix "C" to this Information Circular;

"**Arrangement Resolution**" means the special resolution in respect of the Arrangement to be voted upon by Gallic Securityholders at the Meeting, in substantially the form attached as Appendix "A" to this Information Circular;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made;

"**Board of Directors**" means the board of directors of Gallic;

"**Business Day**" means with respect to any action to be taken, any day, other than Saturday, Sunday or a statutory holiday in the place where such action is to be taken;

"**Canadian Securities Regulatory Authority**" means the applicable Canadian provincial and territorial securities commissions and regulatory authorities;

"**Court**" means the Court of Queen's Bench of Alberta;

"**CRA**" means the Canada Revenue Agency;

"**Depository**" means Computershare Investor Services Inc., at its offices referred to in the Letter of Transmittal and Election Form;

"**Dissent Rights**" means the right of a registered Gallic Shareholder pursuant to Section 191 of the ABCA and the Interim Order to dissent to the Arrangement Resolution and to be paid the fair value of the Gallic Shares in respect of which the holder dissents, all in accordance with Section 191 of the ABCA, the Interim Order and the Plan of Arrangement;

"**Dissenting Gallic Shareholders**" means registered Gallic Shareholders who validly exercise their Dissent Rights;

"**DRS Advice**" means a document which confirms the number of securities held electronically in book-entry form in the direct registration system without having a physical security certificate issued as evidence of ownership;

**"Effective Date"** means the date the Arrangement is effective under the ABCA;

**"Effective Time"** means the time at which the Arrangement becomes effective in accordance with the ABCA;

**"Exchanging Gallic Shareholders"** means the Gallic Shareholders who elect to exchange their Gallic Shares for Petromanas Shares;

**"Exchange Ratio"** means 0.3736;

**"Fairness Opinion"** means the opinion of Macquarie Capital dated effective October 1, 2012, a copy of which is attached as Appendix "D" to this Information Circular;

**"Final Order"** means the order of the Court approving the Arrangement pursuant to Subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Gallic"** means Gallic Energy Ltd., a corporation incorporated pursuant to the ABCA;

**"Gallic Acquisition Proposal"** means any inquiry or the making of any proposal to Gallic or the Gallic Shareholders from any Person or group of Persons "acting jointly or in concert" (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*) which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (a) an acquisition from Gallic of 20% or more of the voting securities of Gallic; (b) any acquisition of a substantial amount of assets (or any lease, long term supply agreement or other arrangement having the same economic effect as a purchase or sale of a substantial amount of assets) of Gallic and its subsidiaries taken as a whole; (c) an amalgamation, arrangement, merger, or consolidation involving Gallic or its subsidiaries; (d) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving Gallic or its subsidiaries; or (e) any other transaction, the consummation of which could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement or which would or could reasonably be expected to reduce the benefits to Petromanas under the Arrangement Agreement or the Arrangement; except that for the purpose of the definition of **"Superior Proposal"**, the references in this definition of **"Acquisition Proposal"** to "20% or more of the voting securities" shall be deemed to be references to "50% or more of the voting securities", and the references to "a substantial amount of assets" shall be deemed to be references to "all or substantially all of the assets";

**"Gallic AIF"** means the annual information form of Gallic dated April 26, 2012 for the year ended December 31, 2011;

**"Gallic Options"** means outstanding options to purchase Gallic Shares;

**"Gallic Resource Report"** means the independent resource evaluation report by GLJ respecting Gallic dated effective September 30, 2011;

**"Gallic RSUs"** means the restricted stock units granted by Gallic;

**"Gallic Securityholders"** means, collectively, the Gallic Shareholders and the Gallic Warrantheolders;

**"Gallic Shareholders"** means the holders from time to time of Gallic Shares;

**"Gallic Shares"** means class A shares of Gallic;

**"Gallic Support Agreements"** means the support agreements pursuant to which the Gallic Supporting Securityholders in their capacities as holders of Gallic Shares and Gallic Warrants have agreed to vote the Gallic

Shares and Gallic Warrants held by them in favour of the Arrangement Resolution and to otherwise support the Arrangement;

**"Gallic Supporting Securityholders"** means each of the directors and officers of Gallic and any other Persons who execute and deliver the Gallic Support Agreements;

**"Gallic Warrantholders"** means the holders from time to time of Gallic Warrants;

**"Gallic Warrants"** means the issued and outstanding warrants of Gallic entitling the holder thereof to purchase Gallic Shares;

**"GLJ"** means GLJ Petroleum Consultants Ltd.;

**"Governmental Authority"** means any:

- (a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign;
- (b) Canadian Securities Regulatory Authority, self-regulatory organization or stock exchange;
- (c) subdivision, agent, commission, board, or authority of any of the foregoing; or
- (d) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

**"Information Circular"** means this information circular and proxy statement dated October 30, 2012, together with all appendices hereto, delivered by Gallic in connection with the Meeting;

**"Interim Order"** means the interim order of the Court concerning the Arrangement under subsection 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the holding of the Gallic Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction, a copy of which order is attached as Appendix "B" to this Information Circular;

**"Joint Tax Election"** means the joint tax election under section 85 of the Tax Act described under the heading "Certain Canadian Federal Income Tax Considerations";

**"Letter of Transmittal and Election Form"** means the Letter of Transmittal and Election Form enclosed with this Information Circular pursuant to which a Gallic Securityholder is required to deliver certificates representing Gallic Shares and/or Gallic Warrants to receive, on completion of the Arrangement, certificates or DRS Advices representing Petromanas Shares and Petromanas Replacement Warrants as the case may be;

**"Macquarie Capital"** means Macquarie Capital Markets Canada Ltd.;

**"Meeting"** means the annual general and special meeting of Gallic Shareholders and Gallic Warrantholders to be held on November 29, 2012 and any adjournment(s) thereof to consider and to vote on the Arrangement Resolution and any other matters that may come before the Meeting;

**"MI 61-101"** means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

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

**"Non-Resident"** means (i) a Person who is not a resident of Canada for the purposes of the Tax Act or (ii) a partnership that is not a Canadian partnership for the purposes of the Tax Act;

**"Notice of Application"** means the Notice of Application by Gallic to the Court for the Final Order which accompanies this Information Circular;

**"Notice of Meeting"** means the Notice of Meeting which accompanies this Information Circular;

**"Parties"** means Petromanas and Gallic; and **"Party"** means any one of them;

**"Person"** means any individual, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

**"Petromanas"** means Petromanas Energy Inc., a corporation incorporated pursuant to the ABCA;

**"Petromanas AIF"** means the annual information form of Petromanas dated June 6, 2012 for the year ended December 31, 2011;

**"Petromanas First Series Warrants"** means the issued and outstanding first series warrants of Petromanas entitling the holder thereof to purchase one Petromanas Share at a price of \$0.45 until February 23, 2015;

**"Petromanas Options"** means the options to purchase Petromanas Shares outstanding and unexercised, whether vested or not vested, at any given date and granted under any stock option plans or stock option agreements of Petromanas, including the Petromanas Stock Option Plan;

**"Petromanas Performance Shares"** means the additional 50,000,000 Petromanas Shares which are required to be issued to the holders thereof upon the achievement of certain goals on or before February 24, 2020;

**"Petromanas Replacement Warrants"** means the warrants of Petromanas issuable pursuant to the Arrangement in exchange for the Gallic Warrants entitling the holder thereof to purchase Petromanas Shares;

**"Petromanas Shares"** means the common shares in the capital of Petromanas;

**"Petromanas Stock Option Plan"** means the stock option plan of Petromanas;

**"Petromanas Third Series Warrants"** means the issued and outstanding third series warrants of Petromanas entitling the holder thereof to purchase one Petromanas Share at a price of \$0.26 until January 18, 2013;

**"Plan"** or **"Plan of Arrangement"** means the plan of arrangement attached as Schedule "A" to Appendix "C" to this Information Circular, as amended or supplemented from time to time in accordance with the terms thereof;

**"Production Sharing Contracts"** means, collectively, the Blocks A-B Production Sharing Contract, the Blocks D-E Production Sharing Contract and the Blocks 2-3 Production Sharing Contract;

**"Record Date"** means the close of business on October 30, 2012;

**"Registrar"** means the Registrar of Corporations duly appointed under the ABCA;

**"Regulation S"** means Regulation S under the 1933 Act;

**"Shell"** means Royal Dutch Shell plc;

**"Shell Farm-Out Agreement"** means a definitive farm out agreement with a wholly-owned subsidiary of Shell, whereby Shell acquired a 50% participating interest in Petromanas' rights on Blocks 2-3;

"**Special Committee**" means the committee of the Board of Directors comprised of those directors who were not conflicted on this Arrangement and who were not Gallic management;

"**Superior Proposal**" has the meaning set forth herein under the heading "Arrangement Agreement – Non-Solicitation by Gallic";

"**U.S. Person**" has the meaning ascribed to such term under Rule 902(k) of Regulation S;

"**U.S. Securities Laws**" means the 1933 Act, the 1934 Act and the state securities legislation of any state of the United States, its territories and possessions and the District of Columbia, and all rules, regulations and orders promulgated thereunder, as amended from time to time;

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1. (5<sup>th</sup> Supp), as amended, including the regulations promulgated thereunder;

"**Tax Election Date**" means the date that is 90 days following the Effective Date;

"**Taxes**" includes any taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all licence, franchise and registration fees and all employment insurance, health insurance and Canada, Québec and other government pension plan premiums or contributions;

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

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

"**1933 Act**" means the *United States Securities Act of 1933*, as amended; and

"**1934 Act**" means the *United States Securities Exchange Act of 1934*, as amended.

## INTRODUCTION

**This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Gallic for use at the Meeting and any adjournments thereof. No Person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.**

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as Schedule A to the Arrangement Agreement which is attached as Appendix "C" to this Information Circular. **You are urged to carefully read the full text of the Plan of Arrangement.**

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under "Glossary of Terms". Information contained in this Information Circular is given as of October 30, 2012 unless otherwise specifically stated.

## NOTICE TO SECURITYHOLDERS IN THE UNITED STATES

**THE ARRANGEMENT AND THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The Petromanas Shares and Petromanas Replacement Warrants to be issued to Gallic Securityholders pursuant to the Arrangement have not been and will not be registered under the 1933 Act or any applicable securities laws of any state of the United States and are being issued in reliance on the exemption from the registration requirements of the 1933 Act set forth in Section 3(a)(10) thereof on the basis of the approval of the Court, which will consider, among other things, the fairness of the Arrangement to Gallic Securityholders, and in reliance on exemptions from or qualifications under the registration requirements under any applicable securities laws of any state of the United States. Section 3(a)(10) of the 1933 Act provides an exemption from the registration requirements of the 1933 Act for offers and sales of securities issued in exchange for one or more outstanding securities where the terms and conditions of the issuance and exchange of such securities have been approved by a court authorized to grant such approval after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and have received adequate notice thereof.

The 1933 Act imposes restrictions on the resale of securities received pursuant to the Arrangement by persons who will be "affiliates" of Petromanas after the Effective Time or who have been affiliates of Petromanas within 90 days before the Effective Time. Section 3(a)(10) of the 1933 Act does not exempt the issuance of underlying securities upon the exercise of securities that were previously issued pursuant to Section 3(a)(10) of the 1933 Act. Therefore, the Petromanas Shares issuable upon the exercise of the Petromanas Replacement Warrants may not be issued in reliance upon Section 3(a)(10) of the 1933 Act and may be exercised only pursuant to registration under the 1933 Act or an available exemption from the registration requirements of the 1933 Act and pursuant to any applicable securities laws of any state of the United States.

The solicitation of proxies made pursuant to this Information Circular is not subject to the requirements of Section 14(a) of the 1934 Act. Accordingly, this Information Circular has been prepared in accordance with disclosure requirements applicable in Canada, and the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and



securities laws. Gallic Securityholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the 1933 Act and to proxy statements under the 1934 Act.

Information concerning the properties and operations of Gallic and Petromanas has been prepared in accordance with the requirements of Canadian securities laws, which may differ from the requirements of United States securities laws.

Financial statements included or incorporated by reference in this Information Circular have been prepared in accordance with Canadian generally accepted accounting principles and International Financial Reporting Standards, which both differ from United States generally accepted accounting principles in certain material respects, and thus they may not be comparable to financial statements of U.S. companies.

Gallic Securityholders should be aware that the Arrangement described in this Information Circular may have tax consequences in both the United States and Canada. Gallic Securityholders who are resident in, or citizens of, the United States are advised to consult their own tax advisors to determine the particular United States tax consequences to them of the Arrangement in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local, or other taxing jurisdiction.

The enforcement by Gallic Securityholders of civil liabilities under U.S. Securities Laws may be affected adversely by the fact that each of Gallic and Petromanas is incorporated or organized outside the United States, that some or all of their respective directors and officers and the experts named in this Information Circular are not residents of the United States and that all or a substantial portion of their respective assets and said persons may be located outside the United States. As a result, it may be difficult or impossible for Gallic Securityholders in the United States to effect service of process within the United States upon Gallic or Petromanas, their respective officers and directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States. In addition, Gallic Securityholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States.

## CURRENCY AND EXCHANGE RATES

All dollar amounts set forth in this Information Circular are in Canadian dollars, except where otherwise indicated. The following table sets forth (i) the rates of exchange for Canadian dollars, expressed in United States dollars required to purchase one Canadian dollar, in effect at the end of each of the periods indicated; (ii) the average of exchange rates in effect during such period; and (iii) the high and low exchange rates during each such period, in each case based on the Bank of Canada noon rate.

	<b>Three Months ended June 30</b>	<b>Year ended December 31</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Rate at end of period	\$0.9813	\$0.9833	\$1.0054	\$0.9555
Average rate during period	\$0.9897	\$1.0111	\$0.9709	\$0.8757
High	\$1.0197	\$1.0583	\$1.0054	\$0.9716
Low	\$0.9599	\$0.9430	\$0.9278	\$0.7692

The noon rate on October 29, 2012 was Cdn. \$0.9996 = U.S. \$1.00

## ABBREVIATIONS

### Oil and Natural Gas Liquids

bbl	barrel
bbls	barrels
Mbbls	thousand barrels
MMbbls	million barrels
bbls/d	barrels per day
BOPD	barrels of oil per day
NGL	natural gas liquids

### Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
Bcf	billion cubic feet
GJ	gigajoule

### Other

AECO	the natural gas storage facility located at Suffield, Alberta
API	American Petroleum Institute
°API	an indication of the specific gravity of crude oil measured on the API gravity scale
BOE	barrel of oil equivalent of natural gas and crude oil on the basis of 1 Boe for 6 Mcf of natural gas
BOE/d	barrel of oil equivalent per day
C\$	Canadian dollars
m <sup>3</sup>	cubic metres
MBOE	1,000 barrels of oil equivalent
MMBOE	million barrels of oil equivalent
MM	Million
U.S.\$	United States dollars
WTI	West Texas Intermediate, the reference price paid in United States dollars at Cushing, Oklahoma for crude oil of standard grade
\$000s	thousands of dollars

## CONVERSIONS

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
bbls	Cubic metres	0.159
Cubic metres	bbls oil	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

## FORWARD-LOOKING INFORMATION

This Information Circular and the documents incorporated by reference herein contain or may contain certain statements or disclosures concerning Gallic or Petromanas that constitute forward-looking information under applicable securities laws. All statements and disclosures, other than those of historical fact, about possible events, conditions, results of operations, activities, events, outcomes, results or developments based on assumptions about future economic conditions and courses of action that Gallic or Petromanas, as applicable, anticipates or expects

may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should" or "believe". In addition, statements relating to "resources" and "reserves" are deemed to be forward-looking information as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described exist in the quantities estimated and in the case of reserves, if any, can be profitably produced in the future. In particular, this Information Circular, and the documents incorporated by reference, contain or may contain forward-looking information pertaining to the following:

- the existence and performance characteristics of oil, natural gas liquids and natural gas properties;
- oil, natural gas liquids and natural gas production levels and the sources of their growth;
- the size of the oil, natural gas liquids and natural gas resources and reserves, recovery rates and anticipated future cash flows from such reserves, if any;
- perceived benefits and attributes of the Arrangement;
- the effect of the Arrangement;
- projections of market prices and costs;
- supply and demand for oil, natural gas liquids and natural gas;
- plans for and results of exploration and development activities;
- expectations regarding the ability to raise capital and to identify, develop and increase resources and reserves through acquisitions, exploration and development;
- the receipt of certain permits in Australia
- treatment under governmental regulatory regimes and tax laws;
- drilling plans;
- reserve life;
- capital expenditure programs;
- the timing and completion of the proposed Arrangement and the benefits thereof;
- the timing of Gallic Securityholder approval of the Arrangement, the Final Order and the Effective Date;
- anticipated tax treatment of the Arrangement on Gallic Securityholders; and
- the exercise of dissent rights by Gallic Shareholders with regards to the Arrangement.

Gallic and Petromanas, as applicable, rely on certain key expectations and assumptions in making the forecasts, projections, predictions or estimations set out in forward-looking information. These factors and assumptions are based on information available at the time that the forward-looking information is provided. These include, but are not limited to, expectations and assumptions concerning:

- the success of operations and exploration and development activities;

- prevailing commodity prices and exchange rates;
- the availability of capital to fund planned expenditures;
- prevailing regulatory, royalty, tax and environmental laws and regulations;
- the ability to market oil, natural gas liquids and natural gas successfully;
- the ability to secure necessary personnel, equipment and services;
- the receipt of required securityholder, regulatory and court approvals and the satisfaction of other closing conditions in respect of the Arrangement; and
- the satisfaction of the listing criteria of the TSXV respecting the Petromanas Shares to be issued.

**Undue reliance should not be placed on forward-looking information because a number of risks and factors may cause actual results to differ materially from those set out in such forward-looking information. These include:**

- failure to complete the Arrangement in all material respects in accordance with the Arrangement Agreement or at all;
- Gallic and Petromanas may not realize the anticipated benefits of the Arrangement;
- volatility in market prices for oil, natural gas liquids and natural gas;
- risks and liabilities inherent in oil, natural gas liquids and natural gas exploration, development and operations;
- uncertainties associated with estimating oil, natural gas liquids and natural gas resources and reserves;
- general economic conditions in Canada, the United States, France, Australia, Albania and globally;
- competition for, among other things, capital, equipment, resources, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions and exploration and development programs;
- geological, technical, drilling and processing problems and other difficulties in indentifying, developing and producing resources and reserves;
- actions by governmental authorities, including increases in taxes and approving certain matters related to the Arrangement;
- the availability of capital on acceptable terms;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- difficulties in integrating the businesses and operations of Gallic and Petromanas;
- failure to realize the anticipated benefits of acquisitions and dispositions;
- failure to receive regulatory and securityholder approvals or to otherwise satisfy conditions precedent to the completion of the Arrangement; and

- the other factors specifically identified as risk factors in this Information Circular and the documents incorporated by reference herein.

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, if any, described can be profitably produced in the future. Readers are cautioned that the foregoing list of factors should not be construed as exhaustive. **The forward-looking statements included in this Information Circular and in certain documents incorporated by reference herein are expressly qualified by this cautionary statement and are made as of the date of this Information Circular. Gallic and Petromanas undertake no obligation to publicly update or revise any forward-looking statements, except as required by Applicable Laws.**

## SUMMARY

*The following is a summary of certain information contained elsewhere in this Information Circular, including the Appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Information Circular or in the Appendices hereto. Terms with initial capital letters used in this summary are defined in the "Glossary of Terms". In this summary, all dollar amounts are stated in Canadian dollars unless otherwise specified.*

### **The Meeting**

The Meeting will be held in the Angus/Northcot Room at Bow Valley Square at 205 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta on Thursday, November 29, 2012 at 9:00 a.m. (Calgary time) for the purposes set forth in the accompanying Notice of Meeting. The business of the Meeting will be to consider and vote upon the Arrangement Resolution and annual matters (including setting the number of directors, electing directors, appointing auditors and re-approving of Gallic's stock option plan).

### **The Arrangement**

On October 1, 2012, Gallic and Petromanas entered into the Arrangement Agreement, a copy of which is attached as Appendix "C" to this Information Circular. Pursuant to the Arrangement, Gallic Shareholders who are Exchanging Gallic Shareholders will exchange their Gallic Shares directly with Petromanas for Petromanas Shares and all other Gallic Shareholders, other than Dissenting Gallic Shareholders, will exchange their Gallic Shares for Petromanas Shares pursuant to the amalgamation of Gallic and AcquisitionCo. In each case, Gallic Shareholders (excluding Dissenting Gallic Shareholders) will receive 0.3736 Petromanas Shares for each Gallic Share held.

Gallic Warrantholders will receive Petromanas Replacement Warrants exercisable for Petromanas Shares equal to that number of Gallic Shares which were otherwise issuable upon the exercise of the Gallic Warrants previously held, multiplied by 0.3736, with the exercise prices adjusted accordingly.

Upon the completion of the Arrangement, the amalgamation of AcquisitionCo and Gallic will result in the continuing amalgamated corporation, Amalco, becoming a wholly-owned subsidiary of Petromanas.

The completion of the Arrangement is conditional on, among other things, the approval of the Arrangement Resolution.

As at the date hereof, there are 631,041,466 Petromanas Shares and 167,076,444 Gallic Shares outstanding (each on a non-diluted basis).

See *"The Arrangement – Details of the Arrangement"* and *"Procedure for Exchange of Gallic Shares and Gallic Warrants"*.

### **Effect of the Arrangement**

**The following is a summary only of the Plan of Arrangement and reference should be made to the full text of the Arrangement Agreement and the Plan of Arrangement set forth in Appendix "C" to this Information Circular.** The Arrangement involves a number of steps, including each of the events set out below, which will occur or be deemed to occur in the following order commencing at the Effective Time, without any further act or formality, except as otherwise expressly provided therein:

- (a) the Gallic Shares held by Dissenting Gallic Shareholders who have exercised Dissent Rights which remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Petromanas and as of the Effective Time, such Dissenting Gallic

Shareholders shall cease to have any rights as Gallic Shareholders, other than the right to be paid the fair value of their Gallic Shares in accordance with the Dissent Rights;

- (b) the Gallic Shares held by Exchanging Gallic Shareholders shall be transferred to Petromanas (free of any claims) in exchange for Petromanas Shares on the basis of 0.3736 Petromanas Shares for each Gallic Share so transferred; and
- (c) AcquisitionCo and Gallic shall be amalgamated and continued as one corporation under the ABCA to form Amalco in which, among other things:
  - (i) each issued and outstanding Gallic Share (other than Gallic Shares held by Petromanas) shall be cancelled and such holder's name shall be removed from the register of holders of Gallic Shares as of the Effective Date and in consideration therefor the holder thereof shall receive 0.3736 Petromanas Shares in respect of each Gallic Share so cancelled and the Petromanas Shares held by such holder shall be added to the register of holders of Petromanas Shares as of the Effective Date;
  - (ii) the issued and outstanding shares of AcquisitionCo shall survive and continue to be shares of Amalco without amendment;
  - (iii) the issued and outstanding Gallic Shares held by Petromanas shall be cancelled and in exchange Petromanas shall receive an equal number of Amalco common shares and the Amalco common shares held by Petromanas shall be added to the register of holders of Amalco common shares as of the Effective Date; and
  - (iv) each Gallic Warrant outstanding at the Effective Time shall be exchanged with Petromanas for a Petromanas Replacement Warrant to purchase that number of Petromanas Shares equal to the product of 0.3736 multiplied by the number of Gallic Shares subject to such Gallic Warrant and at an exercise price per Petromanas Share equal to the exercise price per Gallic Share subject to such Gallic Warrant immediately prior to the Effective Time divided by 0.3736. The term to expiry, conditions to and manner of exercising, vesting schedule, and all other terms and conditions of such Petromanas Replacement Warrant shall be the same as the Gallic Warrant for which it was exchanged, as adjusted to take into account the Arrangement. For example, an existing Gallic Warrant with an exercise price of \$0.10 would have an exercise price of \$0.27 and an existing Gallic Warrant with an exercise price of \$0.60 would have an exercise price of \$1.61.

Completion of the Arrangement is subject to a number of conditions including, among other things, the approval of the Arrangement Resolution, the receipt of all necessary regulatory approvals (including approval from the TSXV for the listing of the additional Petromanas Shares) and the granting of the Final Order. See the Arrangement Agreement for the complete text of the conditions to the completion of the Arrangement. If all of the conditions to the completion of the Arrangement are satisfied or waived, Petromanas and Gallic expect the Effective Date to occur on or as soon as practicable after November 30, 2012.

No fractional Petromanas Shares will be issued pursuant to the Arrangement and, in lieu thereof, each previous holder of Gallic Shares otherwise entitled to a fractional interest in a Petromanas Share will receive the nearest whole number of Petromanas Shares (with fractions equal to exactly 0.5 or greater being rounded up and fractions less than 0.5 being rounded down). In calculating such fractional interest, all Gallic Shares registered in the name of or beneficially held by such holder of Gallic Shares shall be aggregated prior to rounding fractional interests.

In the event that a Gallic Warrantholder would otherwise be entitled to a fractional Petromanas Warrant pursuant to the Arrangement, the number of Petromanas Replacement Warrants issued to such Gallic Warrantholder shall be rounded down to the next lesser whole number of Petromanas Replacement Warrants and the total exercise price for

the Petromanas Replacement Warrants will be reduced by the exercise price of the fractional Petromanas Replacement Warrants.

Following the Arrangement, it is expected that there will be approximately 694 million Petromanas Shares issued and outstanding. Former Gallic Shareholders are expected to hold an aggregate of approximately 62.65 million Petromanas Shares (representing approximately 9% of the outstanding Petromanas Shares). See *"The Arrangement - Effect of the Arrangement"*.

### **Background to the Arrangement**

The terms of the Arrangement are the result of arm's length negotiations between representatives of Gallic and Petromanas and their respective advisors. This Information Circular contains a summary of the events leading up to the negotiation of the Arrangement Agreement and the meetings, negotiations, discussions and actions between the Parties that preceded the execution and public announcement of the Arrangement Agreement. See *"The Arrangement - Background to the Arrangement"*.

### **Reasons for the Arrangement**

The Arrangement presents an attractive opportunity for the Gallic Shareholders for the following reasons:

- Based on average closing price of the Petromanas Shares on the TSXV for the ten trading days ended October 1, 2012 (the last trading day prior to the announcement of the Arrangement), the Exchange Ratio represents a price of \$0.07 per Gallic Share and a premium of 11% of the average closing price of the Gallic Shares on the TSXV for the same period.
- The Arrangement provides Gallic Securityholders with the opportunity to continue to participate in the future growth of Gallic's portfolio of assets and opportunities through the ownership of Petromanas Shares.
- The Arrangement is anticipated to provide Gallic Securityholders with equity ownership in a larger entity with stronger growth potential from a more diversified and resource-oriented asset base and with greater financial resources available to develop such asset base.
- The Arrangement is anticipated to provide Gallic Shareholders with enhanced liquidity due to Petromanas' larger market capitalization and access to capital.
- Under the Arrangement Agreement, the Board of Directors retains the ability to consider and respond to superior proposals prior to completion of the Arrangement on the specific terms and conditions set forth in the Arrangement Agreement and subject to, if applicable, the payment of a \$350,860 termination fee to Petromanas.
- The Arrangement provides the opportunity for a tax deferred rollover under the Tax Act for Gallic Shareholders who receive Petromanas Shares under the Arrangement. See *"Certain Canadian Federal Income Tax Considerations"*.
- The Arrangement removes capital markets risk for Gallic as additional funding is required to finance continued operations. Such funding would be dilutive to existing Gallic Shareholders.

### **Fairness Opinion**

Gallic retained Macquarie Capital, on behalf of the Board of Directors, to provide an opinion as to the fairness to Gallic Shareholders, from a financial point of view, of the consideration to be received by the Gallic Shareholders pursuant to the Arrangement. In connection with this mandate, Macquarie Capital has delivered the Fairness



Opinion to the Board of Directors. The Fairness Opinion states that, in Macquarie Capital's opinion, as of October 1, 2012, the consideration to be received by the Gallic Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Gallic Shareholders. The Fairness Opinion, a complete copy of which is attached as Appendix "D" to this Information Circular, is subject to the assumptions and limitations contained therein and should be read in its entirety. The Fairness Opinion addresses only the fairness to Gallic Shareholders, from a financial point of view, of the consideration to be received by Gallic Shareholders under the Arrangement, and is for the information of the Board of Directors in connection with its consideration of the Arrangement and any recommendation to Gallic Shareholders with respect to the Arrangement that the Board of Directors may make. The Fairness Opinion does not constitute a recommendation to any Gallic Shareholder as to how such Gallic Shareholder should vote at the Meeting.

### **Recommendation of the Board of Directors**

**The Board of Directors, other than one director who recused himself from the process of considering the Arrangement due to a potential conflict of interest, based upon its own investigations, including its consideration of the Fairness Opinion, has unanimously determined that the Arrangement is in the best interests of Gallic and is fair to the Gallic Shareholders and Gallic Warrantholders and recommends that the Gallic Shareholders and Gallic Warrantholders vote in favour of the Arrangement Resolution.**

### **Conditions to the Arrangement**

The respective obligations of Gallic and Petromanas to complete the transactions contemplated by the Arrangement are subject to a number of conditions that must be satisfied or waived in order for the Arrangement to become effective. A copy of the Arrangement Agreement is attached to this Information Circular as Appendix "C". Upon all of the conditions being fulfilled or waived, the Arrangement Agreement requires Gallic to file a copy of the Final Order and the Articles of Arrangement with the Registrar in order to give effect to the Arrangement. A summary of the conditions is provided in the main body of this Information Circular under the heading "*Arrangement Agreement – Conditions to the Obligations of Petromanas*" and "*Arrangement Agreement – Conditions to the Obligations of Gallic*".

### **Procedure for the Arrangement to Become Effective**

The Arrangement is proposed to be carried out pursuant to Section 193 of the ABCA. The following procedural steps must be taken in order for the Arrangement to become effective:

- (a) the Arrangement Resolution must be approved by the Gallic Securityholders at the Meeting in the manner set forth in the Interim Order;
- (b) the Court must grant the Final Order approving the Arrangement;
- (c) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate party; and
- (d) the Final Order, Articles of Arrangement and related documents, in the form prescribed by the ABCA, must be filed with the Registrar.

**There is no assurance that the conditions set out in the Arrangement Agreement will be satisfied on a timely basis or at all.**

### **Gallic Securityholder Approval**

Pursuant to the Interim Order, the majority required to pass the Arrangement Resolution shall be not less than 66 2/3% of the votes cast by the Gallic Shareholders and Gallic Warrantholders, in person or by proxy, at the

Meeting, voting together as a single class and a majority of the votes cast by the Gallic Shareholders, present in person or by proxy, at the Meeting, excluding those votes in respect of Gallic Shares which are required to be excluded pursuant to MI 61-101.

Notwithstanding the foregoing, the Arrangement Resolution authorizes the Board of Directors, without further notice to or approval of the Gallic Securityholders, subject to the terms of the Arrangement Agreement and the Plan, to amend the Arrangement Agreement, to decide not to proceed with the Arrangement and to revoke such Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the ABCA. See Appendix "A" to this Information Circular for the full text of the Arrangement Resolution.

### **Court Approval**

On October 26, 2012, Gallic obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. The Interim Order is attached as Appendix "B" to this Information Circular.

Implementation of the Arrangement requires the approval of the Court. See *"Procedure for the Arrangement Becoming Effective – Court Approvals"*. An application for the Final Order approving the Arrangement is expected to be made on November 29, 2012 at 2:00 p.m. (Calgary time) at the Court of Queen's Bench of Alberta, Calgary Courts Centre, 601 – 5<sup>th</sup> Street S.W., Calgary, Alberta, T2P 5P7.

### **Regulatory Approvals**

The Arrangement Agreement provides that receipt of all regulatory approvals including, without limitation, conditional approval of the TSXV for the listing of the Petromanas Shares to be issued under the Arrangement and applicable government and regulatory approvals by, among others, the relevant authorities in Canada, France and Australia, are conditions precedent to the Arrangement becoming effective.

### **Timing**

Subject to all conditions precedent to the Arrangement as set forth in the Arrangement Agreement being satisfied or waived by the appropriate party, the Arrangement will become effective upon the filing with the Registrar of a copy of the Final Order and Articles of Arrangement. If the Meeting is held and the Arrangement Resolution is approved as required by the Interim Order, Gallic will apply to the Court for the Final Order approving the Arrangement. If the Final Order is obtained on November 29, 2012 in a form and substance satisfactory to Gallic and Petromanas, and all other conditions specified in the Arrangement Agreement are satisfied or waived, Gallic and Petromanas expect the Effective Date will be November 30, 2012.

The Effective Date could be delayed, however, for a number of reasons, including an objection before the Court in the hearing of the application for the Final Order and a delay in the receipt of necessary governmental and regulatory approvals.

### **Procedure for Exchange of Gallic Shares**

From and after the Effective Time, certificates formerly representing Gallic Shares shall represent only the right to receive Petromanas Shares pursuant to the Arrangement. In order to receive certificates or DRS Advices for Petromanas Shares under the Arrangement, Gallic Shareholders must complete and return the enclosed Letter of Transmittal and Election Form, together with the certificate(s) representing their Gallic Shares, as applicable, to the Depositary at its office specified in the Letter of Transmittal and Election Form.

Gallic Shareholders who wish to elect to be Exchanging Gallic Shareholders and directly exchange their Gallic Shares with Petromanas for Petromanas Shares, rather than exchanging their Gallic Shares for Petromanas Shares upon the amalgamation of Gallic and AcquisitionCo, must complete and return the enclosed Letter of Transmittal and Election Form, together with the certificate(s) representing their Gallic Shares, to be received by the Depositary

**no later than 2:00 p.m. (Calgary time) on November 28, 2012.** See "*Certain Canadian Federal Income Tax Considerations - Gallic Shares*" for additional information on becoming an Exchanging Gallic Shareholder.

**Gallic Shareholders whose Gallic Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to deposit their Gallic Shares. See "*Procedure for Exchange of Gallic Shares and Gallic Warrants*".**

### **Treatment of Fractional Shares**

No fractional Petromanas Shares will be issued to Gallic Shareholders pursuant to the Arrangement. In the event that a Gallic Shareholder would otherwise be entitled to a fractional Petromanas Share pursuant to the Arrangement, the number of Petromanas Shares issued to such Gallic Shareholder will be rounded up to the next greater whole number of Petromanas Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of Petromanas Shares if the fractional entitlement is less than 0.5. In calculating such fractional interests, all Gallic Shares registered in the name of such Gallic Shareholder shall be aggregated.

### **Procedure for Exchange of Gallic Warrants**

From and after the Effective Time, certificates formerly representing Gallic Warrants shall represent only the right to receive Petromanas Replacement Warrants pursuant to the Arrangement. In order to receive certificates for Petromanas Replacement Warrants under the Arrangement, Gallic Warrantholders must complete and return the enclosed Letter of Transmittal and Election Form, together with the certificate(s) representing their Gallic Warrants, as applicable, to the Depositary at its office specified in the Letter of Transmittal and Election Form.

In the event that a Gallic Warrantholder would otherwise be entitled to a fractional Petromanas Warrant pursuant to the Arrangement, the number of Petromanas Replacement Warrants issued to such Gallic Warrantholder shall be rounded down to the next lesser whole number of Petromanas Replacement Warrants and the total exercise price for the Petromanas Replacement Warrants will be reduced by the exercise price of the fractional Petromanas Replacement Warrants.

**Gallic Warrantholders whose Gallic Warrants are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to deposit their Gallic Warrants. See "*Procedure for Exchange of Gallic Shares and Gallic Warrants*".**

### **Gallic Support Agreements**

Gallic officers and directors, who collectively hold approximately 10.26% of the issued and outstanding Gallic Shares and 11.16% of the Gallic Warrants have entered into voting support agreements with Petromanas pursuant to which they have agreed to vote their Gallic Shares and Gallic Warrants, inclusive of Gallic Shares issued upon the exercise of any Gallic Options, Gallic RSUs or Gallic Warrants, in favour of the Arrangement. The Gallic Support Agreements will terminate if the Arrangement Agreement is terminated in accordance with its terms. Gallic Support Securityholders hold, directly or indirectly, an aggregate of 17,135,900 Gallic Shares and 7,965,000 Gallic Warrants (representing approximately 10.26% of the currently issued and outstanding Gallic Shares and 11.16% of the Gallic Warrants).

### **Gallic Options and RSUs**

In connection with the Arrangement, the vesting of all Gallic Options and Gallic RSUs shall accelerate and all such Gallic Options and Gallic RSUs not previously vested shall become exercisable immediately prior to the Effective Date.

As contemplated by the Arrangement Agreement and as permitted by the Gallic Stock Option Plan, the Gallic Board of Directors has accelerated the vesting of all Gallic Options and Gallic RSUs held by employees, directors and consultants and has agreed to use its reasonable efforts to ensure that, prior to the Effective Time, holders of Gallic Options and Gallic RSUs, either exercise such Gallic Options or Gallic RSUs and acquire Gallic Shares or terminate or otherwise surrender such Gallic Options or Gallic RSUs for cancellation, conditional upon the Arrangement becoming effective.

Gallic has also agreed to use its reasonable commercial efforts to cause holders of "out-of-the-money" Gallic Options to surrender such Gallic Options for cancellation on or prior to the Effective Date in exchange for a nominal payout amount equal to \$0.0001 per Gallic Option.

As of October 30, 2012, Gallic Optionholders (including directors and officers of Gallic) hold an aggregate of 8,420,000 Gallic Options, all of which are "out-of-the-money" (based on the closing price of the Gallic Shares on October 29, 2012).

As of October 30, 2012, holders of Gallic RSUs hold an aggregate of 625,000 Gallic RSUs which are exchangeable for an aggregate of 625,000 Gallic Shares.

It is a condition to the completion of the Arrangement that all of the Gallic Options and Gallic RSUs be exercised or cancelled prior to the Effective Time.

### **Dissent Rights**

Pursuant to the Interim Order, registered Gallic Shareholders have the right to dissent with respect to the Arrangement Resolution by complying with Section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. Registered Gallic Shareholders wishing to exercise such Dissent Rights must send a written objection to the Arrangement Resolution to Gallic, c/o Davis LLP, Suite 1000, 250 – 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 0C1, attention: Trevor Wong-Chor, by 4:00 p.m. (Calgary time) on the day that is two (2) Business Days immediately preceding the date of the Meeting. Provided the Arrangement becomes effective, each Gallic Shareholder who validly and properly dissents and becomes a Dissenting Gallic Shareholder will be entitled to be paid the fair value of the Gallic Shares in respect of which the holder dissents, determined as of the close of business on the last Business Day before the Meeting.

The statutory provisions covering the right to dissent are technical and complex. Failure to strictly comply with the requirements set forth in Section 191 of the ABCA, as such section has been modified by the Interim Order, may result in the loss of any right to dissent. **Persons who are beneficial owners of Gallic Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holder is entitled to dissent.** Accordingly, a beneficial owner of Gallic Shares desiring to exercise the right to dissent must make arrangements for such securities to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received or, alternatively, make arrangements for the registered holder to dissent on such holder's behalf. Pursuant to the Interim Order and the ABCA, a Gallic Shareholder may not exercise the right to dissent in respect of only a portion of such holder's Gallic Shares.

**Under the Arrangement Agreement, it is a condition to the Arrangement that holders of not greater than 5% of the outstanding Gallic Shares shall have exercised Dissent Rights that have not been withdrawn as at the Effective Date.** See the more detailed description of the Dissent Rights provided in the main body of this Information Circular under the heading "*Dissent Rights*". Also, see Appendix "B" for a copy of the Interim Order and Appendix "G" for the provisions of Section 191 of the ABCA.

## **Resale of Securities**

Petromanas Shares and Petromanas Replacement Warrants to be issued to Gallic Securityholders pursuant to the Arrangement will be issued in reliance on exemptions from prospectus and registration requirements of applicable securities laws of the various applicable provinces in Canada. Petromanas Shares issuable pursuant to the Arrangement will generally be "freely tradeable" (and not subject to any "restricted period" or "hold period") under applicable Canadian securities laws if the following conditions are met: (i) the trade is not a control distribution (as defined in applicable securities legislation); (ii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade; (iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and (iv) if the selling securityholder is an insider or an officer of the issuer of the securities, the selling securityholder has no reasonable grounds to believe that the issuer is in default of securities legislation.

The offer and sale of the Petromanas Shares issuable in exchange for Gallic Shares and Petromanas Replacement Warrants issuable in exchange for Gallic Warrants pursuant to the Arrangement to Gallic Securityholders have not been and will not be registered under the 1933 Act, and such securities will be issued in reliance upon the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof. Such Petromanas Shares and Petromanas Replacement Warrants will be freely transferable under U.S. federal securities laws, except by persons who are "affiliates" of Petromanas after the Arrangement or were affiliates of Petromanas within 90 days prior to the completion of the Arrangement. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Gallic Shareholders are urged to consult their legal advisers to determine the extent of all applicable resale provisions. See *"Securities Law Matters – Resale of Securities"*.

## **Stock Exchange Listings**

The outstanding Gallic Shares are listed and posted for trading on the TSXV under the symbol "GLC". On October 1, 2012, the last trading day prior to the date of the announcement of the proposed Arrangement, the closing price of the Gallic Shares on the TSXV was \$0.08. On October 29, 2012, the last trading day prior to the date of this Information Circular, the closing price of the Gallic Shares on the TSXV was \$0.055.

The outstanding Petromanas Shares are listed and posted for trading on the TSXV under the symbol "PMI". On October 1, 2012, the last trading day prior to the date of the announcement of the proposed Arrangement, the closing price of the Petromanas Shares on the TSXV was \$0.19. On October 29, 2012, the last trading day prior to the date of this Information Circular, the closing price of the Petromanas Shares on the TSXV was \$0.195.

The TSXV has conditionally approved the listing of the Petromanas Shares to be issued in connection with the Arrangement. Listing will be subject to Petromanas fulfilling all of the requirements of the TSXV, which requirements are expected to be met on the Effective Date or as soon as reasonably practicable thereafter. If the Arrangement is completed, Petromanas will apply to have the Gallic Shares delisted from the TSXV.

## **Canadian Federal Income Tax Considerations**

Generally, Gallic Securityholders resident in Canada will not realize a capital gain (or a capital loss) upon the exchange of Gallic Shares for Petromanas Shares and Gallic Warrants for Petromanas Replacement Warrants under the Arrangement. However, a Gallic Shareholder who is an Exchanging Gallic Shareholder may choose to recognize all of the capital gain (or capital loss) that would otherwise be realized on the exchange by including such capital gain (or capital loss) in the computation of the Gallic Shareholder's income for the taxation year in which the exchange occurs. An Exchanging Gallic Shareholder is also entitled to make a Joint Tax Election to recognize all or a portion of the capital gain that would otherwise be deferred under the Arrangement.

The deadline to elect to become an Exchanging Gallic Shareholder is **2:00 p.m. (Calgary time) on November 28, 2012**. See "*Certain Canadian Federal Income Tax Considerations - Gallic Shares*" for additional information on becoming an Exchanging Gallic Shareholder.

A Gallic Shareholder who, at all relevant times, is a Non-Resident Holder should generally not be subject to any Canadian federal income tax on capital gains realized in respect of a disposition of the Gallic Shares unless such property is "taxable Canadian property" of the Non-Resident Holder for purposes of the Tax Act, and an income tax convention between Canada and the Non-Resident Holder's jurisdiction of residence does not exempt the capital gain from Canadian federal income tax.

The Information Circular contains a summary of the principal Canadian federal income tax considerations relevant to Canadian residents and Non-Residents and which relate to the Arrangement, and the above comments are qualified in their entirety by reference to such summary. Gallic Shareholders are strongly urged to read carefully the general summary of certain tax considerations noted below and to consult their own tax advisors for advice with respect to their own particular circumstances. See "*Certain Canadian Federal Income Tax Considerations*".

### **Other Tax Considerations**

This Information Circular does not address any tax considerations of the Arrangement other than Canadian federal income tax considerations generally applicable to Gallic Securityholders who dispose of their Gallic Shares and/or Gallic Warrants under the Arrangement. Gallic Securityholders who are residents of jurisdictions other than Canada should consult their tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of disposing of their Gallic Shares and/or Gallic Warrants under the Arrangement and owning Petromanas Shares and/or Petromanas Replacement Warrants after the Arrangement. Gallic Securityholders should also consult their own tax advisors regarding provincial, territorial or state tax considerations of disposing of their Gallic Shares and/or Gallic Warrants under the Arrangement and of holding Petromanas Shares and/or Petromanas Replacement Warrants.

### **Gallic**

Gallic is a Calgary-based company with direct investments in oil and gas interests which provide exposure to international oil and gas exploration opportunities with varying risk profiles in politically and economically stable jurisdictions. Gallic has oil and natural gas concessions in France and Australia, and is pursuing additional concessions within onshore Europe.

The head office of Gallic is located at 1000, 205-5th Avenue SW, Calgary, Alberta, T2P 2V7 and the registered office is located at 1000, 250 - 2nd Street S.W., Calgary, Alberta T2P 0C1. The Gallic Shares trade on the TSXV under the symbol "GLC".

See Appendix "F" - "*Information Concerning Gallic*".

### **Petromanas**

Petromanas is a Calgary-based international oil and gas company focused on the exploration and development of its assets in Albania. Petromanas GmbH, through its wholly-owned subsidiary, Petromanas Albania, is the holder of three Production Sharing Contracts. Under the terms of the Production Sharing Contracts and the Shell Farm-Out Agreement, Petromanas has a 100% working interest in four onshore blocks (Blocks A-B and D-E), and a 50% working interest in two onshore blocks (Blocks 2-3), that comprise in the aggregate, more than 1.4 million gross acres (1.03 million net acres) across Albania's Berati Thrust Belt.

As of the date hereof, Petromanas has 28 full-time employees. Petromanas primarily relies upon consultants to carry on many of its activities and, in particular, to supervise work programs on its Production Sharing Contracts.

Petromanas is a reporting issuer in British Columbia and Alberta. The Petromanas Shares and Petromanas First Series Warrants are listed and posted for trading on the TSXV under the symbols "PMI" and "PMI.WT", respectively.

The head office of Petromanas is located at 1720, Life Plaza, 734 - 7 Avenue SW, Calgary, Alberta, T2P 3P8. The registered office of Petromanas is located at 400 - 3 Avenue SW, Suite 3700, Calgary, Alberta, T2P 4H2.

See Appendix "E" – *"Information Concerning Petromanas"*.

## **Risk Factors**

Gallic Shareholders and Gallic Warrantholders voting in favour of the Arrangement Resolution will be choosing to combine the businesses of Gallic and Petromanas and to invest in Petromanas Shares and Petromanas Replacement Warrants, respectively. The Arrangement and investment in Petromanas Shares and Petromanas Replacement Warrants involves risks.

An investment in Petromanas Shares and Petromanas Replacement Warrants is subject to certain risks, which are generally associated with an investment in securities of an oil and gas exploration and development company. **The following is a list of certain additional risk factors associated with the Arrangement and the investment in Petromanas Shares and Petromanas Replacement Warrants which Gallic Shareholders and Gallic Warrantholders should carefully consider before approving the Arrangement Resolution:**

- Gallic and Petromanas may not realize the anticipated benefits of the Arrangement;
- risks related to the integration of Gallic's and Petromanas' existing businesses and properties;
- future resources and the identification of reserves and production depend on success in exploring the current properties and acquiring or discovering resources and reserves;
- failure to realize anticipated benefits of acquisitions and dispositions;
- general economic conditions in Canada, the United States, France, Australia, Albania and globally;
- industry conditions, including commodity price volatilities and other factors that may affect the marketability of oil and natural gas;
- liabilities inherent in oil and natural gas exploration, development and operations;
- governmental regulation of the oil and gas industry, including environmental regulation;
- variation in foreign exchange rates and interest rates;
- geological, technical, drilling and processing problems and other difficulties in identifying, developing and producing oil and natural gas;
- imprecision in resource estimates;
- unanticipated operating events which can reduce production, if any, or cause production, if any, to be shut in or delayed;
- failure to obtain industry partner and other third party consents and approvals, when and where required;

- stock market volatility and market valuations;
- competition for, among other things, capital, equipment, resources, undeveloped lands and skilled personnel;
- competition for and inability to retain drilling equipment and other services; and
- the inability to obtain required consents, permits or approvals to the Arrangement, including securityholder, Court or regulatory approvals.

**The risk factors listed above are an abbreviated list of risk factors summarized elsewhere in this Information Circular, the Gallic AIF, Gallic's information circular dated November 16, 2011, Gallic's financial statements and management discussion & analysis, the Petromanas AIF, Petromanas' information circular dated April 26, 2012 and Petromanas' financial statements and management discussion & analysis, each of which are incorporated herein by reference. Gallic Shareholders and Gallic Warrantholders should carefully consider all such risk factors.**



## THE ARRANGEMENT

### Details of the Arrangement

**The following description of the Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement, as set forth in Schedule "A" to the Arrangement Agreement which is attached as Appendix "C" to this Information Circular.**

On October 1, 2012, Gallic and Petromanas entered into the Arrangement Agreement, a copy of which is attached as Appendix "C" to this Information Circular. Pursuant to the Arrangement, Gallic Shareholders who are Exchanging Gallic Shares will exchange their Gallic Shares directly with Petromanas for Petromanas Shares and all other Gallic Shareholders, other than Dissenting Gallic Shareholders, will exchange their Gallic Shares for Petromanas Shares pursuant to the amalgamation of Gallic and AcquisitionCo. In each case, Gallic Shareholders (excluding Dissenting Gallic Shareholders) will receive 0.3736 Petromanas Shares for each Gallic Share held.

Gallic Warrantholders will receive Petromanas Replacement Warrants exercisable for Petromanas Shares equal to that number of Gallic Shares which were otherwise issuable upon the exercise of the Gallic Warrants previously held, multiplied by 0.3736, with the exercise prices adjusted accordingly.

Upon the completion of the Arrangement, the amalgamation of AcquisitionCo and Gallic will result in the continuing amalgamated corporation, Amalco, becoming a wholly-owned subsidiary of Petromanas.

The completion of the Arrangement is conditional on, among other things, the approval of the Arrangement Resolution.

As at the date hereof, there are 631,041,466 Petromanas Shares and 167,076,444 Gallic Shares outstanding (each on a non-diluted basis).

The respective obligations of Gallic and Petromanas to complete the transactions contemplated by the Arrangement are subject to a number of conditions which must be satisfied or waived in order for the Arrangement to become effective. Upon all of the conditions being fulfilled or waived, Gallic is required to file a copy of the Final Order and the Articles of Arrangement with the Registrar in order to give effect to the Arrangement. See "*Arrangement Agreement – Conditions to the Obligations of Petromanas*" and "*Arrangement Agreement – Conditions to the Obligations of Gallic*".

### Effect of the Arrangement

#### *General*

The Arrangement will result in Gallic Shareholders (other than Dissenting Gallic Shareholders) receiving Petromanas Shares for the Gallic Shares that they hold on the Effective Date and Gallic Warrantholders receiving Petromanas Replacement Warrants for the Gallic Warrants that they hold on the Effective Date. Following the Arrangement, Petromanas will hold all of the outstanding shares of Amalco. Petromanas shall allot and issue to Gallic Shareholders the number of Petromanas Shares issuable to such holders on the basis set out in the Plan of Arrangement and the name of such holders shall be added to the register of holders of Petromanas Shares.

On October 30, 2012, there were 167,076,444 Gallic Shares, 8,420,000 Gallic Options, 71,350,000 Gallic Warrants and 625,000 Gallic RSUs outstanding. Following the Arrangement, it is expected that there will be approximately 694 million Petromanas Shares issued and outstanding. Former Gallic Shareholders are expected to hold an aggregate of approximately 62.65 million Petromanas Shares (representing approximately 9% of the outstanding Petromanas Shares).

Completion of the Arrangement will result in Gallic Securityholders exchanging their investment in Gallic Shares and Gallic Warrants for an investment in Petromanas Shares and Petromanas Replacement Warrants, respectively. In deciding whether to vote to approve the Arrangement, Gallic Securityholders should carefully review and consider the information concerning Petromanas, the Petromanas Shares and the Petromanas Replacement Warrants contained in this Information Circular, including the information contained in Appendix "E" – *"Information Concerning Petromanas"*.

#### *Details of the Arrangement*

**The following is a summary only of the Plan of Arrangement and reference should be made to the full text of the Arrangement Agreement and the Plan of Arrangement set forth in Appendix "C" to this Information Circular.** The Arrangement involves a number of steps, including each of the events set out below, which will occur or be deemed to occur in the following order commencing at the Effective Time, without any further act or formality, except as otherwise expressly provided therein:

- (a) the Gallic Shares held by Dissenting Gallic Shareholders who have exercised Dissent Rights which remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Petromanas and as of the Effective Time, such Dissenting Gallic Shareholders shall cease to have any rights as Gallic Shareholders, other than the right to be paid the fair value of their Gallic Shares in accordance with the Dissent Rights;
- (b) the Gallic Shares held by Exchanging Gallic Shareholders shall be transferred to Petromanas (free of any claims) in exchange for Petromanas Shares on the basis of 0.3736 Petromanas Shares for each Gallic Share so transferred; and
- (c) AcquisitionCo and Gallic shall be amalgamated and continued as one corporation under the ABCA to form Amalco in which, among other things:
  - (i) each issued and outstanding Gallic Share (other than Gallic Shares held by Petromanas) shall be cancelled and such holder's name shall be removed from the register of holders of Gallic Shares as of the Effective Date and in consideration therefor the holder thereof shall receive 0.3736 Petromanas Shares in respect of each Gallic Share so cancelled and the Petromanas Shares held by such holder shall be added to the register of holders of Petromanas Shares as of the Effective Date;
  - (ii) the issued and outstanding shares of AcquisitionCo shall survive and continue to be shares of Amalco without amendment;
  - (iii) the issued and outstanding Gallic Shares held by Petromanas shall be cancelled and in exchange Petromanas shall receive an equal number of Amalco common shares and the Amalco common shares held by Petromanas shall be added to the register of holders of Amalco common shares as of the Effective Date; and
  - (iv) each Gallic Warrant outstanding at the Effective Time shall be exchanged with Petromanas for a Petromanas Replacement Warrant to purchase that number of Petromanas Shares equal to the product of 0.3736 multiplied by the number of Gallic Shares subject to such Gallic Warrant and at an exercise price per Petromanas Share equal to the exercise price per Gallic Share subject to such Gallic Warrant immediately prior to the Effective Time divided by 0.3736. The term to expiry, conditions to and manner of exercising, vesting schedule, and all other terms and conditions of such Petromanas Replacement Warrant shall be the same as the Gallic Warrant for which it was exchanged, as adjusted to take into account the Arrangement. For example, an existing Gallic Warrant with an exercise price

of \$0.10 would have an exercise price of \$0.27 and an existing Gallic Warrant with an exercise price of \$0.60 would have an exercise price of \$1.61.

Completion of the Arrangement is subject to a number of conditions including, among other things, the approval of the Arrangement Resolution, the receipt of all necessary regulatory approvals (including approval from the TSXV for the listing of the additional Petromanas Shares) and the granting of the Final Order. See the Arrangement Agreement for the complete text of the conditions to the completion of the Arrangement. If all of the conditions to the completion of the Arrangement are satisfied or waived, Petromanas and Gallic expect the Effective Date to occur on or as soon as practicable after November 30, 2012.

No fractional Petromanas Shares will be issued pursuant to the Arrangement and, in lieu thereof, each previous holder of Gallic Shares otherwise entitled to a fractional interest in a Petromanas Share will receive the nearest whole number of Petromanas Shares (with fractions equal to exactly 0.5 or greater being rounded up and fractions less than 0.5 being rounded down). In calculating such fractional interests, all Gallic Shares registered in the name of or beneficially held by such holder of Gallic Shares shall be aggregated prior to rounding fractional interests.

#### *Effect of the Arrangement on Gallic Options and Gallic RSUs*

As contemplated by the Arrangement Agreement and as permitted by the Gallic Stock Option Plan, the Board of Directors has accelerated the vesting of all Gallic Options and Gallic RSUs held by employees, directors and consultants and has agreed to use its reasonable efforts to ensure that, prior to the Effective Time, holders of Gallic Options and Gallic RSUs, either exercise such Gallic Options or Gallic RSUs and acquire Gallic Shares or terminate or otherwise surrender such Gallic Options or Gallic RSUs for cancellation, conditional upon the Arrangement becoming effective.

Gallic has also agreed to use its reasonable commercial efforts to cause holders of "out-of-the-money" Gallic Options to surrender such Gallic Options for cancellation on or prior to the Effective Date in exchange for a nominal payout amount equal to \$0.0001 per Gallic Option.

As of October 30, 2012, Gallic Optionholders (including directors and officers of Gallic) hold an aggregate of 8,420,000 Gallic Options, all of which are "out-of-the-money" (based on the closing price of the Gallic Shares on October 29, 2012).

As of October 30, 2012, holders of Gallic RSUs hold an aggregate of 625,000 Gallic RSUs which are exchangeable for an aggregate of 625,000 Gallic Shares.

**It is a condition to the completion of the Arrangement that all of the Gallic Options and Gallic RSUs be exercised or cancelled prior to the Effective Time.**

#### **Background to the Arrangement**

In January 2012, Gallic initiated operations at the Ossun-2 well on its Ledoux Permit onshore France in the Aquitaine Basin. The Ossun-2 well was a re-entry of a legacy wellbore from the 1960s, targeting bypassed gas pay. During the early stages of the re-entry, the operation encountered undocumented abandoned pipe in the wellbore requiring a sidetrack wellbore from the depth of the obstruction. At the time of initiating operations at the Ossun-2 well, Gallic had a working capital of approximately \$17 million (based on Gallic's audited consolidated financial statements as at and for the year ended December 31, 2011) and its share price was trading in the range of \$0.21 per share on the TSXV.

In May 2012, Gallic reached target depth at the Ossun-2D re-drill well and the well was cased and prepared for testing in the Upper Cretaceous Flysch Carbonate and the Dano-Paleocene zones. Interpretation of well logs confirmed the thickness, porosity, resistivity and calculated hydrocarbon saturation of the Upper Cretaceous as the primary zone of interest. The presence of natural fractures was confirmed by the loss of drilling mud into the Upper

Cretaceous. In late May 2012, testing operations at the Ossun-2D well were suspended with little or no indications of fluid movement, either from the formation into the wellbore, or from the wellbore into the formation. The assessment of the wellbore information data was that there was formation damage severely affecting permeability during drilling and/or cementing of the casing in the wellbore. Following announcement of the drilling and testing results Gallic had a working capital of approximately \$4 million (based on Gallic's unaudited financial statements as at and for the six month period ended June 30, 2012) and its share price was trading in the range of \$0.07 per share on the TSXV.

At the time of the decisions relating to the Ossun-2D well, the Board of Directors received a detailed information briefing on the findings from the drilling operations and the working capital position of Gallic. Full particulars of the estimated costs of the planned Hagolle-2 well, which were in the range of \$10 million.

Given the need to secure additional financing or other means of capital to continue its business, Gallic commenced seeking joint venture and farm out partners for its assets. Accordingly, Gallic's management initiated a process to identify, examine and consider a range of strategic alternatives to Gallic with a view to enhancing shareholder value, including, among other alternatives, a farmout of a material portion of the assets of Gallic, a recapitalization transaction or a merger or other business combination. Farmout presentations were made to well-funded companies operating in Europe and confidentiality agreements were entered into with several entities.

On August 16, 2012, Gallic received from Petromanas a non-binding term sheet proposing the Arrangement. Mr. Scott, a member of the Board of the Directors, recused himself from all negotiations or information relating to the Petromanas proposal as he was also a member of the board of directors of Petromanas. A Special Committee was formed to manage and assess the proposal. The Special Committee was comprised of disinterested Board members. The Special Committee met to review and consider the non-binding letter of intent and it engaged in discussions with Petromanas' management to finalize the non-binding letter of intent. Further to these discussions and negotiations, on August 31, 2012, Gallic and Petromanas entered into a non-binding letter of intent pursuant to which Gallic and Petromanas set forth certain terms of a strategic business combination, anticipated to be effected by way of a plan of arrangement pursuant to the provisions of the ABCA.

From August 31, 2012 to October 1, 2012, the Special Committee engaged in discussions with Petromanas' management to negotiate the terms and conditions of the proposed transaction. During that time, Petromanas and Gallic conducted their respective due diligence investigations with respect to each party's business. Given the interest shown by Petromanas, on September 25, 2012, Gallic engaged Macquarie Capital to provide the Board of Directors with its opinion that the consideration to be received under the proposed transaction by the Gallic Shareholders is fair, from a financial point of view, to the Gallic Shareholders. The Board of Directors and Special Committee met frequently from the period between September 25, 2012 and October 1, 2012 with Macquarie Capital present to analyze the transaction.

On October 1, 2012, the Board of Directors met to consider the Arrangement Agreement. Management representatives provided the Board of Directors with a summary of due diligence matters and other terms and conditions of the Arrangement Agreement and representatives of Macquarie Capital provided their oral opinion that the consideration to be received by the Gallic Shareholders pursuant to the proposed Arrangement was fair, from a financial point of view, to the Gallic Shareholders. The Board of Directors also received an update on other possible joint venture and farm out opportunities available to Gallic. The Board of Directors reviewed the terms of the draft Arrangement Agreement, discussed with counsel a number of issues arising from the Arrangement Agreement, and fully considered its duties and responsibilities to the Gallic Shareholders. The Board of Directors (other than Mr. Scott) unanimously determined that the Arrangement is in the best interests of Gallic and the Gallic Securityholders and resolved to unanimously recommend that the Gallic Securityholders vote in favour of the Arrangement (with Mr. Scott abstaining due to his position on the Petromanas board of directors). The Board of Directors also approved the Arrangement Agreement, subject to certain matters to be finalized by Gallic's management and its financial and legal advisors.

The Arrangement Agreement was executed effective October 1, 2012, together with the Gallic Support Agreements, and the transaction was publicly announced on October 2, 2012.

On October 29, 2012, Macquarie Capital provided the Fairness Opinion dated effective October 1, 2012 to the Board of Directors and the Board of Directors approved this Information Circular for distribution to the Gallic Securityholders in connection with the Meeting and confirmed their recommendation that the Arrangement be approved by the Gallic Securityholders at the Meeting.

### **Reasons for the Arrangement**

The Arrangement presents an attractive opportunity for the Gallic Shareholders for the following reasons:

- Based on the average closing price of the Petromanas Shares on the TSXV for the ten trading days ended October 1, 2012 (the last trading day prior to the announcement of the Arrangement), the Exchange Ratio represents a price of \$0.07 per Gallic Share and a premium of 11% of the average closing price of the Gallic Shares on the TSXV for the same period.
- The Arrangement provides Gallic Securityholders with the opportunity to continue to participate in the future growth of Gallic's portfolio of assets and opportunities through the ownership of Petromanas Shares.
- The Arrangement is anticipated to provide Gallic Securityholders with equity ownership in a larger entity with stronger growth potential from a more diversified and resource-oriented asset base and with greater financial resources available to develop such asset base.
- The Arrangement is anticipated to provide Gallic Shareholders with enhanced liquidity due to Petromanas' larger market capitalization and access to capital.
- Under the Arrangement Agreement, the Board of Directors retains the ability to consider and respond to superior proposals prior to completion of the Arrangement on the specific terms and conditions set forth in the Arrangement Agreement and subject to, if applicable, the payment of a \$350,860 termination fee to Petromanas.
- The Arrangement provides the opportunity for a tax deferred rollover under the Tax Act for Gallic Shareholders who receive Petromanas Shares under the Arrangement. See "*Certain Canadian Federal Income Tax Considerations*".
- The Arrangement removes capital markets risk for Gallic as additional funding is required to finance continued operations. Such funding would be dilutive to existing Gallic Shareholders.

### **Fairness Opinion**

Gallic retained Macquarie Capital, on behalf of the Board of Directors, to provide an opinion as to the fairness to Gallic Shareholders, from a financial point of view, of the consideration to be received by the Gallic Shareholders pursuant to the Arrangement. In connection with this mandate, Macquarie Capital has delivered the Fairness Opinion to the Board of Directors. The Fairness Opinion states that, in Macquarie Capital's opinion, as of October 1, 2012, the consideration to be received by the Gallic Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Gallic Shareholders. The Fairness Opinion, a complete copy of which is attached as Appendix "D" to this Information Circular, is subject to the assumptions and limitations contained therein and should be read in its entirety. The Fairness Opinion addresses only the fairness to Gallic Shareholders, from a financial point of view, of the consideration to be received by Gallic Shareholders under the Arrangement, and is for the information of the Board of Directors in connection with its consideration of the Arrangement and any recommendation to Gallic Shareholders with respect to the Arrangement that the Board of Directors may make.

The Fairness Opinion does not constitute a recommendation to any Gallic Shareholder as to how such Gallic Shareholder should vote at the Meeting.

The members of the Board of Directors have unanimously concurred with the view of Macquarie Capital as expressed in the Fairness Opinion and such views were an important consideration in their decision to proceed with the Arrangement.

### **Recommendation of the Board of Directors**

**The Board of Directors, other than one director who recused himself from the process of considering the Arrangement due to a potential conflict of interest, based upon its own investigations, including its consideration of the Fairness Opinion, has unanimously determined that the Arrangement is in the best interests of Gallic and is fair to the Gallic Shareholders and Gallic Warrantholders and recommends that the Gallic Shareholders and Gallic Warrantholders vote in favour of the Arrangement Resolution.**

## **PROCEDURE FOR THE ARRANGEMENT TO BECOME EFFECTIVE**

### **Procedural Steps**

The Arrangement is proposed to be carried out pursuant to section 193 of the ABCA. The following procedural steps must be taken for the Arrangement to become effective:

- (a) the Arrangement Resolution must be approved by the Gallic Securityholders at the Meeting in the manner set forth in the Interim Order;
- (b) the Court must grant the Final Order approving the Arrangement;
- (c) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate party; and
- (d) the Final Order, Articles of Arrangement and related documents, in the form prescribed by the ABCA, must be filed with the Registrar.

**There is no assurance that the conditions set out in the Arrangement Agreement will be satisfied or waived on a timely basis or at all.**

### **Gallic Securityholder Approval**

Pursuant to the Interim Order, the majority required to pass the Arrangement Resolution shall be not less than 66 2/3% of the votes cast by the Gallic Shareholders and Gallic Warrantholders, in person or by proxy, at the Meeting, voting together as a single class and a majority of the votes cast by the Gallic Shareholders, present in person or by proxy, at the Meeting, excluding those votes in respect of Gallic Shares which are required to be excluded pursuant to MI 61-101.

Notwithstanding the foregoing, the Arrangement Resolution authorizes the Board of Directors, without further notice to or approval of the Gallic Securityholders, subject to the terms of the Arrangement Agreement and the Plan, to amend the Arrangement Agreement, to decide not to proceed with the Arrangement and to revoke such Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the ABCA. See Appendix "A" to this Information Circular for the full text of the Arrangement Resolution.

## **Court Approvals**

### *Interim Order*

On October 26, 2012, Gallic obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. The Interim Order is attached as Appendix "B" to this Information Circular.

Implementation of the Arrangement requires the approval of the Court. An application for the Final Order approving the Arrangement is expected to be made on November 29, 2012 at 2:00 p.m. (Calgary time) at the Court of Queen's Bench of Alberta, Calgary Courts Centre, 601 – 5<sup>th</sup> Street S.W., Calgary, Alberta, T2P 5P7.

### *Final Order*

The ABCA provides that an arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and if the Arrangement is approved by Gallic Securityholders at the Meeting in the manner required by the Interim Order, Gallic will make application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for November 29, 2012 at 2:00 p.m. (Calgary time), or as soon thereafter as counsel may be heard, at the Court of Queen's Bench of Alberta, Calgary Courts Centre, 601 – 5<sup>th</sup> Street S.W., Calgary, Alberta T2P 5P7. At the hearing, any Gallic Securityholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon Gallic a Notice of Intention to Appear together with any evidence or materials which such party intends to present to the Court on or before noon (Calgary time) on November 22, 2012. Service of such notice shall be effected by service upon the legal counsel for Gallic: Davis LLP, Suite 1000, 250 – 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 0C1, Attention: Trevor Wong-Chor. See the Notice of Application at the front of this Information Circular.

The offer and sale of the Petromanas Shares and Petromanas Replacement Warrants issuable in exchange for Gallic Shares and Gallic Warrants pursuant to the Arrangement have not been and will not be registered under the 1933 Act, and such securities will be issued in reliance upon the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof. The Court has been advised that if the terms and conditions of the Arrangement are approved by the Court, the Petromanas Shares and Petromanas Replacement Warrants issuable in exchange for Gallic Shares and Gallic Warrants pursuant to the Arrangement will not require registration under the 1933 Act, pursuant to Section 3(a)(10) thereof.

Gallic has been advised by its counsel, Davis LLP, that the Court has broad discretion under the ABCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, Gallic or Petromanas may determine not to proceed with the Arrangement.

## **Regulatory Approvals**

The Arrangement Agreement provides that receipt of all regulatory approvals including, without limitation, conditional approval of the TSXV for the listing of the Petromanas Shares to be issued under the Arrangement and applicable government and regulatory approvals by, among others, the relevant authorities in Canada, France and Australia, are conditions precedent to the Arrangement becoming effective.

## **Timing**

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions at that point in time are satisfied or waived, Gallic will apply for the Final Order approving the Arrangement. If the Final Order is obtained

on November 29, 2012 in form and substance satisfactory to Gallic and Petromanas and all other conditions set forth in the Arrangement Agreement are satisfied or waived, Gallic expects the Effective Date will be on or about November 30, 2012. It is not possible, however, to state with certainty when the Effective Date will occur.

The Arrangement will become effective upon the filing of the Final Order and Articles of Arrangement with the Registrar.

Gallic's objective is to have the Effective Date occur as soon as practicable after the Meeting. The Effective Date could be delayed, however, for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order on November 29, 2012 and a delay in the receipt of necessary governmental and regulatory approvals.

## **PROCEDURE FOR EXCHANGE OF GALLIC SHARES AND GALLIC WARRANTS**

### **General**

From and after the Effective Time, certificates formerly representing Gallic Shares and Gallic Warrants shall represent only the right to receive the consideration to which the holders are entitled under the Arrangement, or as to those held by Dissenting Shareholders, to receive the fair value of the Gallic Shares represented by such certificates. In order to receive certificates or DRS Advices for Petromanas Shares and/or Petromanas Replacement Warrants under the Arrangement, Gallic Securityholders must complete and return the enclosed Letter of Transmittal and Election Form, together with the certificate(s) representing their Gallic Shares and/or Gallic Warrants to the Depositary at its office specified in the Letter of Transmittal and Election Form.

Gallic Shareholders who wish to elect to be Exchanging Gallic Shareholders and directly exchange their Gallic Shares with Petromanas for Petromanas Shares, rather than exchanging their Gallic Shares for Petromanas Shares upon the amalgamation of Gallic and AcquisitionCo, must complete and return the enclosed Letter of Transmittal and Election Form, together with the certificate(s) representing their Gallic Shares, to be received by the Depositary **no later than 2:00 p.m. (Calgary time) on November 28, 2012.** See "*Certain Canadian Federal Income Tax Considerations - Gallic Shares*" for additional information on becoming an Exchanging Gallic Shareholder.

**Gallic Shareholders and Gallic Warrantholders whose Gallic Shares and/or Gallic Warrants are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to deposit their Gallic Shares and/or Gallic Warrants.**

If any certificate which immediately prior to the Effective Time represented an interest in outstanding Gallic Shares or Gallic Warrants that were transferred or cancelled pursuant to section 3.1 of the Plan has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement. Unless otherwise agreed to by Petromanas, the person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to Petromanas and its transfer agent, which bond is in form and substance satisfactory to Petromanas and its transfer agent, or shall otherwise indemnify Petromanas and its transfer agent against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

The use of ordinary mail to transmit certificates representing Gallic Shares and/or Gallic Warrants and the Letter of Transmittal and Election Form is at each Gallic Securityholder's risk. Gallic recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefor be obtained or that registered mail with return receipt be used and that appropriate insurance be obtained.

Except as otherwise provided by the instructions in the Letter of Transmittal and Election Form, all signatures on: (i) the Letter of Transmittal and Election Form and (ii) certificates representing Gallic Shares and Gallic Warrants



must be guaranteed by an "Eligible Institution" as set forth in the Letter of Transmittal and Election Form. If a Letter of Transmittal and Election Form is executed by a person other than the registered holder of the certificate(s) deposited therewith, the certificate(s) must be endorsed or be accompanied by an appropriate securities transfer power of attorney duly and properly completed by the registered holder, with the signature on the endorsement panel, or securities transfer power of attorney guaranteed by the Eligible Institution.

All questions as to validity, form, eligibility (including timely receipt) and acceptance of any certificates representing Gallic Shares and Gallic Warrants deposited pursuant to the Arrangement will be determined by Petromanas in its sole discretion. Depositing Gallic Securityholders agree that such determination shall be final and binding. Petromanas reserves the absolute right to reject any and all deposits which it determines not to be in proper form or which may be unlawful for it to accept under the laws of any jurisdiction. Petromanas reserves the absolute right to waive any defect or irregularity in the deposit of any Gallic Shares and/or Gallic Warrants. There shall be no duty or obligation on Petromanas, the Depositary, or any other person to give notice of any defect or irregularity in any deposit of Gallic Shares and/or Gallic Warrants and no liability shall be incurred by any of them for failure to give such notice.

Petromanas and Gallic reserve the right to permit the procedure for the exchange of securities pursuant to the Arrangement to be completed other than that as set out above. Under no circumstances will interest accrue or be paid by Petromanas, Gallic or the Depositary to persons depositing Gallic Shares and/or Gallic Warrants on the Petromanas Shares and/or Petromanas Replacement Warrants in consideration for such shares and/or warrants, regardless of any delay in making such payment.

The Depositary will act as the agent of persons who have deposited Gallic Shares and Gallic Warrants pursuant to the Arrangement for the purpose of receiving certificates or DRS Advices representing Petromanas Shares and/or Petromanas Replacement Warrants and transmitting such certificates or DRS Advices representing Petromanas Shares and Petromanas Replacement Warrants to such persons, and receipt of payment by the Depositary will be deemed to constitute receipt of payment by persons depositing Gallic Shares and/or Gallic Warrants. Settlement with persons who deposit Gallic Shares and/or Gallic Warrants will be effected by the Depositary forwarding certificates or DRS Advices representing Petromanas Shares and/or Petromanas Replacement Warrants to be issued for such Gallic Shares and/or Gallic Warrants by first class insured mail, postage prepaid.

Unless otherwise directed in the Letter of Transmittal and Election Form, the certificates or DRS Advices representing Petromanas Shares and Petromanas Replacement Warrants to be issued in consideration for the Gallic Shares and/or Gallic Warrants deposited under the Arrangement will be issued in the name of the registered holder of Gallic Shares and/or Gallic Warrants so deposited. Unless the person who deposits the Gallic Shares or Gallic Warrants instructs the Depositary to hold the certificates for pick-up by checking the appropriate box in the Letter of Transmittal and Election Form, certificates will be forwarded by first class insured mail to the address supplied in the Letter of Transmittal and Election Form. If no address is provided, certificates will be forwarded to the address of the person as shown on the applicable register of Gallic.

### **Return of Gallic Shares and Gallic Warrants**

Should the Arrangement not be completed, any deposited Gallic Shares and Gallic Warrants will be returned to the depositing Gallic Securityholders at Gallic's expense upon written notice to the Depositary from Gallic by returning the deposited Gallic Shares and/or Gallic Warrants (and any other relevant documents) by first class insured mail in the name of and to the address specified by the Gallic Securityholders in the Letter of Transmittal and Election Form or, if such name and address is not so specified, in such name and to such address as shown on the register maintained by Gallic.

## **Mail Services Interruption**

Notwithstanding the provisions of the Information Circular, Letter of Transmittal and Election Form, Arrangement Agreement or Plan of Arrangement, certificates or DRS Advices representing Petromanas Shares and Petromanas Replacement Warrants will not be mailed if Petromanas determines that delivery thereof by mail may be delayed. Persons entitled to certificates and other relevant documents which are not mailed for the foregoing reason may take delivery thereof at the office of the Depositary at which the deposited certificates representing Gallic Shares and/or Gallic Warrants in respect of which certificates are being issued were originally deposited upon application to the Depositary until such time as Petromanas has determined that delivery by mail will no longer be delayed. Certificates and other relevant documents not mailed for the foregoing reason will be conclusively deemed to have been delivered on the first day upon which they are available for delivery at the office of the Depositary at which the Gallic Shares and Gallic Warrants were deposited and payment for those Gallic Shares and Gallic Warrants shall be deemed to have been immediately made upon such deposit.

## **Cancellation of Rights**

Subject to any applicable laws relating to unclaimed property, any certificate formerly representing Gallic Shares or Gallic Warrants that is not deposited with all other documents as required by the Plan on or before the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature and, for greater certainty, the right of the holder of such Gallic Shares or Gallic Warrants to receive certificates representing Petromanas Shares or Petromanas Replacement Warrants, respectively, shall be deemed to be surrendered to Petromanas together with all dividends, distributions or cash payments thereon held for such holder.

## **Treatment of Fractional Shares and Warrants**

No fractional Petromanas Shares will be issued. In the event that a holder of Gallic Shares would otherwise be entitled to a fractional Petromanas Share hereunder, the number of Petromanas Shares issued to such holder of Gallic Shares shall be rounded up to the next greater whole number of Petromanas Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of Petromanas Shares if the fractional entitlement is less than 0.5. In calculating such fractional interests, all Gallic Shares registered in the name of or beneficially held by such holder of Gallic Shares or their nominee shall be aggregated.

In the event that a Gallic Warrantholder would otherwise be entitled to a fractional Petromanas Warrant pursuant to the Arrangement, the number of Petromanas Replacement Warrants issued to such Gallic Warrantholder shall be rounded down to the next lesser whole number of Petromanas Replacement Warrants and the total exercise price for the Petromanas Replacement Warrants will be reduced by the exercise price of the fractional Petromanas Replacement Warrants.

## **Joint Tax Election**

An Exchanging Gallic Shareholder may also make a Joint Tax Election with Petromanas. There are detailed rules set out in the Tax Act which prescribe the amount at which a Gallic Shareholder and Petromanas can elect in a Joint Tax Election. For a description of how a Gallic Shareholder may make the Joint Tax Election and a summary of this alternative, see *"Certain Canadian Federal Income Tax Considerations"*.

## **ARRANGEMENT AGREEMENT**

### **General**

The Arrangement will be effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of Gallic and Petromanas and various conditions precedent, both mutual and with respect to Gallic and Petromanas.

Unless all of such conditions are satisfied or waived by the Party for whose benefit such conditions exist, to the extent they may be capable of waiver, the Arrangement will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all.

**The following is a summary of certain provisions of the Arrangement Agreement and is qualified in its entirety by the full text of the Arrangement Agreement, set forth in Appendix "C" to this Information Circular. Gallic Shareholders and Gallic Warrantholders are urged to read the Arrangement Agreement in its entirety.**

### **Representations and Warranties and Covenants Relating to the Conduct of Business of the Parties**

The Arrangement Agreement contains certain customary representations and warranties of each of Gallic and Petromanas relating to, among other things, their respective organization, capitalization, operations, compliance with laws and regulations and other matters, including their authority to enter into the Arrangement Agreement and to consummate the Arrangement. For the complete text of the applicable provisions, see Sections 4.1 and 5.1 of the Arrangement Agreement.

In addition, pursuant to the Arrangement Agreement, each of the parties has covenanted, among other things, until the earlier of the completion of the Arrangement or the termination of the Arrangement Agreement, to maintain their respective businesses and refrain from taking certain actions outside the ordinary course. For the complete text of the applicable provisions, see Sections 6.1, 6.2, 6.3, and 6.4 of the Arrangement Agreement.

### **Mutual Conditions**

The respective obligations of Petromanas and Gallic to complete the Arrangement are subject to the satisfaction of the following conditions, among others: (i) the Arrangement Resolution shall have been approved; (ii) the Final Order shall have been granted; (iii) the articles of arrangement to effect the Arrangement shall be in satisfactory form to both Petromanas and Gallic; (iv) the necessary approval under the *Competition Act* (Canada), or a waiver therefrom, shall have been received; (v) all other third party approvals and consents shall have been obtained (including approval from the TSXV); (vi) no act, action, suit or proceeding shall have been threatened or taken that has the effect of imposing material limitations or conditions on the Arrangement or that would have a material adverse effect on the ability of Petromanas and Gallic to complete the Arrangement; and (viii) the effective date of the Arrangement shall have occurred no later than December 31, 2012.

For the complete text of the applicable provisions, see Section 7.1 of the Arrangement Agreement.

### **Conditions to the Obligations of Petromanas**

The obligation of Petromanas to complete the Arrangement and take the other actions required to be taken by Petromanas at the date the Arrangement becomes effective under the ABCA is subject to the satisfaction or waiver of the following conditions (each of which is for the sole benefit of and may be waived by Petromanas): (i) all covenants of Gallic under the Arrangement Agreement to be performed on or before the effective time of the Arrangement shall have been duly performed by Gallic in all material respects; (ii) the representations and warranties of Gallic set forth in the Arrangement Agreement shall be true and correct in all respects, without regard to any materiality or material adverse effect qualifications contained in them, as of the date of the Arrangement Agreement and as of the effective time of the Arrangement, except where the failure of such representations and warranties to be true would not reasonably be expected to have a material adverse effect; (iii) since the date of the Arrangement Agreement, there shall not have been or occurred a material adverse effect with respect to Gallic; (iv) Petromanas shall have determined in its discretion, acting reasonably, that there shall not be any action, suit or proceeding pending or threatened by any person, which has a reasonable likelihood of success, that (a) seeks to prohibit, restrict or delay the completion of the Arrangement or any of its material terms and conditions or seeks any material damages directly or indirectly in connection with the Arrangement; (b) seeks to prohibit or materially limit the ownership or operation by Petromanas, Gallic or any material portion of the business or assets of

Petromanas or to compel Gallic to dispose of or hold separate any material portion of the business or assets of Petromanas; (c) seeks to prohibit Petromanas from effectively controlling in any material respect the business or operations of Gallic; or (d) if successful, in the judgment of Petromanas is reasonably likely to have a material adverse effect; (v) immediately prior to the effective time of the Arrangement, there shall not be more than 167,076,444 Gallic Shares outstanding (except for changes resulting from exercises of Gallic Options, Gallic Warrants and Gallic RSUs) and no other securities of Gallic outstanding (other than the Gallic Warrants to be exchanged for the Petromanas Replacement Warrants at the Effective Time), and all Gallic Options and Gallic RSUs and any other instruments convertible, exercisable or exchangeable for Gallic Shares (other than the Gallic Warrants) will have been exercised, terminated or cancelled; and (vi) the aggregate number of Gallic Shares held by those Gallic Shareholders who have validly exercised and not withdrawn dissent rights in connection with the Arrangement shall not exceed 5% of the aggregate number of Gallic Shares outstanding as of the effective time of the Arrangement.

For the complete text of the applicable provisions, see Section 7.3 of the Arrangement Agreement.

### **Conditions to the Obligations of Gallic**

The obligation of Gallic to complete the Arrangement and to take the other actions required to be taken by Gallic at the date the Arrangement becomes effective under the ABCA is subject to the satisfaction or waiver of the following conditions (each of which is for the sole benefit of and may be waived by Gallic): (i) all covenants of Petromanas under the Arrangement Agreement to be performed on or before the effective time of the Arrangement shall have been duly performed by Petromanas in all material respects; (ii) the representations and warranties of Petromanas set forth in the Arrangement Agreement shall be true and correct in all respects, without regard to any materiality or material adverse effect qualifications contained in them, as of the date of the Arrangement Agreement and as of the effective time of the Arrangement, except where the failure of such representations and warranties to be true would not reasonably be expected to have a material adverse effect; (iii) since the date of the Arrangement Agreement, there shall not have been or occurred a material adverse effect with respect to Petromanas; (iv) Gallic shall have determined in its discretion, acting reasonably, that there shall not be any action, suit or proceeding pending or threatened by any person, which has a reasonable likelihood of success, that (a) seeks to prohibit, restrict or delay the completion of the Arrangement or any of its material terms and conditions or seeks any material damages directly or indirectly in connection with the Arrangement; (b) seeks to prohibit or materially limit the ownership or operation by Petromanas, Gallic or any material portion of the business or assets of Petromanas or to compel Gallic to dispose of or hold separate any material portion of the business or assets of Petromanas; or (c) if successful, in the judgment of Gallic is reasonably likely to have a material adverse effect; (v) the Petromanas Shares issuable pursuant to the Arrangement shall not be subject to any hold period that shall not have been satisfied by the effective date of the Arrangement; and (vi) immediately prior to the effective time of the Arrangement, there shall not be more than 635,000,000 Petromanas Shares outstanding (except for changes to such number resulting from exercises or conversions of Petromanas Options, Petromanas First Series Warrants or Petromanas Third Series Warrants and except for any Petromanas Performance Shares required to be issued).

For the complete text of the applicable provisions, see Section 7.2 of the Arrangement Agreement.

### **Gallic's Covenants Regarding Non-Solicitation; Right to Accept a Superior Proposal**

As at the date of the Arrangement Agreement, Gallic agreed to immediately cease and cause to be terminated all existing discussions and negotiations (including through any advisors or other parties on its behalf), if any, with any parties conducted before the date of the Arrangement Agreement that were ongoing with respect to any Acquisition Proposal (as such term is defined in the Arrangement Agreement) in respect of Gallic (other than in respect of Gallic's marketing of its Australian assets, which may be carried out subject to the prior written consent of Petromanas) and to immediately request the return of or destruction of all information concerning Gallic, as applicable, previously provided to any third parties who entered into a confidentiality agreement with Gallic.

Gallic has agreed not to, and has agreed not to authorize or permit any of its representatives to, among other things, accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal. Gallic may, however, in certain circumstances, accept a Superior Proposal (as such term is defined in the Arrangement Agreement).

If Gallic receives a Superior Proposal, Gallic must provide Petromanas with among other things, orally and in writing, at least 72 hours advance notice that the Board of Directors has resolved, subject only to compliance with the Arrangement Agreement, to accept, recommend, approve or enter into an agreement to implement a Superior Proposal. During such 72 hour period, Gallic agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the Party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during the 72 hour period, Gallic shall, and shall cause its financial and legal advisors to, negotiate in good faith with Petromanas and its financial and legal advisors to make such adjustments in the terms and conditions of the Arrangement Agreement and Arrangement as would enable Gallic to proceed with the Arrangement as amended rather than the Superior Proposal. If agreement between Gallic and Petromanas cannot be reached during such 72 hour period, then Gallic may accept, recommend, approve or enter into an agreement to implement the Superior Proposal, but only if, prior to such acceptance, recommendation, approval or implementation: (i) the Board of Directors concludes in good faith, after considering all proposals to adjust the terms and conditions of the Arrangement Agreement and after receiving the advice of outside counsel, that the taking of such action is necessary for the Board of Directors to act in a manner consistent with its fiduciary duties under applicable laws; (ii) Gallic has complied with its obligations set forth above to notify Petromanas with 72 hours advance notice of the Superior Proposal and provided Petromanas with a right to match the Superior Proposal during such 72 hour period; and (iii) Gallic has terminated the Arrangement Agreement in accordance with its terms and conditions and concurrently paid the non-completion fee of \$350,860 to Petromanas.

For the complete text of the applicable provisions, see Section 8.1 of the Arrangement Agreement.

### **Non-Completion Fee**

The Arrangement Agreement provides that, upon the occurrence of certain termination events, Gallic may be required to pay Petromanas a non-completion fee of \$350,860. The non-completion fee will become payable if: (i) the Board of Directors has withdrawn, modified, qualified or changed any of its recommendations or determinations in respect of the Arrangement in a manner adverse to Petromanas or shall have resolved to do so prior to the effective date of the Arrangement, or has failed to publicly reconfirm any such recommendation upon the request of Petromanas; (ii) a bona fide Acquisition Proposal is publicly announced, proposed, offered or made to the shareholders of Gallic or any person shall have publicly announced an intention to make a bona fide Acquisition Proposal in respect of a Party and, after such Acquisition Proposal shall have been made known, made or announced, Gallic Shareholders do not approve the Arrangement or the Arrangement Resolution and such Acquisition Proposal or an amended version thereof relating to Gallic is consummated or effected as applicable within twelve months of the date the first Acquisition Proposal is publicly announced, proposed, offered or made; (iii) the Board of Directors accepts, recommends, approves or enters into an agreement to implement a Superior Proposal; or (iv) Gallic is in breach of any of its covenants made in the Arrangement Agreement, which breach individually or in the aggregate causes or would reasonably be expected to cause a material adverse change with respect to Gallic or materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and such Party fails to cure such breach within 10 business days after receipt of written notice thereof from Petromanas.

For the complete text of the applicable provisions, see Section 8.2 of the Arrangement Agreement.

### **Reimbursement of Fees and Expenses**

The Arrangement Agreement provides that, upon the occurrence of certain other termination events, either of Petromanas or Gallic, as the case may be, may be required to pay the other \$250,000 as reimbursement for out-of-

pocket expenses incurred in connection with the Arrangement. For clarity, if Gallic is required to pay the non-completion fee, it shall not also be required to reimburse Petromanas' expenses.

### **Liquidated Damages**

Petromanas and Gallic each acknowledged and agreed in the Arrangement Agreement that payment of the non-completion fee is a payment of liquidated damages which are a genuine pre-estimate of the damages Petromanas will suffer or incur as a result of the event(s) giving rise to such damages and resultant termination of the Arrangement Agreement are not penalties and are the sole monetary remedy of Petromanas; provided, however that such limitation shall not apply in the event of fraud or wilful breach of the Arrangement Agreement by Petromanas.

### **Termination of Arrangement Agreement**

The Arrangement Agreement may be terminated at any time prior to the date that the Arrangement becomes effective by, among other things: (a) the mutual written agreement of Petromanas and Gallic; (b) by either Petromanas or Gallic if the Arrangement has not become effective on or prior to December 31, 2012, or such other date as Petromanas and Gallic may agree; (c) by either Petromanas or Gallic if the Arrangement Resolution has not been approved by the Gallic Shareholders or the Arrangement has not been approved by the Court, or if issued, has been set aside or modified in a manner unacceptable to Petromanas or Gallic, acting reasonably, on appeal or otherwise; (d) by Petromanas upon the occurrence of an event by Gallic which gives rise to the payment of the non-completion fee of \$350,860; or (e) by either Petromanas or Gallic upon a decision by the Board of Directors to accept, recommend, approve or enter into an agreement to implement a Superior Proposal.

For the complete text of the applicable provisions, see Section 9.1 of the Arrangement Agreement

### **GALLIC SUPPORT AGREEMENTS**

Gallic officers and directors, who collectively hold approximately 10.26% of the issued and outstanding Gallic Shares and 11.16% of the Gallic Warrants have entered into voting support agreements with Petromanas pursuant to which they have agreed to vote their Gallic Shares and Gallic Warrants, inclusive of Gallic Shares issued upon the exercise of any Gallic Options, Gallic RSUs and Gallic Warrants, in favour of the Arrangement. The Gallic Support Agreements will terminate if the Arrangement Agreement is terminated in accordance with its terms. Gallic Support Securityholders hold, directly or indirectly, an aggregate of 17,135,900 Gallic Shares and 7,965,000 Gallic Warrants (representing approximately 10.26% of the currently issued and outstanding Gallic Shares, and 11.16% of the Gallic Warrants).

### **EXPENSES OF THE ARRANGEMENT**

The estimated costs to be incurred by Gallic relating to the Arrangement including, without limitation, financial advisory, accounting and legal fees, run-off directors and officers' insurance and the preparation and printing of this Information Circular are expected to be approximately \$360,000 in the aggregate.

### **STOCK EXCHANGE LISTINGS**

The TSXV has conditionally approved the listing of Petromanas Shares to be issued in connection with the Arrangement. Listing will be subject to Petromanas fulfilling all of the requirements of the TSXV, which requirements are expected to be met on the Effective Date or as soon as reasonably practicable thereafter. If the Arrangement is completed, Petromanas will apply to have the Gallic Shares delisted from the TSXV.

### **RIGHTS OF DISSENT**

The following description of the right to dissent and appraisal to which registered Gallic Shareholders are entitled is not a comprehensive statement of the procedures to be followed by a Gallic Shareholder who seeks payment of the

fair value of such holder's Gallic Shares and is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is attached as Schedule "A" to Appendix "C" of this Information Circular, the full text of the Interim Order, a copy of which is attached as Appendix "B" to this Information Circular, and the full text of Section 191 of the ABCA, which is attached as Appendix "G" to this Information Circular. A Gallic Shareholder who intends to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of the Interim Order, Section 191 of the ABCA and the Plan of Arrangement. Failure to strictly comply with the provisions of the Interim Order, Section 191 of the ABCA and the Plan of Arrangement and to adhere to the procedures established therein may result in the loss of all rights thereunder.

The Interim Order provides that registered Gallic Shareholders shall be granted the Dissent Rights. Section 191 of the ABCA, as modified by the Interim Order, provides that registered Gallic Shareholders are entitled, in addition to any other right such holder may have, to dissent and to be paid by Petromanas the fair value of the Gallic Shares held by such holder in respect of which such holder dissents, determined as of the close of business on the last Business Day before the day on which the resolution from which such holder dissents was adopted.

**Only registered Gallic Shareholders may dissent. Persons who are beneficial owners of Gallic Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that they may only do so through the registered owner of such securities.**

**A registered holder, such as a broker, who holds Gallic Shares as nominee for beneficial holders, some of whom wish to dissent, must exercise dissent rights on behalf of such beneficial owners with respect to the Gallic Shares held for such beneficial owners. In such case, the demand for dissent should set forth the number of Gallic Shares covered by it. A registered Gallic Shareholder may dissent only with respect to all of the Gallic Shares held by such holder or on behalf of any one beneficial owner and registered in the Dissenting Gallic Shareholder's name.**

**A registered Gallic Shareholder wishing to exercise the right to dissent with respect to such holder's Gallic Shares shall not vote such Gallic Shares at the Meeting, either by the submission of a proxy or by personally voting, in favour of the Arrangement Resolution.**

A Dissenting Gallic Shareholder must send to the President and Chief Executive Officer of Gallic a written objection to the Arrangement Resolution, which written objection must be received by Gallic by 4:00 p.m. (Calgary time) on the day that is two (2) Business Days immediately preceding the date of the Meeting. The written objection must be received by Gallic, c/o Davis LLP, 1000, 250 – 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 0C1, attention Trevor Wong-Chor.

An application may be made to the Court of Queen's Bench of Alberta by Petromanas or by a Dissenting Gallic Shareholder after the adoption of the Arrangement Resolution to fix the fair value of the Dissenting Gallic Shareholder's Gallic Shares. If such an application to the Court is made by Petromanas or a Dissenting Gallic Shareholder, Petromanas must, unless the Court otherwise orders, send to each Dissenting Gallic Shareholder a written offer to pay the Dissenting Gallic Shareholder an amount considered by the board of directors of Petromanas to be the fair value of the Gallic Shares. The offer, unless the Court otherwise orders, will be sent to each Dissenting Gallic Shareholder at least 10 days before the date on which the application is returnable, if Petromanas is the applicant, or within 10 days after Gallic is served with notice of the application, if a Dissenting Gallic Shareholder is the applicant. The offer will be made on the same terms to each Dissenting Gallic Shareholder and will be accompanied by a statement showing how the fair value was determined.

A Dissenting Gallic Shareholder may make an agreement with Petromanas for the purchase of such holder's Gallic Shares in the amount of the offer made by Petromanas (or otherwise) at any time before the Court pronounces an order fixing the fair value of the Gallic Shares.

A Dissenting Gallic Shareholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application or appraisal. On the application, the

Court will make an order fixing the fair value of the Gallic Shares of all Dissenting Gallic Shareholders who are parties to the application, giving judgment in that amount against Petromanas and in favour of each of those Dissenting Gallic Shareholders, and fixing the time within which Petromanas must pay that amount payable to the Dissenting Gallic Shareholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Gallic Shareholder calculated from the date on which the Dissenting Gallic Shareholder ceases to have any rights as a Gallic Shareholder, until the date of payment.

On the Arrangement becoming effective, or upon the making of an agreement between Petromanas and the Dissenting Gallic Shareholder as to the payment to be made to the Dissenting Gallic Shareholder, or upon the pronouncement of a Court order, whichever first occurs, the Dissenting Gallic Shareholder will cease to have any rights as a Gallic Shareholder other than the right to be paid the fair value of such holder's Gallic Shares in the amount agreed to between Petromanas and the Dissenting Gallic Shareholder or in the amount of the judgment against Petromanas, as the case may be. Until one of these events occurs, the Dissenting Gallic Shareholder may withdraw the Dissenting Gallic Shareholder's dissent, or if the Arrangement has not yet become effective, Gallic may rescind the Arrangement Resolution, and in either event the dissent and appraisal proceedings in respect of that Dissenting Gallic Shareholder will be discontinued.

Petromanas shall not make a payment to a Dissenting Gallic Shareholder under Section 191 of the ABCA if there are reasonable grounds for believing that Petromanas is or would after the payment be unable to pay its liabilities as they become due, or that the realizable value of the assets of Petromanas would thereby be less than the aggregate of its liabilities. In such event, Petromanas shall notify each Dissenting Gallic Shareholder that it is unable lawfully to pay Dissenting Gallic Shareholders for their Gallic Shares, in which case the Dissenting Gallic Shareholder may, by written notice to Petromanas within 30 days after receipt of such notice, withdraw such holder's written objection, in which case Petromanas shall be deemed to consent to the withdrawal and such Dissenting Gallic Shareholder shall, in accordance with the Interim Order, be deemed to have participated in the Arrangement as a Gallic Shareholder. If the Dissenting Gallic Shareholder does not withdraw his written objection, such Dissenting Gallic Shareholder retains status as a claimant against Petromanas to be paid as soon as Petromanas is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of Petromanas but in priority to its shareholders.

All Gallic Shares held by Dissenting Gallic Shareholders who exercise their right to dissent will, if the holders are ultimately entitled to be paid the fair value thereof, be deemed to be transferred to Petromanas and cancelled in exchange for such fair value or will, if such Dissenting Gallic Shareholders ultimately are not so entitled to be paid the fair value thereof, be deemed to be exchanged for Petromanas Shares on the same basis as all those held by other Gallic Shareholders.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Gallic Shareholder who seeks payment of the fair value of its Gallic Shares. Section 191 of the ABCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. Accordingly, each Dissenting Gallic Shareholder who might desire to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of that section, the full text of which is set out in Appendix "G" to this Information Circular and consult their own legal advisor.

**It is a condition to the completion of the Arrangement that holders of not greater than 5% of the outstanding Gallic Shares shall have exercised Dissent Rights in respect of the Arrangement that have not been withdrawn as of the Effective Date.**

## **SECURITIES LAW MATTERS**

### **Resale of Securities**

The Petromanas Shares and Petromanas Replacement Warrants to be issued in exchange for Gallic Shares and Gallic Warrants pursuant to the Arrangement will be issued in reliance on exemptions from prospectus and



registration requirements of applicable Canadian securities laws or on discretionary exemptions from such requirements to be obtained from applicable securities regulatory authorities in Canada. The Petromanas Shares acquired under the Arrangement will generally be "freely tradeable" under applicable Canadian securities laws (and not subject to any "restricted period" or "hold period") if the following conditions are met: (i) the trade is not a control distribution (as defined in applicable securities legislation); (ii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade; (iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and (iv) if the selling securityholder is an insider or an officer of the issuer of the securities, the selling securityholder has no reasonable grounds to believe that the issuer is in default of securities legislation.

## **U.S. Securities Laws**

**The following discussion is a general overview of certain requirements of U.S. federal securities laws applicable to Gallic Securityholders in the United States in connection with the Arrangement and the resale of Petromanas Shares or Petromanas Replacement Warrants received upon completion of the Arrangement. All Gallic Securityholders in the United States are urged to consult with their own legal advisors to ensure that the resale of any securities issued to them under the Arrangement complies with applicable U.S. Securities Laws.**

The offer and sale of the Petromanas Shares and Petromanas Replacement Warrants issuable in exchange for Gallic Shares and Gallic Warrants pursuant to the Arrangement have not been and will not be registered under the 1933 Act, and such securities will be issued in reliance upon the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof. Section 3(a)(10) exempts the offer and sale of securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on October 26, 2012 and, subject to the approval of the Arrangement by Gallic Securityholders, a hearing on the Arrangement will be held on November 29, 2012 by the Court. See *"Procedure for the Arrangement To Become Effective – Court Approvals"*.

### *Resales of Petromanas Shares Issued to Gallic Shareholders at the Effective Time*

The ability of a Gallic Shareholder in the United States to resell the Petromanas Shares issued to it on the Effective Date of the Arrangement will depend on whether it is an "affiliate" of Petromanas after the Effective Date or was an "affiliate" of Petromanas within ninety days prior to the Effective Date or the resale transaction. As defined in Rule 144 under the 1933 Act, an "affiliate" of an issuer is a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such issuer whether through the ownership of voting securities, by contract or otherwise. Typically, persons who are executive officers, directors or 10% or greater shareholders of an issuer are considered to be its "affiliates".

The resale rules applicable to Gallic Shareholders in the United States are summarized below. Gallic Shareholders in the United States are urged to consult with their own legal counsel to ensure that the resale of Petromanas Shares issued to them pursuant to the Arrangement complies with all applicable securities legislation.

Persons or entities who are not affiliates of Petromanas after the Effective Date, or within ninety days prior to the Effective Date or the resale transaction, may resell in the United States Petromanas Shares issued to them in accordance with the Arrangement without restriction under the 1933 Act.

Persons or entities who are affiliates of Petromanas after the Effective Date, or within ninety days prior to the Effective Date or the resale transaction, will be subject to restrictions on resale imposed by the 1933 Act with

respect to Petromanas Shares in the United States issued at the Effective Time. These affiliates may not resell their Petromanas Shares unless such Petromanas Shares are registered under the 1933 Act or an exemption from such registration requirements is available. Affiliates may resell their Petromanas Shares in the United States in accordance with the provisions of Rule 144 under the 1933 Act, including the availability of current public information regarding Petromanas and compliance with the applicable holding period, the volume and manner of sale limitations, and notice filing requirements of Rule 144 under the 1933 Act. Affiliates of Petromanas in the United States who are affiliates solely by virtue of their status as an officer or director of Petromanas may be able to resell their Petromanas Shares pursuant to Regulation S, as described below.

#### *Resale of Petromanas Shares by Affiliates of Petromanas Pursuant to Regulation S*

Provided that Petromanas remains a "foreign private issuer" as defined in Rule 405 of the 1933 Act, a person who is an affiliate of Petromanas after the Effective Date, or who was an affiliate within ninety days prior to the Effective Date or the resale transaction, may, under the 1933 Act, resell the Petromanas Shares issued to them pursuant to the Arrangement in an "offshore transaction" in accordance with Regulation S under the 1933 Act, provided that: (a) he or she is an affiliate of Petromanas at the time of the resale transaction solely by virtue of having a position as an officer or director of Petromanas; (b) no "directed selling efforts" as defined in Regulation S under the 1933 Act are made in the United States by the seller, an affiliate of the seller or any person acting on their behalf; and (c) the conditions imposed by Regulation S under the 1933 Act for "offshore transactions" are satisfied. An "offshore transaction" includes a transaction executed using the facilities of the TSX or the TSXV, provided the offer of the securities is not made to a person in the United States, and neither the seller nor any person acting on the seller's behalf knows the transaction has been prearranged with a buyer in the United States. In addition, in the case of an offer or sale of securities by an officer or director of Petromanas who is an affiliate of Petromanas solely by virtue of holding such position, no selling concession, fee or other remuneration may be paid in connection with the offer or sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent.

#### *Exercise of Petromanas Replacement Warrants*

Petromanas Replacement Warrants may not be exercised in the United States, or by or on behalf of a person in the United States or a U.S. Person unless the issuance of the underlying Petromanas Shares is registered under the 1933 Act and all applicable securities laws of any state of the United States or an exemption from such registration requirements is available. For holders of Petromanas Replacement Warrants exercising outside the United States, the Petromanas Replacement Warrants may be exercised by a holder who represents that at the time of exercise the holder is not then located in the United States, is not a U.S. Person, and is not exercising the Petromanas Replacement Warrants on behalf of a U.S. Person or a person in the United States. Any Petromanas Shares issuable upon the exercise of the Petromanas Replacement Warrants in the United States or by or on behalf of a person in the United States or a U.S. Person at a time when there is no effective registration statement under the 1933 Act covering such exercise will be "restricted securities" within the meaning of Rule 144(a)(3) under the 1933 Act, certificates representing such Petromanas Shares will bear a legend to that effect, and such Petromanas Shares may be resold only pursuant to an exemption from the registration requirements of the 1933 Act and all applicable securities laws of any state of the United States.

Notwithstanding the foregoing, subject to certain limitations, any Petromanas Shares issuable upon the exercise of the Petromanas Replacement Warrants may be resold outside the United States without registration under the 1933 Act pursuant to Regulation S, including in transactions over the TSX or the TSXV (if the Petromanas Shares are so listed at the time of sale).

#### **MI 61-101**

MI 61-101 is intended to regulate certain transactions to ensure that all securityholders are treated in a manner that is fair, generally requiring enhanced disclosure, approval by a majority of securityholders excluding interested or

related parties, in certain cases, independent valuations and, in certain cases, approval and oversight of certain transactions by a special committee of independent directors. The protections afforded by MI 61-101 apply to "business combinations" (as such term is defined in MI 61-101). MI 61-101 has been adopted as a policy of the TSXV.

The Arrangement is a "business combination" under MI 61-101 and MI 61-101 requires that, in addition to any other required securityholder approval, a business combination must be approved by a simple majority of the votes cast by "minority" securityholders of each class of affected securities (which in the case of Gallic consists of the Gallic Shares), voting separately as a class (often referred to as "minority approval"). In relation to the Arrangement and for purposes of the required securityholder approval for the Arrangement, the "minority" securityholders of Gallic are all Gallic Shareholders other than: (i) Gallic, (ii) any "interested party" to the Arrangement within the meaning of MI 61-101, (iii) any "related party" to such interested party within the meaning of MI 61-101 (subject to the exceptions set out therein), and (iv) any person that is a joint actor with any of the foregoing for the purposes of MI 61-101.

Pursuant to MI 61-101, votes attached to Gallic Shares held by Gallic Shareholders that receive a "collateral benefit" (as defined in MI 61-101) in connection with a business combination must also be excluded in determining whether minority approval has been obtained. A "collateral benefit", as defined under MI 61-101, includes any benefit that a "related party" of Gallic (which includes the directors and senior officers of Gallic) is entitled to receive as a consequence of the Arrangement, including a lump sum payment or an enhancement in benefits related to past or future services as an employee, director or consultant of Gallic; however, such a benefit will not constitute a "collateral benefit" provided that certain conditions are satisfied. Under MI 61-101, a benefit received by a related party of Gallic is not considered to be a collateral benefit if the benefit is received solely in connection with the related party's services as an employee, director or consultant of Gallic or an affiliated entity and: (i) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the Arrangement, (ii) the conferring of the benefit is not, by its terms, conditional on the related party supporting the Arrangement in any manner, (iii) full particulars of the benefit are disclosed in this Information Circular, and (iv) either: (A) at the time the Arrangement was agreed to, the related party and its associated entities beneficially own or exercise control or direction over less than 1% of the outstanding Gallic Shares, or (B) the related party discloses to an independent committee of Gallic (the "Independent Committee") the amount of consideration that the related party expects it will be beneficially entitled to receive, under the terms of the Arrangement, in exchange for the Gallic Shares and Gallic Warrants beneficially owned by the related party, the Independent Committee, acting in good faith, determines that the value of the benefit, net of any offsetting costs to the related party, is less than 5% of the value of the consideration the related party will receive pursuant to the terms of the Arrangement for the Gallic Shares and Gallic Warrants it beneficially owns, and the Independent Committee's determination is disclosed in this Information Circular.

Each of the directors and officers of Gallic hold Gallic Options, the vesting of which shall be accelerated prior to the Effective Time. Certain of the directors and officers of Gallic hold Gallic RSUs, the vesting of which shall be accelerated prior to the Effective Time. In addition, each of the officers of Gallic, other than Mr. Wong-Chor, the Corporate Secretary of Gallic, will receive severance payments in accordance with the terms of their respective employment agreements and the Arrangement Agreement.

To the knowledge of Gallic, the only director or senior officer of Gallic who will receive a "collateral benefit" resulting from the Arrangement and, together with his associated entities, may be considered to beneficially own or exercise control or direction over more than 1% of the Gallic Shares, is William H. Smith, who holds 3,175,000 Gallic Shares, 125,000 Gallic Warrants, 625,000 Gallic RSUs and 1,500,000 Gallic Options. The calculation of beneficial ownership has been performed pursuant to provisions of Applicable Laws which require that all Gallic Shares which could be acquired on the exercise of Gallic Options held by the above individual be included in the number of Gallic Shares is deemed to beneficially own.

## Judicial Developments

The Plan of Arrangement will be implemented pursuant to Section 193 of the ABCA which provides that, where it is impractical for a corporation to effect an arrangement under any other provisions of the ABCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. Pursuant to this section of the ABCA, such an application will be made by Gallic for approval of the Arrangement. See *"Procedure for the Arrangement Becoming Effective – Court Approvals"* above. Although there have been a number of judicial decisions considering this section and applications to various arrangements, there have not been, to the knowledge of Gallic, any recent significant decisions which would apply in this instance. Securityholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Davis LLP, counsel to Gallic (referred to as "counsel"), the following is a summary of the principal Canadian federal income tax consequences under the Tax Act, to Gallic Securityholders generally applicable to the exchange of Gallic Shares and Gallic Warrants under the Arrangement. This summary is restricted to Gallic Securityholders who, for the purposes of the Tax Act and at all relevant times, (i) hold their Gallic Shares and/or Gallic Warrants, and will hold their Petromanas Shares and/or Petromanas Replacement Warrants, as capital property and (ii) are not and will not be affiliated with, and deal and will deal at arm's length with, Gallic and Petromanas. Generally, Gallic Shares and/or Gallic Warrants will be considered to be capital property to the holder thereof unless such securities are held in the course of carrying on a business or were acquired in one or more transactions considered to be an adventure in the nature of trade. Certain Gallic Shareholders who are resident in Canada who may not otherwise be considered to hold their Gallic Shares as capital property may, in certain circumstances, be entitled to cause their Gallic Shares to be deemed to be capital property by making the irrevocable lifetime election permitted under subsection 39(4) of the Tax Act in respect of all of their "Canadian securities" (as defined in the Tax Act). The Gallic Warrants will not qualify as "Canadian securities" for the purposes of this election and where a Gallic Securityholder makes a Joint Tax Election in respect of Gallic Shares, as described below, the Petromanas Shares received under the Arrangement will not be "Canadian Securities" for these purposes. **Gallic Securityholders should consult their own tax advisors as to whether they hold their Gallic Shares and/or Gallic Warrants as capital property and whether such election can or should be made.**

This summary is not applicable to a Gallic Securityholder that is a "financial institution" as defined in the Tax Act for the purposes of the "mark-to-market property" rules or a "specified financial institution" as defined in the Tax Act, nor does it apply to a Gallic Securityholder an interest in which is, or whose Gallic Shares and/or Gallic Warrants are, a "tax shelter investment" as defined in the Tax Act or to a Gallic Securityholder to whom the "functional currency" reporting rules in section 261 of the Tax Act apply. In addition, this summary does not address all issues relevant to Gallic Securityholders who acquired Gallic Shares on the exercise of an employee stock option. Such Gallic Securityholders should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act that are in force as of the date hereof, all specific proposals to amend the Tax Act which have been publicly and officially announced prior to the date hereof (the "Proposed Amendments") and counsel's understanding of the current published administrative and assessing policies of CRA. No assurance can be given that the Proposed Amendments will be enacted in their current form, or at all. Except for the Proposed Amendments, this summary does not take into account any future changes of law or administrative practice (whether by judicial, administrative, governmental or legislative action), and is not exhaustive of all possible Canadian federal income tax considerations applicable to any particular Gallic Securityholder and specifically does not take into account provincial, territorial or foreign income tax considerations which may differ from the Canadian federal income tax consequences described herein.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Gallic Securityholder, and no representations with respect to the income tax consequences to any particular Gallic Securityholder are made herein. Accordingly, Gallic Securityholders should consult their own tax advisors for advice with respect to their own particular circumstances,**

**including their place of residence and the application and effect of the income and other tax laws of any country, province, state or local tax authority.**

### **Gallic Securityholders Resident in Canada**

The following portion of the summary is applicable only to a Gallic Securityholder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty, is, or is deemed to be, resident in Canada.

### **Gallic Shares**

#### *Exchanging Gallic Shareholders*

Gallic Shareholders, other than Dissenting Shareholders, who elect to be Exchanging Gallic Shareholders prior to 2:00 p.m. (Calgary time) on November 28, 2012, will directly exchange their Gallic Shares with Petromanas for Petromanas Shares immediately prior to the amalgamation of Gallic and AcquisitionCo (a "Direct Exchange"). In general, except where:

- (a) such Gallic Shareholder has included any portion of the capital gain or capital loss otherwise determined from the disposition of such Gallic Share in that Gallic Shareholder's income for purposes of the Tax Act, for the year in which the disposition occurred; or
- (b) such Gallic Shareholder and Petromanas have filed a Joint Tax Election with respect to the exchanged Gallic Share,

an Exchanging Gallic Shareholder will, pursuant to section 85.1 of the Tax Act, be deemed to have disposed of the Gallic Share so exchanged for proceeds of disposition equal to the adjusted cost base thereof immediately before the Effective Time and will be deemed to have acquired the fraction of a Petromanas Share at a cost equal to such adjusted cost base. This cost will be averaged with the adjusted cost base of all other Petromanas Shares held by the Exchanging Gallic Shareholder for the purposes of determining the adjusted cost base of each Petromanas Share held by the Exchanging Gallic Shareholder. An Exchanging Gallic Shareholder, excluding an Exchanging Gallic Shareholder who files a Joint Tax Election, who chooses to include any portion of the capital gain or capital loss otherwise determined in respect of any Gallic Share exchanged under the Arrangement in computing income or loss will be deemed to have disposed of such Gallic Share exchanged for proceeds of disposition equal to the fair market value of the fraction of a Petromanas Share received on the exchange and to have acquired such fraction of a Petromanas Share at a cost equal to its fair market value at the Effective Time. This cost will be averaged with the adjusted cost base of all other Petromanas Shares held by the Exchanging Gallic Shareholder for the purposes of determining the adjusted cost base of each Petromanas Share held by the Exchanging Gallic Shareholder.

#### *Joint Tax Election*

An Exchanging Gallic Shareholder may make a Joint Tax Election with Petromanas pursuant to subsection 85(1) of the Tax Act (or in the case of an Exchanging Gallic Shareholder which is a partnership, pursuant to subsection 85(2) of the Tax Act) and thereby obtain a full or partial tax-deferred "rollover" for purposes of the Tax Act in respect of those Gallic Shares exchanged. The extent of such rollover will depend on the amount received and the adjusted cost base to the Gallic Shareholder of such Gallic Shares immediately before their disposition. There are detailed rules set out in the Tax Act which prescribe limits as to the amount at which an Exchanging Gallic Shareholder and Petromanas can elect in a Joint Tax Election.

Generally, a Exchanging Gallic Shareholder who files a Joint Tax Election will be deemed to have disposed of the Gallic Shares for proceeds of disposition equal to the amount specified in the Joint Tax Election as the proceeds of disposition of such Exchanging Gallic Shareholder's Gallic Shares (such amount being the "elected amount"). To the extent that the elected amount exceeds the aggregate of the adjusted cost base of the Exchanging Gallic Shareholder's Gallic Shares, as previously determined, and any reasonable costs of disposition, the Exchanging

Gallic Shareholder will realize a capital gain equal to the amount of such excess, with the consequences described under "Capital Gains and Capital Losses" below. The cost to the Exchanging Gallic Shareholder of Petromanas Shares received on the exchange will be equal to the elected amount. This cost will be averaged with the adjusted cost base of all other Petromanas Shares held by the Exchanging Gallic Shareholder for the purposes of determining the adjusted cost base of each Petromanas Share held by the Exchanging Gallic Shareholder.

Exchanging Gallic Shareholders who file a Joint Tax Election will not be permitted to rely on the provisions of section 85.1 of the Tax Act. **Consequently, Gallic Shareholders should consult their own tax advisors as to whether they should make a Joint Tax Election.**

In order to make a Joint Tax Election, among other requirements, two (2) copies of CRA Form T-2057 or, if the holder is a partnership then two (2) copies of CRA Form T-2058 together with any required supporting schedules must be signed and forwarded by an Exchanging Gallic Shareholder to Petromanas no later than the Tax Election Date. Petromanas will not be required to execute any Joint Tax Election received by Petromanas after the Tax Election Date or if any of the conditions described above is not satisfied.

Upon receipt of a duly and properly completed Joint Tax Election on or before the Tax Election Date, together with any applicable provincial tax election forms relevant to such Exchanging Gallic Shareholder, Petromanas has agreed to make the Joint Tax Election at the amount(s) determined by the Exchanging Gallic Shareholder subject to the limitations set out in subsections 85(1) and 85(2) of the Tax Act. Petromanas has agreed to execute each such Joint Tax Election and to forward such executed Joint Tax Election by mail, within 30 days after the receipt thereof by Petromanas, to the Exchanging Gallic Shareholder. Each Exchanging Gallic Shareholder making a Joint Tax Election will be solely responsible for meeting the requirements for a valid Joint Tax Election. Petromanas will not be responsible for the valid completion or timely filing of any Joint Tax Election and each Exchanging Gallic Shareholder will be solely responsible for the payment of any late filing penalty. **Accordingly, Petromanas will not be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure by anyone to validly complete any Joint Tax Election form or to properly file such form within the time prescribed and in the form prescribed under the Tax Act or the corresponding provisions of any applicable provincial tax legislation.**

To file a Joint Tax Election with the CRA without incurring a late filing penalty, the Joint Tax Election, duly completed and executed by both the Exchanging Gallic Shareholder and Petromanas, must be received by the CRA on or before the day that is the earliest of the days on or before which either Petromanas or the Exchanging Gallic Shareholder is required to file an income tax return for the taxation year in which the Effective Date occurs. Petromanas is required to file an income tax return for the taxation year in which the disposition occurs on or before the day that is 180 days following the end of its taxation year. Petromanas' taxation year is scheduled to end on December 31 of each year, but could end earlier in specified circumstances. **Exchanging Gallic Shareholders are urged to consult their own advisors as soon as possible respecting the deadlines applicable to their own particular circumstances. However, regardless of such deadline, the Joint Tax Election forms of an Exchanging Gallic Shareholder must be received by Petromanas for execution no later than the Tax Election Date.** While Petromanas may choose, in its sole discretion, to sign a Joint Tax Election received after the Tax Election Date, Petromanas will have no obligation to do so.

It is the responsibility of any Exchanging Gallic Shareholder who wishes to file a Joint Tax Election to provide to Petromanas any relevant provincial elections forms. Petromanas agrees to execute any properly completed provincial election form and forward such form to the relevant provincial tax authority. Exchanging Gallic Shareholders who intend on filing a Joint Tax Election should consult their own tax advisors to determine whether any separate provincial election forms are required.

**Gallic Shareholders are referred to Information Circular 76-19R3 and Interpretation Bulletin IT-291R3 issued by the CRA for further information respecting the Joint Tax Election. The comments in this Information Circular with respect to such elections are provided for general assistance only. The law in this**

**area is complex and contains numerous technical requirements. Exchanging Gallic Shareholders who make a Joint Tax Election should consult their own tax advisors.**

#### *Exchange of Gallic Shares on the Amalgamation*

Gallic Shares other than Dissenting Shareholders and Gallic Shareholders who are Exchanging Gallic Shareholders, will be exchanged for Petromanas Shares on the amalgamation of Gallic and AcquisitionCo (the "Amalgamation").

A Gallic Shareholder who receives Petromanas Shares in exchange for Gallic Shares on the Amalgamation will not realize any capital gain or capital loss as a result of the exchange. Such Gallic Shareholder will be considered to have disposed of the Gallic Shares for proceeds of disposition equal to the aggregate adjusted cost base of the Gallic Shares to the shareholder immediately before the Amalgamation and to have acquired such Petromanas Shares at an aggregate cost equal to such proceeds of disposition. This cost will be averaged with the adjusted cost base of all other Petromanas Shares held by the shareholder for the purpose of determining the adjusted cost base of each Petromanas Share held by the shareholder.

#### **Gallic Warrants**

The terms of the Arrangement provide that Gallic Warrants that are not exercised prior to the Effective Time will be exchanged for Petromanas Replacement Warrants. Provided that the only consideration received by a Gallic Warrantholder on the exchange is a Petromanas Replacement Warrant, a Gallic Warrantholder who exchanges a Gallic Warrant for a Petromanas Replacement Warrant will be deemed to have disposed of the Gallic Warrant so exchanged for proceeds of disposition equal to the adjusted cost base thereof immediately before the Effective Time and will be deemed to have acquired the Petromanas Replacement Warrant at a cost equal to such adjusted cost base.

#### *Capital Gains and Capital Losses*

A Gallic Shareholder who disposes of Gallic Shares pursuant to the Arrangement and realizes a capital gain or capital loss will be required to include one-half of the amount of any such capital gain (a "taxable capital gain") in income in the year in which such disposition occurs and must generally deduct one-half of the amount of any capital loss (an "**allowable capital loss**") against taxable capital gains realized in the year of disposition, in accordance with the detailed rules of the Tax Act. Allowable capital losses not deducted in the taxation year in which they are realized may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against net taxable capital gains realized in such taxation years, to the extent and under the circumstances as specified in the Tax Act.

In general, a capital loss otherwise arising upon the disposition of a Gallic Share held by a corporation may be reduced by certain dividends previously received or deemed to have been received on such share or on another share for which such share was exchanged pursuant to certain tax-deferred rollover provisions. Similar rules may also apply in other circumstances, including where a corporation, trust or partnership is a member of a partnership or a beneficiary of a trust that owns such shares. Shareholders to whom these rules may be relevant should consult their own advisors.

A Gallic Shareholder that throughout the relevant taxation year is a Canadian-controlled private corporation, as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including taxable capital gains.

#### *Gallic Shareholders' Exercise of Dissent Rights*

Under the Arrangement, a Dissenting Shareholder will generally be considered to have disposed of such Gallic Shareholder's Gallic Shares to Petromanas and will be entitled to receive a cash payment equal to the fair value of such shares. Such Dissenting Shareholder will be considered to have disposed of such Gallic Shareholder's Gallic

Shares for proceeds of disposition equal to such cash payment (excluding any amount which constitutes interest). The Dissenting Shareholder will realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are exceeded by) the aggregate of the Dissenting Shareholder's adjusted cost base of the transferred shares and any applicable reasonable costs of disposition. (See "*Capital Gains and Capital Losses*" above.) A Dissenting Shareholder will also be required to include any Court awarded interest in computing such shareholder's taxable income. **Gallic Shareholders who wish to dissent should consult with their own income tax advisors with respect to the income tax consequences applicable to their particular circumstances.**

## **Consequences of Holding Petromanas Shares**

### *Dividends*

Following completion of the Arrangement, any dividends received or deemed to be received on the Petromanas Shares by an individual will be included in computing the holder's income as a taxable dividend from a taxable Canadian corporation and, other than certain trusts, will be subject to the normal gross-up and dividend tax credit rules contained in the Tax Act. An enhanced gross-up and tax credit are available on any "eligible dividends" designated by Petromanas as "eligible dividends". A recipient shareholder that is a corporation will include dividends received or deemed to be received on the Petromanas Shares in computing its income for tax purposes generally will be entitled, when computing its taxable income for the taxation year in which the dividend is received, to a deduction equal to the amount of the taxable dividend received in that year. A shareholder of Petromanas that is a "private corporation" as defined in the Tax Act or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a refundable tax under Part IV of the Tax Act of 33⅓% on dividends received or deemed to be received on Petromanas Shares.

### *Dispositions*

A disposition or deemed disposition of a Petromanas Share (other than to the Petromanas) will result in the realization of a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition exceed (or are less than) the adjusted cost base of such share and reasonable expenses incurred by subscriber for the purposes of making such disposition (See "*Capital Gains and Capital Losses*" above).

### *Eligibility for Investment*

Provided that the Petromanas Shares continue to be listed on a designated stock exchange for the purposes of the Tax Act (which currently includes the TSXV), the Petromanas Shares received by Gallic Shareholders pursuant to the Arrangement will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered education savings plans, registered retirement income funds ("RRIFs"), deferred profit sharing plans, registered disability savings plans and tax-free savings accounts ("TFSAs") as defined in the Tax Act.

Notwithstanding that the Petromanas Shares may be qualified investments for an RRSP, an RRIF or a TFSA, the annuitant or holder ("annuitant") of the RRSP, RRIF or TFSA, as the case may be, will be subject to adverse tax consequences on Petromanas Shares held in the RRSP, RRIF or TFSA if such Petromanas Shares are "prohibited investments" for the purposes of the Tax Act. The Petromanas Shares will generally be "prohibited investments" if the annuitant does not deal at arm's length with Petromanas for the purposes of the Tax Act or has a "significant interest" (for the purposes of the prohibited investment rules) in Petromanas or a corporation, partnership or trust with which Petromanas does not deal at arm's length for the purposes of the Tax Act. **Prospective subscribers who intend to hold Petromanas Shares in their RRSPs, RRIFs or TFSAs should consult their own tax advisers with respect to their individual circumstances.**



## **Gallic Shareholders Not Resident in Canada**

This portion of the summary applies to a Gallic Shareholder who is a Non-Resident, and at all relevant times does not use or hold, and is not deemed to use or hold, Gallic Shares in, or in the course of, carrying on business in Canada and elsewhere (referred to hereinafter as "Non-Resident Holder"). Special rules which are not discussed in this summary may apply to a Non-Resident Gallic Shareholder that is an insurer carrying on business in Canada and elsewhere.

Certain Non-Resident Holders may elect to be Exchanging Gallic Shareholders and thereby exchange their Gallic Shares for Petromanas Shares in a Direct Exchange with Petromanas. Such Non-Resident Holders are urged to consult their own tax advisors as to the Canadian federal income tax consequences of the Direct Exchange to them.

### *Disposition of Gallic Shares by Exchanging Gallic Shareholders*

A Non-Resident Holder who elects to be an Exchanging Gallic Shareholder will generally not be subject to tax under the Tax Act in respect of any capital gain realized on the exchange unless such Gallic Shares are considered to be "taxable Canadian property" to such Non-Resident Holder (for a description of "taxable Canadian property" see *Dissenting Non-Resident Holders* below) and the gain is not exempt from tax under the Tax Act pursuant to the terms of an applicable income tax treaty.

### *Exchange of Gallic Shares on the Amalgamation*

Gallic Shares held by Non-Resident Holders, other than Dissenting Shareholders and Non-Resident Holders who are Exchanging Gallic Shareholders, will be exchanged for Petromanas Shares on the Amalgamation. A Non-Resident Holder who receives Petromanas Shares in exchange for Gallic Shares on the Amalgamation will not realize any capital gain or capital loss as a result of the exchange. Such Non-Resident Holder will be considered to have disposed of the Gallic Shares for proceeds of disposition equal to the aggregate adjusted cost base of the Gallic Shares to the Non-Resident Gallic Shareholder immediately before the Amalgamation and to have acquired such Petromanas Shares at an aggregate cost equal to such proceeds of disposition. This cost will be averaged with the adjusted cost base of all other Petromanas Shares held by the Non-Resident Holder for the purposes of determining the adjusted cost base of each Petromanas Share held by the Non-Resident Holder.

### *Dissenting Non-Resident Holders*

A Non-Resident Holder who exercises Dissent Rights in respect of the Arrangement and is paid fair value of such holder's Gallic Shares by Petromanas will realize a capital gain (or a capital loss) equal to the amount, if any, by which the cash received in respect of their fair value of such Non-Resident Holder's Gallic Shares (other than in respect of interest awarded by the court) exceeds (or is less than) the aggregate of the adjusted cost base of such Gallic Shares to the Non-Resident Holder and any reasonable costs of disposition. A Non-Resident Holder who exercises Dissent Rights will generally not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition of Gallic Shares pursuant to the exercise of their Dissent Rights unless such Gallic Shares are considered to be "taxable Canadian property" to a Non-Resident Holder that is not exempt from tax under the Tax Act pursuant to the terms of an applicable income tax treaty.

Provided that the Gallic Shares will be listed on a designated stock exchange (as defined in the Tax Act, which includes the TSXV) at the time of disposition, the Gallic Shares will generally not constitute "taxable Canadian property" to a Non-Resident Holder at the time of the Arrangement, unless at any time during the 60-month period immediately preceding the disposition of the Gallic Shares: (i) the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Holder or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the capital stock of Gallic; and (ii) more than 50% of the fair market value of the Gallic Shares was derived directly or indirectly, from one or a combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interest in, or for civil law, rights in, property in any of the foregoing whether or not the property

exists. A Non-Resident Holder whose Gallic Shares may constitute "taxable Canadian property" should consult their own tax advisors.

Where a dissenting Non-Resident Holder receives interest in connection with the exercise of Dissent Rights in respect of the Arrangement, the interest will not be subject to Canadian withholding tax under the Tax Act.

#### *Holding and Disposing of Petromanas Shares*

##### *Dividends*

Dividends paid or credited on the Petromanas Shares or deemed to be paid or credited on the Petromanas Shares to a Non-Resident Gallic Holder will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under an applicable income tax treaty. For example, where the Non-Resident Holder is a United States resident entitled to benefits under the *Canada-United States Income Tax Convention, 1980* and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

##### *Dispositions*

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of Petromanas Shares, unless the Petromanas Shares are "taxable Canadian property" to the Non-Resident Holder for purposes of the Tax Act and the Non-Resident Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

For a description of taxable Canadian property see "*Dissenting Non-Resident Holders*" above.

### **INTERESTS OF CERTAIN PERSONS IN THE ARRANGEMENT**

Certain directors and senior officers and consultants of Gallic have interests in the transactions contemplated by the Arrangement that may be different from, and/or in addition to, the interests of Gallic Shareholders generally. The Board of Directors was aware of these potential interests and considered them, along with other matters, in reaching its decision to approve the Arrangement and to recommend that Gallic Shareholders and Gallic Warrantholders vote in favour of the Arrangement Resolution. Except as described below, to the knowledge of Gallic, the directors and senior officers and consultants of Gallic have no material interest in the Arrangement that differs from the interests of Gallic Shareholders generally.

All of the Gallic Options and Gallic RSUs held by the directors, officers, employees and consultants of Gallic will be treated in the same manner under the Arrangement Agreement as Gallic Options and Gallic RSUs held by any other holders thereof. See "*Effect of the Arrangement – Effect of the Arrangement on Gallic Options and Gallic RSUs*".

Based on the terms of the Executive Employment Agreements (as hereinafter defined) and based on a closing price of \$0.055 of the Gallic Shares as of October 29, 2012, the aggregate amount of Gallic Shares issuable and cash payable to the directors, officers, employees and consultants of Gallic under the Arrangement as of the date hereof would be approximately 625,000 Gallic Shares and \$800,000, after giving effect to, respectively: (a) the exercise of any in-the-money Gallic Options (as of the date hereof there are no in-the-money Gallic Options); (b) the surrender of their Gallic RSUs for 625,000 Gallic Shares; (c) the surrender and termination of "out-of-the-money" Gallic Options to Gallic for a total cash payment equal to \$842.00 (as compensation for the loss of the remaining periods under the terms of such options); and (d) payment of the Gallic Employee Obligations (as defined in the Arrangement Agreement) of approximately \$800,000.

As at the date hereof, the current directors and officers of Gallic and their associates and affiliates, as a group, beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 21,135,900 Gallic Shares

(representing approximately 12.65% of the outstanding Gallic Shares on a non-diluted basis), 11,590,000 Gallic Warrants (representing approximately 16.24% of the outstanding Gallic Warrants) and 5,000,000 Petromanas Shares.

Immediately after giving effect to the Arrangement, it is anticipated that the current directors and officers of Gallic and their associates and affiliates, as a group, would beneficially own, or control or direct over, directly or indirectly, an aggregate of approximately 7,896,372 Petromanas Shares (representing approximately 1.14% of the then outstanding Petromanas Shares on a non-diluted basis) and 4,330,024 Petromanas Replacement Warrants (representing approximately 16.24% of the outstanding Petromanas Replacement Warrants).

Gallic has entered into employment arrangements with certain officers as disclosed herein. The employment arrangements provide for a lump sum payment to the executive officers upon the event of a business combination, merger or "change of control". The completion of the Arrangement constitutes a business combination, merger or a "change of control" under such arrangements. In addition, certain employees will receive severance payments. It is a condition of the Arrangement that the Gallic Employee Obligations will not exceed \$1,000,000.

Mr. Trevor Wong-Chor is the Corporate Secretary of Gallic and a partner of Davis LLP. Davis LLP has acted as legal advisor to Gallic in connection with the Arrangement and has received or will receive fees for services rendered in that capacity.

Gallic has retained Macquarie Capital to provide the Fairness Opinion to Gallic. Macquarie Capital has received or will receive fees from Gallic for services rendered.

Gallic officers and directors, who collectively hold approximately 10.26% of the issued and outstanding Gallic Shares have entered into voting support agreements with Petromanas pursuant to which they have agreed to vote their Gallic Shares, inclusive of Gallic Shares issued upon the exercise of any Gallic Options, Gallic RSUs and Gallic Warrants, in favour of the Arrangement. The Gallic Support Agreements will terminate if the Arrangement Agreement is terminated in accordance with its terms. Gallic Support Securityholders hold, directly or indirectly, an aggregate of 17,135,900 Gallic Shares and 7,965,000 Gallic Warrants (representing approximately 10.26% of the currently issued and outstanding Gallic Shares, and 11.16% Gallic Warrants).

Certain senior officers of Gallic have "change of control" provisions in their employment contracts (the "Executive Employment Agreements"). The Executive Employment Agreements provide for payments consisting of a lump sum payment to such individuals upon a business combination, merger or "change of control". The completion of the Arrangement constitutes a business combination, merger or change of control. The officers subject to the Executive Employee Agreements are: (a) William H. Smith – President and Chief Executive Officer; (b) Dean Callaway – Vice President, Finance and Chief Financial Officer; (c) John Kiss – Vice President, Engineering and Business Development; and (d) Oleh Stupnyckyj – Vice President, Geosciences. In addition, 3 employees are entitled to receive an aggregate of \$189,000 as a result of the termination of their employment following a change of control. Certain employees of Gallic may be retained following the completion of the Arrangement.

It is anticipated that none of the senior officers of Gallic will be continuing their employment with Petromanas following the Effective Time.

#### **INTERESTS OF EXPERTS**

Certain legal matters relating to the Arrangement are to be passed upon at the closing of the Arrangement by Davis LLP on behalf of Gallic and Norton Rose Canada LLP on behalf of Petromanas. Mr. Trevor Wong-Chor, the corporate secretary of Gallic, is a partner of Davis LLP.

As at October 29, 2012, the partners and associates of Davis LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Gallic Shares.

As at October 29, 2012, the partners and associates of Norton Rose Canada LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Gallic Shares.

Resource estimates in respect of Gallic and Petromanas contained in this Information Circular or incorporated by reference herein have been provided by GLJ. As at the date hereof, GLJ beneficially owned, directly or indirectly, less than 1% of the outstanding Gallic Shares.

Deloitte & Touche LLP has advised Gallic that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

BDO Canada LLP has advised Petromanas that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta while they were appointed auditors of Petromanas.

### **INFORMATION CONCERNING GALLIC**

Gallic is a Calgary-based company with direct investments in oil and gas interests which provide exposure to international oil and gas exploration opportunities with varying risk profiles in politically and economically stable jurisdictions. Gallic has oil and natural gas concessions in France and Australia, and is pursuing additional concessions within onshore Europe.

The head office of Gallic is located at 1000, 205-5th Avenue SW, Calgary, Alberta, T2P 2V7 and the registered office is located at 1000, 250 - 2nd Street S.W., Calgary, Alberta T2P 0C1. The Gallic Shares trade on the TSXV under the symbol "GLC".

See Appendix "F" - *"Information Concerning Gallic"*.

### **INFORMATION CONCERNING PETROMANAS**

Petromanas is a Calgary-based international oil and gas company focused on the exploration and development of its assets in Albania. Petromanas, through its wholly-owned subsidiary, Petromanas Albania GmbH, is the holder of the Production Sharing Contracts. Under the terms of the Production Sharing Contracts and the Shell Farm-Out Agreement, Petromanas has a 100% working interest in four onshore blocks (Blocks A-B and D-E), and a 50% working interest in two onshore blocks (Blocks 2-3), that comprise in the aggregate, more than 1.4 million gross acres (1.03 million net acres) across Albania's Berati Thrust Belt.

As of the date hereof, Petromanas has 28 full-time employees. Petromanas primarily relies upon consultants to carry on many of its activities and, in particular, to supervise work programs on its Production Sharing Contracts.

Petromanas is a reporting issuer in British Columbia and Alberta. The Petromanas Shares and Petromanas First Series Warrants are listed and posted for trading on the TSXV under the symbols "PMI" and "PMI.WT", respectively.

The head office of Petromanas is located at 1720, Life Plaza, 734 - 7 Avenue SW, Calgary, Alberta, T2P 3P8. The registered office of Petromanas is located at 400 - 3 Avenue SW, Suite 3700, Calgary, Alberta, T2P 4H2.

See Appendix "E" - *"Information Concerning Petromanas"*.

## **PRO FORMA INFORMATION CONCERNING PETROMANAS AFTER GIVING EFFECT TO THE ARRANGEMENT**

### **General**

The Arrangement will result in the acquisition of all of the Gallic Shares by Petromanas, through, among other things, the amalgamation of Gallic with AcquisitionCo to be effected by the Plan of Arrangement. Gallic Shareholders (excluding Dissenting Gallic Shareholders) will receive 0.3736 Petromanas Shares for each Gallic Share held. Gallic Warrantholders will receive Petromanas Replacement Warrants exercisable for Petromanas Shares equal to that number of Gallic Shares which were otherwise issuable upon the exercise of the Gallic Warrants previously held, multiplied by 0.3736, with the exercise prices adjusted accordingly.

Following the completion of the Arrangement, Amalco will become a wholly-owned subsidiary of Petromanas and Petromanas will continue the operations of Petromanas and Gallic on a combined basis.

The following sets forth certain information relating to Petromanas and Gallic, together with pro forma information of Petromanas after giving effect to the Arrangement and certain other adjustments. Additional information concerning each of Petromanas and Gallic is set forth elsewhere in this Information Circular. See "*Information Concerning Petromanas*" and "*Information Concerning Gallic*".

### **Officers and Directors of Petromanas**

#### *Officers*

Following the completion of the Arrangement, Petromanas will continue to be led by the following executive management team: Glenn McNamara as Chief Executive Officer, Bill Cummins as Chief Financial Officer, Hamid Mozayani as Chief Operating Officer and Stephen Farner as Vice-President, Exploration.

#### *Directors*

The post-Arrangement Petromanas Board will consist of eight members, being all of the current Petromanas directors: Glenn McNamara, Verne Johnson, Heinz Scholz, Gordon Keep, Jeffrey Scott, Gerard Protti, Frank Giustra and Hans Werner Ladwein.

It is anticipated that there will be approximately 694 million Petromanas Shares issued and outstanding upon the completion of the Arrangement. The directors and officers of Petromanas will beneficially own, control or direct, directly or indirectly, an aggregate of 61,894,463 Petromanas Shares (representing approximately 9% of the then outstanding Petromanas Shares on a non-diluted basis).

### **Description of Share Capital**

The authorized capital of Petromanas consists of an unlimited number of Petromanas Shares, Petromanas First Preferred Shares and Petromanas Second Preferred Shares. As at the date hereof, there are 631,241,466 Petromanas Shares issued and outstanding as fully paid and non-assessable and no Petromanas First Preferred Shares or Petromanas Second Preferred Shares outstanding.

Additional Information concerning the share capital of Petromanas, including the material characteristics of the Petromanas Shares, Petromanas First Preferred Shares and Petromanas Second Preferred Shares is set out in Appendix "E" - "*Information Concerning Petromanas*".

## Pro Forma Consolidated Capitalization of Petromanas

The following table sets forth the capitalization of Petromanas as at June 30, 2012, both before and after giving effect to the completion of the Arrangement.

	Authorized	As at June 30, 2012 prior to giving effect to the Arrangement <sup>(4)</sup>	As at June 30, 2012 after giving effect to Arrangement <sup>(1)(2)(4)</sup>
Credit Facilities	-	-	-
Share Capital			
Petromanas Shares <sup>(3)</sup>	unlimited	\$141,260,000 (631,041,466 Petromanas Shares)	\$170,992,000 (693,694,725 Petromanas Shares)
Petromanas First Preferred Shares	unlimited	-	-
Petromanas Second Preferred Shares	unlimited	-	-
Petromanas First Series Warrants	-	100,000,000	100,000,000
Petromanas Third Series Warrants	-	7,990,000	7,990,000
Petromanas Replacement Warrants	-	-	26,656,360

### Notes:

- (1) Based on the issuance of 62,653,259 Petromanas Shares and 26,656,360 Petromanas Replacement Warrants pursuant to the Arrangement assuming there are no Gallic Shares issued upon exercise of Gallic Options prior to completion of the Arrangement.
- (2) As at June 30, 2012, Petromanas had outstanding Petromanas Options to purchase 41,590,000 Petromanas Shares at an average price of \$0.30 per Petromanas Share. Petromanas is also obligated to issue 50,000,000 Performance Shares pursuant to the acquisition of Petromanas Albania GmbH upon the achievement of certain goals on or before February 24, 2020.
- (3) Based on the assumption that Gallic has no bank debt and approximately \$345,000 of transaction costs relating to the Arrangement.
- (4) Based upon the Bank of Canada noon rate on October 26, 2012.

## Principal Holders of Petromanas Shares Following the Arrangement

To the knowledge of the directors and executive officers of Petromanas, as at the date hereof, both before and after giving effect to the Arrangement, no persons will beneficially own, or control or direct, directly or indirectly, 10% or more of the Petromanas Shares.

## Auditors, Registrar and Transfer Agent

Following the completion of the Arrangement, the auditors for Petromanas will continue to be KPMG LLP, Chartered Accountants, located at 2700, 205 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 4B9. KPMG LLP are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Following the completion of the Arrangement, the transfer agent and registrar of Petromanas will continue to be Computershare, at its principal offices in Calgary, Alberta.

## Fully Diluted Share Capital of Petromanas

The following table describes the anticipated fully-diluted share capital of Petromanas upon the completion of the Arrangement.

Designation of Security <sup>(1)</sup>	Number of Securities	%
Petromanas Shares held by current Petromanas Shareholders	631,041,466	70.46%
Petromanas Shares to be issued to Gallic Shareholders in connection with the Arrangement <sup>(2)(3)</sup>	62,653,259	6.99%
Petromanas Shares reserved for issuance in respect of options held by current Petromanas optionholders	43,940,000	4.91%
Petromanas Shares reserved for issuance in respect of Petromanas Replacement Warrants	107,990,000	12.06%
Petromanas Performance Shares	50,000,000	5.58%
<b>Total (fully-diluted)</b>	<b>893,964,482</b>	<b>100.00%</b>

**Notes:**

- (1) As at October 30, 2012
- (2) Assumes no Dissent Rights are exercised.
- (3) Gallic shall make reasonable efforts to ensure that all current Gallic Options and Gallic RSUs are exercised, terminated or cancelled prior to the Effective Date.

## RISK FACTORS

Gallic Shareholders and Gallic Warrantholders voting in favour of the Arrangement Resolution will be voting to combine the businesses of Gallic and Petromanas and to invest in Petromanas Shares and Petromanas Replacement Warrants, respectively. The Arrangement and investment in Petromanas Shares and Petromanas Replacement Warrants involves risks. Gallic Shareholders and Gallic Warrantholders should carefully consider the following risk factors in evaluating whether to approve the Arrangement Resolution. Readers are cautioned that such risk factors are not exhaustive. These risk factors should be considered in conjunction with the other information included in the Information Circular, including the documents incorporated by reference herein and documents filed by Gallic pursuant to Applicable Laws from time to time.

### Risks Related to the Arrangement

#### *Possible Failure to Realize Anticipated Benefits of the Arrangement*

The Arrangement is subject to normal commercial risks that such transaction may not be completed on the terms negotiated or at all.

The inability of Petromanas to access sufficient capital following of the Arrangement, if required, would likely have a material adverse effect on Petromanas and the ability of Petromanas to realize the anticipated benefits of the Arrangement.

Petromanas and Gallic are proposing to complete the Arrangement to strengthen the position of Petromanas in the oil and natural gas industry and create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of the Arrangement and future acquisitions that Petromanas may complete depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the ability of Petromanas, after giving effect to the Arrangement, to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Petromanas.

The integration of the Gallic assets requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect Petromanas' ability to achieve the anticipated benefits of the Arrangement and future acquisitions.

#### *Satisfaction of Condition Precedents*

The completion of the Arrangement is subject to a number of conditions precedents, certain of which are outside the control of Petromanas and Gallic, including obtaining the requisite approvals from Gallic Securityholders and required Court and regulatory approvals. There is no certainty, nor can Petromanas and/or Gallic provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If for any reason the Arrangement is not completed, the market price of Petromanas Shares may be adversely affected. Moreover, if the Arrangement Agreement is terminated, there is no assurance that the Petromanas Board and/or Gallic Board will be able to find another similar transaction in which to enter.

#### *The Arrangement Agreement May Be Terminated*

Each of Petromanas and Gallic has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can either of Petromanas or Gallic provide any assurance, that the Arrangement Agreement will not be terminated by either Petromanas or Gallic before the completion of the Arrangement. For instance, each of Petromanas and Gallic has the right, in certain circumstances, to terminate the Arrangement Agreement if there occurs a material adverse effect with respect to the other Party. There is no assurance that a material adverse effect will not occur before the Effective Date, in which case Petromanas and Gallic could elect to terminate the Arrangement Agreement and the Arrangement would not proceed.

In addition, certain costs related to the Arrangement, such as legal, accounting and certain financial advisor fees, must be paid by Petromanas and Gallic even if the Arrangement is not completed.

#### *The Non-Completion Fees Payable Under The Arrangement Agreement May Discourage Other Parties*

Under the Arrangement Agreement, Gallic is required to pay to Petromanas a non-completion fee in certain circumstances. This non-completion fee may discourage other parties from attempting to enter into a business transaction with Gallic, even if those parties would otherwise be willing to enter into an agreement with Gallic for a business combination. See "*The Arrangement Agreement – Non-Completion Fees*".

#### *Consents and Approvals*

Completion of the Arrangement is conditional upon receiving certain consents and regulatory approvals, including certain approvals from foreign regulatory authorities. A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in the regulatory approvals could adversely affect the business, financial condition or results of operations of Petromanas, Gallic or Petromanas on a combined basis.

#### *Gallic Dissent Rights*

Gallic Shareholders have the right to exercise certain dissent and appraisal rights and demand payment of the fair value of their Gallic Shares in cash in connection with the Arrangement in accordance with the ABCA. If there are a significant number of Dissenting Gallic Shareholders, a substantial cash payment may be required to be made to such Gallic Shareholders that could have an adverse effect on Petromanas' financial condition and cash resources if the Arrangement is completed.



## **Risks Related to Gallic**

Even if the Arrangement is completed, Amalco will face many of the risks that Gallic currently faces with respect to its business and affairs. Additional risk factors with respect to Gallic are set out in the Gallic AIF, the Gallic information circular dated November 16, 2011 and Gallic's financial statements and management discussion & analysis, each of which are incorporated by reference herein. The reader should carefully consider these risk factors when considering risks related to holding Petromanas Shares. These risks and uncertainties are not the only ones Gallic may face. Additional risks and uncertainties not presently known to Gallic or that Gallic currently considers immaterial may also impair its business operations. If any such risks actually occur, Gallic's business, prospects, financial condition and operations could be materially adversely affected. Readers are cautioned that these risk factors are not exhaustive.

## **Risks Related to Petromanas**

### *General*

An investment in the Petromanas Shares should be considered speculative due to various factors, including the nature of Petromanas' involvement in the exploration for, and the acquisition, development and production of, oil and natural gas resources and reserves. Petromanas' business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas and the regulation of the oil and natural gas industry by various levels of government. The oil and natural gas information incorporated by reference in this Information Circular are estimates only and the actual identification, development, production and exploitation of resources and reserves, if any, recovered from Petromanas' properties and acquisitions may be greater or less than the estimates contained in this Information Circular. Petromanas currently has no reserves. The success of acquisitions and further exploration or development projects cannot be assured. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Petromanas.

The business of Petromanas is subject to a number of risks and uncertainties. Additional risk factors with respect to Petromanas are set out in the Petromanas AIF, Petromanas' management discussion & analysis, each of which are incorporated by reference herein. In addition to considering other information contained in or incorporated by reference herein and in other publicly filed documents regarding Petromanas, the reader should carefully consider the risk factors when considering risks related to holding Petromanas Shares. These risks and uncertainties are not the only ones Petromanas may face. Additional risks and uncertainties not presently known to Petromanas or that Petromanas currently considers immaterial may also impair its business operations. If any such risks actually occur, Petromanas' business, prospects, financial condition and operations could be materially adversely affected.

### *Dilutive Effect*

The issuance of Petromanas Shares pursuant to the Arrangement will have an immediate dilutive effect on the ownership interest of Petromanas Shareholders.

## **Risks After Giving Effect to the Arrangement**

In addition to the risk factors relating to Petromanas and Gallic, which Petromanas will still face following completion of the Arrangement, the Gallic Shareholders and Gallic Warrantholders should consider the risk factors relating to Petromanas below.

### *Operational and Resources Risks Relating to the Assets of Gallic*

The risk factors set forth in the Petromanas AIF and in this Information Circular relating to the oil and natural gas business, the operations and resources of Petromanas, environmental concerns, abandonment and reclamation costs,

impact of future capital expenditures, permit and license risks, title issues and aboriginal claims, among others, apply equally in respect of Gallic which Petromanas intends to acquire pursuant to the Arrangement. In particular, the resources information contained in the Gallic Resources Report are only estimates and the actual resources from those properties may be greater or less than the estimates in such reports. Further, there may be title defects or liabilities that Petromanas may have failed to discover or was unable to quantify in the due diligence which Petromanas conducted prior to the execution of the Arrangement Agreement.

*Petromanas may not realize the benefits of its growth projects*

As part of its strategy, Petromanas will continue existing efforts and initiate new efforts to develop new projects and may have a larger number of such projects as a result of the Arrangement. A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labour, operating, technical, and technological risks, uncertainties relating to capital and other costs, and financing risks. The failure to develop one or more of these initiatives successfully could have an adverse effect on Petromanas' financial position and results of operations.

*Petromanas will be subject to significant capital requirements associated with its expanded portfolio of development projects*

Petromanas must be able to utilize available financing sources to finance its growth and sustain capital requirements. Petromanas could be required to raise significant additional capital through equity financings in the capital markets or to incur significant borrowings through debt financings to meet its capital requirements. If these financings are required, Petromanas' cost of raising capital in the future may be adversely affected. In addition, if Petromanas is required to make significant interest and principal payments resulting from a debt financing, Petromanas' financial condition and ability to raise additional funds may be adversely impacted.

Any significant delay in completing its development projects or the incurring of capital costs that are significantly higher than estimated, could have a significant adverse effect on Petromanas' results of operations and financial condition.

*Current Global Financial Conditions*

Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by a decrease in confidence in the global credit and financial markets. These factors may impact the ability of Petromanas to obtain equity or debt financing in the future and, if obtained, on terms favourable to Petromanas. If these increased levels of volatility and market turmoil continue, Petromanas' operations could be adversely impacted and the value and the price of Petromanas Shares could continue to be adversely affected.

*Risks Associated with Acquisitions*

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

**Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat Petromanas'**

title to certain assets or that environmental defects or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of the assets acquired under such acquisitions and Petromanas' securities.

## **ANNUAL MEETING BUSINESS**

### **Executive Compensation**

#### **Compensation Discussion and Analysis**

##### ***Role and Composition of the Compensation Committee***

Gallic's executive compensation program is administered by the compensation committee of the Board of the Directors (the "Compensation Committee"). The Compensation Committee's mandate includes reviewing and determining or making recommendations to the Board in respect of compensation matters relating to the executive officers, employees and directors, including the Named Executive Officers (as defined herein) which are identified in the "*Summary Compensation Table*" below. The Compensation Committee is comprised of Jason Bednar, John Garden and Charle Gamba. The majority of the members of the Compensation Committee are "independent" for the purposes of National Policy 58-201 — *Corporate Governance Guidelines* ("NP 58-201").

##### ***Executive Compensation Principles***

Gallic's compensation program supports Gallic's commitment to delivering strong performance for its shareholders. The compensation policies are designed to attract, recruit and retain quality and experienced people, which is critical to the success of Gallic and to motivate their performance in order to achieve Gallic's strategic objectives and to align the interests of executive officers and other employees with the long term interests of Gallic's shareholders and enhancement in share value. The Compensation Committee also recognizes that the executive compensation program must be sufficiently flexible in order to adapt to unexpected developments in the oil and gas industry and the impact of internal and market related occurrences from time to time.

Gallic's executive compensation program is comprised of the following components: (a) base salary; (b) short-term incentive compensation comprised of discretionary cash bonuses; and (c) long-term incentive compensation comprised of Gallic Options and, in limited circumstances, Gallic RSUs. Together, these components support our long-term growth strategy and are designed to address the following key objectives of our compensation program:

- align executive compensation with shareholders' interests;
- attract and retain highly qualified management;
- focus performance by linking incentive compensation to the achievement of business objectives and financial results; and
- encourage retention of key executives for leadership succession.

##### ***Compensation Review Process***

When determining executive compensation, including the assessment of the competitiveness of Gallic's compensation program, management and the Compensation Committee reviews the compensation practices of various companies. These companies compete with Gallic for executive talent, operate in a similar business environment and may be of similar size, scope and complexity. Gallic's peer group generally is comprised of international oil and gas exploration companies that compete for executive and employee talent. Given the nature of the oil and gas industry, the companies reviewed for comparison purposes to Gallic, changes from time to time as companies are acquired and new companies become publicly traded.

In arriving at recommendations for executive compensation, including the assessment of the competitiveness of Gallic's compensation practices, compensation information reviewed includes that available in the public domain, through private

conversation and from widely available compensation surveys and studies. Additional information in respect to certain positions is also obtained through and during the competitive hiring process of new executives.

In arriving at base salaries and the grant of Gallic Options for employees including executive officers of Gallic, other than the President and Chief Executive Officer, the President and Chief Executive Officer of Gallic makes recommendations to the Compensation Committee. Upon the receipt of the recommendations, the Compensation Committee reviews the recommendations and may request the compensation data compiled by Gallic and determines whether to accept the recommendations or make any changes. The Compensation Committee determines its recommendation with respect to compensation of the President and Chief Executive Officer in consultation with the other independent directors. Consultation between the President and Chief Executive Officer and the Compensation Committee is customary during this process. This consultation is usually quite informal. In the case of the grant of Gallic Options, the Compensation Committee, in consultation with the President and Chief Executive Officer, makes a recommendation to the Gallic Board for consideration and approval.

Gallic's compensation philosophy has been to encourage the maximization of shareholder value at all levels of the organization by making cash bonuses a component of compensation, taking into consideration performance by both Gallic and the respective executive officer. Although no formal bonus plan has been implemented, all executive officers are eligible to receive a bonus. The size of the bonus pool is based on the recommendation of the Compensation Committee. In determining the bonus pool size, the Compensation Committee considers: (i) achievement of goals identified at the beginning of the year; (ii) Gallic Share price performance; (iii) growth in cash flow and earnings per share; (iv) growth in asset value; and (v) bonus levels at peer companies.

Bonus levels for the senior executive officers are established by the Compensation Committee. Bonus awards for executive officers are discretionary and there are no specified targets or criteria set out, although matters such as changes in the factors set forth above are considered. No maximum bonus has been established for any executive officer. Establishment and payment of bonuses is subject to approval of the Board.

### ***Elements of our Executive Compensation Program***

Each element of Gallic's executive compensation program is described in more detail below.

#### ***Base Salaries***

The base salary component is intended to provide a fixed level of competitive pay that reflects each executive officer's primary duties and responsibilities. It also provides a foundation upon which performance-based incentive compensation elements are assessed and established. In setting base compensation levels for executive officers, consideration is given to objective factors such as level of responsibility, experience and expertise as well as subjective factors such as leadership.

#### ***Short Term Incentive Compensation – Discretionary Cash Bonuses***

In addition to base salaries, Gallic may award discretionary cash bonuses to employees of Gallic, including executive officers. Gallic does not have a formal bonus plan and the amount of bonuses paid is not set in relation to any formula or specific criteria but is a result of a subjective determination based on, in the case of non executive employees, the employee's contribution in adding share value and reducing costs and the employee's contribution to overall corporate goals. In the case of executive officers, including the President and Chief Executive Officer, bonus awards are discretionary and while there are no specific targets or criteria set out, matters such as achievement of goals, changes in share price, cash flow per share, income per share and net asset value per share are considered. No maximum bonus has been established for any executive officers. The award of cash bonuses has not traditionally been targeted at maintaining Gallic's cash compensation at any specific level relative to its peer group.

#### ***Long Term Incentive Compensation – Stock Options/Gallic RSUs***

Gallic Options are granted under the stock option plan of Gallic to directors, executive officers, employees, consultants and other service providers of Gallic and are intended to align such individual's and shareholder interests by attempting to

create a direct link between compensation and shareholder return. Participation in the option plan rewards overall corporate performance, as measured through the price of the Gallic Shares. In addition, Gallic Options enable executives to develop and maintain a significant ownership position in Gallic.

Gallic Options granted under the stock option plan are normally awarded by the Board upon the commencement of an individual's employment with Gallic based on the level of responsibility within Gallic. Additional grants may be made periodically to ensure that the number of Gallic Options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within Gallic. In considering additional grants, we evaluate the number of Gallic Options an individual has been granted, the role the individual plays in Gallic, the exercise price and value of the Gallic Options and the term remaining on those Gallic Options.

Gallic's current stock option plan (the "Plan") was previously approved by the shareholders of Gallic on December 16, 2011. The details of the Plan are described under "*Annual Meeting Business - Particulars Of Annual Meeting Matters To Be Acted Upon – Approval Of Stock Option Plan*".

In addition to Gallic Options, Gallic may, in limited circumstances, award Gallic RSUs to executive officers of Gallic.

### **Summary**

Gallic's compensation policies have allowed Gallic to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. In the event the Arrangement is not completed, the Compensation Committee and the Board of Directors will continue to review compensation policies to ensure that they are competitive within the oil and natural gas industry and consistent with the performance of Gallic.

### **Summary Compensation Table**

The following table sets forth all annual and long term compensation for the financial years ended December 31, 2011, 2010 and 2009 for services in all capacities to Gallic and its subsidiaries in respect of individual(s) who were acting as, or were acting in a capacity similar to, a chief executive officer or chief financial officer and the three (3) most highly compensated individuals whose total compensation exceeded \$150,000 per annum for the year ended December 31, 2011 (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Year Ended Dec 31	Salary (\$)	Share-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
William H. Smith <sup>(3)(5)(6)</sup> President and Chief Executive Officer	2011 2010	200,000 13,000 <sup>(7)</sup>	525,000 Nil	Nil <sup>(8)</sup> 345,000 <sup>(8)</sup>	Nil Nil	Nil Nil	Nil Nil	10,380 1,000 <sup>(9)</sup>	735,380 359,000
Dean Callaway Vice-President Finance and Chief Financial Officer <sup>(4)</sup>	2011	30,000	Nil	67,125 <sup>(8)</sup>	Nil	Nil	Nil	2,080	99,205
Mark Woods Former President and Chief Operating Officer	2011 2010 2009	306,400 144,000 130,000	Nil Nil Nil	48,000 <sup>(8)</sup> 79,750 <sup>(8)</sup> 31,100 <sup>(8)</sup>	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	11,900 13,000 <sup>(10)</sup> Nil	366,300 236,750 161,100

Mark Armanious Vice-President, Exploration <sup>(11)</sup>	2011	141,667	Nil	311,100 <sup>(8)</sup>	Nil	Nil	Nil	87,400	540,167
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**Notes:**

- (1) "**Share-Based Award**" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, Gallic Shares, restricted shares, Gallic RSUs, deferred share units, phantom shares, phantom share units, common share equivalent units and stock. Mr. Smith was issued 2,500,000 Gallic RSUs on December 1, 2010, which vest as to 25% every six months from December 1, 2010.
- (2) "**Option-Based Award**" means an award under an equity incentive plan of options, including, for greater certainty, Gallic Options, share appreciation rights and similar instruments that have option-like features.
- (3) Mr. Smith did not receive any additional compensation for serving as directors of Gallic.
- (4) Mr. Callaway was appointed Vice-President Finance and Chief Financial Officer on November 1, 2011. Mr. Callaway received his 2011 compensation through a wholly-owned company, Chinchero Inc.
- (5) Mr. Smith was appointed as President of Gallic on September 9, 2011.
- (6) Mr. Smith was appointed the Chief Executive Officer of Gallic effective December 1, 2010.
- (7) Mr. Smith earned an annual salary of \$200,000 during the year ended December 31, 2010 on a pro rated basis.
- (8) The "grant date fair value" has been determined by using the Black-Scholes option pricing model. See discussion below.
- (9) Other compensation in the amount of \$10,380 paid to Mr. Smith includes contributions by Gallic to a health spending account.
- (10) Other compensation the amount of \$11,900 paid to Mr. Woods includes contributions by the Corporation to a health spending account and parking.
- (11) Mr. Armanious resigned as the Vice President, Exploration on July 27, 2012.

***Narrative Discussion***

*Employment/Consulting Agreements*

*William H. Smith*

Gallic entered into an executive employment agreement with William H. Smith, the President and Chief Executive Officer of Gallic, effective December 1, 2010. The executive employment agreement provides for the provision of employment related services by Mr. Smith to Gallic and contains other terms and provisions customary of an agreement of this nature, including an annual salary of \$200,000, benefits, expenses and options. The executive employment agreement provides that in the event of there being a commercially viable discovery of hydrocarbon resources in the geographic areas covered by Gallic's Netherlands project, Mr. Smith will be entitled to a performance bonus in an amount to be determined by the Board.

The executive employment agreement also provides that in the event Mr. Smith is terminated without cause, he shall be entitled to a severance payment (the "Smith Severance Payment") of: (i) a lump sum amount equal to 12 months of Mr. Smith's then monthly base salary; (ii) a lump sum amount equal to 10% of Mr. Smith's then annual salary; (iii) the prorated and accrued but unpaid portion of any annual bonus; and (iv) the performance bonus, in the event the performance bonus has been met but not yet paid. The executive employment agreement also provides the option for Mr. Smith to terminate his employment with Gallic if there is a constructive dismissal or a change of control of Gallic (as defined in the executive employment agreement), and upon such termination, Mr. Smith is entitled to the Smith Severance Payment. Completion of the Arrangement will constitute a change of control of Gallic.

*Dean Callaway*

Gallic entered into an executive employment agreement with Dean Callaway, the Vice President Finance and Chief Financial Officer of Gallic, effective November 1, 2011. The executive employment agreement provides for the provision of employment related services by Mr. Callaway to Gallic and contains other terms and provisions customary of an agreement of this nature, including an annual salary of \$180,000, benefits, expenses and options.

The executive employment agreement also provides that in the event Mr. Callaway is terminated without cause, he shall be entitled to a severance payment (the "Callaway Severance Payment") of: (i) a lump sum amount equal to 12 months of Mr. Callaway's then monthly base salary; (ii) a lump sum amount equal to 10% of Mr. Callaway's then annual salary; (iii) the prorated and accrued but unpaid portion of any annual bonus; and (iv) the performance bonus, in the event the performance bonus has been met but not yet paid. The executive employment agreement also provides the option for Mr. Callaway to terminate his employment with Gallic if there is a constructive dismissal or a change of control of Gallic

(as defined in the executive employment agreement), and upon such termination, Mr. Callaway is entitled to the Callaway Severance Payment. Completion of the Arrangement will constitute a change of control of Gallic.

#### *Mark Woods*

The Corporation entered into an executive employment agreement with Mark Woods, the former President and Chief Operating Officer of the Corporation, effective February 1, 2010. Mr. Woods resigned as President and Chief Operating Officer effective September 9, 2011. The executive employment agreement provided for the provision of employment related services by Mr. Woods to the Corporation and contained other terms and provisions customary of an agreement of this nature, including an annual salary of \$144,000, benefits, expenses and options. Mr. Woods was entitled to the payment of a payout amount equal to pay in lieu of notice equal to 12 months salary, based on his annual salary and all outstanding accrued regular and special vacation pay to the date of termination upon his resignation as President and Chief Operating Officer. The executive employment agreement also provided the option for Mr. Woods to terminate his employment with the Corporation if there was a constructive dismissal or a change of control of the Corporation, and upon such termination Mr. Woods would have been entitled to such payout amount. Completion of the Arrangement will constitute a change of control of Gallic.

#### Options

During the financial year ended December 31, 2011, Gallic granted 1,020,000 Gallic Options valued at \$311,000 to Mark Armanious, 750,000 Gallic Options valued at \$67,125 to Dean Callaway and 300,000 Gallic Options valued at \$48,000 to Mark Woods.

Calculating the value of Gallic Options using the Black-Scholes option pricing model is very different from a simple "in-the-money" value calculation. In fact, stock options that are well out-of-the-money can still have a significant "grant date fair value" based on a Black-Scholes option pricing model, especially where, as in the case of Gallic, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

#### **Incentive Plan Awards**

##### ***Outstanding Share-Based Awards and Option-Based Awards***

The following table sets forth details of all awards outstanding for each Named Executive Officer of Gallic as of the most recent financial year end, including awards granted before the most recently completed financial year.

Name and Title	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Option <sup>(1)(2)</sup> (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)
William H. Smith <sup>(4)(5)</sup> President and Chief Executive Officer	1,500,000	0.35	December 1, 2015	Nil	N/A	N/A
Dean Callaway <sup>(3)</sup> Vice President Finance and Chief Financial Officer	750,000	0.17	October 7, 2016	26,250	N/A	N/A

Mark Woods <sup>(4)</sup>	200,000	0.35	March 30, 2012	34,000	N/A	N/A
Former President and Chief Operating Officer	225,000	0.23	March 30, 2012	65,250	N/A	N/A
	375,000	0.15	March 30, 2012	138,750		
	300,000	0.36	March 30, 2012	20,625		
Mark Armanious <sup>(6)</sup>	1,020,000	0.52	October 1, 2012	Nil	N/A	N/A
Vice President, Exploration						

**Notes:**

- (1) Unexercised "in-the-money" Gallic Options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the Gallic Shares as at December 31, 2011, being \$0.205 per Gallic Share, and the exercise price of the options.
- (3) Mr Callaway was appointed Vice-President, Finance and Chief Financial Officer of Gallic on November 1, 2011.
- (4) Mr. Smith was appointed President of Gallic effective September 9, 2011.
- (5) Mr. Smith was appointed the Chief Executive Officer of Gallic effective December 1, 2010.
- (6) Mr. Armanious resigned as the Vice President, Exploration on July 27, 2012.

None of the awards disclosed in the table above have been transferred at other than fair market value.

***Incentive Plan Awards - Value Vested or Earned During the Year***

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for each Named Executive Officer.

Name and Title	Option-Based Awards - Value vested during the year (\$)	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
William H. Smith <sup>(3)(4)</sup> President and Chief Executive Officer	Nil	N/A	N/A
Dean Callaway <sup>(2)</sup> Vice President, Finance and Chief Financial Officer	7,500	N/A	N/A
Mark Woods <sup>(4)</sup> Former President and Chief Operating Officer	54,000	N/A	N/A
Mark Armanious Vice President, Exploration	Nil	N/A	N/A

**Notes:**

- (1) Based on the difference between the market price of the options at the vesting date and the exercise price.
- (2) Mr Callaway was appointed Vice-President, Finance and Chief Financial Officer of Gallic on November 1, 2011.
- (3) Mr. Smith was appointed President of Gallic effective September 9, 2011.
- (4) Mr. Smith was appointed the Chief Executive Officer of Gallic effective December 1, 2010.

***Narrative Discussion***

The details of the Plan are described under "*Particulars Of Matters To Be Acted Upon – Approval of Stock Option Plan*".

**Pension Plan Benefits**

Gallic does not have in place any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.



## Termination and Change of Control Benefits

The details of the termination and change of control benefits for the Named Executive Officers are described under *"Annual Meeting Business - Executive Compensation – Summary Compensation Table - Narrative Discussion"*.

## Director Compensation

Gallic currently has six (6) directors, one (1) of which, William H. Smith, was also a Named Executive Officer during the year ended December 31, 2011. For a description of the compensation paid to the Named Executive Officers who also act or acted as directors of Gallic, see *"Executive Compensation"*.

### Director Compensation Table

The following table sets forth all compensation provided to directors who are not also Named Executive Officers ("**Outside Directors**") of Gallic for the financial year ended December 31, 2011.

Name	Fees Earned (\$)	Share-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Jason Bednar	Nil	Nil	80,000	Nil	Nil	Nil	80,000
Charle Gamba	Nil	Nil	80,000	Nil	Nil	Nil	80,000
Gordon McIntosh	Nil	Nil	48,000	Nil	Nil	Nil	48,000
John Garden	Nil	Nil	48,000	Nil	Nil	Nil	48,000
Jeffrey Scott <sup>(4)</sup>	Nil	Nil	80,000	Nil	Nil	Nil	80,000
Richard Grafton <sup>(5)</sup>	Nil	Nil	80,000	Nil	Nil	Nil	80,000

**Notes:**

- (1) "**Share-Based Award**" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) "**Option-Based Award**" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (3) The "grant date fair value" has been determined by using the Black-Scholes option pricing model. See discussion below.
- (4) Jeffrey Scott was appointed the Board effective February 14, 2011.
- (5) Richard Grafton resigned from the Board effective June 28, 2012.

### Narrative Discussion

Gallic has no arrangements, standards or otherwise, pursuant to which directors are compensated by Gallic for their services in their capacity as directors, or for committee participation, except for the granting from time to time of Gallic Options pursuant to the option plan of Gallic and in accordance with the policies of the TSXV. The purpose of granting such stock options is to assist Gallic in compensating, attracting, retaining and motivating the directors of Gallic and to closely align the personal interests of such person to that of the Gallic Shareholders.

During the financial year ended December 31, 2011, Gallic granted 500,000 Gallic Options valued at \$80,000 to Jason Bednar, 500,000 Gallic Options valued at \$80,000 to Charle Gamba, 300,000 Gallic Options value at \$48,000 to John Garden, 300,000 Gallic Options valued at \$48,000 to Gordon McIntosh, 500,000 Gallic Options valued at \$80,000 to Jeffrey Scott and 500,000 Gallic Options valued at \$80,000 to Richard Grafton.

Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple "in-the-money" value calculation. In fact, stock options that are well out-of-the-money can still have a significant "grant date fair value" based on a Black-Scholes option pricing model, especially where, as in the case of Gallic, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

## Incentive Plan Awards

### *Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth details of all awards outstanding for each Outside Director of Gallic as of the most recent financial year end, including awards granted before the most recently completed financial year.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Option <sup>(1)(2)</sup> (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)
<b>Jason Bednar</b>	500,000	0.36	May 3, 2016	Nil	N/A	N/A
<b>Charle Gamba</b>	500,000	0.36	May 3, 2016	Nil	N/A	N/A
<b>Gordon McIntosh</b>	100,000	0.11	January 29, 2015	9,500	N/A	N/A
	100,000	0.23	September 22, 2015	Nil		
	200,000	0.35	December 1, 2015	Nil		
	300,000	0.36	May 3, 2016	Nil		
<b>John Garden</b>	200,000	0.35	December 1, 2015	Nil	N/A	N/A
	250,000	0.15	August 12, 2014	13,750		
	300,000	0.36	May 3, 2016	Nil		
<b>Jeffrey Scott<sup>(3)</sup></b>	500,000	0.36	May 3, 2016	Nil	N/A	N/A
<b>Richard Grafton<sup>(4)</sup></b>	500,000	0.36	May 3, 2016	Nil	N/A	N/A

#### Notes:

- (1) Unexercised "in-the-money" Gallic Options refer to the Gallic Options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the Gallic Option.
- (2) The aggregate of the difference between the market value of the Gallic Shares as at December 31, 2010, being \$0.52 per Common Share, and the exercise price of the Gallic Options.
- (3) Jeffrey Scott was appointed the Board of Directors effective February 14, 2011.
- (4) Richard Grafton resigned from the Board of Directors effective June 28, 2012.

None of the awards disclosed in the table above have been transferred at other than fair market value.

### *Incentive Plan Awards - Value Vested or Earned During the Year*

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for the Outside Directors of Gallic.

Name	Option-Based Awards - Value vested during the year (\$)	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
<b>Jason Bednar</b>	Nil <sup>(1)</sup>	N/A	N/A
<b>Charle Gamba</b>	Nil <sup>(1)</sup>	N/A	N/A
<b>Gordon McIntosh</b>	9,500 <sup>(1)</sup>	N/A	N/A
<b>John Garden</b>	Nil <sup>(1)</sup>	N/A	N/A
<b>Jeffrey Scott<sup>(2)</sup></b>	Nil <sup>(1)</sup>	N/A	N/A
<b>Richard Grafton<sup>(3)</sup></b>	Nil <sup>(1)</sup>	N/A	N/A

#### Notes:

- (1) Based in the difference between the market price of the options at the vesting date and the exercise price.
- (2) Jeffrey Scott was appointed to the Board effective February 14, 2011.
- (3) Richard Grafton resigned from the Board effective June 28, 2012.

## ***Narrative Discussion***

The significant terms of the Plan are disclosed in this Information Circular under "*Annual Meeting Business - Particulars of Annual Meeting Matters To Be Acted Upon – Approval of Stock Option Plan*".

### **Other Compensation**

Other than as set forth herein, Gallic did not pay any other compensation to executive officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed financial year other than benefits and perquisites which did not amount to \$10,000 or greater per individual.

### **Securities Authorized For Issuance Under Equity Compensation Plans**

The following table sets forth securities of Gallic that are authorized for issuance under equity compensation plans as at the end of Gallic's most recently completed financial year.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for issuance under equity compensation plans (excluding outstanding securities reflected in Column 1)<sup>(1)</sup></b>
Equity compensation plans approved by securityholders	12,613,750 Gallic Shares	\$0.31	3,738,585 Gallic Shares
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>12,613,750 Gallic Shares</b>	<b>\$0.31</b>	<b>3,738,585 Gallic Shares</b>

#### **Notes:**

- (1) The aggregate number of Common Shares that may be reserved for issuance under the Plan shall not exceed 10% of Gallic's issued and outstanding Common Shares. As at December 31, 2011, the number of Common Shares issued and outstanding was 163,523,354.

### **Management Contracts**

During the most recently completed financial year, no management functions of Gallic were to any substantial degree performed by a person or company other than the directors or executive officers (or private companies controlled by them, either directly or indirectly) of Gallic.

### **Indebtedness of Directors, Executive Officers And Senior Officers**

No director, executive officer, employee or former director, executive officer or employee of Gallic or its subsidiaries nor any of their associates or affiliates, is, or has been at any time since the beginning of the last completed financial year, indebted to Gallic or its subsidiaries nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by Gallic except as disclosed in the audited financial statements.

### **Interests of Informed Persons In Material Transactions**

Other than as set forth herein or as previously disclosed, Gallic is not aware of any material interests, direct or indirect, by way of beneficial ownership or otherwise, of any director or executive officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Gallic Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or any proposed or ongoing transaction of Gallic which has or will materially affect Gallic.

## Interest of Certain Persons In Matters To Be Acted Upon

Other than as set forth herein, or as previously disclosed, Gallic is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Gallic Shares or any associate or affiliate of any of the foregoing in any matter to be acted upon other than the election of directors or the appointment of auditors.

## Corporate Governance

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of Gallic. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

Pursuant to National Instrument 58-101 — *Disclosure of Corporate Governance Practices*, Gallic is required to disclose its corporate governance practices as summarized below.

### **Board of Directors**

The Board is currently comprised of the following six (6) members: William H. Smith, Jason Bednar, Charle Gamba, Gordon McIntosh, John Garden and Jeffrey Scott. Each member is nominated for re-election at the Meeting.

Jason Bednar, Charle Gamba, Gordon McIntosh and Jeffrey Scott are independent directors and have no ongoing interest or relationship with Gallic other than their security holdings in Gallic and serving as directors.

William H. Smith, the Chief Executive Officer of Gallic, is a member of management and, as a result, is not an independent director. John Garden, was the Chief Executive Officer of Gallic within the last three years and, as a result, is not an independent director. The Board is responsible for determining whether a director is an independent director.

NP 58-201 suggests that the board of directors of a public corporation should be constituted with a majority of individuals who qualify as "independent" directors. An "independent" director is a director who has no direct or indirect material relationship with Gallic. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a director's independent judgment. The Board is comprised of a majority of independent directors.

### **Directorships**

The following directors of Gallic are directors of other reporting issuers.

Director	Other Reporting Issuers
<b>Jason Bednar</b>	<b>Canacol Energy Ltd.</b> <b>MENA Hydrocarbons Inc.</b> <b>Solimar Energy Limited</b>
<b>Charle Gamba</b>	<b>Canacol Energy Ltd.</b> <b>Solimar Energy Limited</b>
<b>John Garden</b>	<b>Sunshine Capital Corp.</b>
<b>Jeffrey Scott</b>	<b>Gran Tierra Energy Inc.</b> <b>Tuscany International Drilling Inc.</b> <b>Petromanas Energy Inc.</b>

### **Orientation and Continuing Education**

The Board does not have any formal procedure to orient new Board members nor does it have a formal policy of providing continuing education for directors. At present, each new director is given an outline of the nature of Gallic's business, its corporate strategy, and current issues with Gallic. New directors are also expected to be required to meet with management of Gallic to discuss and better understand Gallic's business and will be advised by counsel to Gallic of their legal obligations as directors of Gallic.

Gallic relies upon its professional advisors to update the knowledge of the Board members in respect to changes in relevant policies and regulations. The Board expects to select any new members from persons who have the requisite knowledge and experience to ensure that the lack of formal policy will not detract from the performance of its members.

### **Ethical Business Conduct**

The Board has adopted a written code of business conduct and ethics (the "Code"). The Code has been posted on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com). All staff, consultants and directors are made personally accountable for learning, endorsing and promoting the Code and applying it to their conduct and field of work. All staff, consultants and directors are asked to review the Code on a regular basis and confirm that they understand their individual responsibilities and will conform to the requirements of the Code. Any breach of the Code can be reported directly to the Chief Executive Officer or Chief Financial Officer of Gallic. In addition, Gallic has a policy concerning trading in Gallic's securities (the "Trading Policy"). The purpose of the Trading Policy is to promote investor confidence in the securities of Gallic by prohibiting persons who have access to material, undisclosed information concerning Gallic or its affiliates from making use of it by trading in securities of Gallic or tipping others before the information has been fully disclosed to the public.

In addition, under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of Gallic and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Further, as some of the directors of Gallic also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the ABCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

### **Nomination of Directors**

The Board as a whole is charged with the responsibility of identifying new candidates for Board nomination, including setting up procedures for this purpose. There are currently no formal procedures in place for identifying new candidates. However, the Board will periodically review general and specific criteria to consider when directors are being appointed to the Board. The objective of this review is to recommend that appointments be made to provide the best mix of skills and experience to guide the long-term strategy and ongoing business operations of Gallic. The review takes into account the desirability of maintaining a balance of skills, experience and background, with appropriate diversity, along with the key common characteristics required for effective Board participation.

### **Compensation**

The Compensation Committee is composed of a majority of independent directors. The members of the Compensation Committee are listed under *"Annual Meeting Business - Particulars Of Annual Meeting Matters To Be Acted Upon – Election of Directors"*. The responsibilities of the Compensation Committee in respect of compensation matters include reviewing and recommending to the Board the compensation policies and guidelines for supervisory management and personnel, corporate benefits, bonuses and other incentives, reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation; non-CEO officer and director compensation; the review of executive compensation disclosure; succession plans for officers and for key employees; and material changes and trends in human resources policy, procedure, compensation and benefits.

The Compensation Committee has unrestricted access to Gallic's personnel and documents and is provided with the resources necessary, including, as required, the engagement and compensation of outside advisors, to carry out its responsibilities.

See also "*Annual Meeting Business - Executive Compensation – Compensation Discussion and Analysis*" for further information on the process by which the Board determines the compensation for Gallic's directors and officers.

### **Other Board Committees**

Other than the Audit and Compensation Committees, Gallic has established a Reserves Committee.

The Reserves Committee is responsible for various matters relating to reserves of Gallic that may be delegated to the Reserves Committee pursuant to NI 51-101, including:

- (a) reviewing Gallic's procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements;
- (b) reviewing Gallic's procedures for providing information to the independent evaluator;
- (c) meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the Reserves Data (as defined in NI 51-101) (the "Reserves Data") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- (d) reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- (e) providing a recommendation to the Board as to whether to approve the content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- (f) reviewing Gallic's procedures for reporting other information associated with oil and gas producing activities; and
- (g) generally reviewing all matters relating to the preparation and public disclosure of estimates of Gallic's resources.

The members of the Reserves Committee are listed under "*Annual Meeting Business - Particulars Of Annual Meeting Matters To Be Acted Upon – Election of Directors*".

### **Assessments**

The Board has not implemented a process for assessing its effectiveness. As a result of Gallic's size and its stage of development, the Board considers a formal assessment process to be inappropriate at this time. The Board plans to continue evaluating its own effectiveness on an ad hoc basis.

The Board does not formally assess the performance or contribution of individual Board members or committee members.

### **Particulars Of Annual Meeting Matters To Be Acted Upon**

To the knowledge of the Board of Directors, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

## Report and Financial Statements

The Board of Directors has approved all of the information in the audited financial statements of Gallic for the year ended December 31, 2011 and the report of the auditor thereon.

### Fix Number of Directors to be Elected at the Meeting

Gallic Shareholders of Gallic will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution fixing the number of directors to be elected at the Meeting. In order to be effective, an ordinary resolution requires the approval of a majority of the votes cast by Gallic Shareholders who vote in respect of the resolution.

At the Meeting, it will be proposed that six (6) directors be elected to hold office until the Arrangement becomes effective, or if the Arrangement does not become effective, until the next annual general meeting or until their successors are elected or appointed. **Unless otherwise directed, it is the intention of the Management Designees (as defined herein), if named as proxy, to vote in favour of the ordinary resolution fixing the number of directors to be elected at the Meeting at six (6).**

### Election of Directors

Gallic currently has six (6) directors and all of these directors are being nominated for re-election. The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in Gallic presently held by such nominee, the nominee's municipality of residence, principal occupation at the present and during the preceding five (5) years, the period during which the nominee has served as a director, and the number and percentage of Gallic Shares that the nominee has advised are beneficially owned by the nominee, directly or indirectly, or over which control or direction is exercised, as at October 29, 2012.

**Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote for the election of the persons named in the following table to the Board.** Management does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies held by Management Designees will be voted for another nominee in their discretion unless the shareholder has specified in his form of proxy that his Gallic Shares are to be withheld from voting in the election of directors. Each director elected will hold office until the Arrangement becomes effective, or if the Arrangement does not become effective, until the next annual general meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of Gallic or the provisions of the ABCA to which Gallic is subject.

Name, Municipality of Residence, Office and Date Became a Director	Present Occupation and Positions Held During the Last Five (5) Years	Number and Percentage of Common Shares Held or Controlled as at October 29, 2012 <sup>(4) (5)</sup>
William H. Smith Calgary, Alberta, Canada President, Chief Executive Officer and Director December 1, 2010	Mr. William H. Smith has been Chief Executive Officer of Gallic Energy Ltd. since December 1, 2010. Mr. Smith has 40 years of oil and gas exploration and evaluation experience, largely focused on international projects. From 2000 to 2008, Mr. Smith was with AEC International Inc. and later Encana, where as Vice President France he was responsible for Encana's unconventional gas evaluation of Europe and its Foix project in the Aquitaine Basin of France. Mr. Smith has also held positions with Transworld Oil/Oman Oil, Forcenergy, and Anschutz Petroleum. Most recently, Mr. Smith was the principal of W H Smith International Consultants, whose main clients were Canacol Energy Ltd. and Sprott Resource Corp. Mr. Smith has a B.Sc. and M.Sc. in Geophysical Engineering and a Ph.D. in Mineral Economics.	3,175,000 (1.9%)

Jason Bednar <sup>(1)(2)</sup> Calgary, Alberta, Canada Chairman and Director October 5, 2010	Presently, Chief Financial Officer and Director MENA Hydrocarbons Inc., an international oil and gas exploration company. Former Chief Financial Officer of Sagres Energy Inc. from 2009 to 2011. Former founding Chief Financial Officer of Pan Orient Energy Corp, a South East Asia Exploration company, from 2004 to April 2009. Mr. Bednar is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Saskatchewan.	2,150,000 (1.3%)
Charle Gamba <sup>(1)(2)(3)</sup> Houston, Texas, United States Director October 5, 2010	President and Chief Executive Officer of Canacol Energy Ltd. Past Vice President of Exploration for Occidental Oil and Gas Company (Oxy) in Colombia. Chief Geologist with Oxy in Ecuador and Chief Geoscientist for Oxy in Qatar. Geologist with 15 years of multidisciplinary experience in the oil and gas industry in Latin America, Middle East, North America, and South East Asia with Occidental Petroleum, Alberta Energy Company (Encana), Canadian Occidental (Nexen), and Imperial Oil.	4,490,000 (2.7%)
John Garden <sup>(2)</sup> Calgary, Alberta, Canada Director December 2, 2008	Chief Executive Officer of Gallic from December 2008 to December 2010. Chief Executive Officer and President of Deadeye Engineering Inc. since 1995. Former Director and Chief Executive Officer of Maskal Energy Inc.	6,420,750 (3.8%)
Gordon McIntosh <sup>(1)(3)</sup> Calgary, Alberta, Canada Director July 8, 2009	Manager, Southern Alberta CGU since November 2010 for Sonde Resources. From December 2008 to November 2010, Mr. McIntosh worked as Team Leader and then Manager for Northern Alberta and BC Area Operations for Trident Exploration Corp. Prior thereto, Mr. McIntosh held the position of Vice-President, Engineering at Tecton Energy Canada ULC from March 2006 to December 2008 and the position of Senior Exploitation Engineer with Ketch Resources Trust from July 2005 to March 2006. From July 2003 to July 2005, Mr. McIntosh worked as a Program Manager with Samson Canada Ltd.	231,250 (less than 1%)
Jeffrey Scott <sup>(3)</sup> Calgary, Alberta, Canada Director February 14, 2011	Mr. Scott is Founder and Chairman of Gran Tierra Energy (GTE.TO), a South American based exploration and production company with a current market capitalization of \$1.5 billion. He is also President of Postell Energy Co. Ltd., a 32-year-old private oil company operating in Western Canada. Mr. Scott has extensive mergers, acquisitions and public company experience. Over the last 17 years he has been involved in a variety of capacities from founder to officer and / or director of numerous publically traded companies. He was a co-founder and director of Saxon Energy Services, an international drilling company. Mr. Scott is currently also a director of Tuscany International Drilling Inc. and Petromanas Energy Inc. Mr. Scott holds a Bachelor of Arts degree from the University of Calgary, and a Masters of Business Administration from California Coast University.	4,000,000 (2.4%)

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Reserves Committee.
- (4) Gallic Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at October 29, 2012, based on information furnished to Gallic by the above individuals.
- (5) Assumes a total of 167,076,444 Gallic Shares issued and outstanding as at October 29, 2012.

*Cease Trade Orders or Bankruptcies*

**Other than as set forth below, no proposed director, within 10 years before the date of this Information Circular, has been, a director or executive officer of any company that, while that person was acting in that capacity:**

- (a) 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;



- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being 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
- (c) within a year of that person ceasing to act in such 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.

John Garden was a director and the Chief Executive Officer of Maskal Energy Inc. ("Maskal"). In June 2008, the Alberta Securities Commission (the "ASC") and the British Columbia Securities Commission (the "BCSC") issued a cease trade order suspending trading of the securities of Maskal as a result of a failure to file its required financial information. The cease trade orders issued by the ASC and the BCSC regarding Maskal have not yet been revoked. Maskal is listed on the TSXV.

#### *Personal Bankruptcies*

No proposed director has within 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

#### *Penalties and Sanctions*

Other than as set forth below, no proposed director has been subject to:

- (a) 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
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director,

other than a settlement agreement entered into before December 31, 2000 that would likely not be important to a reasonable securityholder in deciding whether to vote for a proposed director.

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

As a result of the above, the TSXV and the TSX conducted their own reviews as to Mr. Scott's acceptability to serve as a director or officer of any respective listed issuer. They determined, in a letter written on January 20, 2010 by Compliance

& Disclosure, that Mr. Scott must obtain written approval prior to occupying such post and the TSXV determined that he should complete one half day workshop "Simplifying Timely Disclosures", which he successfully completed on April 26, 2010 and further that any TSXV listed company on whose board he sits implement a written disclosure policy.

### **Appointment of Auditor**

The Gallic Shareholders will be asked to vote for the re-appointment of Deloitte & Touche LLP, Chartered Accountants, as auditor of Gallic. **Unless directed otherwise by a proxy holder, or such authority is withheld, the Management Designees, if named as proxy, intend to vote the Gallic Shares represented by any such proxy in favour of a resolution appointing Deloitte & Touche LLP, Chartered Accountants, as auditor of Gallic for the next ensuing year,** to hold office until the Arrangement becomes effective or if the Arrangement does not become effective, until the close of the next annual general meeting of shareholders or until the firm of Deloitte & Touche LLP, Chartered Accountants, is removed from office or resigns as provided by Gallic's by-laws, and the Management Designees also intend to vote the Gallic Shares represented by any such proxy in favour of a resolution authorizing the Board to fix the compensation of the auditor.

### **Approval of Stock Option Plan**

The Plan was previously approved by the shareholders of Gallic on December 16, 2011. The following is a description of the material terms and conditions of the Plan.

The Plan complies with the policies of the TSXV and the TSX. Under the Plan, the Board may, from time to time, grant options to purchase Gallic Shares to certain directors, officers, employees and consultants of Gallic and of its subsidiaries and affiliates. The aggregate number of Gallic Shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding Gallic Shares from time to time, subject to the following additional limitations:

- a) the aggregate number of Gallic Shares reserved for issuance to any one person under the Plan in any 12 month period, together with all other security based compensation arrangements of Gallic, must not exceed 5% of the then outstanding Gallic Shares (on a non-diluted basis);
- b) in the aggregate, no more than 10% of the issued and outstanding Gallic Shares (on a non-diluted basis) may be reserved at any time for insiders as defined in subsection 1(aa) of the *Securities Act* (Alberta) and includes an associate, as defined in subsection 1(c) of the *Securities Act* (Alberta) ("Insider(s)") under the Plan, together with all other security based compensation arrangements of Gallic;
- c) the number of securities of Gallic issued to Insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Gallic Shares;
- d) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Gallic Shares in any 12 month period to any one consultant of Gallic (or any of its subsidiaries); and
- e) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Gallic Shares in any 12 month period to persons employed to provide investor relations activities. Options granted to Consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than  $\frac{1}{4}$  of the options vesting in any 3 month period.

If any option granted pursuant to the Plan shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Gallic Shares subject thereto shall again be available for the purpose of the Plan.

Pursuant to the Plan, the maximum length of any Gallic Option shall be 10 years from the date the option is granted. Notwithstanding the above, a participant's options shall expire within 90 days after a participant ceases to act for Gallic, other than by reason of death, subject to adjustment at the discretion of the Board. Options of a participant that provides investor relations activities will expire 30 days after the cessation of the participant's services to Gallic. Under the Plan,

in the event of the death of a participant, the participant's estate shall have 12 months in which to exercise the outstanding options.

The Plan includes a black out provision. Pursuant to the policies of Gallic respecting restrictions on trading, there are a number of periods each year during which directors, officers and certain employees are precluded from trading in Gallic's securities. These periods are referred to as "black out periods". A black out period is designed to prevent a person from trading while in possession of material information that is not yet available to other shareholders. The TSX recognizes these black out periods might result in an unintended penalty to employees who are prohibited from exercising their options during that period because of their company's internal trading policies. As a result, the TSX provides a framework for extending options that would otherwise expire during a black out period. The Plan includes a provision that should an option expiration date fall within a black out period or immediately following a black out period, the expiration date will automatically be extended for 10 business days following the end of the black out period.

The Plan also includes a provision that provides Gallic with authority to take steps for the deduction and withholding, or for the advance payment or reimbursement by an option holder to Gallic, of any taxes or other required source deductions which Gallic is required by law or regulation of any governmental authority whatsoever to remit in connection with the Plan, or any issuance of Gallic Shares.

Subject to applicable approval of the TSXV, the Board may, at any time, suspend or terminate the Plan. Subject to applicable approval of the TSXV, the Board may also at any time amend or revise the terms of the Plan, provided that no such amendment or revision shall result in a material adverse change to the terms of any options theretofore granted under the Plan, unless shareholder approval, or disinterested shareholder approval, as the case may be, is obtained for such amendment or revision.

Section 2.9 of Policy 4.4 of the TSXV requires that a rolling stock option plan must receive annual shareholder approval. In accordance with Policy 4.4, the shareholders will be asked to consider and if thought fit, approve an ordinary resolution approving the Plan as Gallic's stock option plan. In order for the resolution approving the Plan to be effective, it must be approved by the affirmative vote of a majority of the votes cast in respect thereof by shareholders present in person or by proxy at the Meeting. **In the absence of contrary direction, the Management Designees intend to vote proxies in the accompanying form in favour of this ordinary resolution.**

The text of the ordinary resolution which management intends to place before the Meeting for the approval and adoption of the Plan is as follows:

**"BE IT HEREBY RESOLVED as an ordinary resolution of Gallic that:**

- 1. the stock option plan of Gallic in substantially the form attached as Schedule "A" to the management information circular of Gallic dated November 16, 2011 (the "Plan") be and is hereby approved as the stock option plan of Gallic;**
- 2. the form of the Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of Gallic;**
- 3. the termination of the current stock option plan of Gallic is hereby approved;**
- 4. all issued and outstanding stock options previously granted are hereby continued under and governed by the Plan;**
- 5. the shareholders of Gallic hereby expressly authorize the Board of Directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and**
- 6. any one (or more) director or officer of Gallic is authorized and directed, on behalf of Gallic, to take all necessary steps and proceedings and to execute, deliver and file any**

**and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of Gallic or otherwise) that may be necessary or desirable to give effect to this ordinary resolution."**

## **GENERAL PROXY MATTERS**

### **Solicitation of Proxies**

This Information Circular is furnished in connection with the solicitation of proxies by the management of Gallic to be used at the Meeting. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of Gallic, who will not be specifically remunerated therefor. The cost of solicitation will be borne by Gallic.

### **Record Date**

October 30, 2012 is the record date for the Meeting. Only registered holders of Gallic Shares and Gallic Warrants at the close of business on the record date are entitled to notice of the Meeting and to vote thereat unless, after the record date, a registered holder transfers his Gallic Shares and/or Gallic Warrants and the transferee, upon producing properly endorsed certificates evidencing such shares and/or warrants or otherwise establishing that he owns such shares and/or warrants, requests not later than 10 days before the Meeting that the transferee's name be included in the list of Gallic Securityholders entitled to vote, in which case such transferee shall be entitled to vote such shares and/or warrants at the Meeting.

### **Appointment and Revocation of Proxies**

Registered Gallic Securityholders may vote in person at the Meeting or they may appoint another person, who does not have to be a Gallic Securityholder, as their proxy to attend and vote in their place. The persons named in the enclosed form of proxy are the President and Chief Executive Officer and the Chief Financial Officer of Gallic (the "Management Designees").

**A SECURITYHOLDER SUBMITTING A PROXY HAS THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM OR HER AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY FURNISHED BY GALLIC. TO EXERCISE THIS RIGHT THE SECURITYHOLDER SHOULD INSERT THE NAME OF THE DESIRED REPRESENTATIVE IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY AND STRIKE OUT THE OTHER NAMES OR SUBMIT ANOTHER APPROPRIATE PROXY.**

In order to be effective, the proxy must be mailed so as to be deposited at the office of Gallic's transfer agent, Valiant Trust Company, Stock Transfer Department, 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date of its execution. The instrument appointing a proxy shall be in writing under the hand of the Gallic Securityholder or his attorney, or, if such Gallic Securityholder is a corporation, under its corporate seal, and executed by a director, officer or attorney thereof duly authorized.

A Gallic Securityholder who has submitted a proxy may revoke it by instrument in writing executed by the Gallic Securityholder or his attorney authorized in writing, or, if the Gallic Securityholder is a corporation, under its corporate seal and executed by a director, officer or attorney thereof duly authorized, and deposited either at the office of Gallic's transfer agent, Valiant Trust Company, Stock Transfer Department, 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1, at any time prior to 4:30 p.m. (Calgary time) on the last Business Day preceding the day of the Meeting or with the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting, and upon such deposit the previous proxy is revoked.

## Exercise of Discretion by Proxy Holders

All Gallic Shares and Gallic Warrants represented at the Meeting by properly executed proxies will be voted. Where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy the Gallic Shares and/or Gallic Warrants represented by the proxy will be voted in accordance with such specification. **IN THE ABSENCE OF SUCH SPECIFICATION, SUCH SHARES AND/OR WARRANTS, AS APPLICABLE, WILL BE VOTED IN FAVOUR OF THE ARRANGEMENT RESOLUTION AND IN FAVOUR OF THE RESOLUTION APPROVING THE NUMBER OF DIRECTORS, ELECTING THE DIRECTORS, APPOINTING THE AUDITORS AND APPROVING THE GALLIC STOCK OPTION PLAN.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of the Information Circular, management of Gallic knows of no such amendment, variation or other matter.

If a Gallic Shareholder or Gallic Warrantholder receives more than one form of proxy because such holder owns Gallic Shares or Gallic Warrants registered in different names or addresses, each form of proxy should be completed and returned.

## Advice to Beneficial Holders of Gallic Shares and Gallic Warrants

**The information set forth in this section is of significant importance to many public Gallic Shareholders as a substantial number of the public Gallic Shareholders do not hold shares in their own name.**

Gallic Securityholders who do not hold their Gallic Shares and/or Gallic Warrants in their own name (referred to in this Information Circular as "Beneficial Gallic Securityholders") should note that only proxies deposited by Gallic Shareholders and Gallic Warrantholders whose names appear on the records of Gallic as the registered holders of Gallic Shares and Gallic Warrants can be recognized and acted upon at the Meeting. If Gallic Shares and/or Gallic Warrants are listed in an account statement provided to a Beneficial Gallic Securityholder by a broker, then in almost all cases those shares will not be registered in the Beneficial Gallic Securityholder's name on the records of Gallic. Such Gallic Shares and/or Gallic Warrants will more likely be registered under the name of the Beneficial Gallic Securityholder's broker or an agent of that broker. In Canada, the vast majority of such Gallic Shares and Gallic Warrants are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Gallic Shares and Gallic Warrants held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Gallic Securityholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for their clients. **Therefore, Beneficial Gallic Securityholders should ensure that instructions respecting the voting of their Gallic Shares and/or Gallic Warrants are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Gallic Securityholders in advance of securityholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Gallic Securityholders in order to ensure that their Gallic Shares and/or Gallic Warrants are voted at the Meeting. The form of proxy supplied to a Beneficial Gallic Securityholder by its broker (or the agent of the broker) is similar to the form of proxy provided to registered Gallic Shareholders and Gallic Warrantholders by Gallic. However, its purpose is limited to instructing the registered Gallic Shareholder and/or Gallic Warrantholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Gallic Securityholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge"). Broadridge typically asks Beneficial Gallic Securityholders to return the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares and/or warrants to be represented at the applicable Meeting. **A Beneficial Gallic Securityholder receiving a Broadridge proxy cannot use that proxy to vote Gallic Shares and/or Gallic Warrants directly at the**

**Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the Gallic Shares and/or Gallic Warrants voted.**

#### **Voting Shares/Warrants and Principal Holders of Voting Shares**

Gallic is authorized to issue an unlimited number of Gallic Shares. As at October 30, 2012, there were 167,076,444 Gallic Shares and 71,350,000 Gallic Warrants outstanding. Pursuant to the Interim Order, each Gallic Shareholder will be entitled to one vote on the Arrangement Resolution at the Meeting for each Gallic Share held by them. In addition, in accordance with the Interim Order, each Gallic Warrantholder will be entitled to one vote on the Arrangement Resolution at the Meeting for each Gallic Share issuable upon exchange of the Gallic Warrants held by them. On the remaining annual matters (i.e. setting the number of directors, electing directors, appointing auditors and re-approving Gallic's stock option plan), each Gallic Shareholder will be entitled to one vote at the Meeting for each Gallic Share held by them. Gallic Warrantholders are not entitled to vote on the annual meeting matters set for the in this Information Circular.

The quorum at the Meeting will be one person present in person or by proxy and holding or representing not less than 5% of the outstanding Gallic Shares and one person present in person or by proxy and holding or representing not less than 10% of the outstanding Gallic Warrants entitled to be voted at such Meeting.

To the best of the knowledge of the directors and officers of Gallic, no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the Gallic Shares.

#### **RELIANCE**

Petromanas has provided the information contained in this Information Circular concerning Petromanas, Petromanas' assets and the business of Petromanas, including its financial information and financial statements, which information has been relied upon by Gallic in preparing this Information Circular. Gallic assumes no responsibility for the accuracy or completeness of such information, nor for any omission on the part of Petromanas to disclose facts or events which may affect the accuracy of any such information.

#### **QUESTIONS AND OTHER ASSISTANCE**

If you are a Gallic Shareholder or Gallic Warrantholder and you have any questions about the information contained in the Information Circular or require assistance in completing your form of proxy or Letter of Transmittal and Election Form, please contact Dean Callaway, the Chief Financial Officer of Gallic at (403) 930-7534 or by email at [deancallaway@gallicenergy.com](mailto:deancallaway@gallicenergy.com).

If you require any assistance in completing your form of proxy, you may also contact Valiant Trust Company at 1-866-313-1872 (toll-free) or (403) 233-2801 or by email at [inquiries@valianttrust.com](mailto:inquiries@valianttrust.com).

If you require any assistance in completing your Letter of Transmittal and Election Form, you may also contact Computershare Investor Services Inc. at 1-800-564-6253 (Canada and US) or at (514) 982-7555 or by e-mail at [corporateactions@computershare.com](mailto:corporateactions@computershare.com).

#### **APPROVAL OF DIRECTORS**

The contents of this Information Circular have been approved by the Board of Directors.

## **CONSENT OF BDO CANADA LLP**

We have read the Information Circular and Proxy Statement (the "Information Circular") of Gallic Energy Ltd. ("Gallic") dated October 30, 2012 with respect to the proposed plan of arrangement involving Gallic, Petromanas Energy Inc. ("Petromanas"), Petromanas Acquisitions Ltd. and the Shareholders and Warrantholders of Gallic. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference, in the above mentioned Information Circular, of our report to the shareholders of Petromanas on the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information. Our report is dated March 29, 2012.

(signed) "*BDO Canada LLP*"

Chartered Accountants  
Calgary, Alberta

October 30, 2012

## **CONSENT OF DELOITTE & TOUCHE LLP**

We have read the Information Circular and Proxy Statement of Gallic Energy Ltd. ("Gallic") dated October 30, 2012 relating to the proposed plan of arrangement involving Gallic, Petromanas Energy Inc., Petromanas Acquisitions Ltd. and the shareholders and warrant holders of Gallic (the "Information Circular"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Information Circular of our report to the shareholders of Gallic on the consolidated statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statements of cash flows for the years ended December 31, 2011 and December 31, 2010. Our report is dated April 26, 2012.

(signed) "*Deloitte & Touche LLP*"

Chartered Accountants

Calgary, Canada

October 30, 2012



## APPENDIX "A"

### ARRANGEMENT RESOLUTION

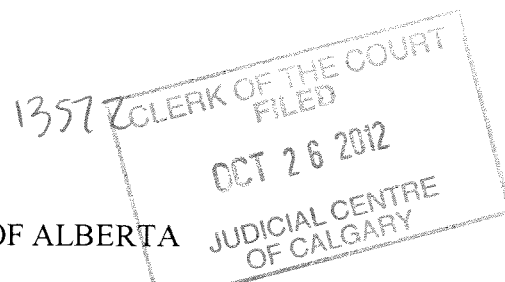
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#### BE IT RESOLVED THAT:

1. the arrangement (the "Arrangement") under Section 193 of the *Business Corporations Act* (Alberta), substantially as set forth in the plan of arrangement ("Plan of Arrangement") attached as Schedule "A" to Appendix "C" to the information circular of Gallic Energy Ltd. ("Gallic") dated October 30, 2012 (the "Information Circular"), is hereby approved and authorized;
2. the arrangement agreement (the "Arrangement Agreement") dated October 1, 2012 between Gallic and Petromanas Energy Inc., pursuant to which the parties thereto have proposed to implement the Arrangement, a copy of which is attached as Appendix "C" to the Information Circular, with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 4 hereof, is hereby confirmed, ratified and approved;
3. notwithstanding that this resolution has been duly passed and/or has received the approval of the Court of Queen's Bench of Alberta, the board of directors of Gallic may, without further notice to or approval of the holders of class A shares or warrants of Gallic, but subject to the terms and conditions of the Arrangement Agreement and Plan of Arrangement, amend or terminate the Arrangement Agreement or the Plan of Arrangement or revoke this resolution at any time prior to the filing of Articles of Arrangement giving effect to the Arrangement; and
4. any director or officer of Gallic is hereby authorized, for and on behalf of Gallic, to execute and deliver Articles of Arrangement and to execute, with or without the corporate seal, and, if, appropriate, deliver all other documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action.

**APPENDIX "B"**  
**INTERIM ORDER**

COURT FILE NUMBER: 1201 - 1357



COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANT

GALLIC ENERGY LTD.

I hereby certify this to be a true copy of  
the original order

Dated this 26 day of October 2012

  
for Clerk of the Court

IN THE MATTER OF SECTION 193 OF THE *BUSINESS  
CORPORATIONS ACT*, R.S.A. 2000, C. B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT  
INVOLVING GALLIC ENERGY LTD., PETROMANAS  
ENERGY INC., PETROMANAS ACQUISITIONS LTD. AND  
THE SHAREHOLDERS AND WARRANTHOLDERS OF  
GALLIC ENERGY LTD.

DOCUMENT

**INTERIM ORDER**

ADDRESS FOR SERVICE  
AND CONTACT  
INFORMATION OF PARTY  
FILING THIS DOCUMENT

**DAVIS LLP**  
1000, 250 - 2<sup>ND</sup> ST. SW.  
CALGARY, AB T2P 0C1

KENNETH P. REH  
TEL: (403) 698-8720  
FAX: (403) 213-4467  
E-MAIL: [kreh@davis.ca](mailto:kreh@davis.ca)  
FILE NO.: 64554-00031

**Judge who Pronounced the Order:** **The Hon Mr. Justice K.D. Yamauchi**  
**Place Order was Pronounced:** **Calgary, AB**  
**Date Order was Pronounced:** **October 26, 2012**

UPON hearing the application of Gallic Energy Ltd. ("**Gallic**"), regarding a proposed plan of arrangement;

**AND UPON READING** the Originating Application; the Affidavit of William H. Smith, President and Chief Executive Officer of the Applicant Gallic (the "**Smith Affidavit**"); and the documents referred to therein;

**AND UPON HEARING** counsel for the Applicant; **AND UPON** being advised that the Executive Director of the Alberta Securities Commission (the "**Executive Director**") has been advised of this Application and neither consents to nor opposes the Application;

## IT IS HEREBY ORDERED THAT:

### General

1. The capitalized terms not defined in this Order shall have the meanings given to them in the draft information circular to be dated on or about October 30, 2012 (the “**Information Circular**”), which is attached as Exhibit A to the Smith Affidavit.
2. All references to the Arrangement herein mean the plan of arrangement as described in the Smith Affidavit and which is in the form of Schedule A to the Arrangement Agreement, which is attached as Appendix C to the Information Circular.

### APPROVAL BY GALLIC

3. Gallic shall seek approval of the Arrangement by the holders of class A shares of Gallic and the holders of warrants of Gallic in the manner set forth below.

### The Meeting

4. Gallic shall call and conduct a special meeting (the “**Meeting**”) of the holders (the “**Gallic Shareholders**”) of class A shares in the share capital of Gallic (“**Gallic Shares**”) and holders of warrants (the “**Gallic Warrantholders**”) to purchase Gallic Shares (“**Gallic Warrants**”) (collectively, the Gallic Shareholders and Gallic Warrantholders are referred to as “**Gallic Securityholders**”) at 9:00 a.m. (Calgary time), on November 29, 2012 to consider, and if deemed advisable, to pass, with or without variation, a special resolution (the “**Gallic Arrangement Resolution**”) to approve a proposed plan of arrangement (the “**Arrangement**”) pursuant to the *Business Corporations Act*, R.S.A. 2000, C. B-9 (the “**ABCA**”) among Gallic, the Gallic Securityholders, Petromanas Energy Inc (“**Petromanas**”) and Petromanas Acquisitions Ltd., a wholly-owned subsidiary of Petromanas.
5. Each Gallic Shareholder shall be entitled to vote at the Meeting on the basis of 1 vote for each Gallic Share held by them. Each Gallic Warrantholder shall be entitled to vote on the Meeting on the basis of 1 vote for each Gallic Share issuable upon exchange of the Gallic Warrants held by them.
6. A quorum at the Meeting will be one person present in person or by proxy and holding or representing not less than 5% of the outstanding Gallic Shares and one person present in person or by proxy and holding or representing not less than 10% of the outstanding Gallic Warrants entitled to be voted at such Meeting.
7. If a quorum is not present within 30 minutes of the appointed time of the Meeting, the Gallic Securityholders, present in person or represented by proxy, will adjourn the Meeting to the same day in the next week if a Business Day and, if such day is not a Business Day, to the next Business Day following one week after the day appointed for the Meeting at the same time and place. If at such adjourned meeting a quorum is still not present, the Gallic Securityholders

present in person or represented by proxy, if at least two, will constitute a quorum for all purposes of the Meeting.

8. Only the Gallic Securityholders whose names have been entered in the registers of Gallic Securityholders at the close of business on October 30, 2012 (the “**Gallic Record Date**”) shall be entitled to receive notice of and to vote at the meeting. However, where:

- (a) the holder has transferred the ownership of any of his Gallic Shares and/or Gallic Warrants after the Gallic Record Date, and
- (b) the transferee of those Gallic Shares and/or Gallic Warrants produces properly endorsed Gallic Share and/or Gallic Warrant certificates, or otherwise establishes that he owns the Gallic Shares and/or Gallic Warrants, and demands not later than 10 days before the day of the Meeting that his name be included in the list of persons entitled to vote at the Meeting,

the transferee will also be entitled to vote his Gallic Shares and/or Gallic Warrants at the Meeting.

### **Conduct of Meeting**

9. The Chairman of the Meeting shall be any officer or director of Gallic.

10. The only persons entitled to attend and speak at the Meeting shall be the Gallic Securityholders or their authorized representatives and their legal counsel, Gallic’s directors, officers, auditors and legal counsel, and the authorised representatives of Petromanas. The accidental omission to give notice of the Meeting to or the non-receipt of the notice by one or more of the aforesaid persons shall not invalidate any resolution passed or proceeding taken at the Meeting.

11. The majority required to pass the Gallic Arrangement Resolution shall not be less than **66 2/3%** of the aggregate votes cast by the Gallic Securityholders voting together as a single class.

12. Completion of the Arrangement is also conditional upon approval by a simple majority of the votes cast by Gallic Shareholders, either in person or by proxy, at the Meeting, after excluding Gallic Shares beneficially owned or over which control or direction is exercised by such persons whose votes may not be included in determining minority approval pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

13. The Gallic Securityholders may vote either by way of votes cast in person at the Meeting or by proxy. To be valid, a proxy must be deposited with Gallic’s transfer agent in the manner described in the Information Circular.

## **Notice**

14. The Information Circular, substantially in the form attached as Exhibit A to the Smith Affidavit, shall be mailed by prepaid ordinary mail, at least 21 days prior to the date of the Gallic Meeting, to the Gallic Securityholders at the address for such holders recorded in the records of Gallic and to the directors and auditors of Gallic and to the Executive Director under the ABCA.

15. Delivery of the Information Circular in the manner directed by this Order shall be deemed to be good and sufficient service upon the Gallic Securityholders of:

- (a) the Originating Application;
- (b) this Order;
- (c) the Notice of the Meeting;
- (d) the Notice of Originating Application;

all in substantially the forms set forth in the Information Circular, together with instruments of proxy and such other material as Gallic may consider fit.

## **Dissent**

16. The Registered Gallic Shareholders on the Record Date are accorded the right of dissent with respect to the Arrangement Resolution in accordance with the provisions of Section 191 of the ABCA, provided that:

- (a) a written objection to the Gallic Arrangement Resolution from a dissenting Gallic Shareholder ("Dissenting Gallic Shareholder") be received by Davis LLP, 1000, 150 – 2nd Street S.W., Calgary, Alberta, T2P 0C1, Attention Trevor Wong-Chor by 4:00 p.m. (Calgary time) on or before November 27, 2012 or the day that is two (2) Business Days immediately preceding the date of any adjournment or postponement of the Meeting.
- (b) a Dissenting Gallic Shareholder shall not have voted any of its Gallic Shares at the Meeting, either in person or by proxy, in favour of the Arrangement Resolution;
- (c) a Dissenting Gallic Shareholder may dissent only with respect to all of the Gallic Shares held by it; and
- (d) a Dissenting Gallic Shareholder exercising its right of dissent otherwise complies with the requirements of Section 191 of the ABCA.

17. To the extent the provisions of Section 191 of the ABCA are inconsistent with Article 5 of the Plan of Arrangement, the provisions of Article 5 of the Plan of Arrangement shall apply.

18. The fair value of the Gallic Shares shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the Gallic Securityholders and shall be paid to any validly Dissenting Gallic Shareholder by Gallic as contemplated by the Plan of Arrangement and this Order.

19. Any registered Dissenting Gallic Shareholder who duly exercises the right of dissent, as set out in paragraph 16, and who:

- (a) is determined to be entitled to be paid fair value for any Gallic Shares, shall be deemed to have transferred those Gallic Shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims and encumbrances, to Gallic for cancellation in consideration for a payment of cash from Gallic equal to such fair value; or
- (b) is for any reason (including, for clarity, any withdrawal by a Dissenting Gallic Shareholder of their dissent) determined not to be entitled to be paid fair value for the Gallic Shares, shall be deemed to have participated in the Arrangement on the same basis and at the same time as any non-dissenting Gallic Shareholder; but in no case shall Gallic, Petromanas or AcquisitionCo, or any other person, be required to recognize such Gallic Shareholder as a holder of Gallic Shares at or after the Effective Date, and the name of such Gallic Shareholder shall be deleted from the register of Gallic Shares.

### **Final Application**

20. Subject to further Order of this Court and provided that the Gallic Securityholders have approved the Arrangement as set out herein and the directors of Gallic have not exercised their right to not proceed with the Arrangement and revoked the Gallic Arrangement Resolution in accordance with such resolution, and subject to the conditions set out in the Arrangement Agreement being met; Gallic may proceed with an application for approval of the Arrangement and the Final Order on Thursday, November 29, 2012 at 2:00 p.m. (Calgary time) or so soon thereafter as counsel may be heard at the Calgary Courts Centre, 601 - 5<sup>th</sup> Street S.W., Calgary, Alberta. Subject to the Final Order, and to the issuance of the Certificate, Gallic will be bound by the Arrangement in accordance with its terms.

21. Any Gallic Securityholder or any other interested party (collectively, an “**Interested Party**”) desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve, upon Gallic, at or before noon (Calgary time) on Thursday, November 22, 2012, a Notice of Intention to Appear including the Interested Party's address for service, together with any evidence or materials which the Interested Party intends to present to the Court. Service of this notice be effected by service upon the solicitors for each of the Petitioners as follows:


Solicitors to Gallic  
Davis LLP  
Barristers & Solicitors

1000, 250 - 2<sup>nd</sup> St. S.W.  
Calgary, Alberta, T2P 0C1  
Attention: Trevor Wong-Chor

22. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the application for the Final Order, and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 21 of this Order, shall have notice of the adjourned date.

**Leave to Vary Interim Order**

23. The Applicants are entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Court may direct.

  
\_\_\_\_\_  
J.C.Q.B.A.



**APPENDIX "C"**  
**ARRANGEMENT AGREEMENT**

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# **ARRANGEMENT AGREEMENT**

between

**PETROMANAS ENERGY INC.**

- and -

**GALLIC ENERGY LTD.**

October 1, 2012

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**THIS ARRANGEMENT AGREEMENT** (the "**Agreement**") is made on October 1, 2012

**BETWEEN:**

**PETROMANAS ENERGY INC.**, a corporation existing under the laws of the Province of Alberta ("**Petromanas**")

– and –

**GALLIC ENERGY LTD.**, a corporation existing under the laws of the Province of Alberta ("**Gallic**")

**RECITALS:**

- A. Petromanas wishes to acquire all of the outstanding Class A shares in the capital of Gallic.
- B. The parties hereto intend to carry out the transactions contemplated herein by way of an arrangement involving Gallic, its shareholders and warrant holders, Petromanas and a wholly-owned subsidiary of Petromanas under the provisions of the *Business Corporations Act* (Alberta).
- C. The parties hereto have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to such arrangement.

**THEREFORE** in consideration of the respective covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each Party, the Parties hereby agree as follows.

**ARTICLE 1**  
**DEFINITIONS AND PRINCIPLES OF INTERPRETATION**

**1.1 Definitions**

Whenever used in this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms have the following respective meanings:

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9;

"**AcquisitionCo**" means Petromanas Acquisitions Ltd., a company incorporated under the ABCA and a wholly-owned subsidiary of Petromanas;

"**Acquisition Proposal**" means any inquiry or the making of any proposal to Gallic or the Gallic Shareholders from any Person or group of Persons "acting jointly or in concert" (within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*) which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (a) an acquisition from Gallic of 20% or more of the voting securities of Gallic; (b) any acquisition of a substantial amount of assets (or any lease, long term supply agreement or other arrangement having the same economic effect as a purchase or sale of a substantial amount of assets) of Gallic and its subsidiaries taken as a whole; (c) an amalgamation, arrangement, merger, or consolidation involving Gallic or its subsidiaries; (d) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving Gallic or its subsidiaries; or (e) any other transaction, the consummation of which could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would or could reasonably be expected to reduce the benefits to Petromanas under this Agreement or the Arrangement; except that for the purpose of the definition of "**Superior Proposal**", the references in this definition of "**Acquisition Proposal**" to "20% or more of the voting securities" shall be deemed to be references to "50% or more of the voting securities", and the references to "a substantial amount of assets" shall be deemed to be references to "all or substantially all of the assets";

**"Affiliate"** has the meaning ascribed thereto in section 1.3 of National Instrument 45–106 – *Prospectus and Registration Exemptions* as in effect on the date hereof, provided that, for greater certainty, Petromanas and Gallic are not Affiliates;

**"Agreement"** means this Arrangement Agreement, including all Schedules and all amendments or restatements as permitted, and references to **"Article"** or **"Section"** mean the specified Article or Section of this Agreement;

**"arm's length"** has the meaning ascribed to it in the Tax Act;

**"Arrangement"** means the arrangement involving Gallic, Gallic Shareholders, Gallic Warrantholders, Petromanas and AcquisitionCo pursuant to section 193 of the ABCA set forth in the Plan of Arrangement;

**"Articles of Arrangement"** means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be sent to the Registrar after the Final Order has been granted, giving effect to the Arrangement;

**"Benefit Plans"** includes all employee benefit plans, all loans to employees, all stock option, RSUs, stock purchase, phantom stock, stock appreciation right, supplemental retirement benefits, severance, sabbatical, medical, dental, prescription, vision care, disability, employee relocation, life insurance or accident insurance, health, welfare, legal, education, sick leave, bonus, hospitalization insurance, supplemental unemployment benefit, salary continuation, individual or group retirement savings (both registered and non registered), pension, profit sharing, savings, deferred compensation or incentive plans, programs or arrangements, other fringe or employee benefit plans that apply to employees or former employees of Petromanas or Gallic, as the case may be, and executive compensation or severance agreements for the benefit of, or relating to, any present or former employee, consultant, officer or director of Petromanas or Gallic, as the case may be;

**"Business Day"** means any day which is not a Saturday, Sunday or statutory holiday in the Province of Alberta on which the principal commercial banks in downtown Calgary are generally open for the transaction of commercial banking business during regular business hours;

**"Canadian Securities Laws"** means the securities legislation or ordinance and regulations thereunder of each province and territory of Canada and the rules, instruments, policies and orders of each Canadian Securities Regulatory Authority made thereunder;

**"Canadian Securities Regulatory Authority"** means the applicable Canadian provincial and territorial securities commissions and regulatory authorities;

**"Claim"** means any claim, demand, complaint, action, suit, cause of action, assessment or reassessment, charge, judgment, debt, liability, expense, cost, damage or loss, contingent or otherwise (including legal fees on a solicitor and his or her own client basis and other professional fees and all costs incurred in investigating or pursuing any of the foregoing or any proceeding);

**"Closing"** means the completion of the Arrangement and the transactions contemplated to be completed herein;

**"Commissioner"** means the Commissioner of Competition appointed under subsection 7(1) of the *Competition Act*, or her designee;

**"Competition Act"** means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

**"Competition Tribunal"** means the Competition Tribunal as established by subsection 3(1) of the *Competition Tribunal Act*, R.S.C. 1985, c.19, as amended;

**"Confidentiality Agreement"** means the mutual confidentiality agreement dated April 5, 2011 as such agreement may be amended from time to time in accordance with its terms, between Petromanas and Gallic relating to certain confidential information;

**"Contract"** means a contract, lease, instrument, note, bond, debenture, mortgage, agreement, arrangement, obligation or understanding to which a Party or any subsidiary is a party or under which a Party or any subsidiary is bound, has unfulfilled obligations or contingent liabilities or is owed unfulfilled obligations, whether known or unknown, whether asserted or not;

**"Court"** means the Court of Queen's Bench of Alberta;

**"Depositary"** means Valiant Trust Company or such other Person that may be appointed by Petromanas for the purpose of receiving deposits of certificates formerly representing Gallic Shares;

**"Dissenting Gallic Shareholder"** means a registered Gallic Shareholder who, in connection with the Gallic Arrangement Resolution, has validly exercised the right to dissent pursuant to section 191 of the ABCA in strict compliance with the provisions thereof and thereby becomes entitled to receive the fair value of his or her Gallic Shares in cash determined as of the close of business on the last Business Day before the date of the adoption of the Gallic Arrangement Resolution and has not withdrawn or been deemed to have withdrawn such exercise of dissent rights, but only in respect of Gallic Shares in respect of which dissent rights are validly exercised by such holder;

**"Documents of Title"** means: (i) the Leases; (ii) all agreements relating to the ownership or operation of the Properties entered into in the normal course of business, including: operating procedures; unit agreements and unit operating agreements; agreements for the construction, ownership and operation of gas plants, pipelines, gas gathering systems and similar facilities; pooling agreements, royalty agreements, farmin agreements, farmout agreements and participation agreements; trust agreements; agreements respecting the gathering, measurement, processing, compression or transportation of Petroleum Substances; seismic data; licensing agreements; well operating contracts; and surface leases, pipeline easements, road use agreements and other contracts granting the Surface Rights; and (iii) all permits, licenses and approvals issued or granted by any Governmental Authority pertaining to the ownership or operation of the Properties or the gathering, processing, treatment, storage, measurement, transportation or sale of the production of Petroleum Substances from the Properties;

**"Effective Date"** means the date the Arrangement becomes effective under the ABCA, which is scheduled to occur on November 30, 2012, or such other date as the Parties may agree in writing;

**"Effective Time"** means the time on which the Arrangement becomes effective on the Effective Date in accordance with the ABCA;

**"Encumbrances"** means pledges, liens, charges, security interests, leases, title retention agreements, mortgages, restrictions, development or similar agreements, easements, rights-of-way, title defects, options, rights of first offer or rights of first refusal, areas of mutual interest, adverse claims or encumbrances of any kind or character whatsoever;

**"Environmental Laws"** means any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees, ordinances or regulatory approvals with respect to environmental, health or safety matters;

**"Exchange Ratio"** means 0.3736 of a Petromanas Share issuable for each Gallic Share in accordance with the Plan of Arrangement;

**"Final Order"** means the order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"GAAP"** means generally accepted accounting principles as defined from time to time by the Accounting Standards Board of the Canadian Institute of Chartered Accountants in the Handbook of the Canadian Institute of Chartered Accountants and which incorporates International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board for periods beginning on or after January 1, 2011;

**"Gallic Arrangement Resolution"** means the special resolution of Gallic Shareholders and Gallic Warrantholders, voting together as a single class, to be considered at the Gallic Meeting approving the Arrangement;

**"Gallic Board"** means the board of directors of Gallic;

**"Gallic Class B Shares"** means the Class B Shares in the share capital of Gallic;

**"Gallic Class C Shares"** means the Class C Shares in the share capital of Gallic;

**"Gallic Employee Obligations"** means any obligations or liabilities of Gallic to pay any amount to or on behalf of its officers, directors, consultants or employees, other than for salary, bonuses under their existing bonus arrangements, vacation pay and directors' fees in the ordinary course, in each case in amounts consistent with historic practices, and, without limiting the generality of the foregoing, Gallic Employee Obligations shall include the obligations of Gallic to directors, officers or employees: (i) for severance or termination payments on the change of control of Gallic pursuant to any voluntary or involuntary executive severance and termination agreements in the case of officers, pursuant to a resolution of the board of directors of Gallic, or pursuant to Gallic's severance policy in the case of officers and employees; (ii) for retention bonus payments pursuant to any retention bonus program or executive employment agreement; and (iii) for payments with respect to any share appreciation rights, participating performance units or similar plans, if any;

**"Gallic Fairness Opinion"** means the opinion of Macquarie Capital Markets Canada Ltd. that, subject to its review of the final form of the documentation effecting the Arrangement, the consideration to be received by Gallic Shareholders, pursuant to the Arrangement is fair, from a financial point of view, to the Gallic Shareholders;

**"Gallic Financial Statements"** means, collectively:

- (a) the audited financial statements of Gallic as at and for the year ended December 31, 2011, including the notes to such statements and the auditor's report thereon; and
- (b) the unaudited condensed interim financial statements of Gallic as at and for the six months ended June 30, 2012, including the notes to such statements;

**"Gallic Information"** means the information describing Gallic and its business, operations and affairs specifically provided by Gallic for inclusion in the Information Circular;

**"Gallic Meeting"** means the special meeting of Gallic Shareholders and Gallic Warrantholders (including any adjournment or postponement thereof permitted under this Agreement) that is to be convened to consider and, if deemed advisable, to approve the Gallic Arrangement Resolution and related matters;

**"Gallic Options"** means the options to purchase Gallic Shares outstanding and unexercised, whether vested or not vested, at any given date and granted under any stock option plans or stock option agreements of Gallic, including the Gallic Stock Option Plan;

**"Gallic Optionholders"** means the holders of Gallic Options from time to time;

**"Gallic Preferred Shares"** means the preferred shares, issuable in series, in the share capital of Gallic;



**"Gallic Remaining Working Capital"** means an amount equal to the aggregate of the current assets of Gallic (on a consolidated basis) (excluding, for greater certainty, the value of any lands or interests therein held by Gallic but including the book value of the 5.5" casing located in France) less all of Gallic's current liabilities (on a consolidated basis), in each case as at the Effective Date, provided that such amount shall be: (a) increased by any amounts paid, payable or accrued in respect of: (i) legal, financial advisory, accounting fees, printing costs and TSXV fees pertaining directly to the Arrangement; and (ii) severance and termination costs and change of control payments as a result of the Arrangement; and (b) decreased by any amounts received or receivable in respect of the exercise of any convertible securities of Gallic, including Gallic Options, Gallic Warrants and Gallic RSUs;

**"Gallic Reserves Engineers"** means GLJ Petroleum Consultants Ltd.;

**"Gallic Resources Report"** means the independent resource evaluation report prepared by the Gallic Reserves Engineers, dated effective September 30, 2011;

**"Gallic RSUs"** means the restricted stock units granted by Gallic;

**"Gallic Shareholders"** means, collectively, the registered and beneficial holders of the issued and outstanding Gallic Shares;

**"Gallic Shares"** means the Class A Shares in the share capital of Gallic;

**"Gallic Stock Option Plan"** means the stock option plan of Gallic approved by the Gallic Shareholders effective December 16, 2011, as may be amended from time to time;

**"Gallic Support Agreements"** means the support agreements pursuant to which the Gallic Supporting Securityholders in their capacities as holders of Gallic Shares and Gallic Warrants have agreed to vote the Gallic Shares and Gallic Warrants held by them in favour of the Gallic Arrangement Resolution and to otherwise support the Arrangement;

**"Gallic Supporting Securityholders"** means each of the directors and officers of Gallic and any other Persons who execute and deliver the Gallic Support Agreements;

**"Gallic Warrantholders"** means, collectively, the registered and beneficial holders of the issued and outstanding Gallic Warrants;

**"Gallic Warrants"** means the issued and outstanding warrants of Gallic entitling the holder thereof to purchase Gallic Shares;

**"Gallic Working Capital Statement"** means the statement prepared by Gallic as at the Effective Date for the purpose of calculating the Gallic Remaining Working Capital;

**"Governmental Authority"** means any:

- (a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign;
- (b) Canadian Securities Regulatory Authority, self-regulatory organization or stock exchange;
- (c) subdivision, agent, commission, board, or authority of any of the foregoing; or
- (d) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

**"Interim Order"** means an interim order of the Court concerning the Arrangement under subsection 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the holding of the Gallic Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Information Circular"** means the notice of the Gallic Meeting to be sent to Gallic Shareholders and Gallic Warrantholders and the information circular to be prepared in connection with the Gallic Meeting, together with any amendments thereto or supplements thereof, and any other registration statement, information circular or proxy statement which may be prepared in connection with the Gallic Meeting;

**"Lands"** means: (a) with respect to Petromanas, the lands as described in a schedule provided to Gallic and, except as otherwise expressly noted in that schedule, includes the Petroleum Substances within, upon or under those lands, together with the right to explore for and recover the Petroleum Substances, to the extent those rights are granted by the Leases; and (b) with respect to Gallic, the lands set forth and described in a schedule provided to Petromanas and, except as otherwise noted, includes the Petroleum Substances within, upon or under those lands, together with the right to explore for and recover the Petroleum Substances, to the extent those rights are granted by the Leases;

**"Laws"** means all laws (including common law and civil law), by-laws, statutes, rules, regulations, orders, ordinances, judgments, decrees or other requirements, having the force of law whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority, permit, membership, contract with, or license of, in each case of any Governmental Authority;

**"Leases"** means, collectively, the various leases, reservations, permits, licences, certificates and other documents of title by virtue of which the holder is entitled to explore for, drill for, recover, remove or dispose of Petroleum Substances forming part of the Lands, being: (a) with respect to Petromanas, the leases, reservations, permits, licenses and other Documents of Title as described in a schedule dated as of the date of this Agreement and provided to Gallic; and (b) with respect to Gallic, the leases, reservations, permits, licenses, and other Documents of Title as described in the Schedules dated as of the date of this Agreement and provided to Petromanas;

**"Letter of Transmittal"** means the letter of transmittal for use by Gallic Shareholders to be delivered in connection with the Arrangement;

**"Liabilities"** means all liabilities and obligations, whether under common law, in equity, under Laws, under contract or otherwise, whether tortious, contractual, statutory or otherwise, whether absolute or contingent and whether based on fault, strict liability or otherwise;

**"Material Adverse Change"** means with respect to any Person, any fact or state of facts, circumstance, change, effect, occurrence, matter, action or event which: (a) either individually is or in the aggregate are, or individually or in the aggregate would reasonably be expected to be, material and adverse to the business, operations, results of operations, properties, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise) or condition (financial or otherwise) of such Person and its subsidiaries, on a consolidated basis, except to the extent of any fact or state of facts, circumstance, change, effect, occurrence or event resulting from or arising in connection with: (i) any change in GAAP or changes in regulatory accounting requirements applicable to the oil and gas, oil sands and oil shale exploration, development and production businesses, the petrochemicals industry, and the business of refining, marketing and distributing petroleum products (the **"O&G Business"**); (ii) any change in global, national or regional political conditions (including the outbreak of war or acts of terrorism) or in general economic, business, regulatory, or market conditions or in national or global financial or capital markets; (iii) any change generally affecting the O&G Business; (iv) any natural disaster; (v) any decline in crude oil or natural gas prices on a current or forward basis; (vi) any actions taken (or omitted to be taken) at the written request of the other Party hereto; or (vii) any action taken by the Person or any of its subsidiaries that is required, contemplated or permitted pursuant to this Agreement (excluding any obligation to act in the ordinary course of business, but including any steps taken pursuant to this Agreement to obtain any required regulatory approvals); *provided*, however, that with respect to clauses (i), (ii), (iii) and (iv) such

matter does not have a materially disproportionate effect on the Person and its subsidiaries, taken as a whole, relative to comparable entities operating in the O&G Business, and references in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretative for purposes of determining whether a "Material Adverse Change" or a "Material Adverse Effect" has occurred; or (b) either individually or in the aggregate prevents, or individually or in the aggregate would reasonably be expected to prevent, the Person from performing its material obligations under this Agreement in any material respect;

**"Material Adverse Effect"** means any effect resulting from a Material Adverse Change;

**"Miscellaneous Interests"** means all right, title, estate and interest of Petromanas or Gallic, as the case may be, in all property, assets and rights, other than the Petroleum and Natural Gas Rights, the Surface Rights or the Tangibles, pertaining to either the Petroleum and Natural Gas Rights, the Surface Rights or the Tangibles, including the interests to which Petromanas or Gallic, as the case may be, is entitled at the Effective Date in:

- (a) all contracts and agreements relating to the Petroleum and Natural Gas Rights, the Leases, the Lands, the Surface Rights or the Tangibles, or any rights in relation to them;
- (b) all well, pipeline and other permits, licences and authorizations relating to the Petroleum and Natural Gas Rights or the Tangibles;
- (c) all Petroleum Substances produced from the Lands except those that are beyond the wellhead at the Effective Time;
- (d) all Wells including the wellbores thereof; and
- (e) all books, records, documents and geological, engineering and production data relating to the Properties;

**"Outside Date"** means December 31, 2012, or such other date as the Parties may agree;

**"Parties"** means Petromanas and Gallic, and **"Party"** means any one of them;

**"Permitted Encumbrances"** means:

- (a) the terms and conditions of the Documents of Title, including the following:
  - (i) any existing potential alteration of the Petroleum and Natural Gas Rights because of a payout conversion or farm-in, farm-out or other such agreement, and
  - (ii) any penalty or forfeiture that applies to the Petroleum and Natural Gas Rights at the date hereof because of Petromanas' or Gallic's, as the case may be, election not to participate in a particular operation;
- (b) easements, rights of way, servitudes or other similar rights, including, without limitation, rights of way for highways, railways, sewers, drains, gas or oil pipelines, gas or water mains, electric light, power, telephone or cable television towers, poles, and wires;
- (c) the regulations and any rights reserved to or vested in any municipality or governmental, statutory or public authority to levy taxes or to control or regulate any of Petromanas' or Gallic's, as the case may be, assets in any manner, including, without limitation, the right to control or regulate production rates and the conduct of operations;

- (d) statutory exceptions to title and the reservations, limitations and conditions in any grants or transfers from the Crown of any of the Lands or interests therein;
- (e) undetermined or inchoate liens incurred or created in the ordinary course of business as security for Petromanas' or Gallic's, as the case may be, share of the costs and expenses of the development or operation of any of its assets, which costs and expenses are not delinquent as of the Effective Time;
- (f) undetermined or inchoate mechanics' liens and similar liens for which payment for services rendered or goods supplied is not delinquent as of the Effective Time; and
- (g) liens granted in the ordinary course of business to a public entity, municipality or Governmental Authority respecting operations pertaining to any of Petromanas' or Gallic's, as the case may be, assets;

**"Person"** includes an individual, sole proprietorship, partnership, firm, entity, association, corporation, company, limited liability company, unincorporated association, unincorporated syndicate or organization, trust, body corporate, joint venture, business organization, trustee, executor, administrator, legal representative, government (including any Governmental Authority) or any other entity, whether or not having legal status;

**"Petroleum and Natural Gas Rights"** means the entire right, title, estate and interest of Petromanas or Gallic, as the case may be, in and to the Lands, including:

- (a) rights (whether fee simple interests, leasehold interests or other interests) to drill for and produce, save and market Petroleum Substances from the Lands, and to the Leases to the extent they apply to the Lands;
- (b) royalties, net profits interests and similar interests entitling the holder thereof to a share of the Petroleum Substances produced from the Lands or lands pooled or unitized therewith or to a payment calculated by reference to the quantity of such production, the proceeds from the sale thereof or the profits therefrom; and
- (c) rights to acquire the foregoing;

**"Petroleum Substances"** means petroleum, natural gas and all related hydrocarbons, whether gaseous, liquid or solid, and any and all other substances that may be produced in association with them, whether hydrocarbons or not;

**"Petromanas Board"** means the board of directors of Petromanas;

**"Petromanas Escrow Agreement"** means the escrow agreement among Petromanas, Computershare Investor Services Inc. and DWM Petroleum AG;

**"Petromanas Fairness Opinion"** means the opinion of Raymond James Ltd. that the consideration to be paid pursuant to the Arrangement is fair, from a financial point of view, to the Petromanas Shareholders;

**"Petromanas Financial Statements"** means, collectively:

- (a) the audited consolidated financial statements of Petromanas as at and for the year ended December 31, 2011, including the notes to such statements and the auditor's report thereon; and
- (b) the unaudited condensed consolidated interim financial statements of Petromanas as at and for the six months ended June 30, 2012, including the notes to such statements;

**"Petromanas Preferred Shares"** means the preferred shares, issuable in series, in the share capital of Petromanas;

**"Petromanas First Series Warrants"** means the issued and outstanding first series warrants of Petromanas entitling the holder thereof to purchase one Petromanas Share at a price of \$0.45 until February 23, 2015;

**"Petromanas Information"** means the information describing Petromanas and its business, operations and affairs specifically provided by Petromanas for inclusion in the Information Circular;

**"Petromanas Options"** means the options to purchase Petromanas Shares outstanding and unexercised, whether vested or not vested, at any given date and granted under any stock option plans or stock option agreements of Petromanas, including the Petromanas Stock Option Plan;

**"Petromanas Performance Shares"** means the additional 50,000,000 Petromanas Shares which are required to be issued to the holders thereof upon the achievement of certain goals on or before February 24, 2020;

**"Petromanas Replacement Warrants"** means the warrants of Petromanas issuable pursuant to the Arrangement in exchange for the Gallic Warrants entitling the holder thereof to purchase Petromanas Shares;

**"Petromanas Reserves Engineers"** means GLJ Petroleum Consultants Ltd.;

**"Petromanas Resources Report"** means the independent engineering evaluation prepared by the Petromanas Reserves Engineers, dated July 31, 2011 and effective July 31, 2011;

**"Petromanas Shareholders"** means, collectively, the registered or beneficial holders of the issued and outstanding Petromanas Shares, from time to time;

**"Petromanas Shares"** means the common shares in the share capital of Petromanas;

**"Petromanas Stock Option Plan"** means the stock option plan of Petromanas;

**"Petromanas Third Series Warrants"** means the issued and outstanding first series warrants of Petromanas entitling the holder thereof to purchase one Petromanas Share at a price of \$0.26 until January 18, 2013;

**"Plan of Arrangement"** means the plan of arrangement substantially in the form set out in Schedule "A" hereto, as may be amended or supplemented from time to time in accordance with this Agreement;

**"Properties"** means the Petroleum and Natural Gas Rights, the Tangibles, the Surface Rights and the Miscellaneous Interests of Petromanas or Gallic, as the case may be;

**"Registrar"** means the Registrar of Corporations for the Province of Alberta appointed under section 263 of the ABCA acting under the ABCA;

**"Regulations"** means all statutes, laws, rules, orders and regulations in effect from time to time and made by any Governmental Authority;

**"Regulatory Approvals"** means those sanctions, rulings, waivers, consents, orders, exemptions, permits, licences, authorizations and other approvals (including the lapse, without objection, of a prescribed time or waiting period under a statute or regulation that states that a transaction may only be implemented if a prescribed time lapses following the giving of notice without an objection or an opposition being filed, made or initiated) of any Governmental Authority;

**"Representatives"** means the directors, officers, employees, financial advisors, legal counsel, accountants and other agents and representatives of a Party;

**"Reviewing Party"** has the meaning ascribed to it in Section 6.5;

**"subsidiary"** means, with respect to a specified body corporate, any body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of a certain event or contingency) are at the time owned directly or indirectly by such specified body corporate, and shall include any body corporate, partnership, joint venture or other entity over which it exercises direction or control or which is in a like relation to a subsidiary;

**"Superior Proposal"** has the meaning ascribed thereto in Section 8.1(b);

**"Surface Rights"** means all rights of Petromanas or Gallic, as the case may be, to enter upon, use or occupy the surface of lands (including the Lands) which are used or held for use in connection with the Petroleum and Natural Gas Rights or the Tangibles, including fee simple title and all rights to enter upon, use and occupy the surface of lands on which the Tangibles and the Wells are located or any lands with which the same have been pooled or unitized and rights to use the surface of lands to gain access thereto;

**"Tangibles"** means all right, title, estate and interest of Petromanas or Gallic, as the case may be, in any and all tangible depreciable property or assets located within, on or about the Lands or governed under an agreement for operation of the Lands or any lands that are pooled or unitized therewith, that are used or useful in connection with production, gathering, treatment, storage, compression, processing, transportation, injection, removal or other operations relating to the Petroleum and Natural Gas Rights, and includes all tangible depreciable property and assets that form part of or are used in connection with them (including pipelines that have been abandoned but not removed);

**"Tax Act"** means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.) and the regulations promulgated thereunder, each as amended from time to time;

**"Tax Returns"** includes all returns, reports, declarations, elections, notices, filings, forms, statements and other documents (whether intangible, electronic or other form), including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required to be made, prepared or filed by Law in respect of Taxes;

**"Taxes"** includes any taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all licence, franchise and registration fees and all employment insurance, health insurance and Canada, Québec and other government pension plan premiums or contributions;

**"Third Party Beneficiaries"** has the meaning ascribed to it in Section 6.9;

**"Transferred Information"** means the personal information (namely, information about an identifiable individual other than their business contact information, when used or disclosed for the purpose of contacting such individual in that individual's capacity as an employee or an official of an organization and for no other purpose) to be disclosed or conveyed to a Party or any of its Representatives by or on behalf of the other Party as a result of or in conjunction with the transactions contemplated herein, and includes all such personal information disclosed to a Party prior to the execution of this Agreement;

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

"**U.S. Exchange Act**" means the *United States Securities Exchange Act of 1934*, as amended;

"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended;

"**U.S. Securities Laws**" means the federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder; and

"**Wells**" means: (a) with respect to Petromanas, all producing, shut-in, water source, observation, disposal, injection, abandoned, suspended and other wells located on the Lands or lands pooled or unitized therewith or directly relating to the operation of the Lands, as described in a schedule dated as of the date of this Agreement and provided to Gallic; and (b) with respect to Gallic, all producing, shut-in, water source, observation, disposal, injection, abandoned, suspended and other wells located on the Lands or Lands pooled or unitized therewith or directly relating to the operation of the Lands, as described in a schedule dated as of the date of this Agreement and provided to Petromanas.

## 1.2 Certain Rules of Interpretation

In this Agreement:

- (a) **Consent** – Whenever a provision of this Agreement requires an approval or consent and such approval or consent is not delivered within the applicable time limit, then, unless otherwise specified, the Party whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent.
- (b) **Currency** – Unless otherwise specified, all references to money amounts are to the lawful currency of Canada.
- (c) **Governing Law** – This Agreement is a contract made under and shall be governed by and construed in accordance with the Laws of the Province of Alberta and the federal Laws of Canada applicable in the Province of Alberta. The Parties irrevocably submit to the exclusive jurisdiction of the courts of the competent jurisdiction in the Province of Alberta in respect of any action or proceeding relating in any way to this Agreement or the subject matter hereof.
- (d) **Injunctive Relief** – The Parties agree that the remedy at Law for any breach of the provisions of this Agreement will be inadequate and that the Party that is not in breach, on any application to a court, shall be entitled to temporary and permanent injunctive relief, specific performance and any other equitable relief against the Party or Parties in breach of the provisions of this Agreement.
- (e) **Headings** – Headings of Articles, Sections and Schedules are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (f) **Including** – Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".
- (g) **No Strict Construction** – The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (h) **Number and Gender** – Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

- (i) **Severability** – If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other Persons or circumstances.
- (j) **Statutory References** – A reference to a statute includes all rules and Regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation or rule which amends, supplements or supersedes any such statute or any such regulation or rule.
- (k) **Time** – Time is of the essence in the performance of the Parties' respective obligations.
- (l) **Time Periods** – Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.
- (m) **Subsidiaries** – To the extent any representations, warranties, covenants or agreements contained herein relate, directly or indirectly, to a subsidiary of Petromanas or Gallic, as the case may be, each such provision shall be construed as a covenant by such Party to cause (to the fullest extent to which it is legally capable) such subsidiary to perform the required action.

### 1.3 Entire Agreement

This Agreement, together with the agreements and other documents required to be delivered pursuant to this Agreement and the Confidentiality Agreement, constitutes the entire agreement between the Parties and sets out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the Parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written (including the confidential and non-binding preliminary term sheet dated August 31, 2012, as amended). No reliance has been made upon, and there are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement, the Confidentiality Agreement and any document required to be delivered pursuant to this Agreement.

### 1.4 Schedules

The schedules to this Agreement, as listed below, are an integral part of this Agreement:

<u>Schedule</u>	<u>Description</u>
A	Plan of Arrangement
B	Representations and Warranties of Gallic
C	Representations and Warranties of Petromanas
D	Form of Support Agreement for Directors and Officers of Gallic

### 1.5 Knowledge

Any reference to the knowledge of a Party shall mean, unless otherwise specified, to the best of the knowledge, information and belief of such Party's directors and officers after reviewing all relevant records and making all reasonable inquiries, including of their respective direct reports, such knowledge consisting of actual knowledge and not any constructive, implied or imported knowledge.



## ARTICLE 2 THE ARRANGEMENT

### 2.1 Plan of Arrangement

- (a) Gallic shall, as soon as is reasonably practicable following the date hereof and with the assistance of Petromanas, apply to the Court for the Interim Order pursuant to section 193 of the ABCA to be heard on or about October 29, 2012 and Gallic shall:
  - (i) file, proceed with and diligently prosecute the application for the Interim Order providing for, among other things, the calling and holding of the Gallic Meeting for the purpose of, among other things, considering and, if deemed advisable, approving the Gallic Arrangement Resolution; and
  - (ii) subject to obtaining the approvals as contemplated in the Interim Order and as may be directed by the Court, and as provided in this Agreement, take all steps necessary or desirable to submit the Arrangement to the Court and apply for the Final Order as soon as reasonably practicable.
- (b) Provided all necessary approvals for the Arrangement are received and subject to the terms and conditions in this Agreement, Petromanas on the one hand and Gallic on the other hand shall execute and deliver such closing documents and instruments and Gallic shall, as soon as reasonably practicable, forthwith proceed to file the Articles of Arrangement, the Final Order and such other documents as may be required to give effect to the Arrangement with the Registrar pursuant to subsection 193(9) of the ABCA, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any further act or formality.
- (c) Petromanas and Gallic agree that the Arrangement shall be structured such that, assuming the Court approves the Arrangement as provided herein, the issuance of Petromanas Shares to holders of Gallic Shares as provided in the Plan of Arrangement will not require registration under the U.S. Securities Act, in reliance on section 3(a)(10) of the U.S. Securities Act.

### 2.2 Interim Order

The Interim Order sought by Gallic shall provide, among other things:

- (a) that the securities of Gallic for which holders shall be entitled to vote on the Gallic Arrangement Resolution at the Gallic Meeting shall be the Gallic Shares and Gallic Warrants, voting together as a single class;
- (b) that the Gallic Shareholders and Gallic Warrantholders shall be entitled to vote on the Gallic Arrangement Resolution, voting together as a single class, with the Gallic Shareholders being entitled to one vote for each Gallic Share held, and the Gallic Warrantholders being entitled to one vote for each Gallic Share issuable pursuant to each such Gallic Warrant held;
- (c) that the requisite majority for the approval of the Gallic Arrangement Resolution shall be two thirds of the votes cast by the Gallic Shareholders and Gallic Warrants, present in person or by proxy at the Gallic Meeting, voting together as a single class, and, if required, a majority of the votes cast by the Gallic Shareholders present in person or by proxy at the Gallic Meeting, excluding those votes in respect of Gallic Shares which are required to be excluded pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

- (d) that, in all other respects, the terms, restrictions and conditions of Gallic's articles and by-laws, including quorum requirements and all other matters, shall apply in respect of the Gallic Meeting;
- (e) for the grant of rights of dissent to registered holders of Gallic Shares in respect of the Arrangement as set forth in the Plan of Arrangement; and
- (f) for the notice requirements with respect to the application to the Court for the Final Order.

### **2.3 Petromanas Approval**

Petromanas represents and warrants to Gallic that the Petromanas Board:

- (a) has unanimously determined that:
  - (i) based on the verbal opinion of Raymond James Ltd. referred to in Section 2.3(b), the consideration to be paid by Petromanas pursuant to the Arrangement is fair to the Petromanas Shareholders; and
  - (ii) the participation of Petromanas in the Arrangement and entry into this Agreement are in the best interests of Petromanas;
- (b) has received the verbal opinion from Raymond James Ltd., the financial advisors to Petromanas, that, as of September 27, 2012, the consideration to be paid by Petromanas pursuant to the Arrangement is fair, from a financial point of view, to the Petromanas Shareholders and has received confirmation from such advisor that a written opinion to that effect will be delivered to Petromanas.

### **2.4 Gallic Approval**

Gallic represents and warrants to Petromanas that the Gallic Board:

- (a) has unanimously determined that:
  - (i) based on the verbal opinion from Macquarie Capital Markets Canada Ltd. referred to in Section 2.4(b), the Arrangement is fair to the Gallic Shareholders;
  - (ii) it will unanimously recommend that the Gallic Shareholders and Gallic Warrantholders vote in favour of the Gallic Arrangement Resolution; and
  - (iii) the Arrangement and entry into this Agreement are in the best interests of Gallic; and
- (b) has received the verbal opinion from Macquarie Capital Markets Canada Ltd. that, as of September 27, 2012, subject to its review of the final form of the documentation effecting the Arrangement, the consideration to be received by Gallic Shareholders pursuant to the Arrangement is fair from a financial point of view, to the Gallic Shareholders, and has received confirmation that a written opinion to that effect will be delivered for inclusion in the Information Circular; and
- (c) has been advised that the directors and officers and other Gallic Supporting Securityholders holding an aggregate of 16,802,150 Gallic Shares and 5,940,000 Gallic Warrants (representing approximately 10.06% of the currently issued and outstanding Gallic Shares, and 8.33% Gallic Warrants) intend to vote such securities in favour of the Gallic Arrangement Resolution and will so represent in the Information Circular.

## **2.5 Obligations of Petromanas**

Subject to the terms and conditions of this Agreement, in order to facilitate the Arrangement, Petromanas shall take all action necessary in accordance with all Laws, to:

- (a) assist Gallic with the application to the Court for the Interim Order in respect of the Arrangement;
- (b) assist Gallic in submitting the Arrangement to the Court and applying for the Final Order; and
- (c) do all things necessary or desirable to give effect to the Arrangement, including making and actively prosecuting applications for all applicable required regulatory consents, approvals and permissions as provided for herein.

Petromanas shall use its reasonable commercial efforts to obtain and furnish to Gallic the Petromanas Information required on its behalf to be included in the Information Circular. Petromanas shall use its reasonable commercial efforts to prepare with Gallic and mail to the Gallic Shareholders and the Gallic Warranholders the Information Circular.

As of the date the Information Circular is first mailed to the Gallic Shareholders and the Gallic Warranholders and the date of the Gallic Meeting, the Petromanas Information for use in the Information Circular shall be complete and correct in all material respects, shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading and shall comply in all material respects with all applicable Laws. As may be required by applicable Laws, Petromanas agrees to promptly correct any such information provided by it for use in the Information Circular which shall have become false or misleading at any time prior to the Gallic Meeting.

## **2.6 Obligations of Gallic**

Subject to the terms and conditions of this Agreement, in order to facilitate the Arrangement, Gallic shall take all action necessary in accordance with all Laws, to:

- (a) make and diligently prosecute an application to the Court for the Interim Order in respect of the Arrangement;
- (b) in accordance with the terms of and the procedures contained in the Interim Order, duly call, give notice of, convene and hold the Gallic Meeting on or about November 29, 2012, for the purposes of approving the Arrangement and any other matters as may be properly brought before the meeting;
- (c) solicit proxies of Gallic Shareholders and Gallic Warranholders in favour of the Gallic Arrangement Resolution; provided that Gallic may, but shall not be required to, engage a proxy solicitation agent for such purpose;
- (d) subject to obtaining the approvals as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take all steps necessary or desirable to submit the Arrangement to the Court and apply for the Final Order;
- (e) deliver the Articles of Arrangement to the Registrar upon satisfaction or waiver of the conditions set forth in Article 7;
- (f) cause the Gallic Supporting Securityholders to deliver the Gallic Support Agreements to Petromanas; and

- (g) do all things necessary or desirable to give effect to the Arrangement, including making and actively prosecuting applications for all applicable required regulatory consents, approvals and permissions as provided for herein.

Gallic shall use its reasonable commercial efforts to prepare with Petromanas and mail to the Gallic Shareholders and Gallic Warranholders the Information Circular.

As of the date the Information Circular is first mailed to the Gallic Shareholders and Gallic Warranholders and the date of the Gallic Meeting, the Gallic Information for use in the Information Circular shall be complete and correct in all material respects, shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading and shall comply in all material respects with all applicable Laws. As may be required by applicable Laws, Gallic agrees to promptly correct any such information provided by it for use in the Information Circular which shall have become false or misleading at any time prior to the Gallic Meeting. Without limiting the generality of the foregoing, Gallic shall ensure that the Information Circular provides Gallic Shareholders and Gallic Warranholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters to be placed before them at the Gallic Meeting.

## **2.7 Conduct of Gallic Meeting**

- (a) Subject to the terms of this Agreement and the Interim Order, Gallic agrees to convene and conduct the Gallic Meeting in accordance with its constating documents and Laws and agrees not to propose to adjourn or postpone its meeting without the prior consent of Petromanas:
  - (i) except as required for quorum purposes (in which case the meeting shall be adjourned and not cancelled) or by applicable Laws or by a Governmental Authority; or
  - (ii) except for an adjournment for the purpose of attempting to obtain the requisite approval of the Gallic Arrangement Resolution.
- (b) Upon the request of Petromanas, Gallic shall adjourn or postpone its meeting to a date specified by Petromanas, provided that such meeting, as so adjourned or postponed, shall occur not later than 10 Business Days after the date on which such meeting was originally scheduled to occur and in any event shall occur not later than the date that is five Business Days prior to the Outside Date.

## **2.8 Effective Date**

The Arrangement shall become effective at the Effective Time on the Effective Date. The Parties shall use their reasonable commercial efforts to cause the Effective Date to occur on or about November 30, 2012 or as soon thereafter as reasonably practicable and in any event by the Outside Date.

## **2.9 Exercise or Cancellation and Termination of Gallic Options and Gallic RSUs**

- (a) Gallic agrees and represents to Petromanas that Gallic's Board has:
  - (i) directed Gallic to use its reasonable efforts to ensure all Persons holding Gallic Options and Gallic RSUs either:
    - (A) exercise those Gallic Options and Gallic RSUs; or
    - (B) terminate or otherwise surrender their rights to exercise any of those Gallic Options and Gallic RSUs;

at the Closing and prior to the Effective Time; and

(ii) authorized and directed Gallic to:

- (A) cause the vesting of entitlements in respect of all Gallic Options and Gallic RSUs, such that all outstanding Gallic Options and Gallic RSUs shall be exercisable and fully vested prior to the Effective Date; and
- (B) satisfy all other obligations of Gallic under the Gallic Options and Gallic RSUs referred to above or, upon the Arrangement becoming effective, to cause all entitlements under such Gallic Options and Gallic RSUs to terminate;

and Gallic agrees to apply for all consents and authorizations required in connection with the foregoing, including any exemptions or consents required from any Canadian Securities Regulatory Authority in connection with any amendments to the Gallic Stock Option Plan or the Gallic RSUs required in connection with the foregoing and that all proceeds from the exercise of Gallic Options and Gallic RSUs shall be retained by Gallic.

- (b) Gallic hereby covenants and agrees in favour of Petromanas that on or prior to the Effective Date, it shall use its commercially reasonable efforts to obtain termination agreements, which shall be reasonably satisfactory to Petromanas, from each holder of Gallic Options pursuant to which such holder surrenders and cancels his, her, or its "out-of-the-money" Gallic Options in consideration of payment from Gallic of \$0.0001 per "out-of-the-money" Gallic Option.
- (c) Nothing in this Agreement shall prohibit the holders of vested Gallic Options and Gallic RSUs from exercising such Gallic Options and Gallic RSUs in accordance with the terms thereof prior to the Effective Time.

## **2.10 Treatment of Gallic Warrants**

- (a) Following approval of the Gallic Arrangement Resolution and prior to the Effective Date, each of Gallic and Petromanas shall take all steps necessary to exercise any discretion provided under, or to the extent required, to provide that pursuant to the Plan of Arrangement, each Gallic Warrant outstanding at the Effective Time shall be exchanged with Petromanas for a Petromanas Replacement Warrant to purchase that number of Petromanas Shares equal to the product of the Exchange Ratio multiplied by the number of Gallic Shares subject to such Gallic Warrant and at an exercise price per Petromanas Share equal to the exercise price per Gallic Share subject to such Gallic Warrant immediately prior to the Effective Time divided by the Exchange Ratio, rounded up to the nearest penny. If the foregoing calculation results in a Petromanas Replacement Warrant being exercisable for a fraction of an Petromanas Share, then the number of Petromanas Shares subject to such Petromanas Replacement Warrant shall be rounded down to the next whole number of Petromanas Shares and the total exercise price for the Petromanas Replacement Warrant will be reduced by the exercise price of the fractional Petromanas Share. The term to expiry, conditions to and manner of exercising, vesting schedule, and all other terms and conditions of such Petromanas Replacement Warrant shall be the same as the Gallic Warrant for which it was exchanged, as adjusted to take into account the Arrangement.

## **2.11 Withholding Taxes**

Gallic shall be withhold and remit all Taxes applicable to the exercise and/or surrender of Gallic Options and Gallic RSUs. The income tax withholding and remittance obligations shall be satisfied by way of

either (a) the holder of Gallic Options or Gallic RSUs remitting to Gallic, in addition to any applicable exercise price, cash in an amount equal to the amount of any Taxes required to be remitted by Gallic in connection with such exercise or surrender; or (b) the withholding by Gallic from the Gallic Shares otherwise deliverable to the holder of such Gallic Options or Gallic RSUs of such number of Gallic Shares as may be determined by Gallic, in its sole discretion, to be necessary to satisfy the income tax remittance obligation. Gallic, Petromanas and/or the Depositary may sell such withheld Gallic Shares, as trustee for the former holder of Gallic Options and/or Gallic RSUs, to satisfy the remittance obligation and, in connection with such exercise or surrender, the holder of Gallic Options and/or Gallic RSUs shall consent to the sale and grant to Gallic, Petromanas and the Depositary, as trustee for the holder of Gallic Options and/or Gallic RSUs an irrevocable power of attorney to effect the sale of such Gallic Shares. Any Gallic Shares withheld by Gallic shall be sold through the facilities of the TSXV and the funds used to satisfy the remittance obligation.

## **2.12 Gallic Change of Control Payments**

- (a) Petromanas acknowledges that the Arrangement will result in a "change of control" pursuant to the executive employment agreements between Gallic and the officers of Gallic.
- (b) Gallic agrees to use reasonable commercial efforts to obtain written waivers from (i) those officers who will remain officers of Gallic, and (ii) those employees of Gallic who will remain employees of Gallic following closing of the Arrangement to preclude any change of control, severance or termination payments becoming payable by Gallic to such officers or employees.
- (c) Gallic covenants and agrees that the aggregate amount payable to: (i) Gallic officers as a result of the Arrangement pursuant to the executive employment agreements, and (ii) all employees of Gallic terminated following the Effective Date, shall not exceed \$1,000,000.

## **2.13 Resignations and Releases**

Gallic shall use its reasonable commercial efforts to arrange for the resignation of, and use its reasonable commercial efforts to obtain mutual releases in a form acceptable to Petromanas, acting reasonably, from all the directors and officers of Gallic effective as of the Effective Date.

## **2.14 Filing of Articles of Arrangement**

Upon the satisfaction or waiver of the conditions set forth in Article 7 and provided that this Agreement is not otherwise terminated in accordance with its terms, the Articles of Arrangement and such other documents as may be required under the ABCA to give effect to the Arrangement shall be filed with the Registrar.

# **ARTICLE 3 PUBLICITY AND SOLICITATION**

## **3.1 Publicity**

Each of Petromanas and Gallic shall advise, consult and co-operate with each other prior to issuing, or permitting any of its subsidiaries, directors, officers, employees, agents or advisors to issue, any press release or other statement to the press with respect to this Agreement or the Arrangement. Petromanas and Gallic shall not issue any such press release or make any such public statement prior to such consultation; provided that, Petromanas and Gallic may issue a press release or other written statement without the consent of Gallic or Petromanas, as the case may be, on the advice of counsel that such action is required by applicable Laws or the TSXV, as the case may be.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF GALLIC**

### **4.1 Representations and Warranties of Gallic**

Gallic represents and warrants to Petromanas the matters set out on Schedule "B" and acknowledges that Petromanas is relying upon these representations and warranties in connection with the entering into of this Agreement.

### **4.2 Survival of Representations and Warranties of Gallic**

The representations and warranties of Gallic contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Date and the date on which this Agreement is terminated in accordance with its terms.

## **ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF PETROMANAS**

### **5.1 Representations and Warranties of Petromanas**

Petromanas hereby represents and warrants to Gallic the matters set out on Schedule "C" and acknowledges that Gallic is relying upon these representations and warranties in connection with the entering into of this Agreement.

### **5.2 Survival of Representations and Warranties of Petromanas**

The representations and warranties of Petromanas contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

## **ARTICLE 6 COVENANTS**

### **6.1 Covenants of Petromanas**

Petromanas hereby covenants and agrees in favour of Gallic that, from the date hereof until the earlier of: (i) the Effective Date; or (ii) the date this Agreement is terminated pursuant to its terms, Petromanas shall perform all obligations required to be performed by Petromanas under this Agreement and shall do all such other acts and things as may reasonably be necessary or advisable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated hereby and, without limitation, Petromanas shall, subject to the terms hereof:

- (a) use reasonable commercial efforts to: (i) defend all Claims to which it is a party challenging or affecting this Agreement, the Arrangement or the consummation of the transactions contemplated by this Agreement; and (ii) oppose and have lifted or rescinded any injunction or restraining order or other order relating to Petromanas challenging or affecting this Agreement, the Arrangement or the consummation of the transactions contemplated by this Agreement;
- (b) use commercially reasonable efforts to comply promptly with all requirements which applicable Laws may impose on Petromanas with respect to the transactions contemplated hereby;
- (c) use reasonable commercial efforts to satisfy the conditions to this Agreement, to the extent the same is within its control, and Petromanas shall take, or cause to be taken, all other commercially reasonable actions and shall do, or cause to be done, all other

commercially reasonable things necessary, proper or advisable under all applicable Laws to support the Arrangement, including using its reasonable commercial efforts to:

- (i) obtain all necessary consents, approvals and authorizations as are required to be obtained by it under any applicable Law; and
  - (ii) co-operate with Gallic in connection with the performance by it of its obligations hereunder;
- (d) make or co-operate as necessary in the making of all necessary filings and applications under all applicable Laws required in connection with the transactions contemplated herein, including the listing of the Petromanas Shares issuable pursuant to the Arrangement on the TSXV, and take all reasonable commercial action necessary to be in compliance with such Laws;
- (e) not enter into any transaction or perform any act which would: (i) interfere or be inconsistent with the successful completion of the Arrangement; (ii) render incorrect any of the representations and warranties set forth herein (other than any such representation or warranty that speaks as of a prior date) if such representations and warranties were made at a date subsequent to such transaction or act and all references to the date hereof were to such later date; or (iii) adversely affect Petromanas' ability to perform and comply with its covenants and agreements under this Agreement;
- (f) promptly advise, first orally and then in writing, Gallic of: (i) any material change; or (ii) any fact, event or any change occurring after the date hereof that would or would be reasonably likely to: (A) render any representation or warranty of Petromanas contained in this Agreement (other than any such representation or warranty that speaks as of a prior date), if made on or as of the date of such fact, event or change, untrue or incorrect; or (B) result in a failure by Petromanas to comply with or satisfy any covenant, condition or agreement contained in this Agreement;
- (g) maintain the listing of the Petromanas Shares on the TSXV;
- (h) maintain its status as a "reporting issuer" not in default under the securities legislation in force in all provinces where it is a reporting issuer as of the date of this Agreement;
- (i) use its reasonable commercial efforts to obtain the consent of its bankers, landlord and any other third party consents required for the transactions contemplated hereby and provide same to Gallic on or prior to the Effective Date;
- (j) ensure that it has available funds to permit the payment of any amount payable pursuant to Article 8 hereof, and shall take all such actions as may be necessary to ensure that it maintains such availability to ensure that it is able to pay such amount when required;
- (k) cause AcquisitionCo to take all steps to be taken by AcquisitionCo to effect the Arrangement; and
- (l) issue the Petromanas Shares and Petromanas Replacement Warrants, in accordance with the terms of the Plan of Arrangement, to those Gallic Shareholders and Gallic Warrantholders who are entitled to receive Petromanas Shares and Petromanas Replacement Warrants, as the case may be, pursuant to the Arrangement, which Petromanas Shares and Petromanas Replacement Warrants shall be validly issued as fully paid and non-assessable securities.



## 6.2 Conduct of Business by Petromanas

Petromanas covenants and agrees that, prior to the Effective Time (unless the Agreement is terminated earlier), unless Gallic shall otherwise agree in writing (acting reasonably) or as otherwise expressly contemplated or permitted by this Agreement:

- (a) Petromanas shall conduct its business only in the usual, ordinary and regular course of business, consistent with past practice (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operations of such property) and in compliance with applicable Laws;
- (b) Petromanas shall use its reasonable commercial efforts to cause its current insurance (or re-insurance) policies (including insurance policies, and coverage provided under policies, held for the benefit of Petromanas and any subsidiary) not to be cancelled or terminated or any of the coverage thereunder to lapse unless, simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- (c) Petromanas shall use its reasonable commercial efforts to preserve intact its business organization, assets and goodwill; to maintain its real property interests in their current state; to keep available the services of its officers and employees as a group; not to take any action or omit to take any action which would render, or which reasonably would be expected to render, any representation or warranty made by it in this Agreement untrue at any time prior to the Effective Time if then made; and to promptly notify Gallic in writing of any event or occurrence that would reasonably be expected to have a Material Adverse Effect and of any governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);
- (d) Petromanas shall:
  - (i) duly and timely file all Tax Returns required to be filed by it on or after the date hereof and ensure that all such Tax Returns are true, complete and correct in all material respects;
  - (ii) timely pay all Taxes that are due and payable (other than those that are being contested in good faith and in respect of which reserves have been provided in the Petromanas Financial Statements);
  - (iii) not make or rescind any election relating to Taxes;
  - (iv) not make a request for a tax ruling or enter into any agreement with any taxing authorities;
  - (v) not settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes; and
  - (vi) not change in any material respect any of its methods of reporting income, deductions or accounting for income tax purposes from those employed in the preparation of its income Tax Return for the taxation year ending December 31, 2011, except as may be required by applicable Law;
- (e) Petromanas shall continue to file all documents or information required to be filed by Petromanas under applicable Laws, in accordance with timelines prescribed under

Canadian Securities Laws, and all such documents or information, when filed, shall comply as to form and substance in all respects with the requirements of applicable Laws and shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

- (f) Petromanas shall not make or permit to be made any change to any accounting method, policy or principle used by Petromanas, except as may be prescribed by the Canadian Institute of Chartered Accountants including any prescribed changes to GAAP; and

### **6.3 Covenants of Gallic**

Gallic hereby covenants and agrees in favour of Petromanas that, from the date hereof until the earlier of: (i) the Effective Date; or (ii) the date this Agreement is terminated pursuant to its terms, Gallic shall perform all obligations required to be performed by Gallic under this Agreement and shall do all such other acts and things as may be reasonably necessary or advisable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated hereby and, without limitation, Gallic shall, subject to the terms hereof:

- (a) use reasonable commercial efforts to: (i) defend all Claims to which it is a party challenging or affecting this Agreement, the Arrangement or the consummation of the transactions contemplated by this Agreement; and (ii) oppose and have lifted or rescinded any injunction or restraining order or other order relating to Gallic challenging or affecting this Agreement, the Arrangement or the consummation of the transactions contemplated by this Agreement;
- (b) use commercially reasonable efforts to comply promptly with all requirements which applicable Laws may impose on Gallic with respect to the transactions contemplated hereby;
- (c) use reasonable commercial efforts to satisfy the conditions to this Agreement, to the extent the same is within its control, and Gallic shall take, or cause to be taken, all other commercially reasonable actions and shall do, or cause to be done, all other commercially reasonable things necessary, proper or advisable under all applicable Laws to support the Arrangement, including using its reasonable commercial efforts to:
  - (i) obtain all necessary consents, approvals and authorizations as are required to be obtained by it under any applicable Law, including, without limitation, the approval of the French ministry in charge of mines and the approval of the Australian Foreign Investment Review Board; and
  - (ii) co-operate with Petromanas in connection with the performance by it of its obligations hereunder;
- (d) make or co-operate as necessary in the making of all necessary filings and applications under all applicable Laws required in connection with the transactions contemplated herein and take all reasonable commercial action necessary to be in compliance with such Laws;
- (e) not enter into any transaction or perform any act which would: (i) interfere or be inconsistent with the successful completion of the Arrangement; (ii) render incorrect any of the representations and warranties set forth herein (other than any such representation or warranty that speaks as of a prior date) if such representations and warranties were made at a date subsequent to such transaction or act and all references to the date hereof were to such later date; or (iii) adversely affect Gallic's ability to perform and comply with its covenants and agreements under this Agreement;

- (f) promptly advise, first orally and then in writing, Petromanas of: (i) any material change; or (ii) any fact, event or any change occurring after the date hereof that would or would be reasonably likely to: (A) render any representation or warranty of Gallic contained in this Agreement (other than any such representation or warranty that speaks as of a prior date), if made on or as of the date of such fact, event or change, untrue or incorrect; or (B) result in a failure by Gallic to comply with or satisfy any covenant, condition or agreement contained in this Agreement;
- (g) promptly advise Petromanas of the number of Gallic Shares for which Gallic receives notices of dissent or written objections to the Arrangement and provide Petromanas with copies of such notices and written objections;
- (h) use its reasonable commercial efforts to obtain the consent of its bankers, landlord and any other third party consents required for the transactions contemplated hereby and provide same to Petromanas on or prior to the Effective Date;
- (i) ensure that it has available funds to permit the payment of any amount payable pursuant to Article 8 hereof having regard to its other liabilities and obligations, and shall take all such actions as may be necessary to ensure that it maintains such availability to ensure that it is able to pay such amount when required;
- (j) use its commercially reasonable efforts to cause the resignation of all of the directors and officers of Gallic as of the Effective Time (and for mutual releases in form and substance satisfactory to Petromanas and Gallic, each acting reasonably, to be provided);
- (k) use its commercially reasonable efforts to ensure that all outstanding Gallic Options and Gallic RSUs are either exercised, converted, terminated, expired or surrendered prior to the Effective Time; provided that Gallic shall not pay the holders any amount of consideration therefor other than as set out herein, nor shall Gallic make any amendment to outstanding Gallic Options, Gallic Warrants or Gallic RSUs without the prior written consent of Petromanas, except: (i) to permit the early vesting of Gallic Options and Gallic RSUs; and (ii) to permit the holder of Gallic Options or Gallic RSUs to exercise such Gallic Options or Gallic RSUs, as the case may be, in accordance with Section 2.9 hereof;
- (l) carry out the terms of the Interim Order and the Final Order to the extent applicable to Gallic;
- (m) maintain the listing of the Gallic Shares on the TSXV; and
- (n) maintain its status as a "reporting issuer" not in default under the securities legislation in force in all provinces where it is a reporting issuer as of the date of this Agreement;

#### **6.4 Conduct of Business by Gallic**

Gallic covenants and agrees that, prior to the Effective Time (unless the Agreement is terminated earlier), unless Petromanas shall otherwise agree in writing (acting reasonably) or as otherwise expressly contemplated or permitted by this Agreement:

- (a) Gallic shall conduct its business only in the usual, ordinary and regular course of business, consistent with past practice (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operations of such property) and in compliance with applicable Laws;
- (b) Gallic shall not directly or indirectly do or permit to occur any of the following:

- (i) issue, grant, sell, hypothecate, pledge, lease, dispose of, encumber, exclusively license or agree to issue, grant, sell, hypothecate, pledge, lease, dispose of, encumber or exclusively license:
  - (A) any additional Gallic Shares, Gallic Class B Shares, Gallic Class C Shares, Gallic Preferred Shares, Gallic RSUs or any options, warrants, calls, puts, conversion privileges or rights of any kind to acquire any Gallic Shares, Gallic Class B Shares, Gallic Class C Shares, Gallic Preferred Shares, Gallic RSUs or other securities of Gallic (other than pursuant to the exercise of Gallic Options, Gallic Warrants or Gallic RSUs currently outstanding as of the date of this Agreement); or
  - (B) any assets of Gallic with a value in excess of \$15,000;
- (ii) amend or propose to amend the articles, by-laws or other constating documents of Gallic;
- (iii) split, combine or reclassify any outstanding Gallic Shares, Gallic Class B Shares, Gallic Class C Shares or Gallic Preferred Shares;
- (iv) redeem, purchase or offer to purchase any Gallic Shares, Gallic Class B Shares, Gallic Class C Shares, Gallic Preferred Shares or other securities of Gallic other than with respect to the cancellation of the Gallic Options, Gallic RSUs or Gallic Warrants pursuant to Section 2.9 and Section 2.10;
- (v) declare, set aside or pay any dividend or other distribution payable in cash, stock, securities, property or otherwise with respect to the Gallic Shares, Gallic Class B Shares, Gallic Class C Shares or Gallic Preferred Shares;
- (vi) reorganize, amalgamate or merge Gallic with any other Person;
- (vii) reduce the stated capital of Gallic;
- (viii) acquire or agree to acquire (by merger, amalgamation, acquisition of shares or assets, lease or otherwise) any Person or division or make any investment therein either by purchase of shares or securities, contributions of capital, property transfer or purchase of, any property or assets of any other Person;
- (ix) incur or commit to incur any indebtedness for borrowed money of Gallic or any other material Liability or obligation, or issue any debt securities, or guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other Person or make any loans or advances;
- (x) take any action or fail to take action that would accelerate or trigger defaults or repayments in respect of any obligation, Contract or material regulatory approval;
- (xi) except: (A) as provided for in Gallic's 2012 annual capital expenditures budget; or (B) as previously approved by the Gallic Board, and in each case made available or disclosed in writing to Petromanas, make any capital expenditure or incur any obligations or Liabilities in connection therewith in excess of \$15,000, without the prior consent of Petromanas, not to be unreasonably withheld;
- (xii) enter into, amend or terminate any material Contract, or waive, release or assign any material rights or Claims;

- (xiii) enter into or amend any Contract, covenant or transaction for hedges, swaps, forwards, financial derivatives, exchanges, options or sales, for any transportation, storage or other service relating to commodities or exchange of currencies or interest rates;
  - (xiv) conduct any business, incur any Liability or enter into any Contract other than in the ordinary course of business, consistent with past practice;
  - (xv) adopt a plan of liquidation or resolutions providing for the liquidation or dissolution of Gallic;
  - (xvi) pay, discharge or satisfy any material Claims, Liabilities or obligations other than the payment, discharge or satisfaction of Liabilities incurred in the usual, ordinary and regular course of business consistent with past practice, reflected or reserved against in the Financial Statements;
  - (xvii) commence or settle any litigation, proceeding, Claim, action, assessment or investigation involving Gallic before any Governmental Authority;
  - (xviii) publicly disclose any information regarding Gallic, its business, properties or operations other than as required by Law (in which event Petromanas will be provided with a reasonable opportunity to comment thereon) or otherwise with the prior written consent of Petromanas, provided that, for certainty, Gallic shall not be prohibited from disclosing information about its business, properties and operations to any Person in order to facilitate the conduct of its business in the ordinary course and consistent with past practice; or
  - (xix) authorize, recommend, propose or agree to any release, relinquishment or amendment of any material contractual right or other material right under any licence or permit;
- (c) Gallic shall not enter into or modify any employment, severance, or similar agreements or arrangements with, or grant any shares, options, performance warrants, additional benefits, bonuses, salary increases, severance or termination pay to, any officers, directors, employees or former employees other than: (i) pursuant to binding commitments already entered into prior to the date hereof, the details of which have been disclosed to Petromanas in writing prior to the date hereof; or (ii) severance or termination payments to departing officers and employees and consultants in accordance with applicable Laws, the details of which have been disclosed to Petromanas in writing prior to the date hereof;
- (d) other than as provided in this Agreement, Gallic shall not establish, adopt, enter into, amend or waive any performance or vesting criteria or accelerate vesting, exercisability or funding under any bonus, profit sharing, thrift, incentive, compensation, stock option, restricted stock, pension, retirement, deferred compensation, savings, welfare, employment, termination, severance or other Benefit Plan, agreement, trust, fund, policy or arrangement for the benefit or welfare of any directors, officers, current or former employees of, or consultants to, Gallic;
- (e) Gallic shall not adopt or amend any Benefit Plans except as required by applicable Law other than with respect to the acceleration of the terms of vesting and cancellation of the Gallic Options, Gallic RSUs or Gallic Warrants pursuant to Section 2.9 and Section 2.10;
- (f) Gallic shall use its reasonable commercial efforts to cause its current insurance (or re-insurance) policies (including insurance policies, and coverage provided under policies, held for the benefit of Gallic and any subsidiary) not to be cancelled or terminated or any

of the coverage thereunder to lapse unless, simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

- (g) Gallic shall use its reasonable commercial efforts to preserve intact its business organization, assets and goodwill; to maintain its real property interests in their current state; to keep available the services of its officers and employees as a group; not to take any action or omit to take any action which would render, or which reasonably would be expected to render, any representation or warranty made by it in this Agreement untrue at any time prior to the Effective Time if then made; and to promptly notify Petromanas in writing of any event or occurrence that would reasonably be expected to have a Material Adverse Effect and of any governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);
- (h) Gallic shall:
  - (i) duly and timely file all Tax Returns required to be filed by it on or after the date hereof and ensure that all such Tax Returns are true, complete and correct in all material respects;
  - (ii) timely pay all Taxes that are due and payable (other than those that are being contested in good faith and in respect of which reserves have been provided in the Gallic Financial Statements);
  - (iii) not make or rescind any election relating to Taxes;
  - (iv) not make a request for a tax ruling or enter into any agreement with any taxing authorities;
  - (v) not settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes; and
  - (vi) not change in any material respect any of its methods of reporting income, deductions or accounting for income tax purposes from those employed in the preparation of its income Tax Return for the taxation year ending December 31, 2011, except as may be required by applicable Law;
- (i) Gallic shall continue to file all documents or information required to be filed by Gallic under applicable Laws, in accordance with timelines prescribed under Canadian Securities Laws, and all such documents or information, when filed, shall comply as to form and substance in all respects with the requirements of applicable Laws and shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;
- (j) Gallic shall not make or permit to be made any change to any accounting method, policy or principle used by Gallic, except as may be prescribed by the Canadian Institute of Chartered Accountants including any prescribed changes to GAAP; and
- (k) except as otherwise authorized in this Agreement, Gallic shall not authorize or propose, or enter into or modify any contract, agreement, commitment or arrangement, to do any of the matters prohibited by the other paragraphs of this Section 6.4.

## 6.5 Access to Information

Subject to the Confidentiality Agreement and applicable Law, upon reasonable notice, each Party shall give to the other (a "**Reviewing Party**") and the Reviewing Party's Representatives access from the date hereof and until the earlier of the Effective Time or the termination of this Agreement, to its properties, books, Contracts and records as well as to its management personnel, as the Reviewing Party may reasonably require. During such period, a Party shall promptly provide the Reviewing Party with all information concerning such Party's businesses, properties and personnel as the Reviewing Party or the Reviewing Party's Representatives may reasonably request. Nothing in the foregoing shall require a Party to disclose information subject to a confidentiality agreement with a third party where such disclosure would be in violation of the terms of that agreement.

## 6.6 Shareholder Claims

Neither Gallic nor Petromanas shall settle or compromise any Claim brought by any present, former or purported holder of any securities of Gallic or Petromanas, as the case may be, in connection with the transactions contemplated by this Agreement prior to the Effective Time without the prior written consent of the other Party, which shall not be unreasonably withheld.

## 6.7 Directors' and Officers' Insurance; Other Indemnities

Petromanas agrees that, prior to and for a period of five years after the Effective Time, Gallic shall be entitled to, and Petromanas will permit Gallic or any successor to Gallic (including any successor resulting from the winding up or liquidation or dissolution of Gallic) to, maintain Gallic's current directors' and officers' insurance policy or an equivalent policy underwritten by insurance or re-insurance companies of nationally recognized standing on a five year "trailing" or "run-off" basis subject in either case to terms and conditions no less advantageous to the directors and officers of Gallic than those contained in the policy in effect on the date hereof, for all present and former directors and officers of Gallic, covering claims made prior to or within five years after the Effective Time, and Petromanas agrees not to take any action to terminate or adversely affect such insurance. Petromanas shall, and shall cause Gallic or any successor to Gallic to, indemnify the directors and officers of Gallic to the fullest extent to which Gallic and Petromanas, as the case may be, are permitted to indemnify such officers and directors under their respective charter, by-laws, Laws and contracts of indemnity.

## 6.8 Fiduciary Obligations

It is acknowledged that the Gallic Supporting Securityholders have entered (or will enter) into the Gallic Support Agreements in their capacity as shareholders and that having done so does not derogate from the discharging of their duties as directors and/or officers of Gallic, as the case may be. It is further acknowledged that nothing contained herein or in the Gallic Support Agreements shall prevent any director or officer of Gallic from discharging his or her legal or fiduciary obligations as a director or officer, subject to compliance with this Agreement.

## 6.9 Third Party Beneficiaries

The provisions of Sections 6.7 and 6.8 are: (i) intended for the benefit of the employees of Petromanas and Gallic and all present and former directors and officers of Petromanas and Gallic, as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such Persons and his or her heirs, executors administrators and other legal representatives (collectively, the "**Third Party Beneficiaries**") and Petromanas and Gallic shall hold the rights and benefits of Sections 6.7 and 6.8 in trust for and on behalf of the Third Party Beneficiaries and Petromanas and Gallic hereby accept such trust and agree to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries, and (ii) in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

### **6.10 Additional Agreements**

Subject to the terms and conditions herein provided and to fiduciary obligations under applicable Law as advised by counsel in writing, each of the Parties hereto agrees to use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to co-operate with each other in connection with the foregoing, including using commercially reasonable efforts: (i) to obtain all necessary waivers, consents and approvals from other parties to material agreements, leases and other contracts; (ii) to obtain all necessary consents, approvals and authorizations as are required to be obtained under any federal, provincial or foreign Law or Regulations; (iii) to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby; (iv) to cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the Parties to consummate the transactions contemplated hereby; (v) to effect all necessary registrations and other filings and submissions of information requested by governmental authorities; and (vi) to fulfill all conditions and satisfy all provisions of this Agreement. For purposes of the foregoing, the obligation to use "commercially reasonable efforts" to obtain waivers, consents and approvals to loan agreements, leases and other contracts shall not include any obligation to agree to a materially adverse modification of the terms of such documents or to prepay or incur additional material obligations to such other parties.

### **6.11 Competition Act Approvals**

- (a) The Parties shall use their commercially reasonable efforts to take such action as may be required to secure the approvals set forth in Section 7.1(e) with respect to the Competition Act. Notwithstanding any other provision herein, in no event will Petromanas or any of its affiliates be required hereunder or otherwise to agree to any hold-separate, divestiture or other order, decree or restriction on the businesses of Petromanas or its respective affiliates, or any other business, the conduct thereof or future transactions. Petromanas shall have primary responsibility for the preparation and submission of all applications and filings under this clause 6.11(a) in respect of the Competition Act.
- (b) The Parties shall coordinate and cooperate in exchanging information and supplying assistance that is reasonably requested in connection with Section 6.11(a) above including providing each other with advanced copies and reasonable opportunity to comment on all notices and information supplied to or filed with any Governmental Authority with respect to any filings under the Competition Act (except for notices and information which Petromanas or Gallic, in each case acting reasonably, considers highly confidential and sensitive which may be provided on a confidential and privileged basis to outside counsel of the other Party), and all notices and correspondence received from any Governmental Authority with respect to any filings under the Competition Act.

## **ARTICLE 7 CONDITIONS**

### **7.1 Mutual Conditions Precedent**

The obligations of the Parties to complete the transactions contemplated by this Agreement, and in particular the Arrangement, are subject to the fulfillment, on or before the Effective Time, of each of the following conditions precedent, each of which may only be waived with the mutual consent of the Parties:

- (a) the Interim Order shall have been granted in form and substance satisfactory to each of the Parties, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to either of the Parties, acting reasonably, on appeal or otherwise;



- (b) the Gallic Arrangement Resolution shall have been passed by the Gallic Shareholders and Gallic Warrantholders in accordance with the Interim Order;
- (c) the Final Order shall have been granted in form and substance satisfactory to the Parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to either of the Parties, acting reasonably, on appeal or otherwise;
- (d) the Articles of Arrangement to be filed with the Registrar in accordance with this Agreement shall be in form and substance satisfactory to each of the Parties, acting reasonably;
- (e) either one or more of the following shall have occurred:
  - (i) an advance ruling certificate (an "**ARC**") pursuant to section 102 of the Competition Act shall have been issued by the Commissioner in respect of the transactions contemplated by this Agreement; or
  - (ii) the Commissioner shall have waived the obligation to notify and supply information under Part IX of the Competition Act pursuant to subsection 113(c) of the Competition Act and confirmed in writing that she has no intention to file an application under Part VIII of the Competition Act (a "**no-action letter**") in connection with the transactions contemplated by this Agreement, on terms satisfactory to Parties acting reasonably, and such no-action letter remains in full force and effect; or
  - (iii) the waiting period under section 123 of the Competition Act shall have expired or been terminated and the Commissioner shall have issued a no-action letter in connection with the transactions contemplated by this Agreement, on terms satisfactory to the Parties acting reasonably, and such no-action letter remains in full force and effect;
- (f) in addition to the requirements under Section 7.1(e), all other domestic and foreign regulatory (including any Laws that regulate competition, antitrust, foreign investment or transportation), stock exchange, governmental and third party approvals and consents required to be obtained (including, without limitation, the approval of the French ministry in charge of mines and the approval of the Australian Foreign Investment Review Board), or that the Parties mutually agree in writing to obtain in respect of the completion of the Arrangement, and the expiry of applicable waiting periods necessary to complete the Arrangement, shall have occurred or been obtained on terms and conditions acceptable to the Parties, each acting reasonably, including conditional approval of the listing of the Petromanas Shares issuable pursuant to the Arrangement on the TSXV, and all applicable domestic and foreign statutory and regulatory waiting periods shall have expired or have been terminated and no unresolved material objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory period;
- (g) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken, entered or promulgated before or by any Governmental Authority or by any elected or appointed public official or private Person in Canada or elsewhere, whether or not having the force of Law, and no Law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of Law) shall have been proposed, enacted, promulgated, amended or applied:
  - (i) which has the effect or may have the effect of cease trading, enjoining, prohibiting or imposing material limitations or conditions on the Arrangement; or

- (ii) which would have a Material Adverse Effect on the ability of the Parties to complete the Arrangement;
- (h) the Effective Date shall have occurred not later than the Outside Date; and
- (i) the mailing of the Information Circular shall occur not later than November 2, 2012.

## **7.2 Additional Conditions Precedent to the Obligations of Gallic**

The obligations of Gallic to complete the transactions contemplated by this Agreement and in particular to complete the Arrangement shall also be subject to the fulfillment of each of the following conditions precedent (each of which is for the exclusive benefit of Gallic and may be waived by Gallic):

- (a) all covenants of Petromanas under this Agreement to be performed on or before the Effective Time shall have been duly performed by Petromanas in all material respects, and Gallic shall have received a certificate of Petromanas addressed to Gallic and dated the Effective Date, signed on behalf of Petromanas by two of the senior executive officers of Petromanas (on Petromanas' behalf and without personal liability), confirming the same as of the Effective Date;
- (b) the representations and warranties of Petromanas set forth in this Agreement shall be true and correct in all respects (except for representations and warranties containing qualifiers as to materiality, which shall be true and correct) as of the date hereof and as of the Effective Time, as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of all such representations and warranties to be so true and correct in all respects would not reasonably be expected to have a Material Adverse Effect, and Gallic shall have received a certificate of Petromanas, addressed to Gallic and dated the Effective Date, signed on behalf of Petromanas by two of the senior executive officers of Petromanas (on Petromanas' behalf and without personal liability), confirming the same as of the Effective Date;
- (c) since the date hereof, there shall not have been or occurred a Material Adverse Effect with respect to Petromanas;
- (d) Gallic shall have determined in its discretion, acting reasonably, that there shall not be any pending or threatened suit, action or proceeding by any Person other than a Governmental Authority which has a reasonable likelihood of success, or by any Governmental Authority:
  - (i) seeking to prohibit, restrict or delay the consummation of the Arrangement or any of the material terms and conditions of the transaction contemplated herein or seeking to obtain from Gallic or Petromanas any material damages directly or indirectly in connection with the Arrangement;
  - (ii) seeking to prohibit or materially limit the ownership or operation by Petromanas, Gallic or any of their respective Affiliates or any material portion of the business or assets of Petromanas or any of its subsidiaries or to compel Gallic to dispose of or hold separate any material portion of the business or assets of Petromanas or any of its subsidiaries; or
  - (iii) which, if successful, in the judgement of Gallic is reasonably likely to have a Material Adverse Effect;

- (e) the Petromanas Shares issuable pursuant to the Arrangement shall not be subject to any hold period, restricted period or seasoning period under Canadian Securities Laws that shall not have been satisfied on the Effective Date; and
- (f) immediately prior to the Effective Time, there shall not be more than 635,000,000 Petromanas Shares (except for changes to such number resulting from exercises or conversions of Petromanas Options, Petromanas First Series Warrants or Petromanas Third Series Warrants and except for any Petromanas Performance Shares required to be issued).

### **7.3 Additional Conditions Precedent to the Obligations of Petromanas**

The obligations of Petromanas to complete the transactions contemplated by this Agreement shall also be subject to the following conditions precedent (each of which is for the exclusive benefit of Petromanas and may be waived by Petromanas):

- (a) all covenants of Gallic under this Agreement to be performed on or before the Effective Time shall have been duly performed by Gallic in all material respects, and Petromanas shall have received a certificate of Gallic, addressed to Petromanas and dated the Effective Date, signed on behalf of Gallic by two senior executive officers of Gallic (on Gallic's behalf and without personal liability), confirming the same as of the Effective Date;
- (b) the representations and warranties of Gallic set forth in this Agreement shall be true and correct in all respects (except for representations and warranties containing qualifiers as to materiality, which shall be true and correct) as of the date hereof and as of the Effective Time, as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or failures of all such representations and warranties to be so true and correct in all respects would not reasonably be expected to have a Material Adverse Effect, and Petromanas shall have received a certificate of Gallic, addressed to Petromanas and dated the Effective Date, signed on behalf of Gallic by two senior executive officers of Gallic (on Gallic's behalf and without personal liability), confirming the same as of the Effective Date;
- (c) since the date hereof, there shall not have been or occurred a Material Adverse Effect with respect to Gallic;
- (d) Petromanas shall have determined in its discretion, acting reasonably, that there shall not be any pending or threatened suit, action or proceeding by any Person other than a Governmental Authority which has a reasonable likelihood of success, or by any Governmental Authority:
  - (i) seeking to prohibit, restrict or delay the consummation of the Arrangement or any of the material terms and conditions of the transaction contemplated herein or seeking to obtain from Petromanas any material damages directly or indirectly in connection with the Arrangement;
  - (ii) seeking to prohibit or materially limit the ownership or operation by Petromanas, Gallic or any of their respective Affiliates or any material portion of the business or assets of Petromanas or any of its subsidiaries or to compel Gallic to dispose of or hold separate any material portion of the business or assets of Petromanas or any of its subsidiaries;
  - (iii) seeking to prohibit Petromanas from effectively controlling in any material respect the business or operations of Gallic or any of its subsidiaries; or

- (iv) which, if successful, in the judgement of Petromanas is reasonably likely to have a Material Adverse Effect;
- (e) immediately prior to the Effective Time, there shall not be more than 167,076,444 Gallic Shares (except for changes to such number resulting from exercises of Gallic Options, Gallic Warrants and Gallic RSUs in accordance with the terms hereof) and no other securities of Gallic outstanding (other than the Gallic Warrants to be exchanged for the Petromanas Replacement Warrants at the Effective Time), and all Gallic Options and Gallic RSUs and any other instruments convertible, exercisable or exchangeable for Gallic Shares (other than the Gallic Warrants) will have been exercised, terminated or cancelled in accordance with Section 2.9
- (f) immediately prior to the Effective Time, Gallic shall have no cash commitments other than those cash commitments disclosed in writing to Petromanas as of the date hereof;
- (g) Petromanas shall have received the Gallic Working Capital Statement from Gallic, which statement shall be acceptable to Petromanas acting reasonably and which shall provide that the Gallic Remaining Working Capital is not less than \$2,600,000;
- (h) all rights of first refusal or other similar contractual obligations granted by Gallic to any Person shall have expired, terminated or otherwise been waived in writing by such Person in whose favour such rights or other similar obligations were granted;
- (i) the Gallic Employee Obligations and all financial advisory, legal, printing, accounting and all other similar costs of Gallic in connection with the Arrangement, as disclosed in writing to Petromanas prior to the Effective Date, do not exceed in the aggregate \$1,300,000;
- (j) each of the directors and officers of Gallic (other than those agreed to by Petromanas) shall have provided their resignation, together with mutual releases, effective as of the Effective Date, each in form and substance and on such terms as are satisfactory to Petromanas, acting reasonably; and
- (k) the aggregate number of Gallic Shares held, directly or indirectly, by those Gallic Shareholders who have validly exercised rights of dissent and not withdrawn such exercise in connection with the Arrangement (or instituted proceedings to exercise such rights of dissent) shall not exceed 5% of the aggregate number of Gallic Shares outstanding as of the Effective Time.

#### **7.4 Notice and Cure Provisions**

Each of Petromanas, on the one hand, and Gallic on the other hand, will give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof until the Effective Date, of any event or state of facts which occurrence or failure would, or would be likely to:

- (a) constitute a material breach of any of its representations or warranties contained herein or which would cause such representations and warranties to be untrue or incorrect in any material respect on the Effective Date; or
- (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by the other hereunder prior to the Effective Date.

If any of the conditions set forth in Sections 7.1, 7.2 and 7.3 hereof shall not be satisfied, complied with or waived by the Party for whose benefit such conditions are provided on or before the date required for the performance thereof, then a Party for whose benefit the condition precedent is provided may rescind and terminate this Agreement as provided in Section 9.1(d) hereof; provided that neither Petromanas nor Gallic may elect to rescind and terminate this Agreement pursuant to the conditions contained in

Sections 7.1, 7.2 and 7.3 or exercise any termination right arising therefrom if the Party intending to rely thereon had knowledge at the date of this Agreement of any breaches of covenants, inaccuracies of representations and warranties or other matters which the Party delivering a notice pursuant to this Section 7.4 is asserting as the basis for the non-fulfillment of the applicable condition or the availability of a termination right, as the case may be and unless forthwith, and in any event prior to the filing of the Articles of Arrangement, the Party intending to rely thereon has delivered a written notice to the other Party specifying in reasonable detail all breaches of covenants, inaccuracies of representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfillment of the applicable condition or the availability of a termination right, as the case may be.

If any such notice is delivered, provided that a Party is proceeding diligently to cure any such matter capable of cure, no Party may terminate this Agreement until the expiration of a period of 5 Business Days from the date of receipt of such notice. If such notice has been delivered prior to the date of the Gallic Meeting, Gallic may elect to postpone the Gallic Meeting until the expiry of such period.

## **7.5 Satisfaction of Conditions**

The conditions precedent set out in this Article 7 shall be conclusively deemed to have been satisfied, waived or released when confirmation of filing the Articles of Arrangement has been issued by the Registrar in accordance with the terms of this Agreement.

## **ARTICLE 8 NON-SOLICITATION**

### **8.1 Covenants Regarding Non-Solicitation**

- (a) Gallic shall immediately cease and cause to be terminated all existing discussions and negotiations (including through any advisors or other parties on its behalf), if any, with any parties conducted before the date of this Agreement with respect to any Acquisition Proposal in respect of Gallic (other than in respect of Gallic's marketing of its Australian assets, which may be carried out subject to the prior written consent of Petromanas) and shall immediately request the return or destruction of all information respecting Gallic provided to any third parties who have entered into a confidentiality agreement with Gallic relating to an Acquisition Proposal in respect of Gallic and shall use all commercial efforts to ensure that such requests are honoured. Gallic undertakes to enforce all standstill, non-disturbance, non-solicitation and similar covenants that it has entered into prior to the date hereof.
- (b) Gallic shall not, directly or indirectly, do or authorize or permit any of its Representatives to do, any of the following:
  - (i) solicit, assist, initiate, encourage or in any way knowingly facilitate any Acquisition Proposal in respect of Gallic;
  - (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other Person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
  - (iii) waive, modify or release any third party from, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive, modify or release any third party from, or otherwise forbear in respect of, any rights or other benefits under confidential information agreements, including without limitation any "standstill provisions" thereunder; or

- (iv) accept, recommend, approve, agree to, endorse or propose publicly to accept, recommend, approve, agree to, or endorse or enter into an agreement to implement an Acquisition Proposal;

provided, however, that notwithstanding any other provision hereof, Gallic and its officers, directors and advisers may prior to the approval of the Gallic Arrangement Resolution at the Gallic Meeting:

- (v) enter into or participate in any discussions or negotiations with a third party who, without any solicitation, initiation or encouragement, directly or indirectly, after the date of this Agreement, by Gallic or any of its Representatives, seeks to initiate such discussions or negotiations and, subject to execution of a confidentiality and standstill agreement in favour of Gallic substantially similar to the Confidentiality Agreement (provided that such confidentiality agreement shall provide for disclosure thereof (along with all information provided thereunder) to Petromanas as set out below), may furnish to such third party information concerning Gallic and its business, properties and assets, in each case if, and only to the extent that:

- (A) the third party has first made a written *bona fide* Acquisition Proposal which the Gallic Board determines in good faith: (1) did not result from a breach of this Agreement or any other agreement between the third party making such Acquisition Proposal and Gallic; (2) complies with all applicable Laws; (3) in respect of which any financing, funds or other consideration necessary to complete the Acquisition Proposal have been demonstrated to the satisfaction of the Gallic Board (after receiving advice from its financial advisor(s) and outside legal counsel), to have been obtained or are reasonably likely to be obtained (as evidenced by a written financing commitment from one or more financially sound financial institutions of national reputation) to fund completion of the Acquisition Proposal at the time and on the basis set out therein; (4) after consultation with its financial advisor(s), would or would be reasonably likely to, if consummated in accordance with its terms, result in a transaction financially superior for the Gallic Shareholders compared to the transaction contemplated by this Agreement; (5) after consultation with its financial advisor(s) and outside legal counsel, is reasonably likely to be consummated without undue delay within the time and on the terms proposed, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal; (6) is not subject to any due diligence or access condition, other than to permit access to the books, records or personnel of Gallic which is not more extensive than that which would be customarily provided for confirmatory due diligence purposes and which access shall not extend beyond the fifth calendar day after which such access is first afforded to the Person making the Acquisition Proposal; and (7) after receiving the advice of outside legal counsel, as reflected in minutes of a meeting of the Gallic Board, that the taking of such action is necessary for the Gallic Board to act in a manner consistent with its fiduciary duties under applicable Laws (a "**Superior Proposal**"); and
- (B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, Gallic shall: (1) provide prompt notice to Petromanas to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such third party, together with a copy of the confidentiality and standstill agreement referenced above and, if not

previously provided to Petromanas, copies of all information provided to such third party concurrently with the provision of such information to such third party; (2) notify Petromanas orally and in writing of any inquiries, offers or proposals with respect to an actual or contemplated Superior Proposal (which written notice shall include a copy of any such proposal (and any amendments or supplements thereto), the identity of the Person making it, if not previously provided to Petromanas and copies of all information provided to the third party), within 24 hours of the receipt thereof; and (3) keep Petromanas informed of the status and details of any such inquiry, offer or proposal and answer the reasonable questions of Petromanas with respect thereto;

- (vi) comply with Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* and similar provisions under Canadian Securities Laws and U.S. Securities Laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its securityholders; and
  - (vii) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation: (i) the Gallic Board concludes in good faith, after considering all proposals to adjust the terms and conditions of this Agreement as contemplated by Section 8.1(c) and after receiving the advice of outside counsel as reflected in minutes of a meeting of the Gallic Board, that the taking of such action is necessary for the Gallic Board to act in a manner consistent with its fiduciary duties under applicable Laws; (ii) Gallic complies with its obligations set forth in Section 8.1(c); and (iii) Gallic terminates this Agreement in accordance with Section 9.1(f), and concurrently therewith pays the amount required by Section 8.2 to Petromanas.
- (c) Following receipt of a Superior Proposal, Gallic shall give Petromanas, orally and in writing, at least 72 hours advance notice of any decision by the Gallic Board to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall (i) confirm that the Gallic Board has determined that such Acquisition Proposal constitutes a Superior Proposal, (ii) identify the third party making the Superior Proposal, (iii) provide a true and complete copy thereof, including all financing documents, and any amendments thereto, and (iv) confirm that the Gallic Board will accept, recommend, approve or enter into an agreement to implement the Superior Proposal following the expiry of such 72 hour period if Petromanas and its financial and legal advisors have not made such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable Gallic to proceed with the Arrangement as amended, rather than the Superior Proposal.

During such 72 hour period, Gallic agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such 72 hour period, Gallic shall, and shall cause its financial and legal advisors to, negotiate in good faith with Petromanas and its financial and legal advisors to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable Gallic to proceed with the Arrangement as amended rather than the Superior Proposal. In the event Petromanas proposes to amend this Agreement and the Arrangement on a basis such that the Gallic Board determines that the proposed transaction is no longer a Superior Proposal and so advises the Gallic Board prior to the expiry of such period, the Gallic Board shall not accept, recommend, approve or enter into any agreement to implement such Acquisition Proposal and shall not release the party making the Acquisition Proposal from any standstill provisions and shall not

withdraw, redefine, modify or change its recommendation in respect of the Arrangement and the Parties will enter into an agreement to reflect such proposed amendments.

In the event that Gallic provides the notice contemplated by this Section 8.1(c) on a date which is less than 72 hours prior to the Gallic Meeting, Petromanas shall be entitled to require Gallic to adjourn or postpone the Gallic Meeting to a date that is not more than ten Business Days after the date of such notice.

- (d) Nothing contained in this Agreement shall prohibit the Gallic Board from withdrawing, modifying, qualifying or changing its recommendation to the Gallic Shareholders and Gallic Warranholders in respect of the transactions contemplated hereby prior to the receipt of the requisite approval by such securityholders, if the Gallic Board determines, in good faith (after consultation with its financial advisor(s) and after receiving written advice of outside counsel), that such withdrawal, modification, qualification or change is necessary for the Gallic Board to act in a manner consistent with its fiduciary duties under applicable Laws; provided that: (a) not less than 5 days before the Gallic Board considers any Acquisition Proposal in respect of any such withdrawal, modification, qualification or change, Gallic shall give Petromanas written notice of such proposal and promptly advise Petromanas of the proposed consideration of such proposal; and (b) the foregoing shall not relieve Gallic from its obligation to proceed to call and hold the Gallic Meeting and to hold the vote on the Gallic Arrangement Resolution (provided that, except as required under applicable Laws, Gallic shall be relieved from its obligations to actively solicit proxies in favour of the Arrangement in such circumstances), except in circumstances where this Agreement is terminated in accordance with the terms hereof.
- (e) Notwithstanding any other provision hereof, promptly, and in any event within one Business Day after the receipt by Gallic or by its Representatives of any Acquisition Proposal, or any material amendments to such Acquisition Proposal, or any request for non-public information relating to Gallic, Gallic shall notify Petromanas at first orally and then in writing, and such written notification shall include a copy of any Acquisition Proposal or material amendments to such Acquisition Proposal.
- (f) Gallic shall ensure that its Representatives are aware of the provisions of this Section 8.1 applicable to Gallic. Gallic shall be responsible for any breach of this Section 8.1 by its Representatives.

## 8.2 Agreement as to Damages

If at any time after the execution of this Agreement:

- (a) the Gallic Board has withdrawn, modified, qualified or changed any of its recommendations or determinations referred to in Section 2.3 (including, for greater certainty, in the circumstances contemplated by Section 8.1(d)) in a manner adverse to Petromanas or shall have resolved to do so prior to the Effective Date, or has failed to publicly reconfirm any such recommendation upon the request of Petromanas prior to the earlier of five days following such request or 72 hours prior to the Gallic Meeting (unless Petromanas is then in material breach of its obligations hereunder and such withdrawal, change or failure relates to such breach);
- (b) a *bona fide* Acquisition Proposal is publicly announced, proposed, offered or made to the Gallic Shareholders or any Person shall have publicly announced an intention to make a *bona fide* Acquisition Proposal in respect of Gallic and, after such Acquisition Proposal shall have been made known, made or announced, Gallic Shareholders and Gallic Warranholders do not approve the Arrangement or the Gallic Arrangement Resolution and such Acquisition Proposal or an amended version thereof relating to Gallic is



consummated or effected as applicable within twelve months of the date the first Acquisition Proposal is publicly announced, proposed, offered or made;

- (c) the Gallic Board accepts, recommends, approves or enters into an agreement to implement a Superior Proposal; or
- (d) Gallic is in breach of or non-compliance with any of its covenants made in this Agreement, which breach or non-compliance individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to Gallic or materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Gallic fails to cure such breach within 5 Business Days after receipt of written notice thereof from Petromanas;

(each of the above being a "**Damages Event**") then in the event of the termination of this Agreement pursuant to Section 9.1 as a result thereof Gallic shall pay to Petromanas, within two Business Days of the first to occur of the foregoing, a fee in the amount of \$350,860 as liquidated damages in immediately available funds to an account designated by Petromanas, and after such event but prior to payment of such amount, Gallic shall be deemed to hold such funds in trust for Petromanas; provided that in the case of a Damages Event pursuant to Section 8.2(c) such payment shall be made by Gallic to Petromanas concurrently with the acceptance, recommending, approving or entering into of the Superior Proposal by Gallic. Gallic shall only be obligated to pay a maximum of \$350,860 pursuant to this Section 8.2.

### **8.3 Fees and Expenses**

- (a) Subject to Sections 8.3(b) and 8.3(c), each Party shall pay all fees, costs and expenses incurred by such Party in connection with this Agreement and the Arrangement. Notwithstanding the foregoing Petromanas and Gallic shall share equally any filing fees and applicable Taxes payable for or in respect of any application, notification or other filing made under the Competition Act.
- (b) If: (i) this Agreement is terminated because of the failure of the condition in Section 7.3(b); or (ii) this Agreement is terminated by Petromanas pursuant to Section 9.1(c) and at the time of such termination there is a state of facts or circumstances that would cause the conditions set forth in Section 7.3(b) not to be satisfied, notwithstanding the availability of any cure period, Gallic shall pay Petromanas an amount equal to \$250,000 as reimbursement to Petromanas for its out-of-pocket expenses incurred in connection with the Arrangement, provided that if Petromanas is in material breach of its obligations hereunder at the time of the termination of the Agreement such amount will not be payable.
- (c) If: (i) this Agreement is terminated because of the failure of the condition in Section 7.2(b); or (ii) this Agreement is terminated by Gallic pursuant to Section 9.1(c) and at the time of such termination there is a state of facts or circumstances that would cause the conditions set forth in Section 7.2(b) not to be satisfied, notwithstanding the availability of any cure period, Petromanas shall pay Gallic an amount equal to \$250,000 as reimbursement to Gallic for its out-of-pocket expenses incurred in connection with the Arrangement, provided that if Gallic is in material breach of its obligations hereunder at the time of the termination of the Agreement such amount will not be payable.
- (d) No fee shall be payable by Gallic under Section 8.3(b) if Gallic has paid a fee under Section 8.2.

### **8.4 Liquidated Damages**

Each Party acknowledges that all of the payment amounts set out in this Article 8 are payments of liquidated damages which are a genuine pre-estimate of the damages which Petromanas or Gallic will

suffer or incur as a result of the event giving rise to such damages and resultant termination of this Agreement and are not penalties. Each Party irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, the Parties agree that the payment of any amounts pursuant to this Article 8 is the sole monetary remedy of Petromanas and Gallic; provided, however, that this limitation shall not apply in the event of fraud or wilful breach of this Agreement by a Party.

## **ARTICLE 9 TERMINATION, AMENDMENT AND WAIVER**

### **9.1 Termination**

This Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written consent of Petromanas and Gallic;
- (b) by either Petromanas or Gallic if: (i) the Gallic Arrangement Resolution shall have failed to receive the requisite vote of the appropriate securityholders for approval at the Gallic Meeting (including any adjournment or postponement thereof) in accordance with the Interim Order; or (ii) approval of the Final Order from the Court is not obtained, or if issued, has been set aside or modified in a manner unacceptable to Petromanas or Gallic, acting reasonably, on appeal or otherwise;
- (c) by either Petromanas or Gallic if the Effective Time shall not have occurred on or prior to the Outside Date, except that the right to terminate this Agreement under this Section 9.1(c) shall not be available to any Party whose failure to fulfill any of its obligations has been the cause of, or resulted in, the failure of the Effective Time to occur by such date;
- (d) as provided in Section 7.4; provided that the Party seeking termination is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 7.1 or Sections 7.2 or 7.3, as applicable, not to be satisfied;
- (e) by Petromanas upon the occurrence of a Damages Event as provided in Section 8.2; or
- (f) by either Petromanas or Gallic upon a decision by the Gallic Board to accept, recommend, approve or enter into an agreement to implement a Superior Proposal in accordance with Section 8.1(b)(vii), provided that, in the event of termination by Gallic under this Section 9.1(f), Gallic: (i) has complied with its obligations set forth in Section 8.1; and (ii) concurrently pays to Petromanas the amount required pursuant to Section 8.2.

### **9.2 Effect of Termination**

In the event of the termination of this Agreement in the circumstances set out in paragraphs (a) through (f) of Section 9.1, this Agreement shall forthwith become void and neither Party shall have any liability or further obligation to the other Party hereunder, except with respect to the obligations set forth in Sections 8.2, 8.3 and 8.4, where applicable. Nothing contained in this Section shall relieve any Party from liability for any breach of any provision of this Agreement. No termination of this Agreement shall affect the obligations of the Parties pursuant to the Confidentiality Agreements, except to the extent specified therein.

### 9.3 Amendment and Waiver

This Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Gallic Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties, subject to the Interim Order, the Final Order and applicable Laws.

Either Party may:

- (a) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (b) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; and
- (c) waive compliance with or modify any conditions precedent herein contained,

provided however that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party and such waiver shall apply only to the specific matters identified in such instrument.

## ARTICLE 10 GENERAL

### 10.1 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement (referred to in this Section as a "**Notice**") shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or e-mail:

- (a) If to Gallic at:

Gallic Energy Ltd.  
Suite 1000, 205 – 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 2V7  
Attention: Jason Bednar, Chairman  
Fax: (403) 930-7595  
Email: [Email address redacted]

with a copy to:

Davis LLP  
Suite 1000, 250 – 2<sup>nd</sup> Street S.W.  
Calgary, AB T2P 0C1  
Attention: Trevor Wong-Chor  
Fax: (403) 296-4474  
Email: [twong-chor@davis.ca](mailto:twong-chor@davis.ca)

- (b) If to Petromanas at:

Petromanas Energy Inc.  
1720, 734 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3P8  
Attention: Glen McNamara, Chief Executive Officer  
Fax: (403) 457-4480  
Email: [gmcnamara@petromanas.com](mailto:gmcnamara@petromanas.com)

with a copy to:

Norton Rose Canada LLP  
3700, 400 3rd Ave SW  
Calgary, AB T2P 4H2  
Attention: Chris Wolfenberg  
Fax: (403) 264-5973  
Email: [chris.wolfenberg@nortonrose.com](mailto:chris.wolfenberg@nortonrose.com)

Any Notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day.

Any Party may, from time to time, change its address by giving Notice to the other Parties in accordance with the provisions of this Section.

## **10.2 Assignment**

Neither this Agreement nor any rights or obligations under this Agreement shall be assignable by operation of law, amalgamation or otherwise by any Party without the prior written consent of the other Party. Subject thereto, this Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. No third party shall have any rights hereunder unless expressly stated to the contrary.

## **10.3 Further Assurances**

The Parties shall with reasonable diligence do all such things and provide all such reasonable assurances as may be required to consummate the transaction contemplated by this Agreement, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions.

## **10.4 Expenses**

Subject to Sections 8.2 and 8.3, the Parties agree that all costs and expenses of the Parties relating to the Agreement and the transactions contemplated hereby, including legal fees, accounting fees, financial advisory fees, regulatory filing fees, all disbursements of advisors and printing and mailing costs, shall be paid by the Party incurring such expenses.

## **10.5 Execution and Delivery**

This Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile or functionally equivalent electronic means and all such counterparts shall together constitute one and the same agreement.

**IN WITNESS WHEREOF** the Parties hereto have executed this Agreement as of the date first written above.

**PETROMANAS ENERGY INC.**

By: (Signed) *Glen McNamara*  
Name: Glen McNamara  
Title: Chief Executive Officer

**GALLIC ENERGY LTD.**

By: (Signed) *Jason Bednar*  
Name: Jason Bednar  
Title: Director

**SCHEDULE A**

**PLAN OF ARRANGEMENT UNDER SECTION 193  
OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)**

## ARTICLE 1 INTERPRETATION

- 1.1 In this Plan of Arrangement, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

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

**"AcquisitionCo"** means Petromanas Acquisitions Ltd., a corporation incorporated under the ABCA;

**"AcquisitionCo Shares"** means the common shares of AcquisitionCo;

**"AmalCo"** means the corporation resulting from the amalgamation of AcquisitionCo and Gallic pursuant to Section 3.1(c) hereof;

**"Arrangement"**, **"herein"**, **"hereof"**, **"hereunder"** and similar expressions mean and refer to the arrangement involving Petromanas, Gallic, AcquisitionCo, the Gallic Shareholders and the Gallic Warrantholders pursuant to section 193 of the ABCA, on the terms and conditions set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;

**"Arrangement Agreement"** means the arrangement agreement dated October 1, 2012 between Petromanas and Gallic with respect to the Arrangement, and all amendments thereto;

**"Articles of Arrangement"** means the articles of arrangement in respect of the Arrangement required under the ABCA to be filed with the Registrar after the Final Order has been made;

**"Business Day"** means any day which is not a Saturday, Sunday or statutory holiday in the Province of Alberta on which the principal commercial banks in downtown Calgary are generally open for the transaction of commercial banking business during regular business hours;

**"Certificate"** means the certificate of arrangement or amalgamation, as the case may be, giving effect to the Arrangement, issued pursuant to subsection 193(11) of the ABCA after the Articles of Arrangement have been filed;

**"Court"** means the Court of Queen's Bench of Alberta;

**"Depository"** means Valiant Trust Company (or such other depository as agreed to by Gallic and Petromanas) at its offices referred to in the Letter of Transmittal;

**"Dissent Rights"** means the right of a registered Gallic Shareholder to dissent to the resolution approving the Arrangement and to be paid the fair value of the Gallic Shares in respect of which the holder dissents, all in accordance with section 191 of the ABCA, the Interim Order and Article 5 hereof;

**"Dissenting Shareholders"** means the registered Gallic Shareholders that validly exercise the Dissent Rights and **"Dissenting Shareholder"** means any one of them;

**"Effective Date"** means the date the Arrangement becomes effective under the ABCA;

**"Effective Time"** means the time at which the Arrangement becomes effective on the Effective Date in accordance with the ABCA;

**"Exchanging Gallic Shareholders"** means Gallic Shareholders who elect to exchange their Gallic Shares for Petromanas Shares;

**"Final Order"** means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA in respect of Gallic, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Gallic"** means Gallic Energy Ltd., a corporation existing under the ABCA;

**"Gallic Meeting"** means the special meeting of Gallic Shareholders and Gallic Warrantholders to be held to consider, and if deemed advisable, to authorize and approve the Arrangement and related matters, in accordance with the Interim Order, and any adjournments thereof;

**"Gallic Options"** means the options to purchase Gallic Shares outstanding and unexercised, whether vested or not vested, at any given date and granted under any stock option plans or stock option agreements of Gallic, and **"Gallic Optionholders"** means the holders of Gallic Options from time to time;

**"Gallic Remaining Working Capital"** means an amount equal to the aggregate of the current assets of Gallic (on a consolidated basis) (excluding, for greater certainty, the value of any lands or interests therein held by Gallic but including the book value of the 5.5" casing located in France) less all of Gallic's current liabilities (on a consolidated basis), in each case as at the Effective Date, provided that such amount shall be: (a) increased by any amounts paid, payable or accrued in respect of: (i) legal, financial advisory, accounting fees, printing costs and TSX Venture Exchange fees pertaining directly to the Arrangement; and (ii) severance and termination costs and change of control payments as a result of the Arrangement; and (b) decreased by any amounts received or receivable in respect of the exercise of any convertible securities of Gallic, including Gallic Options, Gallic Warrants and Gallic RSUs;

**"Gallic RSUs"** means the restricted stock units granted by Gallic;

**"Gallic Shares"** means the Class A Shares in the capital of Gallic as constituted on the date hereof, and **"Gallic Shareholders"** means the holders from time to time of Gallic Shares;

**"Gallic Warrants"** means the issued and outstanding warrants of Gallic entitling the holder thereof to purchase Gallic Shares, and **"Gallic Warrantholders"** means the holders from time to time of Gallic Warrants;

**"Gallic Working Capital Statement"** means the statement prepared by Gallic as at the Effective Date for the purpose of calculating the Gallic Remaining Working Capital;

**"Interim Order"** means an interim order of the Court concerning the Arrangement pursuant to subsection 193(4) of the ABCA in respect of Gallic, the Gallic Shareholders and the Gallic Warrantholders, containing declarations and directions with respect to the Arrangement and the holding of the Gallic Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Letter of Transmittal"** means the Letter of Transmittal for use by Gallic Shareholders and Gallic Warrantholders to be delivered in connection with the Arrangement;

**"Person"** includes an individual, sole proprietorship, partnership, firm, entity, association, corporation, company, limited liability company, unincorporated association, unincorporated syndicate or organization, trust, body corporate, joint venture, business organization, trustee, executor, administrator, legal representative, government or any other entity, whether or not having legal status;



**"Petromanas"** means Petromanas Energy Inc., a corporation existing under the ABCA;

**"Petromanas Replacement Warrant"** means a warrant or right to purchase Petromanas Shares granted in replacement of Gallic Warrants on the basis set forth herein;

**"Petromanas Shares"** means common shares in the capital of Petromanas constituted on the date hereof, and **"Petromanas Shareholder"** means holders from time to time of Petromanas Shares;

**"Plan"** or **"Plan of Arrangement"** means this plan of arrangement as amended or supplemented from time to time in accordance with the terms hereof and Section 9.3 of the Arrangement Agreement;

**"Registrar"** means the Registrar duly appointed under section 263 of the ABCA; and

**"Tax Act"** means the *Income Tax Act* (Canada), R.S.C. 1985, c.I. (5th Supp), as amended, including the regulations promulgated thereunder.

- 1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.
- 1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles, sections, subsections and subparagraphs are to articles, sections, subsections and subparagraphs of this Plan of Arrangement.
- 1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.
- 1.5 In the event that the date on which any action is required to be taken hereunder by any of the parties hereto is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.
- 1.6 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

## **ARTICLE 2 ARRANGEMENT AGREEMENT**

- 2.1 This Plan of Arrangement is made pursuant and subject to the provisions of, and forms part of, the Arrangement Agreement.
- 2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate, will become effective on, and be binding on and after, the Effective Time on: (a) the Gallic Shareholders; (b) Gallic Warrantholders; (c) Gallic; (d) Petromanas; and (e) AcquisitionCo.
- 2.3 Gallic shall prepare and deliver to Petromanas the Gallic Working Capital Statement by the close of business on the Business Day immediately preceding the date scheduled to be the Effective Date. The Articles of Arrangement will not be filed, and the Plan of Arrangement will not become effective, until Petromanas confirms in writing, acting reasonably, that it accepts the Gallic Working Capital Statement.

- 2.4 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

### **ARTICLE 3 ARRANGEMENT**

- 3.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise expressly provided herein:
- (a) the Gallic Shares held by Dissenting Shareholders who have exercised Dissent Rights which remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Petromanas and as of the Effective Time, such Dissenting Shareholders shall cease to have any rights as Gallic Shareholders, other than the right to be paid by Petromanas the fair value of their Gallic Shares in accordance with the Dissent Rights;
  - (b) the Gallic Shares held by Exchanging Gallic Shareholders shall be transferred to Petromanas (free of any claims) in exchange for Petromanas Shares, and each Gallic Shareholder (other than Dissenting Shareholders) shall receive for each Gallic Share registered in the Gallic Shareholder's name immediately prior to the Effective Time, 0.3736 of a Petromanas Share for each Gallic Share so transferred;
  - (c) AcquisitionCo and Gallic shall be amalgamated and continued as one corporation under the ABCA to form AmalCo in accordance with the following:
    - (i) *Name.* The name of AmalCo shall be Petromanas Acquisitions Ltd.;
    - (ii) *Registered Office.* The registered office of AmalCo shall be the registered office of AcquisitionCo;
    - (iii) *Share Provisions.* AmalCo shall be authorized to issue an unlimited number of common shares of AmalCo;
    - (iv) *Restrictions on Transfer.* No shares of AmalCo shall be transferred to any person without the approval of the Board of Directors of AmalCo by resolution;
    - (v) *Directors and Officers.*
      - (A) *Minimum and Maximum.* The directors of AmalCo shall, until otherwise changed in accordance with the ABCA, consist of a minimum number of one director and a maximum number of ten directors;
      - (B) *Initial Directors.* The initial directors of AmalCo shall be the directors of AcquisitionCo; and
      - (C) *Initial Officers.* The initial officers of AmalCo shall be the officers of AcquisitionCo;
    - (vi) *Business and Powers.* There shall be no restrictions on the business AmalCo may carry on or on the powers it may exercise;

- (vii) *Stated Capital.* The aggregate stated capital of AmalCo will be an amount equal to the aggregate of the paid-up capital for the purposes of the Tax Act of the AcquisitionCo Shares and the Gallic Shares immediately before the amalgamation;
- (viii) *By-laws.* The by-laws of AmalCo shall be the by-laws of AcquisitionCo, mutatis mutandis;
- (ix) *Effect of Amalgamation.* The provisions of subsections 186(b), (c), (d), (e) and (f) of the ABCA shall apply to the amalgamation with the result that:
  - (A) all of the property of each of AcquisitionCo and Gallic shall continue to be the property of AmalCo;
  - (B) AmalCo shall continue to be liable for all of the obligations of each of AcquisitionCo and Gallic;
  - (C) any existing cause of action, claim or liability to prosecution of AcquisitionCo or Gallic shall be unaffected;
  - (D) any civil, criminal or administrative action or proceeding pending by or against AcquisitionCo or Gallic may be continued to be prosecuted by or against AmalCo; and
  - (E) a conviction against, or ruling, order or judgment in favour of or against, AcquisitionCo or Gallic may be enforced by or against AmalCo;
- (x) *Articles.* The Articles of Arrangement filed shall be deemed to be the articles of amalgamation of AmalCo and the Certificate issued in respect of such Articles of Arrangement by the Registrar under the ABCA which gives effect to the Arrangement shall be deemed to be the certificate of amalgamation of AmalCo;
- (xi) *Inconsistency with Laws.* To the extent any of the provisions of this Plan of Arrangement is deemed to be inconsistent with applicable laws, this Plan of Arrangement shall be automatically adjusted to remove such inconsistency; and
- (xii) *Exchange and Cancellation of Gallic Shares.* On the amalgamation:
  - (A) each issued and outstanding Gallic Share (other than Gallic Shares held by Petromanas) shall be cancelled and such holder's name shall be removed from the register of holders of Gallic Shares as of the Effective Date, and in consideration therefor, the holder thereof shall receive 0.3736 of a Petromanas Share for each Gallic Share so cancelled, and the Petromanas Shares held by such holder shall be added to the register of holders of Petromanas Shares as of the Effective Date;
  - (B) the issued and outstanding AcquisitionCo Shares shall survive and continue to be shares of AmalCo without amendment;
  - (C) the issued and outstanding Gallic Shares held by Petromanas shall be cancelled and in exchange Petromanas shall receive an equal number of common shares of AmalCo and the common shares of AmalCo held by Petromanas shall be added to the register of holders of common shares of AmalCo as of the Effective Date.

## (xiii) Exchange and Cancellation of Gallic Warrants. On the amalgamation:

- (A) each Gallic Warrant outstanding at the Effective Time shall be exchanged with Petromanas for a Petromanas Replacement Warrant to purchase that number of Petromanas Shares equal to the product of 0.3736 multiplied by the number of Gallic Shares subject to such Gallic Warrant and at an exercise price per Petromanas Share equal to the exercise price per Gallic Share subject to such Gallic Warrant immediately prior to the Effective Time divided by 0.3736, rounded up to the nearest penny. If the foregoing calculation results in a Petromanas Replacement Warrant being exercisable for a fraction of an Petromanas Share, then the number of Petromanas Shares subject to such Petromanas Replacement Warrant shall be rounded down to the next whole number of Petromanas Shares and the total exercise price for the Petromanas Replacement Warrant will be reduced by the exercise price of the fractional Petromanas Share. The term to expiry, conditions to and manner of exercising, vesting schedule, and all other terms and conditions of such Petromanas Replacement Warrant shall be the same as the Gallic Warrant for which it was exchanged, as adjusted to take into account the Arrangement.

3.2 Petromanas, Gallic, AcquisitionCo and AmalCo shall make the appropriate entries in their respective securities registers to reflect the matters referred to in Section 3.1.

3.3 With respect to each Exchanging Gallic Shareholder at the Effective Time, upon the transfer of each Gallic Share pursuant to Section 3.1(b):

- (a) each holder of a Gallic Share shall cease to be a holder of the Gallic Shares so transferred and the name of such holder shall be removed from the register of holders of Gallic Shares as it relates to the Gallic Shares so transferred; and
- (b) Petromanas shall allot and issue to such holder the number of Petromanas Shares issuable to such holder on the basis set forth in Section 3.1(b), and the name of such holder shall be added to the register of holders of Petromanas Shares.

3.4 With respect to each Gallic Shareholder (other than Dissenting Shareholders and Exchanging Gallic Shareholders) at the Effective Time, upon the cancellation of each Gallic Share pursuant to subparagraph 3.1(c)(xii)(A):

- (a) each holder of a Gallic Share shall cease to be a holder of the Gallic Shares so cancelled and the name of such holder shall be removed from the register of holders of Gallic Shares as it relates to the Gallic Shares so cancelled; and
- (b) Petromanas shall allot and issue to such holder the number of Petromanas Shares issuable to such holder on the basis set forth in subparagraph 3.1(c)(xii)(A), and the name of such holder shall be added to the register of holders of Petromanas Shares.

3.5 With respect to each Gallic Warrantholder at the Effective Time, upon the exchange of each Gallic Warrant pursuant to subparagraph 3.1(c)(xiii)(A):

- (a) each holder of a Gallic Warrant shall cease to be a holder of the Gallic Warrants so exchanged and the name of such holder shall be removed from the register of holders of Gallic Warrants as it relates to the Gallic Warrants so exchanged; and

- (b) Petromanas shall allot and issue to such holder the number of Petromanas Replacement Warrants issuable to such holder on the basis set forth in subparagraph 3.1(c)(xiii)(A), and the name of such holder shall be added to the register of holders of Petromanas Replacement Warrants.
- 3.6 Petromanas, Gallic and the Depositary shall be entitled to deduct and withhold from any consideration otherwise payable to any Gallic Shareholder or Gallic Warrantholder under this Plan of Arrangement (including, without limitation, any amounts payable pursuant to Section 5.1 hereof), such amounts as Petromanas, Gallic or the Depositary determines, acting reasonably, are required or reasonably believes to be required to be deducted and withheld from such consideration in accordance with the Tax Act, the United States Internal Revenue Code of 1986 or any provision of any other applicable law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such deducted and withheld amounts are remitted to the appropriate taxing authority.
- 3.7 An Exchanging Gallic Shareholder shall be entitled to make an income tax election, pursuant to subsection 85(1) or 85(2) of the Tax Act, as applicable (and the analogous provisions of provincial or territorial income tax law) with respect to the transfer by the Exchanging Gallic Shareholder of Gallic Shares to Petromanas by providing two signed copies of the necessary election forms to Petromanas within 90 days following the Effective Date, duly completed with the details of the number of Gallic Shares transferred and the applicable agreed amount or amounts for the purposes of such election. Thereafter, subject to the election forms complying with the provisions of the Tax Act (or applicable provincial or territorial income tax law), the forms will be signed by Petromanas and returned to such Exchanging Gallic Shareholder within 30 days after the receipt thereof by Petromanas for filing with the Canada Revenue Agency (or the applicable provincial or territorial taxing authority). Petromanas will not be responsible for the proper completion of any election form and, except for the obligation of Petromanas to so sign and return duly completed election forms which are received by Petromanas within 90 days of the Effective Date, Petromanas will not be responsible for any taxes, interest or penalties resulting from the failure by an Exchanging Gallic Shareholder to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial or territorial legislation). In its sole discretion, Petromanas may choose to sign and return an election form received by it more than 90 days following the Effective Date, but Petromanas will have no obligation to do so.

#### **ARTICLE 4**

##### **OUTSTANDING CERTIFICATES AND FRACTIONAL SECURITIES**

- 4.1 From and after the Effective Time, certificates formerly representing Gallic Shares and Gallic Warrants shall represent only the right to receive the consideration to which the holders are entitled under the Arrangement, or as to those held by Dissenting Shareholders, to receive the fair value of the Gallic Shares represented by such certificates.
- 4.2 Petromanas, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Gallic Shares or Gallic Warrants of a duly completed Letter of Transmittal and the certificates representing such Gallic Shares or Gallic Warrants, as the case may be, either will:
- (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or
  - (b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder;

certificates representing the number of Petromanas Shares or Petromanas Replacement Warrants, as the case may be, issued to such holder under the Arrangement.

- 4.3 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Gallic Shares or Gallic Warrants that were transferred or cancelled pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement. Unless otherwise agreed to by Petromanas, the person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to Petromanas and its transfer agent, which bond is in form and substance satisfactory to Petromanas and its transfer agent, or shall otherwise indemnify Petromanas and its transfer agent against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.
- 4.4 All dividends and distributions made with respect to any Petromanas Shares allotted and issued pursuant to this Arrangement but for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. All monies received by the Depositary shall be invested by it in interest-bearing trust accounts upon such terms as the Depositary may reasonably deem appropriate. Subject to Section 4.5, the Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such distributions and any interest thereon to which such holder, is entitled, net of any applicable withholding and other taxes.
- 4.5 Subject to any applicable laws relating to unclaimed property, any certificate formerly representing Gallic Shares or Gallic Warrants that is not deposited with all other documents as required by this Plan of Arrangement on or before the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature and, for greater certainty, the right of the holder of such Gallic Shares or Gallic Warrants to receive certificates representing Petromanas Shares or Petromanas Replacement Warrants, respectively, shall be deemed to be surrendered to Petromanas together with all dividends, distributions or cash payments thereon held for such holder.
- 4.6 No fractional Petromanas Shares will be issued. In the event that a holder of Gallic Shares would otherwise be entitled to a fractional Petromanas Share hereunder, the number of Petromanas Shares issued to such holder of Gallic Shares shall be rounded up to the next greater whole number of Petromanas Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next lesser whole number of Petromanas Shares if the fractional entitlement is less than 0.5. In calculating such fractional interests, all Gallic Shares registered in the name of or beneficially held by such holder of Gallic Shares or their nominee shall be aggregated.

## **ARTICLE 5**

### **DISSENTING SHAREHOLDERS**

- 5.1 Each registered holder of Gallic Shares shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order. A Dissenting Shareholder shall, at the Effective Time, cease to have any rights as a holder of Gallic Shares and shall only be entitled to be paid by Petromanas the fair value of the holder's Gallic Shares. A Dissenting Shareholder who is paid the fair value of the holder's Gallic Shares shall be deemed to have transferred the holder's Gallic Shares to Petromanas at the Effective Time, notwithstanding the provisions of section 191 of the ABCA. A Dissenting Shareholder who, for any reason is not entitled to be paid the fair value of the holder's Gallic Shares, shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting holder of Gallic Shares that is not an Exchanging Gallic Shareholder, notwithstanding the provisions of section 191 of the ABCA. The fair value of the Gallic Shares shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the holders of Gallic

Shares and Gallic Warrants, voting together as a single class, at the Gallic Meeting or, if not the same day, the day the last approval is obtained; but in no event shall Gallic be required to recognize such Dissenting Shareholder as shareholders of Gallic after the Effective Time and the names of such holders shall be removed from the applicable Gallic register of shareholders as at the Effective Time. For greater certainty, in addition to any other restrictions in section 191 of the ABCA, no person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

## **ARTICLE 6 AMENDMENTS**

- 6.1 Gallic and Petromanas may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (a) set out in writing; (b) filed with the Court and, if made following the Gallic Meeting, approved by the Court; and (c) communicated to Gallic Shareholders and Gallic Warrantholders if and as required by the Court.
  
- 6.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Gallic and Petromanas at any time prior to or at the Gallic Meeting with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Gallic Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
  
- 6.3 Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Gallic Meeting shall be effective only if: (a) it is consented to by each of Gallic and Petromanas; and (b) if required by the Court or applicable law, it is consented to by Gallic Shareholders and Gallic Warrantholders.
  
- 6.4 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time but shall only be effective if it is consented to by each of Petromanas and Gallic, provided that such amendment, modification or supplement concerns a matter which, in the reasonable opinion of Petromanas and Gallic, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of Petromanas and Gallic or any former Gallic Shareholder or former Gallic Warrantholder.

**SCHEDULE B**

**REPRESENTATIONS AND WARRANTIES OF GALLIC**



## **1. Organization and Qualification of Gallic**

Each of Gallic and its subsidiaries is a corporation duly incorporated or organized and validly existing under the Laws of the jurisdiction of its incorporation or organization, as the case may be, and has the requisite corporate power and authority to own its properties and conduct its business as now owned and conducted. Each of Gallic and its subsidiaries is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect.

## **2. Authority Relative to this Agreement**

Gallic has the requisite corporate authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the Gallic Board, and no other corporate proceedings on the part of Gallic are necessary to authorize this Agreement and the transactions contemplated hereby (except for obtaining approval of the Gallic Arrangement Resolution). This Agreement has been duly executed and delivered by Gallic and constitutes a legal, valid and binding obligation of Gallic enforceable against Gallic in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Laws relating to or affecting creditors' rights generally, and to general principles of equity.

## **3. Subsidiaries**

Gallic has no direct or indirect subsidiaries or any interest in any partnership, corporation or other business organization, other than Exceed Energy (Australia) Pty. Ltd., Gallic Lux 1, Exceed Investments Inc., Gallic Lux 2, and Exceed Energy (France) S.A.S. Gallic is the beneficial direct or indirect owner of all of the outstanding shares and partnership interests and other ownership interests of Gallic's subsidiaries with good title thereto free and clear of any and all Encumbrances, except for security interests in such securities for the interests of the lenders under Gallic's credit facility. There are no options, warrants or other rights, plans, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by any of Gallic's subsidiaries of any securities of Gallic's subsidiaries or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of any of Gallic's subsidiaries. All outstanding securities of Gallic's subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor where they issued in violation of, any pre-emptive right.

## **4. No Violations**

- (a) None of the execution and delivery of this Agreement by Gallic, the consummation of the transactions contemplated hereby or the compliance by Gallic with any of the provisions hereof will: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Gallic or its subsidiaries under, any of the terms, conditions or provisions of: (A) the certificate and articles of amalgamation and by-laws of Gallic, as amended; or (B) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which Gallic or its subsidiaries is a party or to which any of them, or any of their respective properties or assets, may be subject or by which Gallic is bound; (ii) violate any judgement, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Gallic (except, in the case of each of clauses (i) and (ii) for such violations, conflicts, breaches, defaults or terminations which, or any consents, approvals or notices which if not given or received, would not have a Material Adverse Effect or prevent, materially restrict or materially delay the

consummation of the Arrangement or the other transactions contemplated hereby); or (iii) cause the suspension or revocation of any authorization, consent, approval or licence currently in effect which would have a Material Adverse Effect or prevent, materially restrict or materially delay the consummation of the Arrangement or the other transactions contemplated hereby.

- (b) Other than in connection with or in compliance with the provisions of Canadian Securities Laws: (i) there is no legal impediment to Gallic's consummation of the transactions contemplated by this Agreement; and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Gallic or its subsidiaries in connection with the making or the consummation by Gallic of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have a Material Adverse Effect or prevent, materially restrict or materially delay the consummation of the Arrangement or the other transactions contemplated hereby.
- (c) There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place, whether written or oral, to which Gallic or its subsidiaries, or, to the knowledge of Gallic, any director, officer, employee or consultant or any Affiliate of such Persons is a party or is otherwise bound that would now or hereafter: (i) limit in any material respect either the type of business in which Gallic or its subsidiaries may engage or the manner or locations in which any of them may so engage in any business; (ii) could require the disposition of any material assets or line of business of Gallic or its subsidiaries; (iii) grant "most favoured nation" status; or (iv) prohibits or limits the right of Gallic or its subsidiaries to make, sell or distribute any products or services or use, transfer, license, distribute or enforce any of their respective intellectual property rights.
- (d) The execution, delivery and performance of this Agreement does not and will not result in the restriction of Gallic from engaging in its business or from competing with any Person or in any geographical area.

## **5. Capitalization of Gallic**

- (a) The authorized share capital of Gallic consists of an unlimited number of Gallic Shares, an unlimited number of Gallic Class B Shares, an unlimited number of Gallic Class C Shares and an unlimited number of Gallic Preferred Shares, issuable in series. As of the date hereof, 167,076,444 Gallic Shares, no Gallic Class B Shares, no Gallic Class C Shares and no Gallic Preferred Shares are issued and outstanding. As of the date hereof, up to 9,020,000 (8,420,000 as of October 15, 2012) Gallic Shares are issuable pursuant to the exercise of outstanding Gallic Options, 71,350,000 Gallic Shares are issuable pursuant to the exercise of outstanding Gallic Warrants and 625,000 Gallic Shares are issuable pursuant to the exercise of outstanding Gallic RSUs. Except as set forth in the immediately preceding sentence, there are no options, puts, calls, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Gallic of any securities of Gallic (including Gallic Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Gallic (including Gallic Shares), nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attributes of Gallic. All outstanding Gallic Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights.
- (b) Gallic has disclosed in writing to Petromanas prior to the execution of this Agreement the particulars of all grants and issuances of Gallic Options, Gallic Warrants and Gallic RSUs, including the exercise prices, grant dates and expiry dates.

**6. No Material Adverse Effect**

Since December 31, 2011, there has not been any Material Adverse Effect with respect to Gallic.

**7. Information**

All material data and information provided by Gallic to Petromanas and its Representatives does not, to the knowledge of Gallic, contain a misrepresentation.

**8. No Undisclosed Material Liabilities**

Other than as disclosed in writing to Petromanas, except: (a) as disclosed or reflected in the Gallic Financial Statements; and (b) for liabilities and obligations: (i) incurred in the ordinary course of business and consistent with past practice; or (ii) pursuant to the terms of this Agreement, Gallic has not incurred any material Liabilities of any nature, whether accrued, contingent or otherwise or which would be required by GAAP to be reflected on a consolidated balance sheet of Gallic as of the date hereof.

**9. Impairment**

Neither the making nor the completion of the Arrangement will result in a Material Adverse Effect in respect of Gallic.

**10. Financial Commitments**

Except for the fees payable to Macquarie Capital Markets Canada Ltd. and advisory fees related to the Arrangement, Gallic has no individual outstanding financial commitments not made in accordance with the 2012 Gallic budget or pursuant to the termination and change of control costs as specifically communicated in writing to Petromanas.

**11. Employee Obligations and Transaction Costs**

- (a) Gallic has disclosed in writing to Petromanas prior to the execution of this Agreement the details of the Gallic Employee Obligations and an estimate of all financial advisory, legal, printing, accounting and all other similar costs of Gallic in connection with the Arrangement.
- (b) The Gallic Employee Obligations and all financial advisory, legal, printing, accounting and all other similar costs of Gallic in connection with the Arrangement do not exceed in the aggregate \$1,300,000.

**12. Brokerage Fees**

Gallic has not retained nor will it retain any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except that Macquarie Capital Markets Canada Ltd. has been retained to provide the Gallic Fairness Opinion. Gallic has delivered to Petromanas a true and complete copy of its agreements with Macquarie Capital Markets Canada Ltd. and Gallic hereby agrees not to amend such agreements without Petromanas' consent, not to be unreasonably withheld. There are no fees payable to such advisors other than those disclosed in such agreements.

**13. Conduct of Business**

Since December 31, 2011 and except as contemplated herein, each of Gallic and its subsidiaries has conducted and is conducting its business substantially in accordance with good oilfield and environmental

practices and in compliance in all material respects with all applicable Laws, rules and regulations and, in particular, all applicable licensing, Regulatory Approvals and environmental legislation, regulations or by-laws or other requirements of any governmental or regulatory bodies applicable to Gallic and its subsidiaries in each jurisdiction in which they carry on business and hold licences, Regulatory Approvals, registrations and qualifications material to their business and assets in all jurisdictions in which they carry on business which are necessary or desirable to carry on the business of Gallic and its subsidiaries, as now conducted, and where the failure to so conduct business or be in such compliance would have a Material Adverse Effect and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any Material Adverse Effect.

#### **14. Books and Records**

The corporate records and minute books of Gallic have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects.

#### **15. Litigation, etc.**

There is no Claim, action, proceeding, inquiry or investigation pending or, to the knowledge of Gallic, threatened against or relating to Gallic or its subsidiaries or affecting any of their properties or assets before any court or Governmental Authority or body that, if adversely determined, is likely to have a Material Adverse Effect on Gallic or prevent or materially delay consummation of the transactions contemplated by this Agreement nor is Gallic aware of any basis for any such Claim, action, proceeding or investigation. Gallic is not subject to any outstanding order, writ, injunction or decree that has had or is reasonably likely to have a Material Adverse Effect on Gallic or its subsidiaries or prevent or materially delay consummation of the transactions contemplated by this Agreement.

#### **16. Environmental**

- (a) Neither Gallic nor its subsidiaries has received any notice, claim or demand from any Governmental Authority, that it is in violation of any Environmental Laws;
- (b) to the knowledge of Gallic, Gallic and its subsidiaries has operated its business at all times and has generated, received, handled, used, stored, treated, shipped, recycled and disposed of all contaminants in material compliance with Environmental Laws;
- (c) to the knowledge of Gallic, there have been no material spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes when Gallic or any of its subsidiaries was the operator and within Gallic's or its subsidiaries' ownership, possession or control, other than those which have been or are in the process of being rectified, on any of the real property owned or leased by Gallic or its subsidiaries;
- (d) to the knowledge of Gallic, there have been no material releases, deposits or discharges, in violation of Environmental Laws, of any hazardous or toxic substances, contaminants or wastes, within Gallic's or its subsidiaries' ownership, possession or control, into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Gallic or its subsidiaries;
- (e) no orders, directions or notices have been issued and remain outstanding and to the knowledge of Gallic, no orders, directions or notices have been threatened pursuant to any Environmental Laws relating to the business or assets of Gallic or its subsidiaries other than abandonment and reclamation orders, directions or notices issued in connection with the normal course of business; and

- (f) as of the date hereof, where Gallic or any of its subsidiaries is the operator, each of Gallic and its subsidiaries holds all licences, permits and regulatory approvals required under any Environmental Laws in connection with the operation of their respective business and the ownership and use of their assets and all such licences, permits and regulatory approvals are in full force and effect.

## 17. Insurance

To the knowledge of Gallic, policies of insurance in force as of the date hereof naming Gallic and its directors and officers as an insured provide terms and coverage comparable to those that are customarily carried and insured against by owners of comparable business, properties and assets. All such policies of insurance shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated hereby or by the Arrangement.

## 18. Tax Matters

- (a) **Returns Filed and Taxes Paid.** All Tax Returns required to be filed or made by or on behalf of Gallic or any of the subsidiaries have been duly filed or made on a timely basis and such Tax Returns are, to the knowledge of Gallic, true, complete and correct in all material respects. All Taxes shown to be payable on the Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis or have been accrued for on Gallic's financial statements, and no other Taxes are payable by Gallic or any of the subsidiaries with respect to items or periods covered by such Tax Returns.
- (b) **Tax Reserves.** For the year ended December 31, 2011, Gallic and each of its subsidiaries has paid all applicable Taxes or Gallic has provided adequate accruals in the Gallic Financial Statements for all such unpaid Taxes. The audited financial statements for the year ended December 31, 2011 disclose all future income taxes in conformity with GAAP.
- (c) **Tax Returns Furnished.** For all periods ending on and after December 31, 2011, Petromanas has been furnished by Gallic with true and complete copies of: (i) relevant portions of income tax audit reports, statements of deficiencies, or agreements relating to Taxes of Gallic and each of its subsidiaries; and (ii) all separate federal, provincial, state, local or foreign income or franchise Tax Returns for Gallic and each of its subsidiaries.
- (d) **Tax Deficiencies, Audits, Statutes of Limitations.** No material deficiencies exist or have been asserted with respect to Taxes of Gallic or each of its subsidiaries. Neither Gallic nor any of its subsidiaries are party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against Gallic, any of its subsidiaries or their assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Tax Returns of Gallic or any of its subsidiaries. The Tax Returns of Gallic and each of its subsidiaries have never been audited by a government or taxing authority, nor is any such audit in process, pending or threatened.
- (e) **Withholding Taxes.** Gallic and each of its subsidiaries have duly and timely withheld, or caused to be withheld, all Taxes required or permitted by applicable Laws to be withheld by it (including Taxes and other amounts required or permitted to be withheld by it in respect of any amount paid or credited or deemed to be paid or credited by it to or for the account of any Person, including any present or former employees, officers or directors and any Persons who are non-residents of the particular jurisdiction) and duly and timely remitted, or caused to be remitted, to the appropriate Tax authority such Taxes required by applicable Laws to be remitted by it.

- (f) **Indemnification obligations.** Neither Gallic nor any of its subsidiaries are party to any indemnification, allocation or sharing agreement with respect to Taxes that could give rise to a payment or indemnification obligation in respect of Taxes of any other Person.

## **19. Gallic Financial Statements**

The Gallic Financial Statements fairly present, in accordance with GAAP, consistently applied, the financial position and condition of Gallic at the dates thereof and the results of the operations of Gallic for the periods then ended and reflect in accordance with GAAP, consistently applied, all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Gallic as at the dates thereof.

## **20. Employee Benefit Plans**

Except as disclosed in writing to Petromanas, Gallic:

- (a) has no retirement savings plans (either registered or unregistered) or other employee benefit plans, other than the employee stock savings plan, and has not made any promises with respect to increased benefits under such plans;
- (b) has provided adequate accruals in the Gallic Financial Statements (or such amounts are fully funded) for all pension or other employee benefit obligations of Gallic arising under or relating to each of the pension or retirement income plans or other employee benefit plans or agreements or policies maintained by or binding on Gallic as well as for any other payment required to be made by Gallic in connection with the termination of employment or retirement of any employee of Gallic in respect of the fiscal period ended December 31, 2011; and
- (c) has no stock option plans or arrangements other than the Gallic Stock Option Plan, the Gallic RSUs and the Gallic Warrants and, except as otherwise disclosed herein, is not otherwise a party to any agreement to provide any Gallic Shares or other Gallic securities (including any securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire Gallic Shares) or to provide any options to acquire Gallic Shares or any other Gallic securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Gallic Shares to any Person other than pursuant to the Gallic Stock Option Plan, the Gallic RSUs and the Gallic Warrants.

## **21. Employment Agreements**

Other than as disclosed in writing to Petromanas, Gallic is not a party to any written employment agreement. Except as disclosed to Petromanas in writing, Gallic is not a party to any written or oral policy, agreement, obligation or understanding or any amendment thereto which contains any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause on giving reasonable notice as may be implied by law.

## **22. Engineering Reports**

Gallic has made available to the Gallic Reserves Engineers prior to the issuance of the Gallic Resources Report, for the purpose of preparing such report, all information requested by the Gallic Reserves Engineers, which information did not, at the time such information was provided, contain any material misrepresentation. Gallic has no knowledge of any Material Adverse Change to the oil and gas reserves of Gallic from that disclosed in the Gallic Resources Report.

**23. Title**

Although Gallic does not warrant title to its Petroleum and Natural Gas Rights, except for Permitted Encumbrances, its Petroleum and Natural Gas Rights are free and clear of all liens, adverse claims, charges and encumbrances created by, through or under Gallic or its Affiliates.

**24. Quiet Possession**

Except as disclosed in writing to Petromanas, to the knowledge of Gallic and subject to the rents, covenants and conditions of the Leases to be paid, performed and observed by the lessee, Gallic may hold the Petroleum and Natural Gas Rights for the remainder of the terms of the Leases, and all renewals or extensions of them, for its own benefit without interruption by any Person claiming by, through or under Gallic.

**25. No Net Profits or Other Interests**

No officer, director, employee or any other Person not dealing at arm's length with Gallic or, to the knowledge of Gallic, any associate or Affiliate of any such Person, owns, has or is entitled to any royalty, net profits interest, carried interest or any other Encumbrances or Claims of any nature whatsoever which are based on production from the Properties or any revenue or rights attributed thereto.

**26. Production Allowables and Production Penalties**

- (a) During the period of time in which Gallic was the operator of such Wells, none of the Wells has been produced in excess of applicable production allowables imposed by any applicable Law or any Governmental Authority and Gallic does not have any knowledge of any impending change in production allowables imposed by any applicable Law or any Governmental Authority that may be applicable to any of the Wells, other than changes of general application in the jurisdiction in which the Wells are situate.
- (b) Gallic has not received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority, including gas-oil ratio, off-target and overproduction penalties, and, to Gallic's knowledge, none of the Wells is subject to any such penalty or restriction.

**27. No Reduction of Interests**

None of the Petroleum and Natural Gas Rights are subject to reduction by reference to payout of or production penalty on Gallic's working interest in any Well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under Gallic.

**28. Royalties, Rentals and Taxes Paid**

To the knowledge of Gallic, all royalties and rentals payable on or before the date hereof under the Documents of Title and similar arrangements based upon or measured by the ownership of such assets or the production of Petroleum Substances derived therefrom or allocated thereto or the proceeds of sales thereof payable on or before the date hereof have been properly paid in full and in a timely manner or accrued in the Gallic Financial Statements.

**29. Outstanding Authorizations for Expenditure**

Other than as disclosed to Petromanas in writing, there are no outstanding authorizations for expenditure pertaining to any of the Properties or any other commitments, approvals or authorizations approved by Gallic or received by Gallic for approval, pursuant to which an expenditure may be required to be made in respect of the Properties after the date of the most recent Gallic Financial Statements.

**30. Hedging**

Gallic is not a party to, or bound by any currently outstanding interest rate swaps, foreign exchange swaps, commodity price hedging contracts and similar derivative contracts.

**31. Areas of Mutual Interest**

There are no active areas of mutual interest provisions or areas of exclusion in any of the material agreements or title and operating documents to which the Petroleum and Natural Gas Rights are subject.

**32. Off-Set Obligation**

As of the date hereof, Gallic has not received any written notice that the Leases in respect of the Petroleum and Natural Gas Rights are subject to any accrued drilling or off-set obligations which have not been satisfied or permanently waived.

**33. Take or Pay Obligations**

Gallic does not have any take or pay obligations of any kind or nature whatsoever.

**34. Operation and Condition of Wells**

- (a) All the Wells:
  - (i) for which Gallic was or is operator, during the applicable time, were or have been drilled and, if and as applicable, completed, operated and abandoned in accordance with good and prudent oil and gas industry practices in Canada and in material compliance with all applicable Law; and
  - (ii) for which Gallic was not or is not operator, to Gallic's knowledge, were or have been drilled and, if and as applicable, completed, operated and abandoned in accordance with good and prudent oil and gas industry practices in Canada and in material compliance with all applicable Law.
- (b) Gallic has disclosed in writing to Petromanas prior to the execution of this Agreement a complete and accurate description of the wells, facilities and lands of Gallic and its subsidiaries as at the date hereof.

**35. Operation and Condition of Tangibles**

The Tangibles used or intended for use in connection with the Properties for which Gallic has been operator, were or have been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and in material compliance with all applicable Law during all periods in which Gallic was operator thereof.

**36. Notice of Disputes**

Gallic has not received notice of, and does not have knowledge of, any dispute or Claim, potential or otherwise, involving any Governmental Authority or other Person, including without limitation aboriginal groups, which Gallic reasonably believes would have a Material Adverse Effect on any oil and gas exploration, development or production operations of Gallic or its subsidiaries.



### **37. Processing and Transportation Commitments**

Gallic does not have any third party processing or transportation agreements or any obligations to deliver sales volumes to any other Person that have not been entered into with arm's length third parties and in the ordinary course of business of Gallic. Gallic has provided to Petromanas a complete list of all such processing and transportation agreements and obligations to deliver sales volumes.

### **38. Flow-Through Obligations**

Gallic has not entered into any agreements or made any covenants with any parties with respect to the issuance of "flow-through" shares or the incurring and renunciation of Canadian exploration expense or Canadian development expense.

### **39. No Default Under Lending Agreements**

No event of default or event that, with the passage of time or the giving of notice would be an event of default or other breach of any covenant has occurred and is continuing under Gallic's existing banking and lending agreements.

### **40. Tax Pools**

Gallic's estimated aggregate tax pools are not less than \$8.7 million. For the purposes of this provision, "aggregate tax pools" means, in respect of Gallic directly, the total of the following balances for its taxation year ended December 31, 2011: undepreciated capital cost of all classes of depreciable property, cumulative Canadian exploration expense balance, cumulative Canadian development expense balance, cumulative oil and gas property expense balance, previously undeducted non-capital loss carry-forward balances for each year, cumulative eligible capital balance and previously undeducted financing expense balance for the purpose of paragraph 20(1)(e) of the Tax Act, as all such terms are defined for the purpose of the Tax Act and the *Alberta Corporate Tax Act*, R.S.A. 2000, c. A-15.

### **41. Compliance with Law**

Gallic has complied with and is in compliance with all Laws and regulations applicable to the operation of its business, except where such non-compliance would not, considered individually or in the aggregate, have a Material Adverse Effect or materially effect the ability of Gallic to consummate the transactions contemplated hereby.

### **42. U.S. Matters**

No class of securities of Gallic is registered or required to be registered pursuant to section 12 of the U.S. Exchange Act, nor does Gallic or any of its subsidiaries have a reporting obligation pursuant to section 15(d) of the U.S. Exchange Act.

Gallic, including all entities "controlled by" Gallic for purposes of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, does not and prior to completion of the Arrangement will not, hold assets located in the United States with a fair market value in excess of U.S.\$68.2 million in the aggregate. During the 12-month period ended December 31, 2011, Gallic did not make sales in or into the United States in excess of U.S. \$68.2 million in the aggregate.

Gallic is a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act. The principal offices of Gallic are not located within the United States. Gallic is not registered or required to be registered as an "investment company" within the meaning of the United States Investment Company Act of 1940, as amended.

**43. Restrictions on Business Activities**

There is no agreement, judgement, injunction, order, decree, understanding or other restriction with any Person binding upon Gallic which has or could have the effect of materially restricting, prohibiting or impairing:

- (a) any current or currently proposed business practice of Gallic;
- (b) Gallic from carrying on its business with any customer or within any geographic region;
- (c) any acquisition of property by Gallic; or
- (d) the conduct of business by Gallic as currently conducted or as currently proposed to be conducted by Gallic.

**44. Confidentiality Agreements**

Gallic has not waived or released the applicability of any "standstill" or other provisions of any confidentiality agreements entered into by Gallic.

**45. Fairness Opinion**

Gallic has received a verbal fairness opinion from its financial advisor stating that, as of the date hereof, the consideration to be received by Gallic Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Gallic Shareholders, which Gallic Fairness Opinion shall be included in the Information Circular.

**46. Interested Party Transactions**

Gallic is not indebted to or otherwise obligated to:

- (a) the Gallic Supporting Securityholders or any subsidiary or entity controlled by them; or
- (b) any director, officer, employee of, or any Person not dealing at arm's length with, Gallic, including without limitation the Gallic Supporting Securityholders.

No director, officer, employee or agent of, or any other Person not dealing at arm's length with Gallic has any indebtedness, Liability or obligation to Gallic or is a party to any contract, arrangement or understanding or other transactions required to be disclosed pursuant to applicable Laws.

**47. Material Agreements**

Except for Documents of Title, this Agreement and the material agreements made available to Petromanas, there are no contracts or agreements to which Gallic is a party or by which Gallic is bound, which is material to Gallic. All agreements, permits, licences, regulatory approvals, plans, certificates and other rights and authorizations held by Gallic as operator which are material to the conduct of the business of Gallic are valid and subsisting and Gallic is not in material default under any such agreements, permits, licences, Regulatory Approvals, plans, certificates and other rights and authorizations.

**48. Transferred Information**

Gallic: (i) has provided all necessary notices to and has obtained all necessary consents from each individual to which the Transferred Information relates for the collection, use and disclosure of such information for the purposes for which such information is currently and was historically collected, used

and disclosed by Gallic and for the completion of the transactions contemplated herein; and (ii) has not received notice, or has reason to believe, that any such consent has been withdrawn or varied. The Transferred Information is necessary for, and solely relates to, the completion of the transactions as contemplated herein, including the determination to complete such transactions.

#### **49. Disclosure**

Gallic has not withheld from Petromanas any material information or documents concerning Gallic or its assets or liabilities during the course of Petromanas' review of Gallic and its assets. No representation or warranty contained herein and no statement contained in any schedule or other disclosure document provided or to be provided to Petromanas by Gallic pursuant hereto contains or will contain any untrue statement of a material fact or omits to state a material fact which is necessary in order to make the statements herein or therein not misleading.

#### **50. Debt and Working Capital**

Gallic has no long term debt and the working capital of Gallic is not less than \$3,944,000 as of June 30, 2012. The Gallic Remaining Working Capital forecast provided in writing by Gallic to Petromanas as of the date of this Agreement is a true and complete estimate, as of the date hereof, of the Gallic Remaining Working Capital as of November 30, 2012.

#### **51. Compliance With Securities Laws**

No securities commission, stock exchange or similar regulatory authority in Canada or the United States has issued any order which is currently outstanding preventing or suspending trading in any securities of Gallic, no such proceeding is, to the knowledge of Gallic, pending, contemplated or threatened and Gallic is not, to its knowledge, in default of any requirement of any Canadian Securities Laws, rules or policies applicable to Gallic or its securities. Gallic is a reporting issuer (where such concept exists) in the provinces of British Columbia and Alberta and is in material compliance with all Canadian Securities Laws therein and the Gallic Shares are listed and posted for trading on the TSXV and Gallic is in material compliance with the rules of the TSXV.

#### **52. Payments**

Since January 1, 2012, neither Gallic nor any of its subsidiaries has (i) declared, set aside or paid any dividend in respect of its outstanding shares; (ii) made any payment to directors, officers and employees of Gallic other than in the ordinary course of business; or (iii) except as disclosed in writing to Petromanas by Gallic, redeemed, purchased or otherwise acquired any of its outstanding shares or other securities.

#### **53. No Shareholder Rights Plan**

Gallic is not a party to and, prior to the Effective Date, Gallic will not implement, a shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Gallic Shares or other securities of Gallic or rights, entitlements or privileges in favour of any Person upon the entering into of this Agreement or the Arrangement

#### **54. No Escrow**

Other than the Gallic Support Agreements, none of the Gallic Shares are the subject of any escrow, voting trust or other similar agreement.

#### **55. Accounts Receivable**

To the knowledge of Gallic, all accounts receivable in any material amount of Gallic are collectible.

**56. Indemnification**

Gallic is not bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of Gallic or applicable Laws and other than standard indemnity agreements in underwriting and agency agreements and in the ordinary course provided to its lenders and to service providers and in title documentation applicable to its assets) or any like commitment in respect of the obligations, liabilities (contingent or otherwise) or indebtedness of any other Person.

**57. Foreign Corrupt Practices**

Neither Gallic nor any of its subsidiaries nor any director, officer, agent, employee or other person acting on behalf of Gallic or any of its subsidiaries has offered or given, and Gallic does not have any knowledge of any person that has offered or given on its behalf, anything of value to: (i) any official of a Governmental Authority, any political party or official thereof or any candidate for political office; (ii) any customer or member of any Governmental Authority; or (iii) any other person, in any such case while knowing or having reason to know that all or a portion of such money or thing of value may be offered, given or promised, directly or indirectly, to any customer or member of any Governmental Authority or any candidate for political office for the purpose of the following: (i) influencing any action or decision of such person, in such person's official capacity, including a decision to fail to perform such person's official function; (ii) inducing such person to use such person's influence with any Governmental Authority to affect or influence any act or decision of such Governmental Authority to assist Gallic or any of its subsidiaries in obtaining or retaining business for, with, or directing business to, any person; or (iii) where such payment would constitute a bribe, rebate, payoff, influence payment, kickback or illegal or improper payment to assist Gallic or any of its subsidiaries in obtaining or retaining business for, with, or directing business to, any person.

**SCHEDULE C**

**REPRESENTATIONS AND WARRANTIES OF PETROMANAS**

## **1. Organization and Qualification**

Each of Petromanas and its subsidiaries is a corporation duly incorporated and organized or formed, as the case may be, and validly existing under the Laws of the jurisdiction of its incorporation or organization, as the case may be, and has the requisite corporate power and authority to own its properties and conduct its business as now owned and conducted. Each of Petromanas and its subsidiaries is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect. Since incorporation, AcquisitionCo has not carried on any business.

## **2. Authority Relative to this Agreement**

Petromanas has the requisite corporate authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the Petromanas Board, and no other corporate proceedings on the part of Petromanas are necessary to authorize this Agreement and the Arrangement. This Agreement has been duly executed and delivered by Petromanas and constitutes a legal, valid and binding obligation of Petromanas enforceable against Petromanas in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Laws relating to or affecting creditors' rights generally, and to general principles of equity.

## **3. Subsidiaries**

Other than Petromanas Albania GmbH and AcquisitionCo, Petromanas does not have any subsidiaries nor does it have any interest in any partnership, corporation or other business organization.

## **4. No Violations**

- (a) None of the execution and delivery of this Agreement by Petromanas, the consummation of the transactions contemplated hereby or the compliance by Petromanas with any of the provisions hereof will: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Petromanas or any of its subsidiaries under, any of the terms, conditions or provisions of: (A) the certificate and articles of incorporation and by-laws of Petromanas, as amended; or (B) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which Petromanas or any of its subsidiaries is a party or to which any of them, or any of their respective properties or assets, may be subject or by which Petromanas or any of its subsidiaries is bound; (ii) violate any judgement, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Petromanas or any of its subsidiaries (except, in the case of each of clauses (i) and (ii) for such violations, conflicts, breaches, defaults or terminations which, or any consents, approvals or notices which if not given or received, would not have a Material Adverse Effect or prevent, materially restrict or materially delay the consummation of the Arrangement or the other transactions contemplated hereby); or (iii) cause the suspension or revocation of any authorization, consent, approval or licence currently in effect which would have a Material Adverse Effect or prevent, materially restrict or materially delay the consummation of the Arrangement or the other transactions contemplated hereby.
- (b) Other than in connection with or in compliance with the provisions of Canadian Securities Laws: (i) there is no legal impediment to Petromanas' consummation of the Arrangement; and (ii) no filing or registration with, or authorization, consent or approval of, any domestic

or foreign public body or authority is necessary by Petromanas in connection with the making or the consummation by Petromanas of the Arrangement, except for the approval of the TSXV for the issuance of Petromanas Shares pursuant thereto, any necessary approvals under the Competition Act and such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would not have a Material Adverse Effect or prevent, materially restrict or materially delay the consummation of the Arrangement or the other transactions contemplated hereby.

- (c) There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place, whether written or oral, to which Petromanas or any of its subsidiaries, or, to the knowledge of Petromanas, any director, officer, employee or consultant or any Affiliate of such Persons is a party or is otherwise bound that would now or hereafter: (i) limit in any material respect either the type of business in which Petromanas or any of its subsidiaries may engage or the manner or locations in which any of them may so engage in any business; (ii) could require the disposition of any material assets or line of business of Petromanas or any of its subsidiaries; (iii) grant "most favoured nation" status; or (iv) prohibits or limits the right of Petromanas or any of its subsidiaries to make, sell or distribute any products or services or use, transfer, license, distribute or enforce any of their respective intellectual property rights.
- (d) The execution, delivery and performance of this Agreement does not and will not result in the restriction of Petromanas from engaging in its business or from competing with any Person or in any geographical area.

## **5. Capitalization of Petromanas**

- (a) The authorized share capital of Petromanas consists of an unlimited number of Petromanas Shares and an unlimited number of Petromanas Preferred Shares. As of the date hereof, 631,041,466 Petromanas Shares are issued and outstanding and no Petromanas Preferred Shares are issued and outstanding. As of the date hereof, 43,590,000 Petromanas Shares are issuable pursuant to the exercise of outstanding Petromanas Options and 107,990,000 Petromanas Shares are issuable pursuant to the exercise of outstanding Petromanas First Series Warrants and Petromanas Third Series Warrants. As of the date hereof, 50,000,000 Petromanas Shares are issuable pursuant to the Petromanas Performance Shares. Except as set forth in the immediately preceding sentence, there are no options, puts, calls, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Petromanas of any shares of Petromanas (including Petromanas Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of Petromanas (including Petromanas Shares), nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attribute of Petromanas. All outstanding Petromanas Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights.
- (b) Petromanas has disclosed in writing to Gallic prior to the execution of this Agreement the particulars of all grants and issuances of Petromanas Options, including the exercise prices, grant dates and expiry dates.

## **6. No Material Adverse Effect**

Since December 31, 2011, there has not been any Material Adverse Effect with respect to Petromanas.

**7. Information**

All material data and information provided by Petromanas to Gallic and its Representatives does not, to the knowledge of Petromanas, contain a misrepresentation.

**8. No Undisclosed Material Liabilities**

Except: (a) as disclosed or reflected in the Petromanas Financial Statements or otherwise publicly disclosed; and (b) for liabilities and obligations: (i) incurred in the ordinary course of business and consistent with past practice; or (ii) pursuant to the terms of this Agreement, Petromanas has not incurred any material Liabilities of any nature, whether accrued, contingent or otherwise or which would be required by GAAP to be reflected on a consolidated balance sheet of Petromanas as of the date hereof.

**9. Impairment**

Neither the making nor the completion of the Arrangement will result in a Material Adverse Effect in respect of Petromanas.

**10. Financial Commitments**

Except for the fees payable to Black Spruce Merchant Capital Corp., Raymond James Ltd. and National Bank Financial Inc. and advisory fees related to the Arrangement, Petromanas has no material individual outstanding financial commitments not made in accordance with the 2012 Petromanas budget.

**11. Brokerage Fees**

Petromanas has not retained nor will it retain any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, except that: (a) Black Spruce Merchant Capital Corp. and Raymond James Ltd. have been retained as financial advisors of Petromanas; and (b) National Bank Financial Inc. has been retained as strategic financial advisor of Petromanas in connection with certain matters including the transactions contemplated hereby. Petromanas has delivered to Gallic a true and complete copy of its agreements with Black Spruce Merchant Capital Corp., Raymond James Ltd. and National Bank Financial Inc. and Petromanas hereby agrees not to amend such agreements without Gallic's consent, not to be unreasonably withheld. There are no fees payable to such advisors other than those disclosed in such agreements.

**12. Conduct of Business**

Since December 31, 2011 and except as contemplated herein, Petromanas has conducted and is conducting its business substantially in accordance with good oilfield and environmental practices and in compliance in all material respects with all applicable Laws, rules and regulations and, in particular, all applicable licensing, Regulatory Approvals and environmental legislation, regulations or by-laws or other requirements of any governmental or regulatory bodies applicable to Petromanas in each jurisdiction in which it carries on business and holds licences, Regulatory Approvals, registrations and qualifications material to its business and assets in all jurisdictions in which it carries on business which are necessary or desirable to carry on the business of Petromanas, as now conducted, and where the failure to so conduct business or be in such compliance would have a Material Adverse Effect and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any Material Adverse Effect.

**13. Books and Records**

The corporate records and minute books of Petromanas have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects.



#### **14. Litigation, etc.**

Except as has been disclosed in writing to Gallic prior to the date hereof, there is no Claim, action, proceeding, inquiry or investigation pending or, to the knowledge of Petromanas, threatened against or relating to Petromanas or any of its subsidiaries or affecting any of their properties or assets before any court or Governmental Authority or body that, if adversely determined, is likely to have a Material Adverse Effect on Petromanas or prevent or materially delay consummation of the transactions contemplated by this Agreement nor is Petromanas aware of any basis for any such Claim, action, proceeding or investigation. Neither Petromanas nor any of its subsidiaries is subject to any outstanding order, writ, injunction or decree that has had or is reasonably likely to have a Material Adverse Effect on Petromanas or prevent or materially delay consummation of the transactions contemplated by this Agreement.

#### **15. Environmental**

- (a) Neither Petromanas nor its subsidiaries has received any notice, claim or demand from any Governmental Authority, that it is in violation of any Environmental Laws;
- (b) to the knowledge of Petromanas, each of Petromanas and its subsidiaries has operated its business at all times and has generated, received, handled, used, stored, treated, shipped, recycled and disposed of all contaminants in material compliance with Environmental Laws;
- (c) to the knowledge of Petromanas, there have been no material spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes when Petromanas or its subsidiaries were the operator and within Petromanas' or its subsidiaries' ownership, possession or control, other than those which have been or are in the process of being rectified, on any of the real property owned or leased by Petromanas or any of its subsidiaries;
- (d) to the knowledge of Petromanas, there have been no material releases, deposits or discharges, in violation of Environmental Laws, of any hazardous or toxic substances, contaminants or wastes, within Petromanas' or its subsidiaries' ownership, possession or control, into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Petromanas or its subsidiaries;
- (e) no orders, directions or notices have been issued and remain outstanding and to the knowledge of Petromanas, no orders, directions or notices have been threatened, pursuant to any Environmental Laws relating to the business or assets of Petromanas or its subsidiaries other than abandonment and reclamation orders, directions or notices issued in connection with the normal course of business; and
- (f) as of the date hereof, where Petromanas or any of its subsidiaries is the operator, to its knowledge, holds all licences, permits and regulatory approvals required under any Environmental Laws in connection with the operation of its respective business and the ownership and use of its assets and all such licences, permits and regulatory approvals are in full force and effect.

#### **16. Insurance**

To the knowledge of Petromanas, policies of insurance in force as of the date hereof naming Petromanas and its directors and officers as an insured provide terms and coverage comparable to those that are customarily carried and insured against by owners of comparable business, properties and assets. All such policies of insurance shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated hereby or by the Arrangement.

## 17. Tax Matters

- (a) **Returns Filed and Taxes Paid.** All Tax Returns required to be filed or made by or on behalf of Petromanas or any of its subsidiaries have been duly filed or made on a timely basis and such Tax Returns are, to the knowledge of Petromanas, true, complete and correct in all material respects. All Taxes shown to be payable on the Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis or have been accrued for on Petromanas' financial statements, and no other Taxes are payable by Petromanas or any of the subsidiaries with respect to items or periods covered by such Tax Returns.
- (b) **Tax Reserves.** For the year ended December 31, 2011, Petromanas and each of its subsidiaries have paid all applicable Taxes or Petromanas has provided adequate accruals in the Petromanas Financial Statements for all such unpaid Taxes. The audited financial statements for the year ended December 31, 2011 disclose all future income taxes in conformity with GAAP.
- (c) **Tax Returns Furnished.** For all periods ending on and after December 31, 2011, Gallic has been furnished by Petromanas with true and complete copies of: (i) relevant portions of income tax audit reports, statements of deficiencies, or agreements relating to Taxes; and (ii) all separate federal, provincial, state, local or foreign income or franchise Tax Returns for Petromanas.
- (d) **Tax Deficiencies, Audits, Statutes of Limitations.** No material deficiencies exist or have been asserted with respect to Taxes of Petromanas. Petromanas is not party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against Petromanas or its assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Tax Returns of Petromanas. The Tax Returns of Petromanas have never been audited by a government or taxing authority, nor is any such audit in process, pending or threatened.

## 18. Petromanas Financial Statements

The Petromanas Financial Statements fairly present, in accordance with GAAP, consistently applied, the financial position and condition of Petromanas at the dates thereof and the results of the operations of Petromanas for the periods then ended and reflect in accordance with GAAP, consistently applied, all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Petromanas as at the dates thereof.

## 19. Employee Benefit Plans

Petromanas:

- (a) has no retirement savings plans (either registered or unregistered) or other employee benefit plans, and has not made any promises with respect to increased benefits under such plans;
- (b) has provided adequate accruals in the Petromanas Financial Statements (or such amounts are fully funded) for all pension or other employee benefit obligations of Petromanas arising under or relating to each of the pension or retirement income plans or other employee benefit plans or agreements or policies maintained by or binding on Petromanas as well as for any other payment required to be made by Petromanas in connection with the termination of employment or retirement of any employee of Petromanas in respect of the fiscal period ended December 31, 2011; and

- (c) has no stock option plans or arrangements other than the Petromanas Stock Option Plan and, except as otherwise disclosed herein, is not otherwise a party to any agreement to provide any Petromanas Shares or other Petromanas securities (including any securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire Petromanas Shares) or to provide any options to acquire Petromanas Shares or any other Petromanas securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Petromanas Shares to any Person, other than pursuant to the Petromanas Stock Option Plan, the Petromanas First Series Warrants, the Petromanas Third Series Warrants and the Petromanas Performance Shares.

## **20. Employment Agreements**

Other than as disclosed in writing to Gallic, Petromanas is not a party to any employment agreement. Except as disclosed in writing to Gallic, Petromanas is not a party to any written or oral policy, agreement, obligation or understanding or any amendment thereto which contains any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause on giving reasonable notice as may be implied by law.

## **21. Engineering Reports**

Petromanas has made available to the Petromanas Reserves Engineers prior to the issuance of the Petromanas Resources Report, for the purpose of preparing such report, all information requested by the Petromanas Reserves Engineers, which information did not, at the time such information was provided, contain any material misrepresentation. Petromanas has no knowledge of any Material Adverse Change to the oil and gas reserves of Petromanas from that disclosed in the Petromanas Resources Report.

## **22. Title**

Although Petromanas does not warrant title to its Petroleum and Natural Gas Rights, except for Permitted Encumbrances, its Petroleum and Natural Gas Rights are free and clear of all liens, adverse claims, charges and encumbrances created by, through or under Petromanas or its Affiliates other than security interests in favour of its bankers.

## **23. Quiet Possession**

To the knowledge of Petromanas and subject to the rents, covenants and conditions of the Leases to be paid, performed and observed by the lessee, Petromanas may hold the Petroleum and Natural Gas Rights for the remainder of the terms of the Leases, and all renewals or extensions of them, for its own benefit without interruption by any Person claiming by, through or under Petromanas.

## **24. No Net Profits or Other Interests**

No officer, director, employee or any other Person not dealing at arm's length with Petromanas or, to the knowledge of Petromanas, any associate or Affiliate of any such Person, owns, has or is entitled to any royalty, net profits interest, carried interest or any other Encumbrances or Claims of any nature whatsoever which are based on production from the Properties or any revenue or rights attributed thereto.

## **25. Production Allowables and Production Penalties**

- (a) During the period of time in which Petromanas or any of its subsidiaries were the operator of such Wells, none of the Wells has been produced in excess of applicable production allowables imposed by any applicable Law or any Governmental Authority and Petromanas does not have any knowledge of any impending change in production allowables imposed by any applicable Law or any Governmental Authority that may be

applicable to any of the Wells, other than changes of general application in the jurisdiction in which the Wells are situate.

- (b) Neither Petromanas nor any of its subsidiaries has received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority, including gas-oil ratio, off-target and overproduction penalties, and, to Petromanas' knowledge, none of the Wells is subject to any such penalty or restriction.

## **26. No Reduction of Interests**

Other than as publicly disclosed or as otherwise disclosed to Gallic, none of the Petroleum and Natural Gas Rights are subject to reduction by reference to payout of or production penalty applicable to Petromanas' or any of its subsidiaries' working interest in any Well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under Petromanas.

## **27. Royalties, Rentals and Taxes Paid**

To the knowledge of Petromanas, all royalties and rentals payable on or before the date hereof under the Documents of Title and similar arrangements based upon or measured by the ownership of such assets or the production of Petroleum Substances derived therefrom or allocated thereto or the proceeds of sales thereof payable on or before the date hereof have been properly paid in full and in a timely manner or accrued in the Petromanas Financial Statements.

## **28. Outstanding Authorizations for Expenditure**

Except as disclosed in writing to Gallic, there are no outstanding authorizations for expenditure pertaining to any of the Properties or any other commitments, approvals or authorizations approved by Petromanas or any of its subsidiaries or received by Petromanas or any of its subsidiaries for approval, pursuant to which an expenditure may be required to be made in respect of the Properties after the date of the most recent Petromanas Financial Statements.

## **29. Hedging**

Other than as disclosed in writing to Gallic, neither Petromanas nor any of its subsidiaries is a party to, or bound by any currently outstanding interest rate swaps, foreign exchange swaps, commodity price hedging contracts and similar derivative contracts.

## **30. Areas of Mutual Interest**

Other than as disclosed in writing to Gallic, there are no active areas of mutual interest provisions or areas of exclusion in any of the material agreements or title and operating documents to which the Petroleum and Natural Gas Rights are subject.

## **31. Off-Set Obligation**

As of the date hereof, neither Petromanas nor any of its subsidiaries has received any written notice that the Leases in respect of the Petroleum and Natural Gas Rights are subject to any accrued drilling or off-set obligations which have not been satisfied or permanently waived.

## **32. Take or Pay Obligations**

Neither Petromanas nor any of its subsidiaries has any take or pay obligations of any kind or nature whatsoever.

**33. Operation and Condition of Wells**

- (a) All the Wells:
  - (i) for which Petromanas or any of its subsidiaries was or is operator, during the applicable time, were or have been drilled and, if and as applicable, completed, operated and abandoned in accordance with good and prudent oil and gas industry practices in Canada and in material compliance with all applicable Law; and
  - (ii) for which Petromanas or any of its subsidiaries was not or is not operator, to Petromanas' knowledge, were or have been drilled and, if and as applicable, completed, operated and abandoned in accordance with good and prudent oil and gas industry practices in Canada and in material compliance with all applicable Law.
- (b) Petromanas has disclosed in writing to Gallic prior to the execution of this Agreement a complete and accurate description of the wells, facilities and lands of Petromanas and its subsidiaries as at the date hereof.

**34. Operation and Condition of Tangibles**

The Tangibles used or intended for use in connection with the Properties for which Petromanas or any of its subsidiaries has been operator, were or have been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and in material compliance with all applicable Law during all periods in which Petromanas or its subsidiaries was operator thereof.

**35. Notice of Disputes**

Petromanas has not received notice of, and does not have knowledge of, any dispute or Claim, potential or otherwise, involving any Governmental Authority or other Person, including without limitation aboriginal groups, which Petromanas reasonably believes would have a Material Adverse Effect on any oil and gas exploration, development or production operations of Petromanas.

**36. Processing and Transportation Commitments**

Other than as disclosed in writing to Gallic, neither Petromanas nor any of its subsidiaries has any third party processing or transportation agreements or any obligations to deliver sales volumes to any other Person that have not been entered into with arm's length third parties and in the ordinary course of business of Petromanas. Petromanas has provided to Gallic a complete list of all such processing and transportation agreements and obligations to deliver sales volumes.

**37. No Default Under Lending Agreements**

No event of default or event that, with the passage of time or the giving of notice would be an event of default or other breach of any covenant has occurred and is continuing under Petromanas' existing banking and lending agreements.

**38. Flow-Through Obligations**

Petromanas has not entered into any agreements or made any covenants with any parties with respect to the issuance of "flow-through" shares or the incurring and renunciation of Canadian exploration expense or Canadian development expense.

### **39. Tax Pools**

Petromanas' estimated aggregate tax pools are not less than \$7 million. For the purposes of this provision, "aggregate tax pools" means, in respect of Petromanas directly, the total of the following balances for its taxation year ended December 31, 2011: undepreciated capital cost of all classes of depreciable property, cumulative Canadian exploration expense balance, cumulative Canadian development expense balance, cumulative oil and gas property expense balance, previously undeducted non-capital loss carry-forward balances for each year, cumulative eligible capital balance and previously undeducted financing expense balance for the purpose of paragraph 20(1)(e) of the Tax Act, as all such terms are defined for the purpose of the Tax Act and the *Alberta Corporate Tax Act*, R.S.A. 2000, c. A-15.

### **40. U.S. Securities Law Matters**

Petromanas is a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act. The Petromanas Shares are not registered and are not required to be registered under section 12 of the U.S. Exchange Act. Petromanas is not registered or required to be registered as an "investment company" within the meaning of the United States Investment Company Act of 1940, as amended. The principal offices of Petromanas are not located within the United States.

### **41. Compliance with Law**

Each of Petromanas and its subsidiaries has complied with and is in compliance with all Laws and regulations applicable to the operation of its business, except where such non-compliance would not, considered individually or in the aggregate, have a Material Adverse Effect or materially effect the ability of Petromanas to consummate the transactions contemplated hereby.

### **42. Restrictions on Business Activities**

There is no agreement, judgement, injunction, order, decree, understanding or other restriction with any Person binding upon Petromanas or any of its subsidiaries which has or could have the effect of materially restricting, prohibiting or impairing:

- (a) any current or currently proposed business practice of Petromanas;
- (b) Petromanas from carrying on its business with any customer or within any geographic region;
- (c) any acquisition of property by Petromanas; or
- (d) the conduct of business by Petromanas as currently conducted or as currently proposed to be conducted by Petromanas.

### **43. Confidentiality Agreements**

Petromanas has not waived or released the applicability of any "standstill" or other provisions of any confidentiality agreements entered into by Petromanas.

### **44. Fairness Opinion**

Petromanas has received a verbal fairness opinion from its financial advisor stating that, as of the date hereof, the consideration to be paid pursuant to the Arrangement is fair, from a financial point of view, to the Petromanas Shareholders.

**45. Interested Party Transactions**

Petromanas is not indebted to or otherwise obligated to any director, officer, employee of, or any Person not dealing at arm's length with, Petromanas.

No director, officer, employee or agent of, or any other Person not dealing at arm's length with Petromanas has any indebtedness, Liability or obligation to Petromanas or is a party to any contract, arrangement or understanding or other transactions required to be disclosed pursuant to applicable Laws.

**46. Material Agreements**

Except for Documents of Title, this Agreement and the material agreements made available to Gallic, there are no contracts or agreements to which Petromanas or any of its subsidiaries is a party or by which it or its subsidiaries is bound, which is material to Petromanas. All agreements, permits, licences, regulatory approvals, plans, certificates and other rights and authorizations held by Petromanas or its subsidiaries as operator which are material to the conduct of the business of Petromanas are valid and subsisting and neither Petromanas nor any of its subsidiaries is in material default under any such agreements, permits, licences, Regulatory Approvals, plans, certificates and other rights and authorizations.

**47. Transferred Information**

Petromanas: (i) has provided all necessary notices to and has obtained all necessary consents from each individual to which the Transferred Information relates for the collection, use and disclosure of such information for the purposes for which such information is currently and was historically collected, used and disclosed by Petromanas and for the completion of the transactions contemplated herein; and (ii) has not received notice, or has reason to believe, that any such consent has been withdrawn or varied. The Transferred Information is necessary for, and solely relates to, the completion of the transactions as contemplated herein, including the determination to complete such transactions.

**48. Disclosure**

Petromanas has not withheld from Gallic any material information or documents concerning Petromanas, its subsidiaries or its assets or liabilities during the course of Gallic's review of Petromanas and its assets. No representation or warranty contained herein and no statement contained in any schedule or other disclosure document provided or to be provided to Gallic by Petromanas pursuant hereto contains or will contain any untrue statement of a material fact or omits to state a material fact which is necessary in order to make the statements herein or therein not misleading.

**49. Compliance With Securities Laws**

No securities commission, stock exchange or similar regulatory authority in Canada or the United States has issued any order which is currently outstanding preventing or suspending trading in any securities of Petromanas, no such proceeding is, to the knowledge of Petromanas, pending, contemplated or threatened and Petromanas is not, to its knowledge, in default of any requirement of any Canadian Securities Laws, rules or policies applicable to Petromanas or its securities. Petromanas is a reporting issuer (where such concept exists) in the provinces of British Columbia and Alberta and is in material compliance with all Canadian Securities Laws therein and the Petromanas Shares are listed and posted for trading on the TSXV and Petromanas is in material compliance with the rules of the TSXV.

**50. Payments**

Since January 1, 2012, neither Petromanas nor any of its subsidiaries has (i) declared, set aside or paid any dividend in respect of its outstanding shares; (ii) made any payment to directors, officers and employees of Petromanas other than in the ordinary course of business; or (iii) except as disclosed in

writing to Gallic by Petromanas, redeemed, purchased or otherwise acquired any of its outstanding shares or other securities.

#### **51. No Shareholder Rights Plan**

Petromanas is not a party to and, prior to the Effective Date, Petromanas will not implement, a shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Petromanas Shares or other securities of Petromanas or rights, entitlements or privileges in favour of any Person upon the entering into of this Agreement or the Arrangement

#### **52. No Escrow**

Other than the Petromanas Escrow Agreement, none of the Petromanas Shares are the subject of any escrow, voting trust or other similar agreement.

#### **53. Accounts Receivable**

To the knowledge of Petromanas, all accounts receivable in any material amount of Petromanas are collectible.

#### **54. Indemnification**

Neither Petromanas nor any of its subsidiaries is bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of Petromanas or applicable Laws and other than standard indemnity agreements in underwriting and agency agreements and in the ordinary course provided to its lenders and to service providers and in title documentation applicable to its assets) or any like commitment in respect of the obligations, liabilities (contingent or otherwise) of indebtedness of any other Person.

#### **55. Foreign Corrupt Practices**

Neither Petromanas nor any of its subsidiaries nor any director, officer, agent, employee or other person acting on behalf of Petromanas or any of its subsidiaries has offered or given, and Petromanas does not have any knowledge of any person that has offered or given on its behalf, anything of value to: (i) any official of a Governmental Authority, any political party or official thereof or any candidate for political office; (ii) any customer or member of any Governmental Authority; or (iii) any other person, in any such case while knowing or having reason to know that all or a portion of such money or thing of value may be offered, given or promised, directly or indirectly, to any customer or member of any Governmental Authority or any candidate for political office for the purpose of the following: (i) influencing any action or decision of such person, in such person's official capacity, including a decision to fail to perform such person's official function; (ii) inducing such person to use such person's influence with any Governmental Authority to affect or influence any act or decision of such Governmental Authority to assist Petromanas or any of its subsidiaries in obtaining or retaining business for, with, or directing business to, any person; or (iii) where such payment would constitute a bribe, rebate, payoff, influence payment, kickback or illegal or improper payment to assist Petromanas or any of its subsidiaries in obtaining or retaining business for, with, or directing business to, any person.



**SCHEDULE D**

**FORM OF SUPPORT AGREEMENT  
FOR DIRECTORS AND OFFICERS OF GALLIC**

**SUPPORT AGREEMENT FOR DIRECTORS AND OFFICERS OF GALLIC**

**THIS AGREEMENT** is dated as of October 1, 2012.

**BETWEEN:**

**THE PERSON SET FORTH ON THE SIGNATURE PAGE OF THIS  
AGREEMENT AS SECURITYHOLDER**

(the "**Securityholder**")

**AND**

**PETROMANAS ENERGY INC.**, a corporation existing under the laws of  
Alberta

(the "**Petromanas**")

**WHEREAS** Gallic Energy Ltd. ("**Gallic**") and Petromanas Energy Inc. have entered into an agreement dated October 1, 2012 (the "**Arrangement Agreement**") providing for a plan of arrangement under the *Business Corporations Act* (Alberta) (the "**ABCA**"), pursuant to which, among other things, Gallic and Petromanas will combine their respective businesses as set out therein (the "**Arrangement**");

**AND WHEREAS** as of the date hereof, the Securityholder is the beneficial owner of the number of common shares of Gallic (the "**Gallic Shares**") and warrants of Gallic (the "**Gallic Warrants**") set forth on the signature page of this Agreement;

**AND WHEREAS** Petromanas has requested that the Securityholder enter into this Agreement with respect to the Gallic Shares and Gallic Warrants held by the Securityholder;

**AND WHEREAS** this Agreement sets out the terms and conditions of the agreement of the Securityholder to support the Arrangement and to vote the Gallic Shares, Gallic Warrants and New Gallic Shares (as defined herein), if any, in favour of the Arrangement;

**NOW THEREFORE THIS AGREEMENT WITNESSES** that in consideration of the sum of \$1.00 paid by each of the parties hereto to the other, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows.

1. **Representations of the Securityholder.** The Securityholder represents that, as of the date hereof:
  - (a) it is the beneficial owner of the Gallic Shares and Gallic Warrants;
  - (b) the Gallic Shares and Gallic Warrants are not subject to any voting agreement (other than this Agreement) or adverse claim; and
  - (c) it has full power and authority to make, enter into and carry out the terms of this Agreement.
2. **Agreement to Vote Gallic Shares and Gallic Warrants.** From the date hereof until this Agreement is terminated in accordance with its terms, the Securityholder hereby agrees that, except for all such actions which are permitted pursuant to Section 3 hereof, at any meeting of the holders of Gallic Shares and Gallic Warrants, however called, for the purpose of approving the Arrangement, the Securityholder shall (or cause the holder of record to, if the Securityholder is the beneficial owner but not the holder of record of the Gallic Shares and Gallic Warrants):

- (a) vote all of the Gallic Shares and Gallic Warrants, including the New Gallic Shares, if any, acquired by the Securityholder prior to such action, in favour of the Arrangement and any actions required in furtherance of the actions contemplated thereby; and
- (b) vote all of the Gallic Shares and Gallic Warrants, including the New Gallic Shares, if any, acquired by the Securityholder prior to such action, to oppose any proposed action by Gallic or any other party the result of which could be reasonably expected to impede, interfere with or delay the completion of the Arrangement.

3. **No Limit on Fiduciary Duty.** Nothing contained in this Agreement will:

- (a) restrict, limit or prohibit the Securityholder from exercising (in his capacity as a director or officer) his fiduciary duties to Gallic under applicable law; or
- (b) require the Securityholder, in his capacity as an officer, if applicable, of Gallic to take any action in contravention of, or omit to take any action pursuant to, or otherwise take or refrain from taking any actions which are inconsistent with, instructions or directions of Gallic's board of directors undertaken in the exercise of their fiduciary duties;

provided that such action is not in contravention of Gallic's covenants regarding non-solicitation contained in the Arrangement Agreement and provided that nothing in this Section 3 will be deemed to relieve the Securityholder from his obligations under any other provision of this Agreement other than Sections 2 and 6 hereof as they relate to actions taken by the Securityholder solely in his capacity as a director or officer of Gallic.

4. **Control over Corporation or Trust.** If any of the Gallic Shares or Gallic Warrants, including the New Gallic Shares, if any, are held through a corporation or trust over which the Securityholder has control, as defined in the ABCA (either alone or in conjunction with any other person) ("**Control**"), the Securityholder shall act, vote and exercise its power and authority to ensure that this Agreement is complied with by such corporation or trust.

5. **No Voting Trusts.** The Securityholder will not, and will not permit any entity under the Securityholder's Control to, deposit any of the Gallic Shares, Gallic Warrants or New Gallic Shares, if any, in a voting trust or subject any of the Gallic Shares, Gallic Warrants or New Gallic Shares, if any, to any arrangement or agreement (other than the Gallic Escrow Agreements) with respect to the voting of such shares, other than agreements entered into with Petromanas.

6. **No Proxy Solicitations.** The Securityholder will not, and will not permit any entity under the Securityholder's Control to:

- (a) solicit proxies or become a participant in a solicitation in opposition to or competition with Petromanas in connection with the Arrangement;
- (b) solicit, initiate or encourage inquiries, submissions, proposals or offers from any other person relating to, or participate in any negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with or assist or participate in or facilitate or encourage any effort or attempt with respect to an Acquisition Proposal (as defined in the Arrangement Agreement), subject to Section 3 hereof and except as otherwise permitted under the Arrangement Agreement;
- (c) assist any person, entity or group in taking or planning any action that would compete with, restrain or otherwise serve to interfere with or inhibit the Arrangement; or
- (d) act jointly or in concert with others with respect to voting securities of Gallic for the purpose of opposing or competing with Petromanas in connection with the Arrangement.

7. **Transfer and Encumbrance.** Petromanas and the Securityholder agree that except with the prior written consent of Petromanas, the Securityholder shall not be permitted to transfer, sell or offer to transfer or sell or otherwise dispose of or encumber any of the Gallic Shares, Gallic Warrants or New Gallic Shares, if any, prior to the earlier of the Effective Time (as defined in the Arrangement Agreement) and the termination of this Agreement.
8. **New Gallic Shares.** The Securityholder agrees that any shares of Gallic purchased or as to which the Securityholder acquires beneficial ownership after the execution of this Agreement, including, without limitation, any shares of Gallic acquired by the Securityholder as a consequence of the exercise or conversion of any other securities or compensation arrangement of Gallic prior to the Effective Time (the "**New Gallic Shares**") shall be subject to the terms of this Agreement.
9. **Covenants, Representations and Warranties of Petromanas.** Petromanas covenants to comply with all the terms of the Arrangement Agreement. Petromanas represents and warrants that it is duly authorized to execute and deliver this Agreement and this Agreement is a valid and binding agreement enforceable by the Securityholder in accordance with its terms, subject to the usual exceptions as to bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and the availability of equitable remedies. Petromanas further represents and warrants that the execution and delivery of this Agreement and the fulfilment of the terms hereof by Petromanas does not and will not result in a breach of any agreement or instrument to which it is a party or by which it is contractually bound.
10. **Termination.** Unless otherwise provided for herein, this Agreement shall terminate on the earlier of:
  - (a) immediately upon Petromanas providing written notice of termination to the Securityholder;
  - (b) the Effective Time; and
  - (c) the date on which the Arrangement Agreement is terminated in accordance with its terms.
11. **Specific Performance.** The Securityholder acknowledges that it may not be possible to measure in money the damage to Petromanas if the Securityholder fails to comply with any of its obligations under this Agreement, that every such obligation is material and that, in the event of any such failure, Petromanas may not have an adequate remedy at law or in damages, and accordingly, the Securityholder agrees that the issuance of an injunction or other equitable remedy may be the appropriate remedy for any such failure.
12. **Successors and Assigns.** This Agreement and all obligations of the Securityholder hereunder shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and assigns.
13. **Entire Agreement.** This Agreement supersedes all prior agreements between the parties hereto with respect to the subject matter hereof and contains the entire agreement among the parties with respect to the subject matter hereof. This Agreement may not be modified or waived, except expressly by an instrument in writing signed by all the parties hereto. No waiver of any provision hereof by any party shall be deemed a waiver by any other party nor shall any such waiver be deemed a continuing wavier of any matter by such party.
14. **Notice.** Any notice or other communication required or contemplated under this Agreement to be given by one party to the other shall be delivered, telecopied or mailed by prepaid registered post to the party to receive same at the undernoted address, namely:

if to the Securityholder at the address set forth on the signature page of this Agreement; and

if to Petromanas:           Petromanas Energy Inc.  
                                  1720, 734 – 7<sup>th</sup> Avenue S.W.  
                                  Calgary, Alberta T2P 3P8  
  
                                  Attention: President and Chief Executive Officer  
                                  Fax Number: (403) 457-4480

Any notice delivered or telecopied shall be deemed to have been given and received on the business day next following the date of delivery or telecopying, as the case may be. Any notice mailed as aforesaid shall be deemed to have been given and received on the third business day following the date it is posted, provided that if between the time of mailing and actual receipt of the notice there shall be a mail strike, slow-down or other labour dispute which might affect delivery of the notice by mail, then the notice shall be effective only if actually delivered.

15. **Further Assurances.** Each of the parties hereto agrees to execute such further and other deeds, documents and assurances and do such further and other acts as may be necessary to carry out the true intent and meaning of this Agreement fully and effectually.
16. **Severability.** Each of the covenants, provisions, sections, subsections and other subdivisions hereof is severable from every other covenant, provision, section, subsection and subdivision and the invalidity or unenforceability of any one or more covenants, provisions, sections, subsections and other subdivisions hereof shall not affect the validity or enforceability of the remaining covenants, provisions, sections, subsections or subdivisions hereof.
17. **Expenses.** The parties hereto agree to pay their own respective expenses incurred in connection with this Agreement. This section shall survive the termination of this Agreement pursuant to Section 10.
18. **Disclosure.**
  - (a) Prior to the first public disclosure of the existence and terms and conditions of this Agreement by Petromanas or Gallic, the Securityholder shall not disclose the existence of this Agreement or any details hereof or the possibility of the Arrangement being effected or any terms or conditions or other information concerning the Arrangement, to any person other than the Securityholder's advisors provided that the Securityholder's advisors shall be required to comply with the foregoing disclosure obligations and the Securityholder agrees to be responsible for any breach of such disclosure obligations by any of the Securityholder's advisors.
  - (b) The parties hereby consent to the disclosure of the substance of this Agreement in any press release required by applicable laws and in any circular relating to the meeting to approve the Arrangement and all related matters and to the filing of this Agreement as may be required pursuant to applicable laws.
19. **Miscellaneous.**
  - (a) This Agreement shall be construed in accordance with the laws of Alberta and the parties hereto agree to attorn to the jurisdiction of the courts thereof.
  - (b) This Agreement may be executed in one or more counterparts and delivered by facsimile, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

- (c) All Section headings herein are for convenience of reference only and are not part of this Agreement and no construction or interference shall be derived there from.
- (d) References to "he" and "they" shall be interpreted to include "her", "it" and other gender variations thereof.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

\_\_\_\_\_  
(Signature of Securityholder)

\_\_\_\_\_  
(Signature of Witness)

\_\_\_\_\_  
(Print Name of Securityholder)

\_\_\_\_\_ Gallic Shares

**PETROMANAS ENERGY INC.**

\_\_\_\_\_ Gallic Warrants

Per: \_\_\_\_\_

Address of Securityholder:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**APPENDIX "D"**  
**FAIRNESS OPINION**



2020, 335 – 8<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 1C9  
CANADA

Telephone +1 403 218 6650  
Facsimile +1 403 539 4365  
Internet www.macquarie.com

October 1, 2012

**STRICTLY CONFIDENTIAL**

The Board of Directors of  
Gallic Energy Ltd.  
Suite 1000,  
205 – 5th Avenue SW  
Calgary, AB T2P 2V7



To the Board of Directors of Gallic Energy Ltd. (the “Gallic Board”):

**Introduction**

Macquarie Capital Markets Canada Ltd., (“**Macquarie Capital**”) understands that Gallic Energy Ltd. (“**Gallic**”) and Petromanas Energy Inc. (“**Petromanas**”) have entered into an arrangement agreement dated October 1, 2012, (the “**Arrangement Agreement**”), whereby Petromanas will acquire all of the issued and outstanding common shares of Gallic (“**Gallic Shares**”), pursuant to a plan of arrangement under the provisions of the *Business Corporations Act* (Alberta) (the “**Arrangement**”).

**1 THE ARRANGEMENT**

Pursuant to the Arrangement, holders of Gallic Shares (“**Gallic Shareholders**”) will receive share consideration equal to 0.3736 of a common share of Petromanas (“**Petromanas Share**”) for each Gallic Share held. Completion of the Arrangement is subject to approval of the Gallic Shareholders and holders of warrants (“**Gallic Warrants**”) of Gallic (“**Gallic Warrant holders**”), voting together as a single class, court approval and various conditions, including, without limitation, receipt of all required government and regulatory approvals (including, without limitation, the relevant authorities in Canada, France and Australia (if required)), receipt of the TSX Venture Exchange (“**TSXV**”) approval in respect of the listing of all Petromanas Shares issued to Gallic Shareholders under the Arrangement, and other customary conditions. The terms of, and conditions necessary to complete, the Arrangement are set forth in the Arrangement Agreement and are described in the management information circular of Gallic to be dated October 30, 2012 (the “**Gallic Circular**”), to be mailed to the Gallic Shareholders and Gallic Warrant holders in connection with the special meeting of the Gallic Shareholders and Gallic Warrant holders (the “**Gallic Meeting**”) to be held to consider and, if deemed advisable, to approve the Arrangement. Macquarie Capital understands that all directors and executive officers of Gallic have agreed pursuant to support agreements (the “**Support Agreements**”) to vote their Gallic Shares and Gallic Warrants in favour of the Arrangement.

**2 MACQUARIE CAPITAL’S ROLE**

Gallic formally engaged Macquarie Capital pursuant to an engagement agreement dated September 25, 2012 (the “**Gallic Engagement**”) to provide Macquarie Capital’s opinion to the Gallic Board as to the fairness to the Gallic Shareholders, from a financial point of view, of the consideration to be received by the Gallic Shareholders pursuant to the Arrangement (the “**Opinion**”). In consideration for the preparation and delivery of the Opinion, Gallic will pay Macquarie Capital a fee that is not contingent upon the conclusions reached herein and reimburse

Macquarie Capital Markets Canada Ltd. is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia), and Macquarie Capital Markets Canada Ltd.’s obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of Macquarie Capital Markets Canada Ltd.

Macquarie Capital for its reasonable out-of-pocket expenses. In addition, pursuant to the Gallic Engagement, Macquarie Capital and its affiliates and their respective directors, officers, employees, agents and consultants are to be indemnified by Gallic under certain circumstances from and against certain liabilities arising in connection with the professional services rendered to the Gallic Board.

### 3 CREDENTIALS OF MACQUARIE CAPITAL

Macquarie Capital is a wholly owned subsidiary of the Macquarie Group which is a diversified international provider of specialist investment, advisory, trading and financial services in select markets around the world. Macquarie Capital is a member of the Investment Industry Regulatory Organization of Canada and a member of the TSX and the TSXV. Macquarie Capital's advisory services include the areas of mergers, acquisitions, divestments, restructurings, fairness opinions and valuations. The Opinion expressed herein is Macquarie Capital's and has been approved by senior corporate and financial advisory professionals of Macquarie Capital who have been involved in a number of transactions involving the merger, acquisition, divestiture and valuation of publicly traded and private Canadian issuers and in providing fairness opinions in respect of such transactions.

### 4 INDEPENDENCE OF MACQUARIE CAPITAL

None of Macquarie Capital, its affiliates or associates, is an insider, associate or affiliate (within the meanings attributed to those terms in the *Securities Act* (Alberta)), or a related entity of Gallic, Petromanas or any of their respective associates or affiliates (collectively, the "**Interested Parties**"). Macquarie Capital is not acting as an advisor, financial or otherwise, to any Interested Party in connection with the Arrangement, other than Gallic pursuant to the Gallic Engagement, or in connection with any other transaction. Macquarie Capital has acted and acts as agent to Gallic in the past two years. Macquarie Capital has acted as financial advisor to Petromanas in the past two years.

There are no understandings, agreements or commitments between Macquarie Capital with any Interested Party with respect to any future business dealings; however, Macquarie Capital may in the future in the ordinary course of business seek to perform financial advisory services for any one or more of them from time to time.

Macquarie Capital acts as a trader and dealer, both as principal and agent, in Canadian financial markets and, as such, may have, today, or in the future, positions in the securities of any Interested Party and from time to time may have executed or may execute transactions on behalf of any Interested Party or other clients for which it received or may receive compensation. In addition, as an investment dealer, Macquarie Capital conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on issues and investment matters, including with respect to an Interested Party or the Arrangement.

### 5 SCOPE OF REVIEW

In connection with rendering this Opinion, Macquarie Capital has reviewed and relied upon, or carried out, among other things, the following:

In the case of Gallic:

- (a) the annual reports of Gallic for the periods ended December 31, 2010 and December 31, 2011;
- (b) audited annual financial statements of Gallic as at and for the fiscal years ended December 31, 2011 and December 31, 2010, together with management's discussion & analysis of financial condition and operating results for each such financial period and management's certifications of annual filings in respect thereof (in each case, as publicly filed by Gallic with applicable securities regulatory authorities);

- (c) summary form, independent Undiscovered Petroleum Initially in Place report concerning Gallic's oil, natural gas liquids and natural gas reserves effective as of December 31, 2011, prepared by DGH International Geoconsulting and GLJ Petroleum Consultants;
- (d) unaudited financial statements of Gallic as at and for the interim periods ended March 31, 2012 and June 30, 2012, respectively, together with management's discussion & analysis of financial condition and operating results for each such interim periods and management's certifications of interim filings in respect thereof (in each case, as publicly filed by Gallic with applicable securities regulatory authorities);
- (e) the management information circular of Gallic in respect of the annual meeting of Gallic shareholders held on December 16, 2011;
- (f) the annual information form of Gallic dated April 26, 2012 for the year ended December 31, 2011;
- (g) the news release dated July 26, 2012 with respect to amendment to the terms of Gallic Warrants;
- (h) certain internal financial information, and financial and operational projections and models of Gallic as provided by Gallic's management to Macquarie Capital in connection with its business;
- (i) a certificate of representation as to certain factual matters dated the date hereof, addressed to Macquarie Capital provided by senior officers of Gallic;
- (j) discussions with management of Gallic with regard to, amongst other things, the business, operations, quality of assets, future potential and environmental matters of Gallic; and
- (k) other information relating to the business and financial condition of Gallic and other selected oil and gas companies Macquarie Capital considered relevant.

In the case of Petromanas:

- (a) the annual reports of Petromanas for the period ended December 31, 2010 and December 31, 2011;
- (b) audited annual financial statements of Petromanas as at and for the fiscal years ended December 31, 2011, December 31, 2010 and December 31, 2009, together with management's discussion & analysis of financial condition and operating results for each such financial period and management's certifications of annual filings in respect thereof (in each case, as publicly filed by Petromanas with applicable securities regulatory authorities);
- (c) unaudited financial statements of Petromanas as at and for the interim periods ended March 31, 2012 and June 30, 2012, respectively, together with management's discussion & analysis of financial condition and operating results for each such interim periods and management's certifications of interim filings in respect thereof (in each case, as publicly filed by Petromanas with applicable securities regulatory authorities);
- (d) summary form, independent resource report concerning Petromanas' oil, natural gas liquids and natural gas resource effective as of July 31, 2011, prepared by GLJ Petroleum Consultants.;
- (e) the management information circular of Petromanas in respect of the annual meeting of Petromanas shareholders held on May 24, 2012;

- (f) the annual information form of Petromanas dated June 6, 2012 for the year ended December 31, 2011;
- (g) the news release dated August 20, 2012 with respect to DWM Petroleum AG's disposition of common shares of Petromanas;
- (h) the news release dated July 3, 2012 with respect to the spudding of the Shpirag-2 well;
- (i) the news release dated May 16, 2012 with respect to the closing of the farm-out agreement with a wholly owned subsidiary of Royal Dutch Shell plc ("**Shell**");
- (j) the news release dated February 9, 2012 with respect to the announcement of the definitive farm-out agreement with Shell;
- (k) public information relating to the business and financial condition of Petromanas and the trading history of Petromanas Shares and other selected public oil and gas companies Macquarie Capital considered relevant; and
- (l) a certificate of representation as to certain factual matters dated as of the date hereof, addressed to Macquarie Capital provided by senior officers of Petromanas.

In addition to the information detailed above, Macquarie Capital has further reviewed, considered and relied upon, among other things, the following:

- a) the Arrangement Agreement;
- b) the Gallic management information circular to be dated October 30, 2012 in respect of the Plan of Arrangement involving Gallic and Petromanas;
- c) information with respect to selected precedent merger and acquisition transactions Macquarie Capital considered relevant;
- d) a due diligence questionnaire with senior management and independent reserve engineers of Gallic and senior management of Petromanas;
- e) other information, analysis, investigations and discussions as Macquarie Capital considered relevant and appropriate in the circumstances.

Macquarie Capital did not meet with the auditors of Gallic or Petromanas and has assumed the accuracy and fair presentation of the audited and unaudited financial statements of Gallic and Petromanas, and, as applicable, the reports of the auditors thereon. Macquarie Capital did not meet with the independent reserve engineers of Petromanas and aside from the due diligence questionnaire, Macquarie Capital did not meet with the independent reserve engineers of Gallic and has assumed the accuracy and fair presentation of the reserve reports of Gallic and Petromanas.

Macquarie Capital has not, to its knowledge, been denied access to any information requested.

## **6 ASSUMPTIONS AND LIMITATIONS**

Macquarie Capital has relied upon and has assumed the completeness, accuracy and fair representation of all financial and other information, data, advice, opinions and representations obtained by Macquarie Capital, including information relating to Gallic and Petromanas, provided to Macquarie Capital by Gallic or Petromanas, their affiliates or advisors or otherwise pursuant to the Gallic Engagement, and this Opinion is conditional upon such completeness, accuracy, and fairness. Macquarie Capital has not attempted to verify independently the accuracy or completeness of any such information, data, advice, opinions, or representations. Senior

management of Gallic have represented to Macquarie Capital, in a certificate dated as at the date hereof, among other things, that to the best of their knowledge after due inquiry, with the exception of certain forecasts, projections or estimates, (i) the information, data, opinions, representations and other materials (oral or written) (collectively referred to as the “**Information**”) provided to Macquarie Capital by or on behalf of Gallic was at the dates the Information was provided and is at the date hereof true, complete and correct and not misleading in light of the circumstances under which they were made or presented and did not and does not contain any untrue statement of material fact or omit to state a material fact necessary to make the Information not misleading in light of the circumstances under which the Information was provided; and (ii) since the date on which the Information was provided, there has been no material change (as such term is defined in the *Securities Act* (Alberta)) or new material fact, financial or otherwise, relating to the Arrangement, the financial condition, assets, liabilities (contingent or otherwise), business, affairs, operations or prospects of Gallic or any of subsidiaries, associates or affiliates or any change in any material fact or in any material element of any of the Information, or new material fact and which is of a nature as to render any portion of the Information untrue or misleading in any material respect or which could reasonably be expected to have a material effect on this Opinion. Senior management of Petromanas have also provided similar representations to Macquarie Capital in the case of such information regarding Petromanas in a certificate dated as at the date hereof.

We have also assumed that the transaction process undertaken by Gallic was appropriate. With respect to the financial projections of Gallic or Petromanas which were furnished to us, we have assumed that such financial projections have been reasonably prepared by Gallic or Petromanas, as applicable on a basis reflecting the best currently available estimates and good faith judgments by management of Gallic or Petromanas, as applicable of the future competitive, operating and regulatory environments and related financial performance of Gallic or Petromanas, as applicable. We express no view as to any such financial projections or the assumptions on which any of them are based.

For purposes of rendering this Opinion, we have assumed that the representations and warranties of each party contained in the Arrangement Agreement are true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Arrangement Agreement. The Arrangement is subject to a number of conditions outside the control of any party involved in the Arrangement and Macquarie Capital has assumed all conditions precedent to the completion of the Arrangement can be satisfied in due course and all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse conditions or qualification. In rendering this Opinion, Macquarie Capital expresses no view as to the likelihood that the conditions respecting the Arrangement will be satisfied or waived or that the Arrangement will be implemented within the time frame indicated in the Circular. In addition, we have assumed that neither Gallic nor Petromanas will incur any material liability or obligation, or lose any material rights, as a result of completion of the Arrangement and that the procedures being followed to implement the Arrangement are valid and effective, and in accordance with applicable laws and that the disclosure of Gallic, Petromanas and the Arrangement in any disclosure documents will be accurate and will comply with the requirements of applicable laws.

This Opinion is rendered on the basis of market, economic, financial and general business and other conditions prevailing as at the date hereof, and the Information made available to Macquarie Capital as at the date hereof. In rendering this Opinion, Macquarie Capital has assumed that there are no undisclosed material facts relating to Gallic or Petromanas or their respective businesses, operations, capital or future prospects. Any changes therein may affect this Opinion and, although Macquarie Capital reserves the right to change or withdraw this Opinion in such event or in the event that subsequent developments affect this Opinion, we disclaim any obligation to advise any person of any change that may come to our attention or to update, revise or reaffirm this Opinion after the date hereof.

In its analyses and in connection with the preparation of this Opinion, Macquarie Capital made numerous assumptions with respect to industry performance, general business, market and

economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement. While in the opinion of Macquarie Capital, our assumptions used in preparing this Opinion are reasonable in the current circumstances, some or all of these assumptions may prove to be incorrect.

Macquarie Capital believes that the analyses and factors considered in arriving at this Opinion must be considered as a whole and are not amenable to partial analyses or summary description and that selecting portions of the analyses and the factors considered, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. In arriving at this Opinion, Macquarie Capital has not attributed any particular weight to any specific analyses or factor but rather based this Opinion on a number of qualitative and quantitative factors deemed appropriate by Macquarie Capital based on Macquarie Capital's experience in rendering such opinions.

Macquarie Capital has not been engaged to prepare, and has not prepared, a valuation or appraisal of Gallic or Petromanas or any of their respective assets, securities or liabilities (contingent or otherwise), nor have we been furnished with any such valuations or appraisals, nor have we evaluated the solvency or fair value of Gallic or Petromanas under any applicable laws relating to bankruptcy, insolvency or similar matters, and this Opinion should not be construed as such. Furthermore, this Opinion is not, and should not be construed as, advice as to the price at which the Gallic Shares, or any Petromanas Shares received in exchange therefor, may trade at any future date (whether before or after the completion of the Arrangement). Further, this Opinion does not address the overall fairness of the Arrangement to the holders of any other class of securities (only the fairness of the consideration to be received by the Gallic Shareholders as expressly set out in this Opinion), creditors or other constituencies of Gallic, or the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors, consultants or employees of Gallic in their capacities as such and in connection with the Arrangement. Macquarie Capital was not engaged to review any legal, regulatory, tax or accounting aspects of the Arrangement and, accordingly, expresses no view thereon and has assumed the accuracy and completeness of assessments by Gallic and its advisors with respect to legal, regulatory, tax and accounting matters.

## 7 CONCLUSION

Based upon and subject to the foregoing and such other matters as Macquarie Capital considers relevant, it is Macquarie Capital's opinion that, as of the date hereof, the consideration to be received by the Gallic Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Gallic Shareholders.

This Opinion is not, and is not intended to be, a recommendation to the holders of Gallic Shares as to how to vote at the Gallic Meeting. This Opinion has been provided solely for the use of the Gallic Board for the purposes of its consideration of the Arrangement and may not be used or relied upon by any other person or for any other purpose without the express prior written consent of Macquarie Capital. This Opinion shall not be reproduced, disseminated, quoted from or referred to (in whole or in part) and no public reference to Macquarie Capital Markets Canada Ltd. or its affiliates relating to the Arrangement or this Opinion shall be made without the express prior written consent of Macquarie Capital, except that we consent to the inclusion of the complete text of this Opinion and to appropriate references to, or summaries of, this Opinion, subject to our review to our satisfaction of the final form and context of such disclosures in the Circular or other form of document(s) required to be mailed to Gallic Shareholders in connection with the Arrangement.

Yours sincerely,

Macquarie Capital Markets Canada Ltd.

**Macquarie Capital Markets Canada Ltd.**

**APPENDIX "E"**  
**INFORMATION CONCERNING PETROMANAS**

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## NOTICE TO READER

Capitalized words, phrases and abbreviations used in this Appendix "E" but not defined herein shall have the same meanings ascribed to such words, phrases and abbreviations as in the Glossary of Terms contained in the Information Circular to which this Appendix "E" is attached.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Appendix "E". Additional terms used in this Appendix "E" are defined in the main body of the Information Circular under the heading "*Glossary of Terms*".

**"Acquisition Agreement"** means the share purchase agreement dated February 12, 2010 between the Company and DWM in respect of the Petromanas Albania Acquisition;

**"Blocks 2-3 Production Sharing Contract"** means the production sharing agreement signed on November 7, 2008 and ratified by the Albanian Government as of July 8, 2009 between Petromanas Albania and the Ministry of Economy, Trade and Energy of Albania for the exploration, development and production of petroleum on the licenses known as Blocks 2-3;

**"Blocks A-B Production Sharing Contract"** means the production sharing agreement signed on July 31, 2007 and ratified by the Albanian Government as of December 13, 2007 between Petromanas Albania and the Ministry of Economy, Trade and Energy of Albania for the exploration, development and production of petroleum on the licenses known as Blocks A-B;

**"Blocks D-E Production Sharing Contract"** means the production sharing agreement signed on July 31, 2007 and ratified by the Albanian Government as of November 7, 2007 between Petromanas Albania and the Ministry of Economy, Trade and Energy of Albania for the exploration, development and production of petroleum on the licenses known as Blocks D-E;

**"BOE"** means barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 BOE for 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;

**"Company"** or **"Petromanas"** means Petromanas Energy Inc., a corporation incorporated pursuant to the ABCA;

**"DWM"** means DWM Petroleum AG, the vendor of the shares of Petromanas Albania pursuant to the Petromanas Albania Acquisition;

**"Escrow Agreement"** means the escrow agreement among Petromanas, Computershare Investor Services Inc., and DWM with respect to the Petromanas Shares issued to DWM and held in escrow pursuant to the Acquisition Agreement;

**"First Preferred Shares"** means the first preferred shares in the capital of the Company;

**"First Series Warrant"** means a Petromanas Share purchase warrant entitling the holder to acquire one Petromanas Share at a price of \$0.45 until February 23, 2015;

**"GLJ"** means GLJ Petroleum Consultants Ltd.;

**"Independent Resource Evaluation Report"** means the report entitled "Prospective Resource Assessment and Evaluation" prepared by GLJ regarding the Company's prospective resources attributable to Blocks A, B, D, E, 2 and 3 dated August 23, 2011 and effective as of July 31, 2011;

**"Licenses"** means, collectively, the oil and gas licenses that are subject to the Production Sharing Contracts;

**"Petromanas Albania"** means Petromanas Albania GmbH (formerly Manas Adriatic GmbH);

**"Petromanas Albania Acquisition"** means the acquisition by the Company of all of the issued and outstanding shares of Petromanas Albania pursuant to the Acquisition Agreement;

**"Petromanas Options"** means the options to purchase Petromanas Shares outstanding and unexercised, whether vested or not vested, at any given date and granted under any stock option plans or stock option agreements of Petromanas, including the Petromanas Stock Option Plan;

**"Petromanas Performance Shares"** means the additional 50,000,000 Petromanas Shares which are required to be issued to the holders thereof upon the achievement of certain goals on or before February 24, 2020

**"Production Sharing Contracts"** means, collectively, the Blocks A-B Production Sharing Contract, the Blocks D-E Production Sharing Contract and the Blocks 2-3 Production Sharing Contract;

**"Second Preferred Shares"** means the second preferred shares in the capital of the Company;

**"Shell"** means Royal Dutch Shell plc;

**"Shell Farm-Out Agreement"** means a definitive farm out agreement with a wholly-owned subsidiary of Shell, whereby Shell acquired a 50% participating interest in the Company's rights on Blocks 2-3; and

**"Third Series Warrant"** means a Petromanas Share purchase warrant entitling the holder thereof to purchase one Petromanas Share at a price of \$0.26 until January 18, 2013.

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Appendix "E" from documents filed with securities commissions or similar authorities in the Provinces of Alberta and British Columbia. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Petromanas at Suite 1720, 734 - 7<sup>th</sup> Avenue SW, Calgary, Alberta T2P 3P8, Telephone (403) 457-4400, Fax (403) 457-4480. These documents are also available through the internet under the SEDAR profile of Petromanas, which profile can be accessed at [www.sedar.com](http://www.sedar.com).

The following documents, filed with the securities commissions in the Provinces of Alberta and British Columbia, are specifically incorporated by reference in, and form an integral part of this Appendix "E", provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this Information Circular or in any other subsequently filed document that is also incorporated by reference in this Appendix "E".

- (a) the proxy statement and information circular of Petromanas dated April 26, 2012, relating to the annual general meeting of shareholders held on May 24, 2012 (the **"Petromanas Circular"**);
- (b) the annual information form of Petromanas for the year ended December 31, 2011 dated June 6, 2012 (the **"Petromanas AIF"**);
- (c) the audited financial statements of Petromanas for the years ended December 31, 2011 and 2010;

- (d) management's discussion and analysis of financial condition and results of operations of Petromanas in respect of the year ended December 31, 2011;
- (e) the unaudited interim financial statements of Petromanas for the three and six months ended June 30, 2012;
- (f) management's discussion and analysis of financial condition and results of operations of Petromanas in respect of the three and six months ended June 30, 2012; and
- (g) the material change report dated October 5, 2012 related to the entering into of the Arrangement Agreement.

Any documents of the type referred to above filed by Petromanas with the various securities commissions or similar authorities in the provinces of Canada subsequent to the date hereof shall be deemed to be incorporated herein.

Any statement contained in this Appendix "E" or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Appendix "E", to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Appendix "E", except as so modified or superseded.

### **CORPORATE STRUCTURE OF PETROMANAS ENERGY INC.**

Petromanas was incorporated under the ABCA as "World Wide Warranty Inc." and was continued under the *Business Corporations Act* (British Columbia) on July 11, 2007 and subsequently continued under the ABCA on September 20, 2010. The articles of the Company have been further amended as follows: (i) on July 7, 1999, to remove the private company provisions; (ii) on August 30, 2004, to change the name of the Company name to "W3 Solutions Inc."; (iii) on November 3, 2006, to change the name of the Company to "WWI Resources Ltd."; and (iv) on February 24, 2010, to change the name of the Company to "Petromanas Energy Inc."

The Company is a reporting issuer in the provinces of British Columbia and Alberta. The Petromanas Shares and First Series Warrants are listed and posted for trading on the Exchange under the symbols "PMI" and "PMI.WT", respectively.

The head office of the Company is located at 1720, Life Plaza, 734 - 7 Avenue SW, Calgary, Alberta, T2P 3P8. The registered office of the Company is located at 400 - 3 Avenue SW, Suite 3700, Calgary, Alberta, T2P 4H2

The Company has one direct and wholly-owned subsidiary, Petromanas Albania, which was incorporated under the laws of Switzerland.

## **DESCRIPTION OF THE BUSINESS OF PETROMANAS**

Petromanas is a Calgary-based international oil and gas company focused on the exploration and development of its assets in Albania. Petromanas, through its wholly-owned subsidiary, Petromanas Albania, is the holder of the Production Sharing Contracts. Under the terms of the Production Sharing Contracts and the Shell Farm-Out Agreement, Petromanas has a 100% working interest in four onshore blocks (Blocks A-B and Blocks D-E) and a 50% working interest in two onshore blocks (Blocks 2-3) that comprise, in the aggregate, more than 1.4 million gross acres (1.03 million net acres) across Albania's Berati Thrust Belt.

As of the date hereof, Petromanas has 28 full-time employees. The Company primarily relies upon consultants to carry on many of its activities and, in particular, to supervise work programs on its Production Sharing Contracts.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Business Prior to 2010**

Until October 31, 2006, the Company provided extended warranty programs to retailer, wholesalers, suppliers and eTailers. On October 31, 2006, it sold substantially all of its assets to WGI Service Plan Division Inc. During the fiscal years ended December 31, 2007, 2008 and 2009, the Company did not have any business operations other than the pursuit of potential opportunities in the resource sector, and had no assets other than cash.

### **Petromanas Albania Acquisition**

On February 24, 2010, Petromanas completed the acquisition from DWM Petroleum AG, a wholly-owned subsidiary of Manas Petroleum Corporation, of all of the issued and outstanding securities of Petromanas Albania GmbH (formerly Manas Adriatic GmbH) pursuant to the Acquisition Agreement. Petromanas Albania holds a 100% interest in three onshore oil and gas production sharing contracts containing six licenses located in Albania (the Blocks A-B Production Sharing Contract, the Blocks D-E Production Sharing Contract and the Blocks 2-3 Production Sharing Contract).

As consideration for the Petromanas Albania Acquisition, the Company issued 200 million Petromanas Shares to DWM and paid DWM \$11.8 million, including acquisition costs of \$339,000 and \$8.2 million paid to Petromanas Albania to settle its outstanding debt to DWM. Of the 200 million Petromanas Shares issued as consideration, 100 million Petromanas Shares were issued into escrow at the closing date and the remaining 100 million Petromanas Shares were issued into escrow on May 26, 2010. Pursuant to the terms of the Escrow Agreement, such shares are being released from escrow in stages over a period of three years from the date of the closing of the Petromanas Albania Acquisition. As of the date of this Information Circular, 30 million Petromanas Shares remain escrowed and will be released from escrow on February 24, 2013. The Company may be required to issue an additional 50 million Petromanas Shares to the holders of Petromanas Performance Shares upon the achievement of certain goals on or before February 24, 2020:

1. upon receipt of a report prepared pursuant to NI 51-101 confirming that the Licenses have proven and probable reserves of not less than 50 million BOE, an additional 25 million Petromanas Shares are issuable; and
2. upon receipt of a report prepared pursuant to NI 51-101 confirming that the Licenses have proven and probable reserves in excess of 50 million BOE, an additional 500,000 Petromanas Shares will be issuable for each 50 million BOE over and above the initial 50 million BOE, to a maximum of 25 million Petromanas Shares.

A finder's fee of 4 million Petromanas Shares was paid to each of Endeavour Financial Ltd. and Overseas Financial Group Ltd. S.A. in respect of the Petromanas Albania Acquisition.

On August 17, 2012, a group of investors, including existing shareholders and certain members of the Company's board of directors and senior management team, purchased an aggregate of 90 million Petromanas Shares held by DWM at a price of \$0.115 per share for an aggregate payment of \$10.35 million. In accordance with applicable securities laws, such Petromanas Shares are subject to a four-month hold period, which was reflected in the negotiated sale price. Of the 90 million Petromanas Shares acquired from DWM, certain of the Company's directors and senior management acquired an aggregate of 42.65 million Petromanas Shares, representing 47.4% of the acquired Petromanas Shares and 6.8% of the total number of issued and outstanding Petromanas Shares.

Following the disposition by DWM of the 90 million Petromanas Shares discussed above and the earlier disposition of 10 million Petromanas Shares in July 2012, DWM retains 100 million Petromanas Shares which, pursuant to the terms of an agreement made between DWM and each individual purchaser, cannot be sold until August 17, 2013, subject to certain terms and conditions.

### **Financings**

On February 24, 2010, Petromanas completed a non-brokered private placement of 100 million units at a price of CAD \$0.25 per unit for gross proceeds of CAD \$25 million, where each unit consisted of one Petromanas Share and one First Series Warrant.

On May 27, 2010, the Company completed a non-brokered private placement of 187.5 million units at a price of CAD \$0.40 per unit for gross proceeds of CAD \$75 million, where each unit consisted of one Petromanas Share and one half of one Petromanas Share purchase warrant, each warrant entitling the holder to acquire one Petromanas Share at a price of CAD \$0.60 until May 26, 2012.

### **General Exploration and Development Program**

In June through September of 2010, Petromanas assembled its current management team, including the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer. The Company also embarked on a 2D seismic program in Blocks D-E and Blocks 2-3.

In March 2011, the Company completed the seismic program which had been initiated in 2010. This included the acquisition of 202 kilometres of new seismic over Blocks D-E and Blocks 2-3. This led to a complete technical re-evaluation of the Company's assets, which was completed in June 2011. This included processing of the new seismic, reprocessing of 1,038 kilometres of existing seismic, performance of a failure analysis of wells previously drilled on the Company's blocks, and assembly of a database of available well data including drilling reports and well logs.

In August 2011, Petromanas received the Independent Resource Evaluation Report from GLJ. The report was done on 6 of the 14 original prospects/leads within the Company's Production Sharing Contracts and reaffirmed the work the Company had completed in the technical re-evaluation. These six prospects were based on new high-quality data and were drill-ready.

In December 2011, the Company entered into a definitive agreement with KCA Deutag to secure a drilling rig for use in the Company's planned 2012 drilling program. The initial contract was valued at approximately \$14 million and had an initial term of 270 days. The Company has extended the contract for a period of 180 days and has an option to extend for an additional period of 180 days. Petromanas contracted rig T-46, a triple, heavy land rig with a 2,000 horsepower rating, capable of reaching depths of approximately 7,000 metres.

See "*Oil and Gas Properties*" and "*Summary of the Production Sharing Contracts*" below.

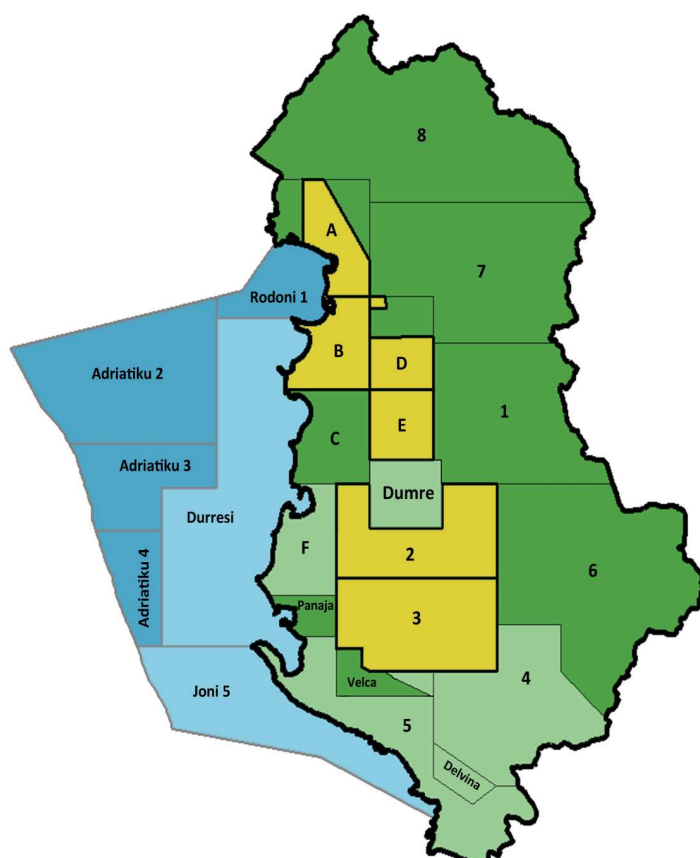
## Recent Developments

On October 1, 2012, Petromanas entered into the Arrangement Agreement with Gallic providing for the combination of the two corporations pursuant to the Arrangement.

## OIL AND GAS PROPERTIES

Petromanas has not established any reserves in Albania and has no production. Below is a summary of the Company's key oil and gas properties and excerpts from the Independent Resource Evaluation Report prepared by GLJ with an effective date of July 31, 2011. Please refer to the *Statement of Resources and Other Oil and Gas Information* attached to the Petromanas AIF as Appendix "A" for additional information relating to Petromanas' key oil and gas properties.

The following map of Albania outlines the location of all blocks in Albania:



## Blocks A-B and Blocks D-E

### General Description

Blocks A-B and D-E comprise 605,439 acres in which Petromanas has a 100% interest, located onshore along the Kruja and Berati Thrust Belt of central Albania. The plays include potential conventional exploration targets involving structured hydrocarbon accumulations in fractured carbonates. The prospects on Blocks A-B and D-E are located north of Albania's heavy oil production and the 2001 deep light oil discovery by Occidental Petroleum Corporation.

The existing 2D seismic data over Blocks A-B and D-E totals approximately 4,000 kilometres and was initially acquired by a series of third parties and most recently DWM in 2008. Petromanas Albania reprocessed approximately 328 kilometres of the existing 2D seismic data and acquired 190 kilometres of new 2D seismic data in Blocks A-B at a cost of \$3 million. Petromanas Albania reprocessed 334 kilometres of existing 2D seismic data and acquired 105 kilometres of new 2D seismic data in Blocks D-E at a cost of \$8 million. The reprocessed and recently acquired seismic data has confirmed and high graded previously identified prospects: Jubani, West Gjurica, West Rova and Papri.

#### *Recent Developments*

Petromanas has sourced a shallow rig to drill the Jubani prospect in Blocks A-B. The Company has received all necessary permits and lease and access road construction is complete. Drilling of the Jubani-1 well is expected to begin in November 2012.

In respect of its Blocks D-E Production Sharing Contract commitments, Petromanas is currently in discussions with the Albanian Government to suspend the commitment period for one year due to delays in receiving construction permits, which made drilling the commitment well before the December 25, 2012 deadline unachievable.

### **Blocks 2-3**

#### *General Description*

Blocks 2-3 include a total of 852,000 acres in which Petromanas has a 50% interest, located along the Berati Thrust Belt in central Albania. The plays include potential conventional exploration targets involving sub-thrust structural closures with hydrocarbon accumulations in fractured Ionian carbonates of Eocene to Cretaceous age. The prospects on Blocks 2-3 are located approximately 65 km south of Tirana, the capital of Albania, and east of high-sulphur, heavy oil production.

The existing 2D seismic data over Blocks 2-3 totals approximately 374 kilometres and was acquired by Occidental Petroleum Corporation in 1998 and 2003. Petromanas Albania reprocessed 370 kilometres of existing 2D seismic data in Blocks 2-3 and acquired 99 kilometres of new 2D seismic data in Blocks 2-3 at a cost of \$8 million.

#### *Recent Developments*

On February 9, 2012, Petromanas entered into the Shell Farm-Out Agreement with a wholly-owned subsidiary of Shell, whereby Shell farmed into the Company's rights on onshore exploration Blocks 2-3. Under the terms of the farm-out agreement, Shell acquired a 50% participating interest in Blocks 2-3 in exchange for payments and carried costs up to \$50.3 million. Petromanas continues to act as operator of the blocks.

The Company spud the Shpirag-2 well located on Blocks 2-3 onshore Albania on June 30, 2012. Drilling of the well continues and the Company has set surface casing to a depth of 1,057 metres and the intermediate hole has reached a depth of approximately 4,050 metres. The Company continues to expect the well to reach target depth of approximately 6,100 metres either in late 2012 or early 2013. Testing will follow reaching total depth.

During October 2012, Petromanas mobilized seismic equipment and personnel to commence its seismic program on Blocks 2 and 3. The initial program will include two test lines to test the parameters, which will provide valuable information for the parameters to be used in the balance of the program in 2013. The program has been designed to further delineate the Shpirag prospect for appraisal drilling and improve the data quality over other prospects and leads on the Blocks 2-3. This additional data is expected to contribute to the selection of future drilling locations. Shell will carry the first \$20 million dollars of this seismic program with any excess amount shared equally by both parties.

## SUMMARY OF THE PRODUCTION SHARING CONTRACTS

### Blocks A-B Production Sharing Contract Commitments

#### *Minimum Work and Financial Programs*

The Blocks A-B Production Sharing Contract requires the following minimum work and financial programs to maintain them in good standing:

#### Period 1

Period 1 work commitments have been completed by Petromanas which required geological and geophysical studies, re-processing of at least 200 kilometres of seismic data and either the acquisition and processing of 190 kilometres of 2D seismic, or the drilling of an exploration well to a depth of at least 3,000 meters.

To date, the Company has completed geological and geophysical studies which included mapping, drawing cross sections, volumetric calculations and failure analysis of select wells drilled previously by other operators as well as re-processing a total of 328 kilometres of previously shot 2D seismic along with the acquisition and processing of 190 kilometres of 2D seismic.

#### Period 2

Petromanas has commenced the second exploration period, which ends December 25, 2012. As required under the terms of the Blocks A-B Production Sharing Contract, the Company relinquished 466.5 square kilometres back to the Ministry of Economy, Trade and Energy of Albania on entering the second exploration period. During the first quarter of 2011, the Company provided the government with a standby letter of credit for \$6.3 million for its Period 2 performance guarantee. Drilling of the first commitment well is expected to be commenced at the Juban-1 location in November 2012. The Company intends to drill the well to a target depth of approximately 2,600 metres at an estimated cost of \$9 million.

Petromanas Albania has until December 25, 2012 to complete the requirements of Period 2. The Period 2 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies, which has been completed; and
- the spudding of an exploration well to a depth of at least 3,000 meters at a minimum cost of \$6,000,000.

#### Period 3

Petromanas Albania has two years from the completion of Period 2 to complete the requirements in Period 3. The Period 3 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies; and
- the spudding of an exploration well to a depth of at least 3,000 meters at a minimum cost of \$6,000,000.



## *Expenditures*

The following expenditures have been claimed for cost recovery since the effective date of the Blocks A-B Production Sharing Contract to June 30, 2012:

<i>Description</i>	<i>(USD 000's)</i>
Drilling	\$1,231
Reprocessing	\$127
Seismic	\$3,049
Management and Administration	\$3,064
Total	\$7,471

## **Blocks D-E Production Sharing Contract Commitments**

### *Minimum Work and Financial Programs*

The Blocks D-E Production Sharing Contract requires the following minimum work and financial programs to maintain them in good standing:

#### Period 1

Period 1 work commitments have been completed by Petromanas, which required geological and geophysical studies, re-processing of at least 200 kilometres of seismic data and either the acquisition and processing of 105 kilometres of 2D seismic, or the drilling of an exploration well to a depth of at least 3,000 meters.

To date, the Company has completed geological and geophysical studies which included mapping, drawing cross sections, volumetric calculations and failure analysis of select wells drilled previously by other operators. In addition, the Company has re-processed a total of 334 kilometres of previously shot 2D seismic and shot 105 kilometres of new 2D seismic. The majority of the new seismic was acquired utilizing heliportable rigs. Processing of the new seismic has been completed.

During the first quarter of 2011, the Company provided the government with a standby letter of credit for \$6.3 million for its Period 2 performance guarantee.

#### Period 2

The Company has commenced the second exploration period, which ends December 25, 2012. As required under the terms of the Blocks D-E Production Sharing Contract, the Company relinquished 350 square kilometres back to the Ministry of Economy, Trade and Energy of Albania on entering the second exploration period. During the first quarter of 2011, the Company provided the government with a standby letter of credit for \$6.3 million for its Period 2 performance guarantee. Petromanas is currently in discussions with the Albanian Government to suspend the commitment period for one year due to delays in receiving construction permits, which made drilling the commitment well before the December 25, 2012 deadline unachievable. The Company considers Blocks D-E to be of higher risk than Blocks 2-3 and costly to explore and is finalizing its options with the Government of Albania.

The Company has until December 25, 2012 to complete the requirements in Period 2. The Period 2 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies, which has been completed; and
- the spudding of an exploration well to a depth of at least 3,000 meters at a minimum cost of \$6,000,000.

### Period 3

Petromanas Albania has two years from the completion of Period 2 to complete the requirements in Period 3. The Period 3 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies; and
- the spudding of an exploration well to a depth of at least 3,000 meters at a minimum cost of \$6,000,000.

### *Expenditures*

The following expenditures have been claimed for cost recovery since the effective date of the Blocks D-E Production Sharing Contract to June 30, 2012:

<i>Description</i>	<i>(USD 000's)</i>
Drilling	\$571
Reprocessing	\$91
Seismic	\$7,738
Management and Administration	\$3,533
Total	\$11,933

### **Blocks 2-3 Production Sharing Contract Commitments**

#### *Minimum Work and Financial Programs*

The Blocks 2-3 Production Sharing Contract requires the following minimum work and financial programs to maintain them in good standing:

### Period 1

Petromanas Albania had initially until July 30, 2012 to complete the requirements in Period 1. This period is automatically extended until six months after the testing of Shpirag-2. After Period 1, Petromanas Albania has the option to either continue pursuing or relinquish the exploration rights. The Period 1 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$400,000 in geological and geophysical studies, which has been completed;
- the re-processing of at least 150 kilometres of seismic data at a minimum cost of \$100,000, which has been completed; and
- the spudding of an exploration well to a depth of at least 4,000 meters at a minimum cost of \$8,000,000, which drilling is in progress.

The Company has provided the government with a standby letter of credit for \$4.5 million for its Period 1 performance guarantee.

In March 2011, the Company concluded its seismic acquisition program on Blocks 2-3. The Blocks 2-3 program included the acquisition and processing of 99 kilometres of new 2D seismic, providing valuable data near the Shpiragu discovery well drilled in 2001. The majority of the seismic work was carried out utilizing heliportable rigs and the remainder by conventional shallow drilling rigs. In addition to the new seismic, the Company re-processed a total of 370 kilometres of previously shot 2D seismic. By the end of the second quarter of 2011, the Company also completed geological and geophysical studies which included mapping, drawing cross sections, volumetric calculations and failure analysis of select wells

drilled previously by other operators. The Period 1 commitment well was spud at the Shpirag-2 location in on June 30, 2012.

### Period 2

Petromanas Albania has two years from the completion of Period 1 to complete the requirements in Period 2. The Period 2 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies; and
- the spudding of an exploration well to a depth of at least 4,000 meters at a minimum cost of \$8,000,000.

### Period 3

Petromanas Albania has two years from the completion of Period 2 to complete the requirements in Period 3. The Period 3 Minimum Work and Financial Program requires the following:

- the undertaking of a minimum of \$300,000 in geological and geophysical studies; and
- the spudding of an exploration well to a depth of at least 4,000 meters at a minimum cost of \$8,000,000.

### *Expenditures*

The following expenditures have been claimed for cost recovery since the effective date of the Blocks 2-3 Production Sharing Contract to June 30, 2012:

<i><b>Description</b></i>	<i><b>(USD 000's)</b></i>
Drilling	\$3,135
Reprocessing	\$166
Seismic	\$7,764
Management and Administration	\$3,418
Total	\$14,483

Of this amount, approximately \$8.6 million is attributable to Shell.

### **Additional Terms of the Production Sharing Contracts**

Each Production Sharing Contract includes the following additional terms:

- The minimum work and financial programs for Period 1, Period 2 and Period 3 will be automatically extended for a period of time necessary to allow for: (i) completion of drilling or testing of a well; and/or (ii) evaluation or results from the drilling or testing of a well; provided that the evaluation period will not exceed six months after the date drilling or testing ceases;
- If Petromanas Albania elects to commence drilling of a Period 1, Period 2 or Period 3 exploration well and fails to timely commence drilling, or, after commencing drilling abandons the well without having completed it or meeting the minimum expenditures for that well, it must pay the Albanian National Agency of Natural Resources the difference between the minimum expenditures and the expenditures actually incurred;
- If Petromanas Albania elects to conduct a Period 2 or Period 3 minimum work and financial program, it must, within 180 days of the end of each exploration period, select an area equal to

25% of its remaining acreage excluding discovery areas to relinquish back to the Albanian Government;

- Each Production Sharing Contract provides for recovery of Petromanas Albania's costs and expenses, profit sharing with the Albanian National Agency of Natural Resources ranging from nil to 15%, an allocation on production to such Agency (ranging from 10% to 15% on Blocks A-B and D-E and nil to 5% on Blocks 2-3), a 50% profits tax and, on Blocks 2-3, a 10% royalty; and
- Each Production Sharing Contract provides for payment of \$100,000 per contract year for training of Albanian National Agency of Natural Resources personnel and purchase of technical data.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

### Selected Financial Information

The following is a summary of selected consolidated financial information for Petromanas and its subsidiary for the periods indicated. The following information should be read in conjunction with the consolidated financial statements of Petromanas for the three and six months ended June 30, 2012 and for the years ended December 31, 2011 and 2010 incorporated by reference herein.

Petromanas's financial statements are presented in thousands of United States dollars (except per share amounts) and are prepared in accordance with International Financial Reporting Standards.

	Six Months Ended June 30, 2012	Fiscal Year Ended December 31 2011	2010
Total Expenses <sup>(1)</sup>	\$2,725	\$6,037	\$9,843
Profit (loss) and comprehensive income	\$(4,654)	\$16,522	\$(9,600)
Basic and diluted earnings (loss) per share	\$(0.01)	\$0.03	\$(0.02)
Total Assets	\$156,084	\$154,038	\$156,430
Total Liabilities	\$9,803	\$3,936	\$27,222

**Note:**

(1) Total expenses do not include foreign exchange gains or losses.

### Dividend Policy

Petromanas has not declared or paid any dividends on its securities since its incorporation. Any decision to pay dividends on the Petromanas Shares or any other outstanding class of shares, from time to time, will be made by the board of directors on the basis of the Company's earnings, financial requirements and other conditions existing at such future time. At present, Petromanas does not anticipate declaring and paying any dividends in the foreseeable future.

### Management's Discussion & Analysis

Please see the Management's Discussion & Analysis for the quarter ended June 30, 2012 and the years ended December 31, 2011 and December 31, 2010 that accompanies the unaudited interim consolidated financial statement for the three and six months ended June 30, 2012 and the audited consolidated financial statements for the years ended December 31, 2011 and 2010, respectively, incorporated by reference herein. Information contained therein is based upon information available as at August 23, 2012, March 29, 2012 and March 23, 2011, respectively, and may include assumptions regarding future events and may be subject to change.

## DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Petromanas consists of an unlimited number of Petromanas Shares, an unlimited number of First Preferred Shares and an unlimited number of Second Preferred Shares. As of the date hereof, 631,041,466 Petromanas Shares and no preferred shares are issued and outstanding. In addition, as of the date hereof, 43,940,000 Petromanas Shares are issuable pursuant to the exercise of outstanding Petromanas Options and 107,990,000 Petromanas Shares are issuable pursuant to the exercise of outstanding First Series Warrants and Third Series Warrants. As of the date hereof, 50,000,000 Petromanas Shares are issuable pursuant to Petromanas Performance Shares.

### Common Shares (Petromanas Shares)

Holders of Petromanas Shares are entitled to one vote per Petromanas Share at meetings of holders of Petromanas Shares, to receive dividends if, as and when declared by the board of directors and to receive *pro rata* the remaining property and assets of Petromanas upon its dissolution or winding-up, subject to the rights of shares having priority over the Petromanas Shares.

### First Preferred Shares

The First Preferred Shares will be issuable in series and each series of First Preferred Shares will have such rights, restrictions, conditions and limitations as the board of directors may from time to time determine. Holders of First Preferred Shares will be entitled, in priority to holders of Petromanas Shares and any other shares of the Company ranking junior to the First Preferred Share, to be paid rateably with holders of each other series of First Preferred Shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and, upon liquidation, dissolution or winding up of Petromanas, in priority to holders of Petromanas Shares, to be paid rateably with holders of each other series of First Preferred Shares the amount, if any, specified as being payable preferentially to holders of such series. No dividends shall at any time be declared or paid on any shares of the Company ranking junior to the First Preferred Shares unless all dividends, if any, have been paid to the holders of First Preferred Shares. No class of shares may be created or rights and privileges increased, except for the Second Preferred Shares, to rank in parity or priority with the First Preferred Shares with regard to the rights and privileges thereof and without limiting the generality of the foregoing, capital and dividends, without the approval of the holders of the First Preferred Shares.

### Second Preferred Shares

The Second Preferred Shares will be issuable in series and each series of Second Preferred Shares will have such rights, restrictions, conditions and limitations as the board of directors may from time to time determine. Holders of Second Preferred Shares will be entitled, in priority to holders of Petromanas Shares and any other shares of the Company ranking junior to the Second Preferred Shares, to be paid rateably with holders of each other series of Second Preferred Shares the amount of accumulated dividends, if any specified to be payable preferentially to the holders of such series and, upon liquidation, dissolution or winding up of Petromanas, in priority to holders of Petromanas Shares, to be paid rateably with holders of each other series of Second Preferred Shares the amount, if any, specified as being payable preferentially to holders of such series. No dividends shall at any time be declared or paid on any shares of the Company ranking junior to the Second Preferred Shares unless all dividends, if any, have been paid to the holders of Second Preferred Shares. No class of shares may be created or rights and privileges increased, except for the First Preferred Shares, to rank in parity or priority with the Second Preferred Shares with regard to the rights and privileges thereof and without limiting the generality of the foregoing, capital and dividends, without the approval of the holders of the Second Preferred Shares.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Petromanas as at the dates indicated both prior to giving effect to the Arrangement and after giving effect to the Arrangement. Reference should also be made to the financial statements of Petromanas incorporated by reference herein.

Capital	Authorized	Outstanding as at June 30, 2012 prior to giving effect to the Arrangement	Outstanding as at June 30, 2012 after giving effect to the Arrangement
Petromanas Shares	unlimited	\$141,265,000 (631,041,466 shares) <sup>(1)</sup>	\$170,992,000 (993,694,725 shares) <sup>(1)</sup>
First Preferred Shares	unlimited	Nil	Nil
Second Preferred Shares	unlimited	Nil	Nil

**Note:**

- (1) In addition, as at June 30, 2012 there were: (i) 41,590,000 Petromanas Shares issuable pursuant to the exercise of outstanding Petromanas Options at a weighted average exercise price of \$0.30 per share; (ii) 107,990,000 Petromanas Shares issuable pursuant to the exercise of outstanding First Series Warrants and Third Series Warrants at a weighted average exercise price of \$0.44 per share; and (iii) 50,000,000 Petromanas Shares issuable pursuant to Petromanas Performance Shares. The number of outstanding Petromanas Shares after giving effect to the Arrangement assumes that no such securities are exercised or converted prior to the Effective Date.

## MARKET FOR SECURITIES

The Petromanas Shares are listed for trading on the TSXV under the symbol "PMI". The following table sets forth the price ranges and volume trade as reported by the TSXV on a monthly basis for the last twelve months.

Month	Price Range (\$) High	Low	Monthly Volume
<b>2011</b>			
October	0.150	0.125	13,146,827
November	0.215	0.125	19,310,104
December	0.160	0.090	49,709,699
<b>2012</b>			
January	0.285	0.150	24,252,607
February	0.385	0.245	30,205,761
March	0.280	0.225	8,417,182
April	0.260	0.210	9,859,413
May	0.250	0.190	5,585,193
June	0.220	0.190	4,853,139
July	0.210	0.130	5,225,608
August	0.205	0.145	7,785,896
September	0.225	0.155	10,855,904
October (1-29)	0.205	0.170	7,437,591

On October 1, 2012, being the last trading day prior to the public announcement of the Arrangement, the closing price of the Petromanas Shares on the TSXV was \$0.190. On October 29, 2012, being the last trading day prior to the date of this Information Circular, the closing price of the Petromanas Shares on the TSXV was \$0.195.

The First Series Warrants are listed for trading on the TSXV under the symbol "PMI.WT". The following table sets forth the price ranges and volume trade as reported by the TSXV on a monthly basis for the last twelve months.

Month	Price Range (\$)		Monthly Volume
	High	Low	
2011			
October	0.120	0.065	1,717,357
November	0.115	0.090	880,877
December	0.135	0.060	1,967,500
2012			
January	0.175	0.110	739,600
February	0.195	0.100	952,473
March	0.170	0.135	1,869,500
April	0.180	0.140	1,610,675
May	0.180	0.140	4,400,000
June	0.160	0.160	1,525,000
July	0.160	0.135	5,002,461
August	0.160	0.110	367,400
September	0.190	0.145	201,465
October (1-29)	0.190	0.110	393,500

On September 28, 2012, being the last day on which the First Series Warrants traded prior to the public announcement of the Arrangement, the closing price of such First Series Warrants on the TSXV was \$0.185. On October 25, 2012, being the last day on which the First Series Warrants traded prior to the date of this Information Circular, the closing price of such First Series Warrants on the TSXV was \$0.170.

#### PRIOR SALES

In the last twelve months, Petromanas Options to acquire an aggregate of 2,650,000 Petromanas Shares, being the only securities of the Company that were issued, were granted as follows:

Date of Issuance	Type of Security Issued	Number of Securities Issued	Exercise Price
May 1, 2012	Petromanas Options	100,000	\$0.30
August 28, 2012	Petromanas Options	2,000,000	\$0.16
October 26, 2012	Petromanas Options	550,000	\$0.20

#### ESCROWED SECURITIES

As of the date hereof, 30 million Petromanas Shares, representing approximately 4.8% of the total issued and outstanding Petromanas Shares, are being held in escrow by Computershare Investor Services Inc. for the benefit of DWM pursuant to the terms of the Escrow Agreement. Such Petromanas Shares will be released from escrow on February 24, 2013.

## PRINCIPAL SHAREHOLDERS

As of the date hereof, to the knowledge of the directors and executive officers of Petromanas, there are no persons or companies who beneficially own, directly or indirectly, or control or direct Petromanas Shares carrying 10% or more of the voting rights attached to all of the Petromanas Shares, except as set forth below:

Name	Number of Petromanas Shares Held	Percentage of Petromanas Shares Held
DWM Petroleum AG	100,000,000	15.8%

## DIRECTORS AND EXECUTIVE OFFICERS

The name, municipality of residence, number of Petromanas Shares held, positions held with Petromanas and principal occupation during the preceding five years of each of the directors and executive officers of Petromanas are as follows. The directors were first appointed on the dates shown in the following table. Each of the directors holds office until the next annual meeting of shareholders or until their successors are duly elected or appointed.

Name and Municipality of Residence	Number of Petromanas Shares Held	Positions Held	Director Since	Principal Occupation During the Preceding Five Years
<b>Directors</b>				
<b>Glenn A. McNamara</b> <sup>(2)(4)</sup> Calgary, Alberta, Canada	1,800,000 <sup>(5)</sup>	Chief Executive Officer and Director	September 2010	Chief Executive Officer of Petromanas since September 2010; President of BG Canada, a wholly-owned subsidiary of BG Group (LSE) from August 2005 to September 2010.
<b>Verne Johnson</b> <sup>(1)(2)(3)</sup> Calgary, Alberta, Canada	3,100,000 <sup>(6)</sup>	Chairman and Director	February 2010	Retired.
<b>Heinz J. Scholz</b> <sup>(3)(16)</sup> Horgen, Switzerland	Nil <sup>(7)</sup>	Co-Chairman and Director	February 2010	Executive Director of Manas Petroleum Corporation (TSXV, OTCBB) since August 2008 and Chairman of its board of directors since April 2007; Chairman of the board of directors for DWM since May 2004; Chairman of Varuna AG since April 2012.
<b>Frank Giustra</b> West Vancouver, British Columbia, Canada	40,871,000 <sup>(8)</sup>	Director	August 2012	President and CEO of Fiore Financial Corporation since July 2007; Chairman and President of Fiore Capital Corporation since June 1999.
<b>Gordon Keep</b> <sup>(1)(4)</sup> Vancouver, British Columbia, Canada	5,163,340 <sup>(9)</sup>	Director	August 2010	Executive Vice-President of Fiore Financial Corporation since July 2007.



<b>Name and Municipality of Residence</b>	<b>Number of Petromanas Shares Held</b>	<b>Positions Held</b>	<b>Director Since</b>	<b>Principal Occupation During the Preceding Five Years</b>
<b>Dr. Hans Werner Ladwein</b> <sup>(2)(16)</sup> Schindellegi, Switzerland	Nil <sup>(10)</sup>	Director	August 2011	President of Manas Petroleum Corporation (TSXV, OTCBB) since November 2011 and a director since September 2011; Independent oil and gas consultant since May 2008; Executive Director, Exploration and Production at Petrom SA from December 2004 to December 2007.
<b>Gerard Protti</b> <sup>(1)(2)</sup> Calgary, Alberta, Canada	3,000,000 <sup>(11)</sup>	Director	February 2010	Retired; executive officer of EnCana Corporation (TSX, NYSE) from May 1995 until May 2009.
<b>Jeffrey Scott</b> <sup>(3)</sup> Calgary, Alberta, Canada	5,000,000 <sup>(12)</sup>	Director	February 2010	President of Postell Energy Co. Ltd. since June 2001.
<b>Executive Officers</b>				
<b>Glenn A. McNamara</b> <sup>(2)(4)</sup> Calgary, Alberta, Canada	1,800,000 <sup>(5)</sup>	Chief Executive Officer and Director	September 2010	Chief Executive Officer of Petromanas since September 2010; President of BG Canada, a wholly-owned subsidiary of BG Group (LSE) from August 2005 to September 2010.
<b>Bill G. Cummins</b> Calgary, Alberta, Canada	200,000 <sup>(13)</sup>	Chief Financial Officer	N/A	Chief Financial Officer of Petromanas since August 2010; Chief Financial Officer of Calvalley Petroleum Inc. (TSX) from November 2007 to July 2010; Vice President, Corporate Finance and Director of Leede Financial Markets from 2001 to 2007.
<b>Hamid Mozayani</b> Calgary, Alberta, Canada	1,144,000 <sup>(14)</sup>	Chief Operating Officer	N/A	Chief Operating Officer of Petromanas since June 2010; Executive advisor for ExxonMobil Corporation from 2008 to March 2010; Global Joint Venture Drilling Manager with ExxonMobil Corporation from 2001 to 2008.
<b>Stephen Farner</b> Calgary, Alberta , Canada	Nil <sup>(15)</sup>	Vice President, Exploration	N/A	VP Exploration of Petromanas since January 2011; Chief Geophysicist at Sunwing Energy Ltd. from 2009 to 2010; President of PanAsian Petroleum from 2007 to 2009.

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Reserves Committee.
- (3) Member of the Corporate Governance and Compensation Committee.
- (4) Member of the Disclosure Committee.
- (5) In addition, Mr. McNamara holds Petromanas Options to acquire 3,000,000 Petromanas Shares at a price of \$0.40 per share until August 17, 2020; and 3,000,000 Petromanas Shares at a price of \$0.20 per share until August 26, 2021.
- (6) In addition, Mr. Johnson holds Petromanas Options to acquire 2,000,000 Petromanas Shares at a price of \$0.30 per share until February 24, 2020; 1,000,000 Petromanas Shares at a price of \$0.30 per share until August 26, 2021; and 1,600,000 First Series Warrants.
- (7) Mr. Scholz holds Petromanas Options to acquire 3,000,000 Petromanas Shares at a price of \$0.30 per share until February 24, 2020.
- (8) This includes 38,300,000 Petromanas Shares held through The Radcliffe Foundation. In addition, Mr. Giustra holds Petromanas Options to acquire 2,000,000 Petromanas Shares at a price of \$0.16 per share until August 28, 2017 and 305,000 First Series Warrants. The Radcliffe Foundation also holds Petromanas Options to acquire 1,425,000 Petromanas Shares at a price of \$0.15 per share until April 4, 2013 and 1,000,000 Petromanas Shares at a price of \$0.30 per share until February 24, 2020.

- (9) This includes 63,340 Petromanas shares held through the Kinder Dream Foundation. In addition, Mr. Keep holds Petromanas Options to acquire 250,000 Petromanas Shares at a price of \$0.30 per share until February 24, 2020; 1,750,000 Petromanas Shares at a price of \$0.40 per share until August 24, 2020; and 225,000 Third Series Warrants. The Kinder Dream Foundation also holds Petromanas Options to acquire 125,000 Petromanas Shares at a price of \$0.15 per share until April 4, 2013 and 125,000 Petromanas Shares at a price of \$0.30 per share until February 24, 2020.
- (10) Dr. Ladwein holds Petromanas Options to acquire 2,000,000 Petromanas Shares at a price of \$0.30 per share until August 26, 2021.
- (11) In addition, Mr. Protti holds Petromanas Options to acquire 2,000,000 Petromanas Shares at a price of \$0.30 per share until February 24, 2020 and 1,600,000 First Series Warrants.
- (12) In addition, Mr. Scott holds Petromanas Options to acquire 3,000,000 Petromanas Shares at a price of \$0.30 per share until February 24, 2020 and 2,000,000 First Series Warrants.
- (13) In addition, Mr. Cummins holds Petromanas Options to acquire 1,500,000 Petromanas Shares at a price of \$0.40 per share until August 11, 2020; 500,000 Petromanas Shares at a price of \$0.40 per share until September 14, 2020; and 2,000,000 Petromanas Shares at a price of \$0.20 per share until August 26, 2021.
- (14) In addition, Mr. Mozayani holds Petromanas Options to acquire 1,500,000 Petromanas Shares at a price of \$0.40 per share until June 7, 2020; 500,000 Petromanas Shares at a price of \$0.40 per share until September 14, 2020; and 2,000,000 Petromanas Shares at a price of \$0.20 per share until August 26, 2021.
- (15) Mr. Farnier holds Petromanas Options to acquire 2,000,000 Petromanas Shares at a price of \$0.40 per share until January 7, 2021; and 2,000,000 Petromanas Shares at a price of \$0.20 per share until August 26, 2021.
- (16) Mr. Scholz and Dr. Ladwein are directors and/or officers of Manas Petroleum Corporation, which holds 100,000,000 Petromanas Shares through its wholly-owned subsidiary DWM.

As at the date of this Information Circular, the directors and executive officers of Petromanas, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 60,278,340 Petromanas Shares constituting approximately 9.6% of the issued and outstanding Petromanas Shares.

## **Biographies of Directors and Officers**

### ***Glenn A. McNamara - Chief Executive Officer and a Director***

Mr. McNamara has over 30 years of oil and gas exploration and production experience in Canada, the USA, South America, and the Asia Pacific region. He has been the Chief Executive Officer of Petromanas since September 2010. From August 2005 to August 2010, he was the President of BG Canada, a wholly-owned subsidiary of BG Group (LSE), and responsible for all aspects of BG Canada's business, including developing a growth strategy for western/northern Canada as well as Alaska. Prior to that, he held several senior executive positions with Exxon Mobil/Imperial Oil Resources, Exxon Mobil Canada Energy Ltd. and Mobil Oil Canada. Mr. McNamara received his MBA from the University of Calgary in 1988 and a B.Sc. in Mining Engineering from the University of Alberta in 1976. Mr. McNamara is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and past Governor of the Canadian Association of Petroleum Producers.

### ***Verne Johnson - Chairman and Director***

Mr. Johnson worked for Imperial Oil and Exxon until the early 1980s and then went into the independent oil business. Mr. Johnson has been involved with a number of companies in the Canadian oil and gas industry, including as Chief Executive Officer of ELAN Energy which was sold in 1997. Since 2002, he has been an independent investor through a family company, KristErin Resources. Mr. Johnson has been a director of many public and private companies in the energy business over the past 20 years. He is currently a director of Gran Tierra Energy Inc. (TSX) and Chairman of US Oil Sands Inc. (TSXV) and is a director of several private companies including Statoil Canada. He has also been a member of the board of Calgary Opera for 12 years. Mr. Johnson is an engineer who received his engineering degree from the University of Manitoba.

### ***Heinz J. Scholz - Co-Chairman and Director***

Mr. Scholz has been the Executive Director of Manas Petroleum Corporation (TSXV, OTCBB) since August 2008 and the Chairman of the board of directors and one of the directors of Manas Petroleum Corporation since April 2007. Since May 2004, he has acted as the Chairman of the board of directors for DWM, a wholly-owned subsidiary of Manas Petroleum Corporation and, from May 2004 to April 2007, he acted as Chief Executive Officer for DWM. He is also Chairman of Varuna AG, which focuses on the

commercialization and marketing of natural resources. Mr. Scholz is a physicist and engineer. In the 1980s, Mr. Scholz built factories and telecommunication networks in the former Soviet Union through his company HS Planning & Engineering, where he was the majority shareholder and Chief Executive Officer and President. After the German reunification, he also advised Soviet ministries regarding the negotiations on the sale of Russia's East German telecommunication network to Deutsche Telecom. He has worked in collaboration with scientific institutes in the Russian Federation. Mr. Scholz earned his Engineering degree in 1975 and MSc equivalent in Physics in 1979 at University (Bremen) Engineer for Electro Technology, University for Technology (Bremen).

***Frank Giustra - Director***

Mr. Giustra is the President and Chief Executive Officer of Fiore Financial Corporation, a private boutique merchant banking firm and an exclusive advisor to Endeavour Mining Corporation (TSX) and is Chairman and President of Fiore Capital Corporation, a private financial advisory firm managing a broad portfolio of private equity investments across North America. In 1997, he founded Lions Gate Entertainment Corp. and served as its Chairman from 1997 to 2003. He returned to Lions Gate's board of directors in 2010. Mr. Giustra is a strong believer in philanthropy, and devotes much of his time to a variety of causes. In 1997, he established The Radcliffe Foundation, and holds the position of President. The Radcliffe Foundation supports a wide variety of international and local charities. Mr. Giustra is a board member of the Clinton Giustra Sustainable Growth Initiative, the International Crisis Group, the William J. Clinton Foundation, the Museum of Fine Arts, and the Streethome Foundation.

***Gordon Keep - Director***

Mr. Keep has extensive business experience in investment banking and creating public natural resource companies. Mr. Keep currently is Executive Vice-President of Fiore Financial Corporation, a private boutique merchant banking firm and an exclusive advisor to Endeavour Mining Corporation (TSX). He also serves as an officer and/or director for several natural resource companies. From January 2001 to July 2007, Mr. Keep was Managing Director of Corporate Finance at Endeavour Financial Corporation, from September 1997 until March 2004, he was Senior Vice President and a director of Lions Gate Entertainment Corp., and from April 1987 until October 1997, he was Vice President, Corporate Finance in the Natural Resource group of Yorkton Securities Inc. Mr. Keep obtained his B.Sc. in Geological Science from Queen's University in 1979 and his Master's of Business Administration from the University of British Columbia in 1983 and is a Professional Geologist in the province of British Columbia.

***Hans Werner Ladwein - Director***

Dr. Ladwein has more than 30 years of business experience in the oil and gas industry. He has been the President of Manas Petroleum Corporation (TSXV, OTCBB) since November 2011 and a director since September 2011. From December 2004 to December 2007, Dr. Ladwein was Executive Director Exploration and Production at Petrom SA, part of the OMV group, which had exploration and production activities in Kazakhstan, Turkmenistan and Russia. From 1992 to 2004, he served OMV Group, an Austrian oil and gas company, as General Manager in Libya, Albania and Pakistan. Dr. Werner Ladwein received his doctorate in Geology and Mineralogy from the University of Innsbruck, Austria, and holds a MBA from the Webster University, USA.

***Gerard Protti - Director***

Mr. Protti has over 35 years of experience in the private and public energy sectors. He was a member of the executive team at EnCana Corporation (TSX, NYSE), Cenovus Energy Inc.'s (TSX, NYSE) predecessor company, from May 1995 until May 2009. He is currently the Chairman of Flint Transfield Services Inc. and a member of the boards of Alberta Innovates - Technology Futures and Sub-One Technology. He is also immediate Past Chair of the Canadian Association of Petroleum Producers (CAPP) Board of Governors, Co-Chair of the federal government's Energy Sector Sustainability Table, and a member of the University of Alberta's Board of Governors. He is on the board of directors of the Canadian Institute for Advanced Research (CIFAR) and Calgary Economic Development. Most recently, he was appointed industry advisor to the Alberta Government on its Regulatory Enhancement Project. Mr. Protti is also past Chairman of the Board of the Public Policy Forum (2006-2007), past Chairman of

the Canadian Chamber of Commerce (2003-2004) and past Chairman of the Alberta STARS (Shock Trauma Air Rescue Society) Foundation (1996-2002). Mr. Protti received a Bachelor of Arts, Honours (Economics) from the University of Alberta in 1974, and a Master of Arts (Economics) from the University of Western Ontario in 1975. He has completed the Wharton Business School's Advanced Management Program at the University of Pennsylvania and Institute of Corporate Directors Corporate Governance College, Directors Education Program May 2005, Institute-certified Director, ICD.D, July 2005.

***Jeffrey Scott - Director***

Mr. Scott is the Founder and Chairman of Gran Tierra Energy Inc. (TSX), a South American based exploration and production company with a current market capitalization of \$1.5 billion. He has also been the President of Postell Energy Co. Ltd., a 32 year old private oil company operating in Western Canada, since June 2001. Over the last 29 years, he has been involved in a variety of capacities from founder to officer and/or director of numerous publicly traded companies. He was a co-founder and director of Saxon Energy Services, an international drilling company. Mr. Scott is currently also a director of Tuscany International Drilling Inc. (TSX) and Gallic Energy Ltd. (TSXV). Mr. Scott holds a Bachelor of Arts degree from the University of Calgary and a Masters of Business Administration from California Coast University.

***Bill G. Cummins - Chief Financial Officer***

Mr. Cummins is a Chartered Accountant with over 26 years of experience and his international background has spanned 15 years. Mr. Cummins has been the Chief Financial Officer of Petromanas since August 2010. Prior thereto, he was the Chief Financial Officer of Calvalley Petroleum Inc. (TSX), an oil and gas company with operations in Yemen, from November 2007 to July 2010 and Vice President, Corporate Finance and Director of Leede Financial Markets, an independently owned brokerage firm, from 2001 to 2007. During this period, he focused on raising capital for public and private companies, primarily in the oil and gas sector. Mr. Cummins also provided advisory services which assisted in the evaluation and acquisition of petroleum exploration permits in various countries.

***Hamid Mozayani - Chief Operating Officer***

Mr. Mozayani has over 38 years of increasingly responsible leadership experience in the oil and gas industry relating to exploration, drilling, completions, production engineering and production operations in Canada, USA, Europe, Far East and Middle East. He has been the Chief Operating Officer of Petromanas since June 2010. Prior thereto, he worked in the technical and operations divisions of several companies including Iranian Oil Operating Companies, Mobil Oil Canada and ExxonMobil Corporation. In the past 25 years, he has held various technical, operational and managerial positions with Mobil Oil Canada and ExxonMobil Corporations including responsibility for ExxonMobil Joint Venture drilling operations around the globe, offshore and onshore. Mr. Mozayani has a Bachelors of Science degree in Petroleum Engineering.

***Stephen Farner - Vice President, Exploration***

Mr. Farner has over 28 years of experience in the oil and gas industry in Canada, United States, Australia, China, Mongolia and Papua New Guinea. He has been the Vice-President Exploration of Petromanas since January 2011. Prior thereto, he was Chief Geophysicist at Sunwing Energy Ltd. from 2009 to 2010, President of PanAsian Petroleum from 2007 to 2009 and Founder and Manager of Rolling Thunder Exploration from 2005 to 2007. He also held positions of increasing responsibility during his 21 years with Superior Oil, Mobil Oil, and ExxonMobil Canada.

**Corporate Cease Trade Orders or Bankruptcies**

To the knowledge of management of Petromanas, no director or executive officer of Petromanas is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) was subject to an event that resulted, after the person ceased to be a

director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days, other than:

Mr. Scholz was a director and Mr. Vogel was a director and Chief Financial Officer of Manas Petroleum Corporation in 2007 when Manas distributed securities (the "**Distribution**") to residents of British Columbia through a registered investment dealer in British Columbia without filing a prospectus, as required by Section 61 of the *Securities Act* (British Columbia), or a report of exempt distribution under Section 6.1 of National Instrument 45-106 - *Prospectus and Registration Exemptions*. As a result, and pursuant to a cease trade order issued on October 9, 2007, the British Columbia Securities Commission (BCSC) Ordered that trading in securities of Manas cease until it filed a prospectus or a report of exempt distribution showing that exemptions from the registration and prospectus requirements of the *Securities Act* (British Columbia) were available to it when it made the Distribution. Subsequently, Manas filed a report of exempt distribution showing that exemptions from the registration and prospectus requirements of the *Securities Act* (British Columbia) were available to it when it made the Distribution but, based on the information provided by Manas, the BCSC was unable to determine the beneficial ownership of securities registered to seven companies that received securities in the Distribution. On April 1, 2008, the BCSC issued a partial revocation order revoking the cease trade order as to all securities of Manas except for those securities owned by the seven companies.

To the knowledge of management of Petromanas, no director of Petromanas is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that, while that 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, other than:

Mr. Johnson was a director of Mystique Energy Inc., a TSXV listed company, which filed for protection under the *Companies' Creditors Arrangement Act* in May of 2007. Mystique Energy Inc. has since discharged its debts but is suspended from trading on the TSXV pending a reorganization.

### **Personal Bankruptcies**

To the knowledge of management of Petromanas, no director of Petromanas has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

### **Penalties or Sanctions**

To the knowledge of management of Petromanas, no director of Petromanas has: (i) 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, other than penalties for late filing of insider reports; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director, other than:

Jeffrey J. Scott entered into a settlement agreement with the Alberta Securities Commission (ASC) on February 6, 2009 with respect to allegations that Mr. Scott, along with certain other directors of High Plains Energy Inc. acted contrary to the public interest in connection with their inadequate rectification of incorrect production information disclosed to the public in press releases issued by High Plains between July 2005 and January 2006. Mr. Scott admitted that he had acted contrary to the public interest by failing to: (i) disclose High Plains' actual production for the period of July to November 2005, with comparative references to the untrue figures disclosed

for those months in the press releases disseminated during that period; (ii) compare the actual production rates for December 2005 and January 2006 with the untrue figures disclosed in the press releases for those months; and (iii) ensure that High Plains disclosed in a timely manner that the accuracy of its earlier disclosures of the monthly production was questionable and under review by High Plains. Mr. Scott and each of the other respondents to the settlement agreement were ordered to pay \$25,000 to the ASC, of which \$5,000 was a payment towards investigation costs. The ASC noted in the settlement agreement that Mr. Scott and the other directors were provided with false information by management of High Plains with respect to production levels, and thus had no knowledge of the untrue statements in certain press releases issued by management in late 2005, until January 30, 2006, at the earliest. The ASC also noted that each of the subject directors, upon being made aware of the potential problem with High Plains' reported production, made substantial efforts and committed significant amount of time in a good faith effort to resolving the problems and determining High Plains' actual production and noted that none of the subject directors had been previously sanctioned by the Commission, and each cooperated fully with staff in its investigation.

As a result of the above, the TSXV and the TSX conducted their own reviews as to Mr. Scott's acceptability to serve as a director or officer of any stock exchange listed issuer. They determined, in a letter written on January 20, 2010 by Compliance & Disclosure, that Mr. Scott must obtain written approval prior to occupying such post and the TSXV determined that he should complete one half-day workshop entitled "Simplifying Timely Disclosures", which he successfully completed on April 26, 2010 and further that any TSXV-listed company on whose board he sits implement a written disclosure policy.

### **Conflicts of Interest**

There are potential conflicts of interest to which the directors and officers of Petromanas will be subject in connection with the operations of Petromanas. In particular, certain of the directors and officers of the Company are directors and officers of other private and public companies. Some of these private and public companies may, from time to time, be involved in business transactions or banking relationships which may create situations in which conflicts might arise. Any such conflicts shall be resolved in accordance with the procedures and requirements of the relevant provisions of the ABCA, including the duty of such directors and officers to act honestly and in good faith with a view to the best interests of the Company.

### **RISK FACTORS**

An investment in Petromanas should be considered highly speculative due to the nature of Petromanas's activities and the present stage of its development. For details of the risk factors applicable to the business of Petromanas reference should be made to the section entitled "*Risk Factors*" in the Petromanas AIF incorporated herein by reference. In addition to the risk factors contained in the Petromanas AIF, additional risk factors applicable to its business are identified below.

### **Exploration Risks**

The Company spud the Shpirag-2 well located on Blocks 2-3 onshore Albania on June 30, 2012. Petromanas continues to expect the well to reach target depth of approximately 6,100 metres either in late 2012 or early 2013. Testing will follow reaching total depth. There is a specific risk factor that the Shpirag-2 well could be a dry well, or that testing will reveal that it would not produce sufficient net revenues to return a profit after drilling, operating and other costs. Even if the Shpirag-2 well is completed, completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, if the Company abandons the well without having completed it or meeting the minimum expenditures for that well, it must pay the Albanian National Agency of Natural Resources the difference between the minimum expenditures and the expenditures actually incurred.

The second exploration period on Blocks D-E ends December 25, 2012. Petromanas is currently in discussions with the Albanian Government to suspend the commitment period for one year due to delays in receiving construction permits, which made drilling the commitment well before the December 25, 2012 deadline unachievable. There is no guarantee that the Albanian Government will agree to suspend the commitment period for one year or at all. If the Albanian Government does not suspend the commitment period, Blocks D-E will no longer be in good standing and Petromanas may lose its 100% interest in the Blocks D-E Production Sharing Contract as well as its \$6.3 million Period 2 performance guarantee. Alternatively, the Albanian Government could require Petromanas to provide a new bond to keep its interest in Blocks D-E. The Company considers Blocks D-E to be of higher risk than Blocks 2-3 and costly to explore.

## **INTERESTS OF MANAGEMENT AND DIRECTORS IN MATERIAL TRANSACTIONS**

Except in relation to the Petromanas Albania Acquisition, no director or executive officer of the Company, or any person or company that is the beneficial owner of, or who exercises control or direction of, more than 10% of the Petromanas Shares or any associate or affiliate of any of the foregoing persons has had any material interest, direct or indirect, in any transaction in the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company.

## **MATERIAL CONTRACTS**

Except for contracts entered into by Petromanas in the ordinary course of business or otherwise disclosed herein, the only material contracts entered into or to be entered into by Petromanas and its subsidiaries which can be reasonably regarded as presently material is the Arrangement Agreement dated December 23, 2010. The Arrangement Agreement is attached as Appendix "C" to this Information Circular.

Except for contracts entered into in the ordinary course of business, Petromanas has not entered into any material contracts within the most recently completed financial year, or before the most recently completed financial year that are still in effect, other than the Arrangement Agreement and the Acquisition Agreement. See "*General Development of the Business - Petromanas Albania Acquisition*".

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

KPMG LLP, Chartered Accountants, became the Company's auditors on April 24, 2012. BDO Canada LLP had served as the Company's auditors since April 23, 2010 and resigned at the request of the Company.

The registrar and transfer agent for the Petromanas Shares is Computershare Investor Services Inc., at its offices in Calgary, Alberta.

## **INTERESTS OF EXPERTS**

Resource estimates contained in the Petromanas AIF and thereby incorporated by reference into this Appendix "E" have been prepared by GLJ. As at July 31, 2011, the effective date of those estimates, and as of the date hereof, the principals, directors, officers and associates of GLJ, as a group, owned, directly or indirectly, less than one percent of the outstanding Petromanas Shares.

The auditors of the Company, KPMG LLP, are independent with respect to the Company, in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

**APPENDIX "F"**  
**INFORMATION CONCERNING GALLIC**



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## NOTICE TO READER

Capitalized words, phrases and abbreviations used in this Appendix "F" but not defined herein shall have the same meanings ascribed to such words, phrases and abbreviations as in the Glossary of Terms contained in the Information Circular to which this Appendix "F" is attached.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Appendix "F" from documents filed by Gallic with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference concerning Gallic may be obtained on request without charge from the President and Chief Executive Officer of Gallic at Suite 1000, 205-5<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 2V7, Telephone: (403) 263-1105, Fax: (403) 930-7595. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at [www.sedar.com](http://www.sedar.com).

The following documents of Gallic are filed with the securities commissions in the provinces of Alberta and British Columbia and are specifically incorporated by reference into and form an integral part of this Appendix "F":

- (a) the Gallic AIF;
- (b) Gallic's audited comparative financial statements as at and for the years ended December 31, 2011 and 2010, together with the report of the auditor thereon and the notes thereto;
- (c) Gallic's management's discussion and analysis for the years ended December 31, 2011 and 2010;
- (d) Gallic's unaudited financial statements as at and for the three and six month periods ended June 30, 2012;
- (e) Gallic's management's discussion and analysis for the three and six month periods ended June 30, 2012;
- (f) the management information circular dated November 16, 2011 in respect of the annual general meeting of shareholders of Gallic held on December 16, 2011; and
- (g) Gallic's material change report dated October 10, 2012 concerning the Arrangement.

Any business acquisition reports, material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditor's report thereon, management's discussion and analysis and information circulars filed by Gallic with the securities commissions or similar authorities in Canada subsequent to the date of this Information Circular and prior to the Meeting shall be deemed to be incorporated by reference in this Information Circular.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Appendix "F" to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Appendix "F".**

## THE BUSINESS OF GALLIC

### General

Gallic is a Calgary-based company with direct investments in oil and gas interests which provide exposure to international oil and gas exploration opportunities with varying risk profiles in politically and economically stable jurisdictions. Gallic has oil and natural gas concessions in France and Australia, and is pursuing additional concessions within onshore Europe.

Gallic is a reporting issuer in the provinces of Alberta and British Columbia and the Gallic Shares are listed and posted for trading on the TSXV under the symbol "GLC". The head office of Gallic is located at 1000, 205 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 2V7 and the registered office is located at 1000, 250 - 2<sup>nd</sup> Street S.W., Calgary, Alberta T2P 0C1.

## DESCRIPTION OF THE BUSINESS OF GALLIC

### Corporate Strategy

Gallic's corporate strategy is focused on France, onshore Continental Europe and, to a lesser extent, Australia. In reviewing potential drilling or acquisition opportunities, Gallic gives consideration to the following select criteria (not inclusive):

- (a) risk capital to secure or evaluate the opportunity;
- (b) the potential return on the project, if successful;
- (c) the likelihood of success; and
- (d) risk return versus cost of capital.

It should be noted that the Board of Directors may, in its discretion, approve asset or corporate acquisitions or investments that do not conform to the guidelines discussed above based upon the Board of Director's consideration of the qualitative aspects of the subject properties, including risk profile, technical upside, reserve life and asset quality.

### Properties and Business

The following is a description of the oil and natural gas properties, plants, facilities and installations in which Gallic has an interest and that are material to Gallic's operations and activities.

#### *France*

Gallic's operations in France are focused on the Aquitaine Basin where Gallic holds a 100% working interest in approximately 320,000 net acres of exploration lands. These lands are comprised of the 514 square kilometer (127,000 acre) Ger Permit and the 781 square kilometer (193,000 acre) Ledoux Permit. See "Recent Developments" herein.

#### *Continental Europe*

Gallic is pursuing concessions within onshore Europe. In September 2011, Gallic applied for a 701 square kilometer (173,217 acre) exploration permit in the Lower Roer Valley Graben of the Netherlands.

#### *Australia*

On January 15, 2009, the Department of Mines and Petroleum of the Government of Western Australia granted Gallic the exploration rights to permit EP 464 in the Canning Basin in Western Australia. EP 464 comprises an area

of approximately 2,463 square kilometers (608,700 acres) and Gallic has identified exploration potential that would be the focus of its anticipated future oil exploration activities in the area. Gallic is working towards finalizing the acquisition of a seismic program and completed the permitting phase of the program.

Although EP 464 is highly prospective, the decision was made to pursue a joint venture partner to assist in the exploration efforts of this large project area. Gallic is engaged in discussions with various parties for a joint venture arrangement in Australia. Terms of the joint venture will be released when all terms of the agreements are finalized.

In October 2011, Gallic applied for an additional permit, L10-1, which is immediately to the northwest of EP 464 and on trend to the two main reservoir targets identified. Gallic has been selected as the preferred bidder on this 1,010,000 acre permit. It is anticipated that full award of the permit will occur prior to year-end 2012 once the Heritage agreements have been negotiated. This will bring Gallic's total Australian land position to approximately 1.6 million acres (100% working interest).

Further details concerning Gallic, including information with respect to Gallic's assets, operations and developmental history, are provided in the Gallic AIF and the other documents incorporated by reference into this Appendix "F". Readers are encouraged to thoroughly review these documents as they contain important information concerning Gallic.

### **Recent Developments**

On May 22, 2012, Gallic announced that it had temporarily suspended completion operations at its Ossun 2D well located in Southern France. The Ossun 2D well was successfully drilled to a total depth of 3,050 meters and subsequently cased and cemented after open-hole logs indicated characteristics of hydrocarbon bearing formations.

On June 28, 2012, Gallic announced that the permit to drill or "DOT" for the Hagolle 2 well in the Ledeuix Permit located in the gas-prone Aquitaine Basin of Southern France was progressing through regional and local authorities; this DOT was subsequently approved on September 11, 2012. This projected 2,500 meter well is located on one of six thrust anticlines seismically mapped in the 781 square kilometer (193,000 acre) Ledeuix Permit. The Hagolle 2 well is a 250 meter offset well to the Hagolle 1 well that was drilled in 1985 by Esso Rep to a total depth of 2,471 meters. The Esso well encountered strong mud gas shows while drilling to its primary deeper target, including through an untested 600 meter thick Upper Cretaceous limestone. Gallic also advised that the re-completion of the 200 meter thick Upper Cretaceous limestone in the Ossun 2D well in the Ger Permit which was suspended in May 2012, will be deferred until Hagolle 2 well has been completed, so that findings from the Hagolle completions can be applied at Ossun.

On July 26, 2012, Gallic announced that it had applied to the TSXV for an extension of the expiry date of certain of its outstanding Gallic Warrants.

On September, 18, 2012, Gallic filed an extension notice respecting an exploration permit granted pursuant to section 97 of the *Petroleum and Geothermal Energy Resources Act* in Australia ("Exploration Permit 464"). On October 26, 2012, Gallic received a one year extension to perform its seismic minimum work commitment pursuant to Exploration Permit 464.

On October 1, 2012, Gallic entered into the Arrangement Agreement with Petromanas.

### **DESCRIPTION OF SHARE CAPITAL**

Gallic is authorized to issue an unlimited number of Class A common shares (defined herein as the "**Gallic Shares**"), Class B common shares and Class C common shares and an unlimited number of preferred shares, issuable in series.

As of October 30, 2012, there are 167,076,444 Gallic Shares issued and outstanding and no other classes of shares

have been issued.

### *Gallic Shares*

Gallic is authorized to issue an unlimited number of Gallic Shares. Holders of Gallic Shares are entitled to one (1) vote per share at meetings of shareholders of Gallic. Holders of Gallic Shares are entitled to receive dividends in such amounts as the Board of Directors may from time to time declare, subject to any prior rights of the holders of Preferred Shares. Holders of Gallic Shares need not rank or be treated equally in the declaration or payment of dividends subject to the full and absolute discretion of the directors. Holders of Gallic Shares are entitled to receive pro rata the remaining property and assets of the Corporation upon its dissolution or winding-up, subject to any prior rights of the holders of preferred shares.

### *Class B common shares*

Gallic is authorized to issue an unlimited number of Class B common shares. Holders of Class B common shares are entitled to one (1) vote per share at meetings of shareholders of Gallic. Holders of Class B common shares are entitled to receive dividends in such amounts as the Board of Directors may from time to time declare, subject to any prior rights of the holders of Preferred Shares. Holders of Class B common shares need not rank or be treated equally in the declaration or payment of dividends in the full and absolute discretion of the directors. Holders of Class B common shares are entitled to receive pro rata the remaining property and assets of the Corporation upon its dissolution or winding-up, subject to any prior rights of the holders of Preferred Shares. Holders of Class B common shares are also entitled to convert each Class B common share into one (1) Gallic Share.

### *Class C common shares*

Gallic is authorized to issue an unlimited number of Class C common shares. Holders of Class C common shares are entitled to one (1) vote per share at meetings of shareholders of Gallic. Holders of Class C common shares are not entitled to receive dividends. Holders of Class C common shares are not entitled to receive pro rata the remaining property and assets of Gallic upon its dissolution or winding-up.

The Class C common shares may be converted, at the option of the holder, at any time, in increments of one-third (1/3) of the number of Class C common shares outstanding at the time of conversion, into Gallic Shares, on a one (1) for one (1) basis, at such time as the earnings per Gallic Share, as calculated prior to deductions or allowances for income taxes, dividends, depletion, amortization and depreciation, for any twelve (12) month period, exceed the sums of \$0.05, \$0.10 and \$0.15 per Gallic Share, respectively. The earnings on Gallic Shares are based on the assumption of 1,500,000 Gallic Shares being issued, and are subject to a proportionate adjustment according to the number of Gallic Shares actually listed at the time that the conversion privilege is being exercised. The earnings per Gallic Share shall be calculated by the management of Gallic, acting reasonably. A holder of Class C common shares who exercises the conversion right with respect to any twelve (12) month calendar period is prohibited from again exercising the right until the expiry of three (3) months from the last day of that twelve (12) month period. Holders of Class C common shares are entitled to exercise the conversion right in proportion to the number of shares held by them, and the right is cumulative. The directors may by ordinary resolution designate a procedure for the exercise of the conversion right.

Gallic has the right, subject to applicable securities and corporate legislation, at any time and from time to time after a date that is ten (10) years from the date of issue of Class C Shares, to redeem all or any portion of the Class C Shares at a price equal to \$0.001 per share.

### *Preferred Shares*

Gallic is authorized to issue an unlimited number of Preferred Shares, issuable in series, with such rights, privileges, restrictions and conditions as the directors may determine. Holders of Preferred Shares are entitled to receive dividends if, as and when declared by the Board of Directors and to receive pro rata the remaining property and assets of Gallic upon its dissolution or winding-up, in preference to all other shares of the Corporation.

### PRIOR SALES

The following table summarizes the issuances of Gallic Shares or securities convertible into Gallic Shares for the 12-month period prior to the date hereof.

<b>Date of Issuance</b>	<b>Securities</b>	<b>Number of Securities</b>	<b>Price per Security</b>
November 4, 2011	Gallic Shares <sup>(1)</sup>	50,000	\$0.10
November 15, 2011	Gallic Shares <sup>(1)</sup>	46,000	\$0.10
November 25, 2011	Gallic Shares <sup>(1)</sup>	104,000	\$0.10
December 1, 2011	Gallic Shares <sup>(2)</sup>	625,000	N/A
December 14, 2011	Gallic Options	150,000	\$0.21
January 12, 2012	Gallic Options	120,000	\$0.22
January 12, 2012	Gallic Shares <sup>(3)</sup>	750,000	\$0.10
February 6, 2012	Gallic Shares <sup>(4)</sup>	200,000	\$0.05
February 7, 2012	Gallic Shares <sup>(1)</sup>	27,540	\$0.10
March 2, 2012	Gallic Shares <sup>(3)</sup>	93,750	\$0.15
March 2, 2012	Gallic Shares <sup>(4)</sup>	90,000	\$0.05
March 19, 2012	Gallic Shares <sup>(3)</sup>	150,000	\$0.23
March 30, 2012	Gallic Shares <sup>(3)</sup>	375,000	\$0.15
March 30, 2012	Gallic Shares <sup>(3)</sup>	225,000	\$0.23
May 30, 2012	Gallic Shares <sup>(1)</sup>	1,016,800	\$0.05
June 1, 2012	Gallic Shares <sup>(2)</sup>	625,000	N/A

**Note:**

- (1) Represents Gallic Shares that were issued pursuant to outstanding Gallic Warrants.
- (2) Represents Gallic RSUs granted to William Smith.
- (3) Represents Gallic Shares that were issued pursuant to outstanding Gallic Options.
- (4) Represents exercise price for Gallic Options

### MARKET FOR SECURITIES

The Gallic Shares are listed and posted for trading on the TSXV under the trading symbol "GLC". The following table sets forth the reported market price ranges and the trading volumes for the Gallic Shares for the periods indicated, as reported by the TSXV.

<b>Period</b>	<b>Price Range (\$)</b>		<b>Trading Volume</b>
	<b>High</b>	<b>Low</b>	
October 1 – 29, 2012	0.08	0.05	10,271,883
September 2012	0.08	0.04	6,060,309
August 2012	0.06	0.04	2,828,104
July 2012	0.055	0.04	7,162,987
June 2012	0.08	0.045	4,832,514
May 2012	0.265	0.075	8,950,474
April 2012	0.3	0.195	6,210,603
March 2012	0.32	0.26	5,290,379
February 2012	0.325	0.195	9,646,832
January 2012	0.255	0.19	14,109,731
December 2011	0.245	0.18	3,566,737

November 2011	0.30	0.18	5,166,524
October 2011	0.225	0.15	4,208,750

On October 1, 2012, being the last trading day prior to the public announcement of the Arrangement, the closing price of the Gallic Shares on the TSXV was \$0.08. On October 29, 2012, being the last day on which the Gallic Shares traded prior to the date of this Information Circular, the closing price of the Gallic Shares on the TSXV was \$0.055.

## **RISK FACTORS**

**An investment in the Gallic Shares is subject to certain risks. Readers should carefully consider the risks factors described under the heading "*Risk Factors*" in the Information Circular and under the heading "*Risk Factors*" in the Gallic AIF. Readers should also consider the following additional risk factor:**

### **Failure to Complete the Arrangement**

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Gallic. There can be no certainty, nor can Gallic provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Arrangement is not approved by the Gallic Securityholders or the other conditions to the Arrangement are not satisfied or waived, the Arrangement will not proceed and there can be no assurance that Gallic will pursue or complete an alternative transaction with respect to the sale of the Gallic Shares on terms equivalent to the Arrangement or at all. In addition, the Arrangement Agreement provides that, in certain circumstances, Petromanas may terminate the Arrangement Agreement and such termination may give rise to a non-completion fee payable by Gallic. See "*Arrangement Agreement – Conditions to the Obligations of Petromanas*", "*Arrangement Agreement – Non-Completion Fee*" and "*Arrangement Agreement – Reimbursement of Fees and Expenses*" in the main body of the Information Circular.

## **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The auditors of Gallic are Deloitte & Touche LLP, Chartered Accountants, Calgary, Alberta.

The transfer agent and registrar for the Gallic Shares is Valiant Trust Company, at its principal offices in Calgary, Alberta.

## **ADDITIONAL INFORMATION AND AVAILABILITY OF FINANCIAL STATEMENTS**

Additional information relating to Gallic is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information concerning Gallic is provided in its financial statements for the year ended December 31, 2011 and the accompanying management's discussion and analysis, all of which can be accessed on SEDAR.

## APPENDIX "G"

### SECTION 191 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

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- 191(1)** Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to
- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
  - (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
  - (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
  - (c) amalgamate with another corporation, otherwise than under section 184 or 187,
  - (d) be continued under the laws of another jurisdiction under section 189, or
  - (e) sell, lease or exchange all or substantially all its property under section 190.
- (2)** A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.
- (3)** In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.
- (4)** A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.
- (5)** A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)
- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
  - (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.
- (6)** An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),
- (a) by the corporation, or
  - (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),



to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

- (7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.
- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
  - (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
  - (b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
  - (a) be made on the same terms, and
  - (b) contain or be accompanied with a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
  - (a) is not required to give security for costs in respect of an application under subsection (6), and
  - (b) except in special circumstances must not be required to pay the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
  - (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
  - (b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the *Alberta Rules of Court*,
  - (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
  - (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
  - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
  - (f) the service of documents, and
  - (g) the burden of proof on the parties.

- (13)** On an application under subsection (6), the Court shall make an order
- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
  - (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
  - (c) fixing the time within which the corporation must pay that amount to a shareholder,
  - (d) fixing the time at which as dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.
- (14)** On
- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
  - (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
  - (c) the pronouncement of an order under subsection (13),
- whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.
- (15)** Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).
- (16)** Until one of the events mentioned in subsection (14) occurs,
- (a) the shareholder may withdraw the shareholder's dissent, or
  - (b) the corporation may rescind the resolution,
- and in either event proceedings under this section shall be discontinued.
- (17)** The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment,
- (18)** If subsection (20) applies, the corporation shall, within 10 days after
- (a) the pronouncement of an order under subsection (13), or
  - (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,
- notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.
- (19)** Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation

within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

- (20)** A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that
- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
  - (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.