



**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF
DONNYBROOK ENERGY INC.**

TO BE HELD ON NOVEMBER 4, 2011

and

MANAGEMENT INFORMATION CIRCULAR

with respect to a

PLAN OF ARRANGEMENT

involving

**DONNYBROOK ENERGY INC., DONNYCREEK ENERGY INC. AND THE SHAREHOLDERS OF
DONNYBROOK ENERGY INC.**

October 3, 2011

This management information circular and the accompanying materials require your immediate attention. If you are in doubt as to how to deal with these documents or the matters to which they refer, please consult a professional advisor.



October 3, 2011

Dear Shareholder:

The board of directors cordially invites you to attend the special meeting (the “**Meeting**”) of shareholders of Donnybrook Energy Inc. (“**Donnybrook**”) to be held at 10:00 a.m. (Calgary time) on November 4, 2011 at the offices of Borden Ladner Gervais LLP at 1900, 520-3rd Avenue S.W., Calgary, Alberta.

At the Meeting, holders of common shares of Donnybrook (“**Donnybrook Shareholders**”) will be asked to consider, among other things, a special resolution (the “**Arrangement Resolution**”) approving a statutory arrangement (“**Arrangement**”) pursuant to section 193 of the *Business Corporations Act* (Alberta) which involves, among other things: (i) the spin-out certain of Donnybrook’s non-core assets to Donnycreek Energy Inc. (“**Newco**”) for common shares of Newco (“**Newco Shares**”) and the Promissory Note (as defined herein); and (ii) the reduction of the share capital of Donnybrook by way of a distribution of Newco Shares to current Donnybrook Shareholders on a basis of 0.025 of a Newco Share per common share of Donnybrook outstanding (“**Donnybrook Share**”). To be effective, the Arrangement must be approved by a resolution passed by two-thirds of the votes cast at the Meeting. The Arrangement is also subject to the approval of the Court of Queen’s Bench of Alberta.

Upon completion of the Arrangement, all of the Newco Shares will be owned by Donnybrook Shareholders (other than dissenting Donnybrook Shareholders). Pursuant to the Arrangement, Newco will acquire the Transferred Assets (as defined in the accompanying Management Information Circular) from Donnybrook in consideration for the Newco Shares and a promissory note in the principal amount of \$2,188,342.90 (the “**Promissory Note**”).

The board of directors of Donnybrook has determined that the Arrangement is fair to the Donnybrook Shareholders and is in the best interests of Donnybrook and recommends that Donnybrook Shareholders vote in favour of the Arrangement Resolution.

Concurrently with the closing of the Arrangement, Newco intends to complete a private placement of Newco Shares (the “**Private Placement**”) for aggregate gross proceeds of \$2,400,000, which proceeds are intended to be used to repay the Promissory Note and to provide additional working capital for Newco. The closing of the Private Placement is conditional upon the closing of the Arrangement. The Private Placement must be approved by a majority of the votes cast by the Donnybrook Shareholders present in person or by proxy at the Meeting, after excluding the votes cast by certain directors and officers of Donnybrook participating in the Private Placement. In addition, if the Arrangement Resolution is passed, Donnybrook Shareholders will also be asked to consider and, if deemed advisable, approve by ordinary resolution, the adoption of a stock option plan of Newco (the “**Newco Option Plan**”).

The accompanying Notice of Special Meeting and Management Information Circular provide a full description of the Arrangement, the Private Placement and the Newco Option Plan and includes additional information to assist you in considering how to vote on the Arrangement, the Private Placement and the Newco Option Plan. You are encouraged to consider carefully all of the information in the accompanying Management Information Circular including the documents incorporated by reference therein. If you require assistance, you should consult your financial, legal or other professional advisors.

Your vote is important regardless of the number of Donnybrook Shares you own. If you are a registered holder of Donnybrook Shares, we encourage you to take the time now to complete, sign, date and return the enclosed form of proxy by not later than 10:00 a.m. (Calgary time) on November 2, 2011, to ensure that your Donnybrook Shares will be voted at the Meeting in accordance with your instructions, whether or not you are able to attend in person. If you hold your Donnybrook Shares through a broker or other intermediary, you should follow the instructions provided by your broker or other intermediary to vote your Donnybrook Shares.

Subject to obtaining court approval and satisfying all other conditions of closing, including obtaining the approval of the Donnybrook Shareholders, it is anticipated that the Arrangement, the Private Placement and the adoption of the Newco Option Plan will be completed on November 4, 2011.

We look forward to seeing you at the Meeting.

Yours very truly,

(signed) "*Malcolm F.W. Todd*"
President and Chief Executive Officer

DONNYBROOK ENERGY INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held Friday, November 4, 2011

NOTICE IS HEREBY GIVEN that a special meeting (the “**Meeting**”) of the holders (the “**Donnybrook Shareholders**”) of common shares (“**Donnybrook Shares**”) of Donnybrook Energy Inc. (“**Donnybrook**”) will be held at the offices of Borden Ladner Gervais LLP at 1900, 520-3rd Avenue S.W., Calgary, Alberta, on November 4, 2011, at 10:00 a.m. (Calgary time), for the following purposes:

1. to consider, pursuant to an interim order of the Court of Queen’s Bench of Alberta dated October 3, 2011 (the “**Interim Order**”) and, if deemed 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 management information circular (“**Information Circular**”), to approve a plan of arrangement under section 193 of the Business Corporations Act (Alberta) (“**ABCA**”) which involves, among other things: (i) the spin-out certain of Donnybrook’s non-core assets to Donnycreek Energy Inc. (“**Newco**”) for common shares of Newco (“**Newco Shares**”) and a promissory note in the principal amount of \$2,188,342.90; and (ii) the reduction of the share capital of Donnybrook by way of a distribution of Newco Shares to current Donnybrook Shareholders on the basis of 0.025 of a Newco Share per common share of Donnybrook (“**Donnybrook Share**”) outstanding, (the “**Arrangement**”), all as more particularly described in the Information Circular;
2. provided that the Arrangement Resolution is approved, to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution, the full text of which is set forth in the Information Circular, to approve the private placement offering of Newco Shares for aggregate gross proceeds of \$2,400,000, as more particularly described in the Information Circular;
3. provided that the Arrangement Resolution is approved, to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution, the full text of which is set forth in the Information Circular, to approve a stock option plan for Newco, as more particularly described in the Information Circular; and
4. to transact any other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

The record date for determination of Donnybrook Shareholders entitled to receive notice of and to vote at the Meeting is September 30, 2011 (the “**Record Date**”). Only Donnybrook Shareholders whose names have been entered in the register of Donnybrook Shares on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting. To the extent that a Donnybrook Shareholder transfers the ownership of any Donnybrook Shares after the Record Date and the transferee of those Donnybrook Shares establishes ownership of such Donnybrook Shares and demands, not later than 10 days before the Meeting, to be included in the list of Donnybrook Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Donnybrook Shares at the Meeting. Pursuant to the Interim Order, each Donnybrook Shareholder shall be entitled to one vote at the Meeting for each Donnybrook Share held by such holder.

A Donnybrook Shareholder may attend the Meeting in person or may be represented by proxy. Donnybrook Shareholders who are unable to attend the Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. To be valid, the proxy must be received by Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, North Tower, Toronto, Ontario, M5J 2Y1, attention: Proxy Department, no later than 10:00 a.m. (Calgary time) on November 2, 2011 or the second last business day prior to the date of any adjourned Meeting.

The proxyholder has discretion under the accompanying form of proxy to consider matters to be voted upon at the Meeting that may not yet be determined. Donnybrook Shareholders who are planning on submitting a proxy are encouraged to review the Information Circular carefully before submitting the proxy form.

Registered Donnybrook Shareholders have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement Resolution becomes effective, to be paid the fair value of their Donnybrook Shares in accordance with the provisions of section 191 of the ABCA and the Interim Order. A Donnybrook Shareholder's right to dissent is more particularly described in the Information Circular and the text of section 191 of the ABCA is set forth in Appendix G to the Information Circular. A dissenting Donnybrook Shareholder must send to Donnybrook, c/o its counsel, Borden Ladner Gervais LLP, 1900, 520-3rd Avenue S.W., Calgary, Alberta T2P 0R3, Attention: David T. Madsen, a written objection to the Arrangement Resolution, which written objection must be received by 5:00 p.m. (Calgary time) on the second business day immediately preceding the date of the Meeting or any adjournment thereof. Please refer to the Information Circular under the heading "*The Arrangement - Right to Dissent in Respect of the Arrangement*" and Appendix G for a description of the right to dissent in respect of the Arrangement.

Failure to strictly comply with the requirements set forth in section 191 of the ABCA and the Interim Order with respect to the Arrangement may result in the loss of any right to dissent. Persons who are beneficial owners of Donnybrook Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of Donnybrook Shares are entitled to dissent. Accordingly, a beneficial owner of Donnybrook Shares desiring to exercise the right to dissent must make arrangements for the Donnybrook Shares beneficially owned by such holder to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by Donnybrook or, alternatively, make arrangements for the registered holder of such Donnybrook Shares, to dissent on behalf of the holder.

DATED at the City of Calgary, in the Province of Alberta, this 3rd day of October, 2011.

**BY ORDER OF THE BOARD OF DIRECTORS OF
DONNYBROOK ENERGY INC.**

(signed) "*Malcolm F.W. Todd*"
President and Chief Executive Officer

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MANAGEMENT INFORMATION CIRCULAR

Introduction

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Donnybrook for use at the Meeting and any adjournment or postponement thereof. No person has been authorized to give any information or to make representations 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 should not be considered to have been authorized by Donnybrook or Newco.

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 hereto as Appendix B. **You are urged to carefully read the full text of the Plan of Arrangement.**

This Information Circular does not constitute the solicitation of an offer to acquire any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

You should not construe the contents of this Information Circular as legal, tax or financial advice and should consult with your own professional advisors as to the relevant legal, tax, financial or other matters in connection herewith.

All capitalized terms used in this Information Circular but not otherwise defined herein shall have the meanings set forth under “*Glossary of Terms*”. The information contained in this Information Circular is given as at October 3, 2011, except where otherwise noted.

Notice to United States Shareholders

THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Newco Shares issuable to Donnybrook Shareholders under the Arrangement have not been and will not be registered under the U.S. Securities Act or applicable state securities laws, and such Newco Shares will be issued in reliance upon the exemption from registration provided by section 3(a)(10) of the U.S. Securities Act.

The solicitation of proxies for the Meeting by means of this Information Circular is not subject to the requirements of section 14(a) of the U.S. Exchange Act. Accordingly, the solicitations and transactions contemplated in this Information Circular are being made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Information Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Donnybrook Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act.

Specifically, information concerning any properties and operations of Donnybrook, including any to be transferred to Newco as part of the Arrangement, has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies. Data on oil and gas reserves contained in this Information Circular have been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. For example, the SEC currently requires U.S. oil and gas companies, in their filings with the SEC, to disclose proved reserves (as defined in SEC rules and regulations) and permits disclosure of probable and possible reserves. Canadian securities

laws require oil and gas companies, in their filings with Canadian securities regulators, to disclose proved reserves (defined differently from SEC rules and regulations) and probable reserves and permits disclosure of possible reserves. Probable reserves are of higher risk and are generally believed to be less likely to be recovered than proved reserves. Additionally, the SEC prohibits disclosure of oil and gas resources, whereas Canadian issuers may disclose oil and gas resources. Resources are different than, and should not be construed as, reserves. As a consequence, the production volumes and reserve and resource estimates in this Information Circular may not be comparable to those of U.S. oil and gas companies subject to SEC reporting and disclosure requirements.

Financial statements included or incorporated by reference herein have been prepared in Canadian dollars and in accordance with Canadian GAAP or IFRS, as applicable, and are subject to auditing and auditor independence standards, which differ from United States generally accepted accounting principles and United States auditing and auditor independence standards in certain material respects, and thus are not directly comparable to financial statements of companies prepared in accordance with United States generally accepted accounting principles and that are subject to United States auditing and auditor independence standards.

The enforcement by Donnybrook Shareholders of civil liabilities under the United States federal securities laws may be affected adversely by the fact that Donnybrook and Newco are incorporated or organized under the laws of a country other than the United States, that some or all of their officers and directors and the experts named herein are residents of countries other than the United States and that all of the assets of Donnybrook and Newco are located outside the United States. As a result, it may be difficult or impossible for U.S. shareholders to effect service of process within the United States upon Donnybrook and Newco, their directors or officers, 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 “blue sky” laws of any state within the United States. In addition, U.S. shareholders should not assume that the courts of Canada: (i) 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 “blue sky” laws of any state within the United States; or (ii) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States.

Newco Shares received pursuant to the Arrangement by persons who are “affiliates” of Newco after the completion of the Arrangement or within 90 days prior to the completion of the Arrangement will be subject to certain restrictions on resale imposed by the U.S. Securities Act. Under certain circumstances, certain restrictions on resale under the U.S. Securities Act may also apply to persons who are “affiliates” of Donnybrook immediately prior to the completion of the Arrangement. See “*The Arrangement – United States Securities Laws Considerations*”.

Donnybrook Shareholders should be aware that the distribution of the securities described herein may have tax consequences in both the United States and Canada. Such consequences for investors who are resident in, or citizens of, the United States are not described herein. See “*United States Federal Income Tax Warning*”.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENT

Certain statements, other than statements of historical fact, contained or incorporated by reference in this Information Circular, including any information as to the future financial or operating performance of Donnybrook and Newco, constitute “forward-looking information” within the meaning of applicable Canadian securities laws, and are based on expectations, estimates and projections as of the date of this Information Circular. The words “plans,” “expects,” “does not expect,” “is expected,” “budget,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates,” “does not anticipate,” or “believes,” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “might,” or “will be taken,” “occur” or “be achieved” and similar expressions identify forward-looking statements.

Forward-looking statements include, without limitation, statements with respect to the future price of oil and gas, the estimation of oil and gas reserves, the realization of oil and gas reserve estimates, the timing and amount of estimated future production, costs of production, expected capital expenditures, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and matters related to the completion of the Arrangement, the proposed structure of Newco, the business objectives, capital expenditures and operations of Newco and the listing of the Newco Shares on TSXV. Statements relating to “reserves” and “resources” are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Donnybrook and Newco as of the date of this Information Circular, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of each of Donnybrook and Newco include, but are not limited to, the various assumptions set forth in the most recent annual information form of Donnybrook and its most recent management’s discussion and analysis as well as: (i) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, damage to equipment or otherwise during the balance of 2011; (ii) that the exchange rate between the Canadian dollar and the U.S. dollar will be approximately consistent with current levels; (iii) certain price assumptions for oil and gas; and (iv) the accuracy of oil and gas reserve estimates.

Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: actual results of exploration activities; actual results of reclamation activities; timing and amount of estimated future production; costs of production; capital expenditures; requirements for additional capital; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the oil and gas industry; delays in obtaining governmental approvals, permits or financing or in the completion of development or construction activities; hedging practices; title disputes; claims limitations on insurance coverage; the timing and possible outcome of pending litigation and the possibility of new litigation; risks related to joint venture operations; risks related to the integration of acquisitions; fluctuations in the currency markets; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada or other countries in which Donnybrook or Newco carries on or may carry on business in the future as well as those factors discussed under “*Risk Factors*” in Appendix E to this Information Circular. There are also certain risks related to the consummation of the Arrangement and the business and operations of Donnybrook.

These risk factors are not intended to represent a complete list of the risk factors that could affect Donnybrook or Newco. Although Donnybrook and Newco have attempted to identify in this Information Circular important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements in this Information Circular, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that the forward-looking statements in this Information Circular will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements in this Information Circular. All of the forward-looking statements made in this Information Circular are qualified by these cautionary statements.

Certain of the forward-looking statements and other information contained herein are based on estimates prepared by Donnybrook using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which Donnybrook believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, these data are inherently imprecise. While Donnybrook is not aware of any misstatement regarding any industry data presented herein, the oil and gas industry involves risks and uncertainties that are subject to change based on various factors.

Each of Donnybrook and Newco disclaims any intention or obligation to update or revise any of the forward-looking statements in this Information Circular, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES

Unless otherwise indicated, all references to “\$” in this Information Circular refer to Canadian dollars.

The following tables set forth: (i) the rates of exchange for one U.S. dollar, expressed in Canadian dollars, in effect at the end of each of the periods indicated; (ii) the average rates of exchange for such periods; and (iii) the highest and lowest rates of exchange during each such periods, in each case based on the noon rates of exchange as quoted by the Bank of Canada.

	Six Months ended June 30,	Years ended December 31,		
	2011	2010	2009	2008
Rate at end of period	\$0.9538	\$0.9931	\$1.0456	\$1.2246
Average rate during period	\$0.9788	\$1.0299	\$1.1420	\$1.0660
High	\$1.0022	\$1.0778	\$1.3000	\$1.2969
Low	\$0.9449	\$0.9946	\$1.0292	\$0.9719

On September 30, 2011, the last trading day before the date of this Information Circular, the exchange rate for one U.S. dollar expressed in Canadian dollars, based upon the noon buying rates provided by the Bank of Canada, was \$0.9780.

NOTES ON OIL AND GAS RESERVES DATA

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

“**reserves**” are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: (i) analysis of drilling, geological, geophysical, and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

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

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

“**Developed Non-Producing**” reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

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

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

“**Probable**” reserves are those additional reserves that are less certain to be recovered than Proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved + Probable reserves.

“**Possible**” reserves are those additional reserves that are less certain to be recovered than Probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated Proved + Probable + Possible reserves.

“**gross**” means: (i) in relation to an issuer’s interest in production or reserves, its “company gross reserves”, which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the issuer; (ii) in relation to wells, the total number of wells in which an issuer has an interest; and (iii) in relation to properties, the total area of properties in which an issuer has an interest.

“**net**” means: (i) in relation to an issuer’s interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves; (ii) in relation to an issuer’s interest in wells, the number of wells obtained by aggregating the issuer’s working interest in each of its gross wells; and (iii) in relation to an issuer’s interest in a property, the total area in which the issuer has an interest multiplied by the working interest owned by the issuer.

Oil and Natural Gas Abbreviations

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

Oil and Natural Gas Liquids

bbl	barrel of crude oil
bbls	barrels of crude oil
bbls/d	barrels of crude oil per day
Mbbl	thousand barrels of crude oil
NGLs	natural gas liquids
STB	standard stock tank barrel
MSTB	thousand standard stock tank barrels

Natural Gas

Mcf	thousand cubic feet of natural gas
Mcf/d	thousand cubic feet of natural gas per day
Mmcf	million cubic feet of natural gas
mmbtu	million British thermal units
GJ	gigajoule
GJ/d	gigajoules per day

Other

boe	barrel of oil equivalent
boe/d	barrels of oil equivalent per day
NPV	net present value
M\$	thousands of Canadian dollars
P&NG	petroleum and natural gas
WTI	West Texas Intermediate

The term barrels of oil equivalent, or “boe”, may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 Mcf: 1 bbl) of natural gas to barrels of oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Conversions

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

Conversion of Units

1 acre	0.4 hectare
2.5 acres	1 hectare
1 bbl	0.159 cubic metre
6.29 bbls	1 cubic metre
1 foot	0.3048 metre
3.281 feet	1 metre
1 Mcf	28.2 cubic metres
0.035 Mcf	1 cubic metre
1 mile	1.61 kilometres
0.62 miles	1 kilometre
1 mmbtu	1.054 GJ
0.949 mmbtu	1 GJ

GLOSSARY OF TERMS

In this Information Circular, the following capitalized words and terms shall have the following meanings:

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

“**Arrangement**” means the arrangement under the provisions of section 193 of the ABCA on the terms set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement and the Plan of Arrangement or made at the direction of the Court in the Final Order;

“**Arrangement Agreement**” means the Arrangement Agreement dated October 3, 2011, between Donnybrook and Newco, providing for the Arrangement and filed on SEDAR under Donnybrook’s company profile;

“**Arrangement Resolution**” means the special resolution substantially in the form attached as Appendix A to this Information Circular;

“**Articles of Arrangement**” means the articles of arrangement of Donnybrook in respect of the Arrangement required by the ABCA to be filed with the Registrar after the Final Order is made;

“**Authority**” means any: (i) multinational, federal, provincial, state, municipal, local or foreign governmental or public department, court, or commission, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental or self-regulatory organization exercising any regulatory, expropriation or taxing authority under or for the account of its members or any of the above;

“**Business Day**” means a day, other than a Saturday, Sunday or a civic or statutory holiday in Calgary, Alberta;

“**Canadian GAAP**” means Canadian generally accepted accounting principles or interpretations thereof;

“**COGE Handbook**” means the “Canadian Oil and Gas Evaluation Handbook” prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time;

“**Conveyance Agreement**” means the conveyance agreement dated October 3, 2011 between Donnybrook and Newco attached as Exhibit 2 to the Arrangement Agreement providing for, among other things, the sale by Donnybrook to Newco of the Transferred Assets;

“**Court**” means the Court of Queen’s Bench of Alberta;

“**Dissent Notice**” means the written objection of a Registered Shareholder to the Arrangement Resolution, submitted to Donnybrook in accordance with the Dissent Procedures;

“**Dissent Procedures**” means the dissent procedures as described under the heading “*The Arrangement - Right to Dissent in Respect of the Arrangement*” in this Information Circular;

“**Dissent Rights**” has the meaning ascribed to it under the heading “*The Arrangement - Right to Dissent in Respect of the Arrangement*” in this Information Circular;

“**Dissenting Shareholder**” means a registered holder of Donnybrook Shares who dissents in respect of the Arrangement in strict compliance with the Dissent Rights;

“**Donnybrook**” or the “**Corporation**” means Donnybrook Energy Inc., a corporation existing under the ABCA;

“**Donnybrook Board**” means the board of directors of Donnybrook as it may be comprised from time to time;

“Donnybrook Option Plan” means the amended and restated stock option plan of Donnybrook approved by Donnybrook Shareholders at the annual and special meeting of Donnybrook held on May 25, 2011;

“Donnybrook Options” means options to purchase Donnybrook Shares granted pursuant to the Donnybrook Option Plan and outstanding from time to time;

“Donnybrook Shareholders” means, at the relevant time, the holders of Donnybrook Shares;

“Donnybrook Shares” means the common shares in the capital of Donnybrook, which Donnybrook is authorized to issue as presently constituted;

“Donnybrook Warrants” means the common share purchase warrants to purchase Donnybrook Shares outstanding from time to time;

“DRS Advice” means the document evidencing the electronic registration for Newco Shares under the Direct Registration System adopted by the Transfer Agent;

“Effective Date” means the date shown on the confirmation of filing to be issued under the ABCA giving effect to the Arrangement, which date shall be determined in accordance with the Arrangement Agreement;

“Effective Time” means 12:01 a.m., Calgary time, on the Effective Date;

“Encumbrance” includes any mortgage, pledge, assignment, charge, lien, claim, security interest, adverse interest, other third party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by applicable law, contract or otherwise) capable of becoming any of the foregoing;

“Fekete” means Fekete Associates Inc., independent petroleum consultants;

“Fekete Report” means the report entitled *“Evaluation of the Interests of Donnybrook Energy Inc. in Delia/Michichi, Alberta as at December 31, 2010”* prepared by Fekete dated effective December 31, 2010 and prepared on August 23, 2011 for Donnybrook with respect to the oil and gas properties which partially comprise the Transferred Assets;

“Fekete July Report” means the report entitled *“Evaluation of the Interests of Donnybrook Energy Inc. in Delia/Michichi, Alberta as at July 31, 2011”* prepared by Fekete dated effective July 31, 2011 and prepared on August 23, 2011 for Donnybrook with respect to the oil and gas properties which partially comprise the Transferred Assets;

“Final Order” means the final order of the Court approving the Arrangement, as such order may be amended by the Court (with the consent of Donnybrook) at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

“IFRS” means International Financial Reporting Standards, as in effect from time to time;

“Information Circular” means this management information circular dated October 3, 2011, together with the Notice of Meeting, all appendices hereto and all documents incorporated by reference herein, distributed by Donnybrook in connection with the Meeting;

“Interim Order” means the interim order of the Court dated October 3, 2011 providing for, among other things, the calling of the Meeting, attached as Appendix C hereto;

“Intermediary” includes a broker, investment dealer, bank, trust company, nominee or other intermediary;

“**Meeting**” means the special meeting of Donnybrook Shareholders, including any adjournments or postponements thereof, called and to be held to consider, among other matters, and if deemed advisable, to pass, with or without variation, the Arrangement Resolution;

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

“**Newco**” means Donnycreek Energy Inc., a corporation incorporated under the ABCA;

“**Newco Board**” means the board of directors of Newco as it may be comprised from time to time;

“**Newco Option Plan**” means the stock option plan of Newco to be approved by Donnybrook Shareholders at the Meeting;

“**Newco Shares**” means the common shares in the capital of Newco, which Newco is authorized to issue as presently constituted;

“**NI 51-101**” means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*, of the Canadian Securities Administrators;

“**Non-Registered Holder**” means a non-registered beneficial holder of Donnybrook Shares whose shares are held through an Intermediary;

“**Notice of Meeting**” means the notice of the special meeting accompanying this Information Circular;

“**Party**” means any one of Donnybrook and Newco, and “**Parties**” means more than one of them as the context requires;

“**Person**” means any individual, corporation, firm, partnership (including, without limitation, a limited partnership), sole proprietorship, syndicate, joint venture, trustee, trust, any unincorporated organization or association, any government or instrumentality thereof and any tribunal;

“**Plan of Arrangement**” means the plan of arrangement to be substantially in the form and content of Appendix B attached hereto as amended or varied pursuant to the terms thereof and the terms of the Arrangement Agreement;

“**Private Placement**” means the private placement of Newco Shares for gross proceeds of \$2,400,000, which is anticipated to close concurrently with the closing of the Arrangement as more particularly described under “*Other Matters to be Considered at the Meeting – Approval of the Private Placement*”;

“**Promissory Note**” means a demand non-interest bearing promissory note to be dated as of the Effective Date issued by Newco in favour of Donnybrook in the principal amount of \$2,188,342.90, pursuant to the Plan of Arrangement;

“**Record Date**” means September 30, 2011, the record date for purposes of determining Donnybrook Shareholders entitled to receive notice of and to vote at the Meeting;

“**Registered Shareholder**” means a registered holder of Donnybrook Shares as recorded in the shareholder register of Donnybrook maintained by the Transfer Agent;

“**Registrar**” means the Registrar of Corporations for the Province of Alberta duly appointed pursuant to section 263 of the ABCA;

“**SEC**” means the United States Securities and Exchange Commission;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval described in National Instrument 13-101 of the Canadian Securities Administrators and available for public view at www.sedar.com;

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp.), and the regulations thereunder, all as amended from time to time;

“**Transfer Agent**” means Computershare Trust Company of Canada;

“**Transferred Assets**” means the assets to be sold by Donnybrook to Newco pursuant to the Conveyancing Agreement, as such term is defined therein;

“**TSXV**” means the TSX Venture Exchange;

“**U.S.**” or “**United States**” means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

“**U.S. Exchange Act**” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations made thereunder, as enacted or amended from time to time; and

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended, and the rules and regulations made thereunder, as enacted or amended from time to time.

SUMMARY

The following information is a summary of the contents of this Information Circular. This summary is provided for convenience only and the information contained in this summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial data and statements contained elsewhere in this Information Circular. Capitalized terms in this summary have the meaning set out in the Glossary of Terms or as set out herein. A copy of the Arrangement Agreement is available on SEDAR at www.sedar.com under Donnybrook's profile.

The Meeting

Donnybrook will hold the Meeting at the offices of Borden Ladner Gervais LLP at 1900, 520-3rd Avenue S.W., Calgary, Alberta, on November 4, 2011 commencing at 10:00 a.m. (Calgary time). At the Meeting, the Donnybrook Shareholders will be asked to consider, and, if thought advisable, to pass, with or without variation, the Arrangement Resolution, the full text of which is set out in Appendix A to this Information Circular. See "*The Arrangement*".

In addition, Donnybrook Shareholders will be asked to consider and approve the following matters:

- (a) provided that the Arrangement Resolution is approved, the Private Placement; and
- (b) provided that the Arrangement Resolution is approved, the Newco Option Plan.

See "*Other Matters to be Considered at the Meeting*".

The Arrangement

Donnybrook is an emerging Canadian oil and natural gas exploration and production company focused on horizontal multi-stage frac development in the liquid-rich Montney, Bluesky, Wilrich and/or Falher formations in the Deep Basin area of west central Alberta.

On August 25, 2011, Donnybrook announced its intention to reorganize its business by effecting a split of its business into two parts: (i) one part, comprising the Transferred Assets, will be transferred to Newco in connection with the Arrangement; and (ii) the other part, comprising the remaining assets and the remaining cash of Donnybrook, will continue to be owned by Donnybrook.

Pursuant to the Plan of Arrangement, all of Donnybrook's entire legal and beneficial right title and interest in and to the Transferred Assets will be transferred to Newco in consideration for: (i) the issuance by Newco to Donnybrook of fully paid and non-assessable Newco Shares on the basis of 0.025 of a Newco Share for each Donnybrook Share issued and outstanding immediately prior to the Effective Time; and (ii) the issuance by Newco to Donnybrook of the Promissory Note.

Pursuant to the Plan of Arrangement, the Newco Shares held by Donnybrook will be distributed to the Newco Shareholders. Immediately following completion of the Plan of Arrangement, Donnybrook Shareholders who receive Newco Shares will continue to hold an interest in each part of the current business of Donnybrook through the continued ownership of their Donnybrook Shares and the ownership of Newco Shares distributed to them. See "*The Arrangement*".

Concurrently with the closing of the Arrangement, Newco intends to complete the Private Placement for gross proceeds of \$2,400,000. The Private Placement is subject to certain conditions precedent and certain regulatory approvals, including approval of the TSXV. The closing of the Private Placement is conditional upon the closing of the Arrangement. Proceeds of the Private Placement are intended to be used to repay the Promissory Note and to provide additional working capital for Newco. See "*Other Matters to be Considered at the Meeting – Approval of the Private Placement*".

Under the terms of the Arrangement Agreement, Donnybrook has agreed to provide Newco with a right to purchase any Land, Wells, Facilities and associated Title Documents and Petroleum and Natural Gas Rights (as such terms are defined in the Conveyance Agreement) within 5 miles of the Transferred Assets acquired by Donnybrook from September 1, 2011 until the Effective Date at cost plus expenses incurred by Donnybrook, and which right to purchase is exercisable by Newco for a period of 90 days following the Effective Date. The right to purchase is conditional upon completion of the Arrangement. See “*The Arrangement Agreement – Right to Purchase*”.

Recommendation of the Donnybrook Board

After careful consideration, the Donnybrook Board has unanimously determined that the Arrangement is fair to Donnybrook Shareholders and that the Arrangement is in the best interests of Donnybrook. **The Donnybrook Board unanimously recommends that Donnybrook Shareholders vote FOR the Arrangement Resolution.**

Reasons for the Arrangement

In the course of its evaluation of the Plan of Arrangement, the Donnybrook Board consulted with Donnybrook’s senior management and legal counsel, reviewed a significant amount of information and considered a number of factors, including, among others, the following:

- *Current Market Price Does Not Reflect Full Value* - The Donnybrook Board and Donnybrook’s management do not believe that the current market price of the Donnybrook Shares reflects the full value of Donnybrook’s assets. In particular, the Donnybrook Board believes the market price of the Donnybrook Shares is attributed mainly to the value of the Simonette, Resthaven and Bigstone properties. Accordingly, transferring the Transferred Assets to a separate entity is expected to allow Donnybrook Shareholders to realize the value of both the Simonette, Resthaven and Bigstone properties (through their continued holding of Donnybrook Shares) and the value of the Transferred Assets (through their new holding of Newco Shares).
- *Fairness* – The Donnybrook Board considered the fairness of the Plan of Arrangement to all stakeholders in Donnybrook, including Donnybrook Shareholders, employees and creditors, and determined that it was fair to the Donnybrook Shareholders.
- *Maintenance of Ownership in Assets* – Donnybrook Shareholders will maintain their ownership interests in Donnybrook, and will also receive Newco Shares. Through their ownership of both Donnybrook Shares and Newco Shares, current Donnybrook Shareholders will have, prior to the effect of the Private Placement, the identical ownership interests in Donnybrook’s current properties and assets following the Plan of Arrangement as they do prior to the Plan of Arrangement.
- *Listing on the TSXV* – Donnybrook Shareholders will own securities of two publicly listed companies, if the intended listing of the Newco Shares is completed.

In the course of its deliberations, the Donnybrook Board also identified and considered a variety of risks and potentially negative factors, including, but not limited to the risks set out under “*Risk Factors*”.

The foregoing discussion summarizes the material information and factors considered by the Donnybrook Board in their consideration of the Plan of Arrangement. The Donnybrook Board collectively reached its unanimous decision with respect to the Plan of Arrangement in light of the factors described above and other factors that each member of the Donnybrook Board felt were appropriate. In view of the wide variety of factors and the quality and amount of information considered, the Donnybrook Board did not find it useful or practicable to, and did not make specific assessments of, quantify, rank or otherwise assign relative weights to the specific factors considered in reaching its determination. Individual members of the Donnybrook Board may have given different weight to different factors.

See “*The Arrangement - Reasons for the Arrangement*”.

Newco

Pursuant to the Arrangement, Newco will acquire the Transferred Assets from Donnybrook. The Transferred Assets to be transferred to Newco pursuant to the Arrangement include: (i) \$300,000; and (ii) certain oil and gas assets of Donnybrook in the Delia-Michichi area of eastern Alberta and Donnybrook's properties in the Prairie Creek, Gold Creek, Ansell Creek, Grande Prairie, Valhalla Creek and Leland Creek areas of the Deep Basin area of west central Alberta.

Following completion of the Arrangement, Newco will be engaged initially in the production of oil and gas in the Delia-Michichi area of eastern Alberta. Newco will be a growth oriented oil and natural gas company focused on the exploration and development of liquid rich natural gas resource plays in the Montney, Wilrich, Bluesky and/or Falher formations in the Deep Basin area of west central Alberta.

See Appendix E – *Information Concerning Newco*.

Newco Stock Exchange Listing

There is currently no market for the Newco Shares. Newco has applied to list the Newco Shares on the TSXV. The TSXV has conditionally approved the listing of the Newco Shares on the TSXV. Listing of the Newco Shares on the TSXV will be subject to Newco meeting the original listing requirements of the TSXV. See "*Information Concerning Newco*".

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 in order for the Arrangement to become effective:

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

See "*The Arrangement - Procedure for the Arrangement to Become Effective - Procedural Steps*".

Donnybrook Shareholder Approval

Pursuant to the terms of the Interim Order, the Arrangement Resolution must, subject to further order of the Court, be approved by at least 66⅔% of the votes cast by the Donnybrook Shareholders present in person or by proxy at the Meeting. Each Donnybrook Shareholder shall be entitled to one vote for each Donnybrook Share held by such holder. See "*The Arrangement - Procedure for the Arrangement to Become Effective - Donnybrook Shareholder Approval*".

Notwithstanding the foregoing, the Arrangement Resolution authorizes the Donnybrook Board, without further notice to or approval of the Donnybrook Shareholders, subject to the terms of the Arrangement, to amend the Arrangement Agreement or to decide not to proceed with the Arrangement 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

The Arrangement requires the Court's approval of the Final Order. Prior to the mailing of this Information Circular, the Corporation obtained the Interim Order authorizing and directing the Corporation to call, hold and conduct the Meeting and to submit the Arrangement Resolution to the Donnybrook Shareholders for approval. A copy of the Interim Order is attached as Appendix C to this Information Circular. Subject to the terms of the Arrangement Agreement and provided that the Arrangement Resolution is approved at the Meeting, Donnybrook will make application to the Court for the Final Order at the Court House, 601 - 5th Street S.W., Calgary, Alberta, on November 4, 2011, at 1:00 p.m. (Calgary time) or as soon thereafter as counsel may be heard.

The Notice of Application is attached as Appendix D to this Information Circular. See "*The Arrangement - Procedure for the Arrangement to Become Effective - Court Approval*".

Timing

The Arrangement will become effective upon the filing with the Registrar of a copy of the Final Order and the Articles of Arrangement. If the Arrangement Resolution is approved by the Donnybrook Shareholders as required by the Interim Order, Donnybrook will apply to the Court for the Final Order. If the Final Order is obtained on November 4, 2011, in form and substance satisfactory to Donnybrook and Newco, and all other conditions specified in the Arrangement Agreement are satisfied or waived, Donnybrook and Newco expect that the Effective Date will be November 4, 2011. The Effective Date could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order. See "*The Arrangement - Timing*".

Procedure for Receipt of Newco Shares and Treatment of Fractional Shares

As soon as practicable after the Effective Date, the transfer agent of Newco will forward to each registered Newco Shareholder of record at the Effective Date who has not dissented to the Arrangement, a DRS Advice evidencing ownership of Newco Shares to which they are entitled to receive under the Arrangement.

Donnybrook Shareholders should not deliver certificates for Donnybrook Shares as certificates representing Donnybrook Shares are not being exchanged pursuant to this Arrangement.

No fractional Newco Shares will be issued to Donnybrook Shareholders. If a Donnybrook Shareholder is entitled to a fractional Newco Share, the number of Newco Shares to be issued to that Donnybrook Shareholder will be rounded down to the nearest whole Newco Share.

See "*The Arrangement – Procedure for the Receipt of Newco Shares*".

Rights of Dissent

Registered Shareholders are entitled to dissent from the Arrangement Resolution in the manner provided in section 191 of the ABCA, as modified by the Interim Order and the Plan of Arrangement. A Registered Shareholder who wishes to dissent must ensure that a Dissent Notice is received by Donnybrook, c/o its counsel, Borden Ladner Gervais LLP, 1900, 520-3rd Avenue S.W., Calgary, Alberta, Attention: David T. Madsen on or prior to 5:00 p.m. (Calgary time) on the second Business Day immediately preceding the date of the Meeting. It is important that Registered Shareholders strictly comply with this requirement, which is different from the statutory dissent provisions of the ABCA which would permit a Dissent Notice to be provided at or prior to the Meeting. See "*The Arrangement - Right to Dissent in Respect of the Arrangement*".

Income Tax Considerations

Certain Canadian federal income tax considerations for Donnybrook Shareholders who participate in the Arrangement or who dissent from the Arrangement are set out in the summary herein entitled "*Income Tax Considerations – Certain Canadian Federal Income Tax Considerations*".

Selected Pro Forma Information

Certain selected unaudited pro forma carve-out financial information following completion of the Arrangement and the Private Placement is set forth in the following table. Such information should be read in conjunction with the unaudited pro forma financial statements as at and for the year ended December 31, 2010 and for the six month period ended June 30, 2011, included as Schedule C to Appendix E of this Circular.

Pro Forma Carve-out Statements of Operations and Comprehensive Loss	Year Ended December 31, 2010	Six Month Period Ended June 30, 2011
Revenue.....	\$309,183	\$180,808
Expenses.....	\$746,578	\$199,694
Net (Loss).....	\$(437,395)	\$(18,886)
(Loss) Per Share - basic.....	\$(0.05)	\$(0.01)

Pro Forma Combined Balance Sheet	As at December 31, 2010	As at June 30, 2011
Assets	\$1,817,640	\$3,316,196
Liabilities.....	\$56,153	\$31,885
Shareholder's Equity.....	\$1,761,487	\$3,284,311

The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma carve-out financial statements. The unaudited pro forma carve-out financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating or financial results that would have occurred had the Arrangement actually occurred at the times contemplated by the notes to the unaudited pro forma carve-out financial statements or of the results expected in future periods.

Risk Factors

There are risks associated with the completion of the Arrangement. Some of these risks include that Donnybrook may not obtain the necessary approvals for completion of the Plan of Arrangement on satisfactory terms or at all, the Arrangement Agreement may be terminated by Donnybrook in certain circumstances and the market price for Donnybrook Shares may be adversely affected. See “*Risk Factors*”.

Private Placement

Concurrently with the closing of the Arrangement, Newco intends to complete the Private Placement for gross proceeds of \$2,400,000. The Private Placement is subject to certain conditions precedent and certain regulatory approvals, including approval of the TSXV. The closing of the Private Placement is conditional upon the closing of the Arrangement. Proceeds of the Private Placement are intended to be used to repay the Promissory Note and to provide additional working capital for Newco. If the Arrangement Resolution is passed, Donnybrook Shareholders will be asked to consider and, if deemed advisable, pass the ordinary resolution approving the Private Placement. **Unless otherwise directed by Donnybrook Shareholders appointing them proxy, the persons named in the enclosed form of proxy intend to vote the Donnybrook Shares represented thereby FOR the ordinary resolution approving the Private Placement.**

See “*Other Matters to be Considered At the Meeting – Approval of the Private Placement*”.

Newco Option Plan

If the Arrangement Resolution is passed, Donnybrook Shareholders will be asked to consider and, if deemed advisable, pass the ordinary resolution approving the Newco Option Plan. **Unless otherwise directed by Donnybrook Shareholders appointing them proxy, the persons named in the enclosed form of proxy intend to vote the Donnybrook Shares represented thereby FOR the ordinary resolution approving the Newco Option Plan.**

The Newco Option Plan is substantially similar to the current Donnybrook Option Plan. See “*Other Matters to be Considered At the Meeting – Approval of the Newco Option Plan*”.

THE ARRANGEMENT

The Arrangement will be carried out pursuant to the Arrangement Agreement, the Plan of Arrangement and related documents. A summary of the principal terms of the Arrangement Agreement and the Plan of Arrangement is provided in this section. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement which is available on SEDAR at www.sedar.com and the Plan of Arrangement, which is attached as Appendix B to this Information Circular. Capitalized terms have the meanings set out in the Glossary of Terms or are otherwise defined herein.

Approval of Arrangement Resolution

At the Meeting, Donnybrook Shareholders will be asked to approve the Arrangement Resolution, in the form set out in Appendix A attached to this Information Circular. The approval of the Arrangement Resolution will require the affirmative vote of two-thirds of the votes cast by Donnybrook Shareholders present in person or by proxy at the Meeting.

Background to the Arrangement

The Donnybrook Board considered strategic opportunities available to Donnybrook with a view to realizing the value of the Transferred Assets. After much consideration, the directors of Donnybrook determined that a reorganization of its business by way of a transfer of Donnybrook's interest in the Transferred Assets to a separate entity owned by the Donnybrook Shareholders, would achieve the desired result.

On August 25, 2011, Donnybrook announced its intention to reorganize its business by effecting a split of its business into two parts: (i) one part, comprising the Transferred Assets, will be transferred to Newco in connection with the Arrangement; and (ii) the other part, comprising the remaining assets and the remaining cash of Donnybrook, will continue to be owned by Donnybrook.

On October 3, 2011, the Donnybrook Board unanimously determined that the Arrangement is fair to the Donnybrook Shareholders and is in the best interests of Donnybrook and determined to recommend that Donnybrook Shareholders vote for the approval of the Arrangement Resolution. The Donnybrook Board approved the entering into of the Arrangement Agreement and the Conveyance Agreement between Donnybrook and Newco and the implementation of the Plan of Arrangement and the submission of the Arrangement Resolution to the Donnybrook Shareholders for a vote at the Meeting. The Donnybrook Board further approved, among other things, the making of the necessary court applications and regulatory applications in connection with the Arrangement, various matters relating to the Arrangement and the contents of this Information Circular and the sending of it to the Donnybrook Shareholders. The Donnybrook Board also authorized the submission of the resolutions with respect to the Private Placement and the Newco Option Plan to the Donnybrook Shareholders for their approval.

On October 3, 2011, each of the Arrangement Agreement and the Conveyance Agreement was entered into by Donnybrook and Newco.

Reasons for the Arrangement

In the course of its evaluation of the Plan of Arrangement, the Donnybrook Board consulted with Donnybrook's senior management and legal counsel, reviewed a significant amount of information and considered a number of factors, including, among others, the following:

- *Current Market Price Does Not Reflect Full Value* - The Donnybrook Board and Donnybrook's management do not believe that the current market price of the Donnybrook Shares reflects the full value of Donnybrook's assets. In particular, the Donnybrook Board believes the market price of the Donnybrook Shares is attributed mainly to the value of the Simonette, Resthaven and Bigstone properties. Accordingly, transferring the Transferred Assets to a separate entity is expected to allow Donnybrook Shareholders to realize the value of both the Simonette, Resthaven and Bigstone properties (through their continued holding of Donnybrook Shares) and the value of the Transferred Assets (through their new holding of Newco Shares).

- *Fairness* – The Donnybrook Board considered the fairness of the Plan of Arrangement to all stakeholders in Donnybrook, including Donnybrook Shareholders, employees and creditors, and determined that it was fair to the Donnybrook Shareholders.
- *Maintenance of Ownership in Assets* – Donnybrook Shareholders will maintain their ownership interests in Donnybrook, and will also receive Newco Shares. Through their ownership of both Donnybrook Shares and Newco Shares, current Donnybrook Shareholders will have, prior to the effect of the Private Placement, the identical ownership interests in Donnybrook’s current properties and assets following the Plan of Arrangement as they do prior to the Plan of Arrangement.
- *Listing on the TSXV* – Donnybrook Shareholders will own securities of two publicly listed companies, if the intended listing of the Newco Shares is completed.

In the course of its deliberations, the Donnybrook Board also identified and considered a variety of risks and potentially negative factors, including, but not limited to the risks set out under “*Risk Factors*”.

The foregoing discussion summarizes the material information and factors considered by the Donnybrook Board in their consideration of the Plan of Arrangement. The Donnybrook Board collectively reached its unanimous decision with respect to the Plan of Arrangement in light of the factors described above and other factors that each member of the Donnybrook Board felt were appropriate. In view of the wide variety of factors and the quality and amount of information considered, the Donnybrook Board did not find it useful or practicable to, and did not make specific assessments of, quantify, rank or otherwise assign relative weights to the specific factors considered in reaching its determination. Individual members of the Donnybrook Board may have given different weight to different factors.

Recommendation of the Donnybrook Board

After careful consideration, the Donnybrook Board has unanimously determined that the Arrangement is fair to the Donnybrook Shareholders and is in the best interests of Donnybrook. **The Donnybrook Board unanimously recommends that Donnybrook Shareholders vote FOR the Arrangement Resolution.**

The Arrangement

The following description is a summary of the Plan of Arrangement and is qualified in its entirety by reference to the full text of the Plan of Arrangement, which is attached as Appendix B to this Information Circular. Commencing at the Effective Time, the following transactions will occur and will be deemed to occur in the order set out in the Plan of Arrangement:

- (a) Each Donnybrook Share in respect of which the Donnybrook Shareholder has exercised Dissent Rights and for which the Donnybrook Shareholder is ultimately entitled to be paid fair market value (the “**Dissent Shares**”) shall be deemed to have been repurchased by Donnybrook for cancellation in consideration for a debt-claim against Donnybrook to be paid the fair value of such Dissent Share in accordance with section 4 of the Plan of Arrangement.
- (b) Donnybrook shall transfer, assign and convey to Newco all of its entire legal and beneficial right title and interest in and to the Transferred Assets in consideration for: (i) the issuance by Newco to Donnybrook of fully paid and non-assessable Newco Shares on the basis of 0.025 of a Newco Share for each Donnybrook Share issued and outstanding immediately prior to the Effective Time; and (ii) the issuance by Newco to Donnybrook of the Promissory Note, in accordance with the terms of the Conveyance Agreement.
- (c) Donnybrook will distribute all of the issued and outstanding Newco Shares to the Donnybrook Shareholders by way of a “reduction of capital” of Donnybrook such that each Donnybrook Shareholder will be entitled to receive 0.025 of a Newco Share for each Donnybrook Share held.

- (d) The one Newco Share registered in the name of Donnybrook shall be purchased by Newco in consideration of the payment by Newco to Donnybrook of \$1.00 and such Newco Share shall then be immediately cancelled.
- (e) The stated capital of Newco for the Newco Shares will equal the amount by which the fair market value of the Transferred Assets in subsection 3(a)(i) of the Arrangement Agreement for purposes of the Tax Act exceeds the amount of the Promissory Note.
- (f) The stated capital of the Donnybrook Shares shall be reduced by an amount equal to the fair market value of the issued and outstanding Newco Shares.
- (g) The number of directors of Newco shall be increased from one to six, and the directors of Donnybrook shall, and shall be deemed to, be the directors of Newco.
- (h) The initial auditors of Newco will be Smythe Ratcliffe LLP, who shall continue in office until the close of business of the first annual meeting of the holders of Newco Shares, and the directors of Newco are authorized to fix the remuneration of such auditors.

On completion of the Arrangement, assuming that at the Effective Time: (i) there are 171,836,066 Donnybrook Shares outstanding; (ii) there are no Dissenting Shareholders; and (iii) no Donnybrook Options or Donnybrook Warrants have been exercised, Newco will issue approximately 4,295,901 Newco Shares upon completion of the Arrangement, prior to the completion of the Private Placement. If Dissent Rights are validly exercised, each Newco Share that would otherwise have been received by Dissenting Shareholders will be held by Donnybrook.

Interests of Senior Management and Others in the Arrangement

In considering the recommendations of the Donnybrook Board with respect to the Arrangement, Donnybrook Shareholders should be aware that certain members of Donnybrook's senior management and the Donnybrook Board have certain interests in connection with the Arrangement that are different than their interests as Donnybrook Shareholders. The Donnybrook Board are aware of these interests and considered them along with other matters described above in "*The Arrangement - Reasons for the Arrangement*".

The executive officers and directors of Donnybrook beneficially own, directly or indirectly, or exercise control or direction over, in the aggregate, 23,387,278 Donnybrook Shares, representing approximately 13.61% of the Donnybrook Shares outstanding as of the close of business on October 3, 2011. All of the Donnybrook Shares held by the executive officers and directors of Donnybrook will be treated in the same fashion under the Arrangement as Donnybrook Shares held by any other Donnybrook Shareholder.

Certain directors and officers of Donnybrook will also be participating in the Private Placement. See "*Other Matters to be Considered at the Meeting – Approval of the Private Placement*".

Canadian Securities Laws Considerations

The Newco Shares and other securities to be issued under the Arrangement will be issued in reliance on exemptions from the prospectus requirement of applicable Canadian Securities Laws. The Newco Shares may generally be resold in each of the provinces and territories of Canada, without significant restriction, provided the trade is not a "control distribution" under applicable legislation, no unusual effort is made to prepare the market or to create a demand for those securities and no extraordinary commission or consideration is paid in respect of that sale. Upon completion of the Arrangement, it is anticipated that Newco will be a reporting issuer in the provinces of British Columbia and Alberta.

The foregoing discussion is only a general overview of certain requirements of the Canadian securities laws applicable to the resale of securities to be received upon completion of the Arrangement. All holders of securities received in connection with the Arrangement are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.

United States Securities Laws Considerations

The Newco Shares issuable to Donnybrook Shareholders under the Arrangement have not been and will not be registered under the U.S. Securities Act or applicable state securities laws. Such securities will be issued in reliance upon the exemption from registration provided by section 3(a)(10) of the U.S. Securities Act. Section 3(a)(10) of the U.S. Securities Act exempts the issuance of securities issued in exchange for one or more bona fide outstanding securities, claims or property interests from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities, claims or property interests 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 3, 2011 and, subject to the approval of the Arrangement by the Donnybrook Shareholders, a hearing on the Arrangement will be held on November 4, 2011 by the Court. See “*The Arrangement - Court Approval - Final Order*” below.

The Newco Shares received by Donnybrook Shareholders pursuant to the Arrangement may generally be resold without restriction under the U.S. Securities Act, except by persons who are “affiliates” of Newco after the completion of the Arrangement or within 90 days prior to the completion of the Arrangement. Persons who may be deemed to be “affiliates” of an issuer generally 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.

Any resale of such Newco Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act and applicable state securities laws, absent an exemption or exclusion therefrom. Subject to certain limitations, such affiliates (and former affiliates) may immediately resell such Newco Shares outside the United States without registration under the U.S. Securities Act pursuant to Regulation S thereunder. If available, such Newco Shares held by such affiliates (and former affiliates) may also be resold in transactions completed in accordance with the volume, current public information and manner of sale limitations of Rule 144 under the U.S. Securities Act. Unless certain conditions are satisfied, Rule 144 under the U.S. Securities Act is not available for resales of securities of an issuer that has ever had: (i) no or nominal operations; and (ii) no or nominal assets other than cash and cash equivalents (a “**shell company**”). Therefore, if Newco were to ever be deemed to be, or to have at any time previously been, a shell company, Rule 144 under the U.S. Securities Act may be unavailable for resales of Newco Shares unless and until Newco has satisfied the applicable conditions. In general terms, the satisfaction of such conditions would require Newco to be a registrant under the U.S. Exchange Act, to have been in compliance with its reporting obligations thereunder during the preceding 12 months (or for such shorter period that it was required to file reports thereunder), and to have filed certain information with the SEC at least 12 months prior to the intended resale.

In addition, notwithstanding the foregoing, if either Newco or Donnybrook were to be deemed to be a shell company immediately prior to completion of the Arrangement, additional resale restrictions imposed by Rule 145 under the U.S. Securities Act would be applicable to the resale of Newco Shares by persons who are affiliates of Donnybrook immediately prior to completion of the Arrangement.

The foregoing discussion is only a general overview of certain requirements of the U.S. Securities Act applicable to the resale of securities to be received upon completion of the Arrangement. All holders of securities received in connection with the Arrangement are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.

Stock Exchange Listings

There is currently no market for the Newco Shares. Newco has applied to list the Newco Shares on the TSXV. The TSXV has conditionally approved the listing of the Newco Shares on the TSXV. Listing of the Newco Shares on the TSXV will be subject to Newco meeting the original listing requirements of the TSXV.

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 in order for the Arrangement to become effective:

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

Donnybrook Shareholder Approval

Pursuant to the terms of the Interim Order, the Arrangement Resolution must, subject to further order of the Court, be approved by at least 66⅔% of the votes cast by the Donnybrook Shareholders present in person or by proxy at the Meeting. Each Donnybrook Shareholder shall be entitled to one vote for each Donnybrook Share held by such holder. See “*The Arrangement - Interests of Senior Management and Others in the Arrangement*” and “*General Proxy Matters - Voting Securities and Principal Holders Thereof*”.

Notwithstanding the foregoing, the Arrangement Resolution authorizes the Donnybrook Board, without further notice to or approval of the Donnybrook Shareholders, subject to the terms of the Arrangement, to amend the Arrangement Agreement or to decide not to proceed with the Arrangement 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

Interim Order

On October 3, 2011, the Court granted the Interim Order facilitating the calling of the Meeting and prescribing the conduct of the Meeting and other matters. The Interim Order is attached as Appendix C to this Information Circular.

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 Donnybrook Shareholders at the Meeting in the manner required by the Interim Order, Donnybrook will make application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for November 4, 2011 at 1:00 p.m. (Calgary time), or as soon thereafter as counsel may be heard, at the Court House, 601 - 5th Street S.W., Calgary, Alberta. At the hearing, any Donnybrook Shareholder 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 Donnybrook a Notice of Intention to Appear together with any evidence or materials which such party intends to present to the Court **on or before 12:00 Noon (Calgary time) on November 2, 2011. Service of such notice shall be effected by service upon the solicitors for Donnybrook: Borden Ladner Gervais LLP, 1900, 520-3rd Avenue S.W., Calgary, Alberta T2P 0R3, Attention: David T. Madsen. See Appendix D - Notice of Application.**

Donnybrook has been advised by its counsel, Borden Ladner Gervais 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, Donnybrook may determine not to proceed with the Arrangement.

The Newco Shares and securities of Donnybrook to be received by Donnybrook Shareholders pursuant to the Arrangement have not been, and will not be, registered under the U.S. Securities Act, and such securities will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof. The Court has been advised that the Final Order, if granted, will constitute the basis for an exemption from the registration requirements of the U.S. Securities Act, pursuant to section 3(a)(10) thereof, with respect to the offer and sale of the Newco Shares and the securities of Donnybrook to be received by Donnybrook Shareholders pursuant to the Arrangement.

Timing

If the Arrangement Resolution is approved by the Donnybrook Shareholders as required by the Interim Order, Donnybrook will apply to the Court for the Final Order. If the Final Order is obtained on November 4, 2011, in form and substance satisfactory to Donnybrook and Newco, and all other conditions specified in the Arrangement Agreement are satisfied or waived, Donnybrook and Newco expect that the Effective Date will be on or about November 4, 2011. It is not possible, however, to state with certainty, when, or if, the Effective Date will occur.

The Arrangement will become effective upon the filing with the Registrar the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Registrar.

The Effective Date could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order.

Procedure for the Receipt of Newco Shares

As soon as practicable after the Effective Date, the transfer agent of Newco will forward to each registered Newco Shareholder of record at the Effective Date who has not dissented to the Arrangement, a DRS Advice evidencing ownership of Newco Shares to which they are entitled receive under the Arrangement.

Donnybrook Shareholders should not deliver certificates for Donnybrook Shares as certificates representing Donnybrook Shares are not being exchanged pursuant to this Arrangement.

Fractional Shares

No fractional Newco Shares will be issued to Donnybrook Shareholders. If a Donnybrook Shareholder is entitled to a fractional Newco Share, the number of Newco Shares to be issued to that Donnybrook Shareholder will be rounded down to the nearest whole Newco Share.

Right to Dissent in Respect of the Arrangement

The following description of the right to dissent and appraisal to which registered Dissenting Shareholders are entitled is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of such Dissenting Shareholder's Donnybrook Shares and is qualified in its entirety by reference to the text of section 4 of the Plan of Arrangement which is attached to this Information Circular as Appendix B, to the full text of the Interim Order, which is attached to this Information Circular as Appendix C and the text of section 191 of the ABCA, which is attached to this Information Circular as Appendix G. A Dissenting Shareholder who intends to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of the ABCA, as modified by the

Interim Order. Failure to strictly comply with the provisions of that section, as modified by the Interim Order, and to adhere to the procedures established therein may result in the loss of all rights thereunder.

A Court hearing the application for the Final Order has the discretion to alter the rights of dissent described herein based on the evidence presented at such hearing. Pursuant to the Interim Order, Dissenting Shareholders are entitled to dissent and to be paid by Donnybrook the fair value of the Donnybrook Shares held by such Dissenting Shareholder in respect of which such Dissenting Shareholder dissents, determined as of the close of business on the last Business Day before the day on which the Arrangement Resolution from which such Dissenting Shareholder dissents was approved by the Donnybrook Shareholders. A Dissenting Shareholder may dissent only with respect to all of the Donnybrook Shares held by such Dissenting Shareholder or on behalf of any one beneficial owner and registered in the Dissenting Shareholder's name. Only registered Donnybrook Shareholders may dissent. Persons who are beneficial owners of Donnybrook 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 Donnybrook Shareholder, such as a broker, who holds Donnybrook 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 Donnybrook Shares held for such beneficial owners. In such case, the demand for dissent should set forth the number of Donnybrook Shares covered by it.

Dissenting Shareholders must provide a written objection to the Arrangement Resolution to Donnybrook, c/o Borden Ladner Gervais LLP, 1900, 520-3rd Avenue S.W., Calgary, Alberta T2P 0R3, Attention: David T. Madsen, by 5:00 p.m. (Calgary time) on the second last Business Day immediately preceding the date of the Meeting or the date of any adjourned Meeting. No Donnybrook Shareholder who has voted in favour of the Arrangement Resolution shall be entitled to dissent with the respect to the Arrangement. A Dissenting Shareholder may not exercise the right of dissent in respect of only a portion of such Dissenting Shareholder's Donnybrook Shares, but may dissent only with respect to all of the Donnybrook Shares held by the Dissenting Shareholder.

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

Subject to the terms of the Arrangement Agreement, Donnybrook may make an agreement with a Dissenting Shareholder for the purchase of such holder's Donnybrook Shares in the amount of the offer made by Donnybrook (or otherwise) at any time before the Court pronounces an order fixing the fair value of the Donnybrook Shares.

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

Upon the Arrangement becoming effective, or upon the making of an agreement between Donnybrook and the Dissenting Shareholder as to the payment to be made to the Dissenting Shareholder, or upon the pronouncement of a Court order, whichever first occurs, the Dissenting Shareholder will cease to have any rights as a Donnybrook Shareholder other than the right to be paid the fair value of such Dissenting Shareholder's Donnybrook Shares, in the amount agreed to by Donnybrook and the Dissenting Shareholder or in the amount of the judgment, as the case may be. Until one of these events occurs, the Dissenting Shareholder may withdraw the Dissenting Shareholder's dissent. In addition, if the Arrangement has not yet become effective, Donnybrook may rescind the Arrangement

Resolution, and in either event the dissent and appraisal proceedings in respect of that Dissenting Shareholder will be discontinued.

All Donnybrook Shares held by Dissenting 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 Donnybrook in exchange for a debt claim against Donnybrook to be paid the fair value of such Donnybrook Shares.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of their Donnybrook 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 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.

The Arrangement Agreement provides that, unless otherwise waived, it is a condition to the completion of the Arrangement that holders of no more than 5% of the outstanding Donnybrook Shares shall have exercised Dissent Rights in respect of the Arrangement that have not been withdrawn as of the Effective Date.

Fees, Costs and Expenses

Donnybrook estimates that it will incur fees and related expenses in the aggregate amount of approximately \$225,000 if the Arrangement is completed including, without limitation, legal and accounting fees, filing fees and the costs of preparing, printing and mailing this Information Circular.

THE ARRANGEMENT AGREEMENT

The following description of certain material provisions of the Arrangement Agreement is a summary only, is not comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is available on SEDAR at www.sedar.com under Donnybrook's profile.

Pursuant to the Arrangement Agreement, the parties thereto agreed to carry out the Arrangement on the terms set out in the Plan of Arrangement.

Covenants of Donnybrook and Newco

Mutual Covenants

Each of Donnybrook and Newco agreed in the Arrangement Agreement that it will:

- (a) use commercially reasonable efforts and do all things reasonably required of it to cause the Plan of Arrangement to become effective on or before November 30, 2011;
- (b) do and perform all such acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments as may reasonably be required, both prior to and after the Effective Date, to facilitate the carrying out of the intent and purposes of the Arrangement Agreement and the Conveyance Agreement;
- (c) use commercially reasonable efforts to cause each of the conditions precedent set forth in Article 4 of the Arrangement Agreement, which are within its control, to be satisfied on or prior to November 30, 2011; and
- (d) indemnify and save harmless the other Party from and against any and all liabilities, claims, demands, losses, costs, damages and expenses to which such Party or any of its representatives may be subject or may suffer, in any way caused by, or arising, directly or indirectly, from or in consequence of:

- (i) any misrepresentation or alleged misrepresentation in any information included in this Information Circular that is provided by the other Party for the purpose of inclusion in this Information Circular; and
- (ii) any order made, or any inquiry, investigation or proceeding pursuant to any Securities Legislation (as defined in the Arrangement Agreement), or by any Authority, based on any misrepresentation or any alleged misrepresentation in any information provided by the other Party for the purpose of inclusion in this Information Circular.

Donnybrook Covenants

Donnybrook agreed in the Arrangement Agreement that it will:

- (a) until the Effective Date, not perform any act or enter into any transaction which interferes or is inconsistent with the completion of the Plan of Arrangement;
- (b) apply to the Court for the Interim Order;
- (c) solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare, as soon as practicable, this Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order, and applicable law, and, subject to receipt of the Interim Order, convene the Meeting as ordered by the Interim Order and conduct the Meeting in accordance with the Interim Order and as otherwise required by law;
- (d) in a timely and expeditious manner, file this Information Circular in all jurisdictions where the same is required to be filed by it and mail the same to the Donnybrook Shareholders in accordance with the Interim Order and applicable law;
- (e) ensure that the information set forth in this Information Circular relating to Donnybrook and its subsidiaries, if any, and their respective businesses and properties and the effect of the Plan of Arrangement thereon will be true, correct and complete in all material respects and will not contain any untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading in light of the circumstances in which they are made;
- (f) without limiting the generality of any of the foregoing covenants, until the Effective Date except as required to effect the Plan of Arrangement or with the consent of Newco will not:
 - (i) issue any additional Donnybrook Shares, preferred shares of Donnybrook or other securities of Donnybrook except pursuant to the exercise of outstanding Donnybrook Options and warrants to purchase Donnybrook Shares prior to the date hereof;
 - (ii) issue or enter into any agreement or agreements to issue or grant options, warrants or rights to purchase any Donnybrook Shares, preferred shares of Donnybrook or other securities of Donnybrook;
 - (iii) alter or amend its constating documents as the same exist at the date of the Arrangement Agreement except as specifically provided for hereunder;
- (g) prior to the Effective Date, make application to the applicable regulatory authorities for such orders under applicable securities and/or corporate laws as may be necessary or desirable in connection with the Plan of Arrangement;

- (h) perform the obligations required to be performed by it under the Plan of Arrangement and do all such other acts and things as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Plan of Arrangement, including (without limitation) using commercially reasonable efforts to obtain:
 - (i) the approval of Donnybrook Shareholders required for the implementation of the Plan of Arrangement;
 - (ii) the Interim Order and, subject to the obtaining of all required consents, orders, rulings and approvals (including, without limitation, required approvals of Donnybrook Shareholders), the Final Order;
 - (iii) such other consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Plan of Arrangement, including those referred to in section 4.1 of the Arrangement Agreement; and
 - (iv) satisfaction of the conditions precedent referred to in sections 4.1 and 4.2 of the Arrangement Agreement; and
- (i) upon issuance of the Final Order and subject to the conditions precedent in Article 4 the Arrangement Agreement, forthwith proceed to file all necessary documents with the Registrar.

Newco Covenants

Newco agreed in the Arrangement Agreement that it will:

- (a) until the Effective Date, not perform any act or enter into any transaction which interferes or is inconsistent with the completion of the Plan of Arrangement;
- (b) cooperate with and support Donnybrook in its application for the Interim Order and preparation of this Information Circular;
- (c) without limiting the generality of any of the foregoing covenants, until the Effective Date except as required to give effect to the Plan of Arrangement or with the consent of Donnybrook will not:
 - (i) issue any additional Newco Shares, preferred shares of Newco or other securities of Newco other than in connection with the Plan of Arrangement or transactions required in order to effect the Plan of Arrangement;
 - (ii) issue or enter into any agreement or agreements to issue or grant options, warrants or rights to purchase any Newco Shares, preferred shares of Newco or other securities of Newco; and
 - (iii) alter or amend its constating documents as the same exist at the date of the Arrangement Agreement except as specifically provided for hereunder; and
- (d) perform the obligations required to be performed by it under the Plan of Arrangement and do all such other acts and things as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Plan of Arrangement, including (without limitation) using commercially reasonable efforts to obtain:
 - (i) such consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Plan of Arrangement, including those referred to in section 4.1 of the Arrangement of Arrangement; and

- (ii) satisfaction of the conditions precedent referred to in sections 4.1 and 4.2 of the Arrangement Agreement.

Conditions Precedent to the Arrangement

Mutual Conditions Precedent

The Arrangement Agreement provides that the obligations of the parties to complete the transactions contemplated by the Arrangement Agreement are subject to the fulfillment, on or before the Effective Date, of a number of conditions precedent, each of which may only be waived, in whole or in part, by mutual consent of Donnybrook, and Newco, including:

- (a) the Interim Order shall not have been set aside or modified in a manner unacceptable to Donnybrook or Newco, acting reasonably, on appeal or otherwise;
- (b) the Arrangement Resolution shall have been approved by the required number of votes cast by Donnybrook Shareholders at the Meeting;
- (c) the Court shall have determined that the terms and conditions of the issuance of Newco Shares in the Plan of Arrangement are procedurally and substantively fair to Donnybrook Shareholders, and the Final Order shall have been obtained in form and substance satisfactory to all Parties, each acting reasonably, not later than November 30, 2011 or such later date as the Parties may agree;
- (d) the transfer of the Transferred Assets from Donnybrook to Newco shall have been completed pursuant to the terms of the Conveyance Agreement;
- (e) the Private Placement for aggregate gross proceeds of \$2,400,000 shall be completed concurrently with the closing of the Arrangement;
- (f) all material consents, orders, rulings, approvals and assurances, including regulatory and judicial approvals and orders, required for the completion of the transactions provided for in the Arrangement Agreement and the Plan of Arrangement shall have been obtained or received from the Authorities, including (without limitation) applicable orders, rulings, no action letters and registrations pursuant to the *Securities Act* (Alberta) and the comparable securities legislation of the other applicable provinces and territories of Canada to permit the Newco Shares to be distributed pursuant to the Plan of Arrangement;
- (g) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of, or relating to, the Plan of Arrangement and there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Arrangement Agreement and no cease trading or similar order with respect to any securities of any of the Parties shall have been issued and remain outstanding;
- (h) none of the consents, orders, rulings, approvals or assurances required for the implementation of the Plan of Arrangement shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by any of the Parties, acting reasonably;
- (i) no law, regulation or policy shall have been proposed, enacted, promulgated or applied which interferes or is inconsistent with the completion of the Plan of Arrangement, including, without limitation, any material change to the income tax laws of Canada, which would have a material adverse effect upon Donnybrook Shareholders if the Plan of Arrangement is completed;
- (j) the Arrangement Agreement shall not have been terminated under the terms of the Arrangement Agreement; and

- (k) Donnybrook Shareholders holding not more than 5% of Donnybrook Shares, in the aggregate, shall have exercised their Dissent Rights.

Additional Conditions to the Obligations of each Party

The Arrangement Agreement further provides that the obligation of each Party to complete the transactions contemplated by the Arrangement Agreement is further subject to the condition, which may be waived by such Party without prejudice to its right to rely on any other condition in its favour, that the covenants of the other Party to be performed on or before the Effective Date pursuant to the terms of the Arrangement Agreement shall have been duly performed by it and that the representations and warranties of the other Party shall be true and correct in all material respects as at the Effective Date, with the same effect as if such representations and warranties had been made at, and as of, such time and each such Party shall receive a certificate, dated the Effective Date, of a senior officer of each other Party confirming the same.

Right to Purchase

Under the Arrangement Agreement, Donnybrook has agreed to provide Newco with a right to purchase any Land, Wells, Facilities and associated Title Documents and Petroleum and Natural Gas Rights (as such terms are defined in the Conveyance Agreement) within 5 miles of the Transferred Assets acquired by Donnybrook from September 1, 2011 until the Effective Date at cost plus expenses incurred by Donnybrook, and which right to purchase is exercisable by Newco for a period of 90 days following the Effective Date. This right to purchase is conditional upon the completion of the Arrangement.

Amendment of the Arrangement Agreement

The Arrangement Agreement may, at any time and from time to time before and after the holding of the Meeting, but not later than the Effective Date, be amended by the written agreement of the Parties without, subject to applicable law, further notice to or authorization on the part of their respective shareholders. Without limiting the generality of the foregoing, any such amendment may:

- (a) waive compliance with or modify any of the covenants contained therein or waive or modify performance of any of the obligations of the Parties or satisfaction of any of the conditions precedent set forth in Article 4 of the Arrangement Agreement;
- (b) waive any inaccuracies or modify any representation contained therein or in any document to be delivered pursuant hereto;
- (c) change the time for performance of any of the obligations, covenants or other acts of the Parties;
or
- (d) make such alterations in the Arrangement Agreement as the Parties may consider necessary or desirable in connection with the Interim Order or otherwise.

Termination of the Arrangement Agreement

The Arrangement Agreement may be terminated at any time prior to the Effective Date by the mutual agreement of the Parties, at any time without approval of Donnybrook Shareholders.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

Subject to the qualifications and assumptions herein, in the opinion of Borden Ladner Gervais LLP, counsel to Donnybrook, (“**Counsel**”) the following is, as of the date hereof, a fair and adequate summary of the material Canadian federal income tax considerations pursuant to the Tax Act in respect of the Arrangement generally applicable to Donnybrook Shareholders who, for the purposes of the Tax Act, hold their Donnybrook Shares and will hold their Newco Shares acquired under the Arrangement as capital property and deal at arm’s length with, and

are not affiliated with, Donnybrook and Newco. Generally, Donnybrook Shares and Newco Shares will be considered to be capital property for purposes of the Tax Act to the holder thereof unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Donnybrook Shareholder: (i) that is a “financial institution” or a “specified financial institution”, as defined in the Tax Act; (ii) that is exempt from tax under Part I of the Tax Act; (iii) an interest in which would be a “tax shelter” or a “tax shelter investment” as defined in the Tax Act; or (iv) to whom the “functional currency” reporting rules in subsection 261(4) of the Tax Act apply. In addition, this summary does not address all issues relevant to holders of Donnybrook Shares or Newco Shares who acquired such shares on the exercise of options or warrants. **Any such Donnybrook Shareholder or Newco Shareholders should consult their own tax advisors with respect to the Arrangement.**

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”) in force as of the date hereof, all specific proposals to amend the Tax Act and the Regulations that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), and Counsel’s understanding of the current published administrative and assessing policies and practices of the Canada Revenue Agency (“**CRA**”). This summary assumes that the Proposed Amendments will be enacted as proposed, although there is no assurance that the Proposed Amendments will be enacted as proposed, or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, regulatory, or judicial action, or changes in administrative and assessing policies and practices of the CRA, nor does it take into account provincial, territorial or foreign tax legislation or considerations which may differ significantly from those discussed herein.

This summary also assumes that at the Effective Date under the Arrangement and all other material times thereafter that the Donnybrook Shares will be listed on the TSXV and subsequent to the Effective Date, the Newco Shares will be listed on the TSXV. In addition, this summary also assumes that the paid-up capital of the Donnybrook Shares, as computed for the purposes of the Tax Act, will not be less than the fair market value of the Newco Shares on the Effective Date, and is qualified accordingly.

Holders Resident in Canada

This portion of the summary is applicable to Donnybrook Shareholders and Newco Shareholders who are, or are deemed to be, resident in Canada for purposes of the Tax Act and any applicable income tax convention at all relevant times (a “**Resident Holder**”).

Reduction of Stated Capital

Provided that the fair market value of the Newco Shares that are distributed to Resident Holders on the reduction of stated capital does not exceed the “paid-up capital”, for purposes of the Tax Act, of the Donnybrook Shares (which Donnybrook has advised Counsel is expected to be the case), no portion of the amount so distributed will be deemed to be a dividend for purposes of the Tax Act and the adjusted cost base to a Resident Holder of its Donnybrook Shares will be reduced by the amount of such fair market value. If such fair market value exceeds the adjusted cost base to the Resident Holder of its Donnybrook Shares immediately before the distribution, the Resident Holder will be deemed to realize a capital gain from a disposition of their Donnybrook Shares equal to the amount of such excess and the adjusted cost base to the Resident Holder of Donnybrook Shares will immediately thereafter be deemed to be nil. The tax treatment of capital gains is discussed below under the heading “*Taxation of Capital Gains and Capital Losses*”.

If the amount paid by Donnybrook on the reduction of stated capital exceeds the “paid-up capital”, for purposes of the Tax Act, of the Donnybrook Shares (which Donnybrook has advised Counsel is not expected to be the case) the amount of such excess will be deemed to be a dividend for purposes of the Tax Act and will not be deducted from

the adjusted cost base to a Resident Holder of its Donnybrook Shares. See “ *Holders Resident in Canada – Taxation of Dividends*” below.

Disposition of Newco Shares

A Resident Holder who disposes or is deemed to dispose of a Newco Share (other than to Newco unless purchased by it in the open market in the manner in which shares are normally purchased by any member of the public in the open market) will realize a capital gain (capital loss) equal to the amount by which the proceeds of disposition of the share, less reasonable costs of disposition, exceed (are exceeded by) the adjusted cost base of the share to the Resident Holder determined immediately before the disposition in accordance with the provisions of the Tax Act. Any capital gain or loss so arising will be subject to the usual rules applicable to the taxation of capital gains and losses described below. See “ *Holders Resident in Canada – Taxation of Capital Gains and Losses*” below.

Taxation of Capital Gains and Losses

A Resident Holder who realizes a capital gain or capital loss in a taxation year must include one half of the capital gain (“**taxable capital gain**”) in income for the year, and must deduct one half of the capital loss (“**allowable capital loss**”) against taxable capital gains realized in the year. Any remaining allowable capital losses may be deducted against taxable capital gains arising in any of the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss arising from a disposition or deemed disposition of a Newco Share by a Resident Holder that is a corporation may, to the extent and under circumstances specified in the Tax Act, be reduced by the amount of certain dividends received or deemed to be received by the corporation on the share. Similar rules may apply if the corporation is a member of a partnership or beneficiary of a trust that owns shares, or where a partnership or trust of which the corporation is a member or beneficiary is a member of a partnership or a beneficiary of a trust that owns shares.

A Resident Holder that is a “Canadian-controlled private corporation” for the purposes of the Tax Act throughout the relevant taxation year may be required to pay an additional refundable tax of $6\frac{2}{3}\%$ on its “aggregate investment income” for the year which will include net taxable capital gains that it realizes in that year on disposition of a Newco Share.

Taxation of Dividends

A Resident Holder who is an individual will be required to include in income any dividend that the Resident Holder receives or is deemed to receive, on the Donnybrook Shares or Newco Shares, and will be subject to the normal gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules for “eligible dividends” if so designated by Donnybrook or Newco, as the case may be. A Resident Holder that is a corporation will be required to include in income any dividend that it receives or is deemed to be received on the Donnybrook Shares or Newco Shares, and generally will be entitled to deduct an equivalent amount in computing its taxable income. A Resident Holder that is a “private corporation” (or a “subject corporation” within the meaning of the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax of $33\frac{1}{3}\%$ on any dividend that it receives or is deemed to be received on the Donnybrook Shares or Newco Shares to the extent that such dividends are deductible in computing the corporation’s taxable income. Any such Part IV tax will be refundable to it at the rate of \$1 for every \$3 of taxable dividends that it pays on its shares. Subsection 55(2) of the Tax Act provides that where certain corporate holders of shares receive a dividend or deemed dividend in specified circumstances, and such dividend is otherwise deductible in computing the corporation’s taxable income, all or part of the dividend may be treated as proceeds of disposition from the disposition of capital property.

A Resident Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation”, as defined in the Tax Act, may be liable to pay an additional refundable tax of 6% on its “aggregate investment income” for the year which will include dividends or deemed dividends that are not deductible in computing taxable income.

Alternative Minimum Tax on Individuals

A capital gain realized, or deemed to be realized and the actual amount of taxable dividends (not including the gross-up) by a Resident Holder who is an individual (including certain trusts and estates) may give rise to liability to alternative minimum tax under the Tax Act. Any additional tax payable by an individual under the alternative minimum tax provisions may be carried forward and applied against certain tax otherwise payable in any of the seven immediately following taxation years, to the extent specified by the Tax Act.

Dissenting Resident Holders

A Resident Holder who validly exercises Dissent Rights (a “**Resident Dissenter**”) and consequently is paid the fair value for the Resident Dissenter’s Donnybrook Shares in accordance with the Arrangement will be deemed to have received a dividend equal to the amount, if any, by which the payment (other than the portion of the payment that is interest awarded by a Court) exceeds the paid-up capital of the Resident Dissenter’s Donnybrook Shares. Any such deemed dividend will be subject to tax as discussed above under “*Holdings Resident in Canada – Taxation of Dividends*”. The Resident Dissenter will also realize a capital gain (capital loss) equal to the amount, if any, by which the payment, less the deemed dividend (if any) and less reasonable costs of disposition, exceeds (is exceeded by) the adjusted cost base of the shares. The Resident Dissenter will be required to include any resulting taxable capital in income, and to deduct any resulting allowable capital loss, in accordance with the usual rules applicable to capital gains and losses. See “*Holdings Resident in Canada – Taxation of Capital Gains and Losses*”.

In certain circumstances, the amount of the dividend deemed to be received by a dissenting Resident Holder that is a corporation resident in Canada may be treated under the Tax Act as proceeds of disposition. See “*Holdings Resident in Canada – Taxation of Dividends*”.

The Resident Dissenter must also include in income any interest awarded by a court to the Resident Dissenter.

Holdings Not Resident in Canada

This portion of the summary is applicable to a Donnybrook Shareholder or a Newco Shareholder who is not resident in, nor deemed to be resident in Canada for purposes of the Tax Act, who does not and will not use or hold, and is not deemed to use or hold, Donnybrook Shares or Newco Shares in, or in the course of, carrying on business in Canada, and is not an insurer who carries on an insurance business in Canada and elsewhere (a “**Non-Resident Holder**”).

Reduction of Stated Capital

Provided that the fair market value of the Newco Shares that are distributed to Resident Holders on the reduction of stated capital does not exceed the “paid-up capital”, for purposes of the Tax Act, of the Donnybrook Shares (which Donnybrook has advised Counsel is expected to be the case) no portion of the amount so distributed will be deemed to be a dividend for purposes of the Tax Act and the adjusted cost base to a Non-Resident Holder of its Donnybrook Shares will be reduced by the amount of such fair market value. If such fair market value exceeds the adjusted cost base to the Non-Resident Holder of its Donnybrook Shares immediately before the distribution, the Non-Resident Holder will be deemed to realize a capital gain from a disposition of its Donnybrook Shares equal to the amount of such excess and the adjusted cost base to the Non-Resident Holder of its Donnybrook Shares immediately thereafter will be deemed to be nil. Such a Non-Resident Holder will be taxable on such capital gain only if such shares constitute “taxable Canadian property” and subject to an applicable income tax treaty or convention generally in the same manner as a Resident Holder.

If the amount paid by Donnybrook on the reduction of stated capital exceeds the “paid-up capital”, for purposes of the Tax Act, of the Donnybrook Shares (which Donnybrook has advised Counsel is not expected to be the case) the amount of such excess will be deemed to be a dividend for purposes of the Tax Act and will not be deducted from the adjusted cost base to a Non-Resident Holder of its Donnybrook Shares. See “*Holdings Not Resident in Canada – Taxation of Dividends*” below.

Taxation of Dividends

A Non-Resident Holder to whom a dividend on a Donnybrook Share or a Newco Share is or is deemed to be paid, or credited, will be subject to Canadian withholding tax under the Tax Act at the rate of 25% of the gross amount of the dividend, unless reduced by an applicable income tax treaty, if any. In the case of a beneficial owner of dividends who is a resident of the United States for purposes of the Canada-U.S. Income Tax Convention (the “U.S. Treaty”) and who is entitled to the benefits of the U.S. Treaty, the rate of withholding tax on dividends will be reduced to 15%. If the beneficial owner is a company that is a resident of the United States for the purposes of the U.S. Treaty, is entitled to the benefits of that treaty and owns at least 10% of the voting shares of Newco, as the case may be, the applicable rate of withholding tax on dividends will be reduced to 5%.

Dissenting Non-Resident Holders

A Non-Resident Holder who validly exercises Dissent Rights (a “Non-Resident Dissenter”) and consequently is paid the fair value for the Non-Resident Dissenter’s Donnybrook Shares in accordance with the Arrangement, will be deemed to have received a dividend equal to the amount, if any, by which the payment exceeds the paid-up capital of the Non-Resident Dissenter’s Donnybrook Shares. Any such deemed dividend will be subject to tax generally as discussed above under “*Holders Not Resident in Canada – Taxation of Dividends*”.

A Non-Resident Dissenter will also be considered to have disposed of the Donnybrook Shares and will realize a capital gain (or a capital loss) to the extent that the payment received, less any deemed dividend and net of reasonable costs of disposition, exceeds (or is less than) the Non-Resident Dissenter’s adjusted cost base of the Donnybrook Shares. A Non-Resident Dissenter will only be taxable on any such capital gain if such shares constitute “taxable Canadian property” for the purposes of the Tax Act, subject to the provisions of any applicable income tax treaty or exemption.

The Non-Resident Holder will not be subject to Canadian withholding tax on that portion of any such payment that is on account of interest.

Non-Resident Holders who are considering dissenting should consult their own tax advisors for advice regarding their particular circumstances.

UNITED STATES FEDERAL INCOME TAX WARNING

No United States income tax information is being provided to Donnybrook Shareholders resident in the United States, or otherwise subject to U.S. tax laws. Such persons are urged to consult their own tax advisors requesting the tax consequences of the Arrangement, including the tax consequences under state, local and non-United States tax law and the possible effects of changes in tax law.

ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, counsel to Newco, subject to the provisions of a particular plan, provided that the Newco Shares are listed on a “designated stock exchange” (as defined in the Tax Act), which includes the TSXV, or that Newco qualifies as a “public corporation” for the purposes of the Tax Act, the Newco Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (an “RRSP”), registered retirement income funds (an “RRIF”), deferred profit sharing plans, registered disability savings plan, registered education savings plan and tax-free saving accounts (a “TFSA”).

However, the holder of a TFSA (or, if certain proposals contained in the June 6, 2011 Federal Budget are enacted as proposed, an annuitant under an RRSP or RRIF) that holds Newco Shares will be subject to a penalty tax if such Newco Shares are a “prohibited investment” for the purposes of the Tax Act. Newco Shares will generally be a “prohibited investment” if the holder of the TFSA (or the annuitant under an RRSP or RRIF) does not deal at arm’s length with the Corporation for the purposes of the Tax Act or the holder of the TFSA (or the annuitant under an RRSP or RRIF) has a “significant interest” (within the meaning thereof in the Tax Act) in Newco or in a corporation, partnership or trust with which Newco does not deal at arm’s length for the purposes of the Tax Act.

Shareholders who intend to hold their Newco Shares in their RRSP, RRIF or TFSA should consult their own tax advisors regarding their particular circumstances.

INFORMATION CONCERNING DONNYBROOK

Donnybrook was incorporated pursuant to the ABCA on April 14, 2000 under the name “Coastport Capital Inc.” On June 1, 2005, Donnybrook was continued from Alberta to British Columbia pursuant to the *Business Corporations Act* (British Columbia). In August 2010, Donnybrook continued from British Columbia to Alberta pursuant to the ABCA and changed its name to “Donnybrook Energy Inc.” On November 1, 2010, Donnybrook amalgamated with its wholly-owned subsidiary, Prairie Exploration Inc.

The head office of Donnybrook is located at Suite 700, 717 – 7th Avenue S.W., Calgary, Alberta T2R 0Z3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

Donnybrook is an emerging Canadian oil and natural gas exploration and production company focused on horizontal multi-stage frac development in the liquid-rich Montney, Bluesky, Wilrich and/or Falher formations in the Deep Basin area of west central Alberta.

INFORMATION CONCERNING NEWCO

Upon completion of the Arrangement, each Donnybrook Shareholder (other than Dissenting Shareholders) will become a shareholder of Newco. Information relating to Newco after the Arrangement is contained in Appendix E - “*Information Concerning Newco*” and the schedules thereto.

RISK FACTORS

In assessing the Arrangement, Donnybrook Shareholders should carefully consider the risks described in Donnybrook’s annual information form dated April 21, 2011 for the year ended December 31, 2010, together with the other information contained in, or incorporated by reference in this Information Circular, including the disclosure under Appendix E - “*Information Concerning Newco*”. Additional risks and uncertainties, including those currently unknown to or considered immaterial by Donnybrook, may also adversely affect the business of Newco going forward. In particular, the Arrangement and the operations of Newco are subject to certain risks including the following risks.

Risks Related to the Arrangement

Donnybrook may not obtain the necessary approvals for completion of the Plan of Arrangement on satisfactory terms or at all

Completion of the Plan of Arrangement is subject to the approval of the Court and the receipt of all necessary approvals, including Donnybrook Shareholder approval. There can be no certainty, nor can there be any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

The Arrangement Agreement may be terminated in certain circumstances

Donnybrook has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can Donnybrook provide any assurance, that the Arrangement Agreement will not be terminated by Donnybrook before the completion of the Arrangement.

The market price for the Donnybrook Shares may decline

If the Arrangement Resolution is not approved by the Donnybrook Shareholders or, even if the Arrangement Resolution is approved, as a result of the Transferred Assets being transferred to Newco, an entity separate from Donnybrook, the market price of the Donnybrook Shares may decline to the extent that the current market price of the Donnybrook Shares reflects a market assumption that the Plan of Arrangement will be completed or to the extent

the current market price of Donnybrook Shares reflects the value associated with the Transferred Assets, as applicable.

OTHER MATTERS TO BE CONSIDERED AT THE MEETING

Approval of the Private Placement

Concurrently with the closing of the Arrangement, Newco intends to complete the Private Placement for gross proceeds of \$2,400,000. The Private Placement is subject to certain conditions precedent and certain regulatory approvals, including approval of the TSXV. The closing of the Private Placement is conditional upon the closing of the Arrangement. Proceeds of the Private Placement are intended to be used to repay the Promissory Note and to provide additional working capital for Newco.

The purchase price per Newco Share is based on the fair value of the Newco Shares being issued to Donnybrook Shareholders under the Arrangement Agreement. Based on a fair value of \$3,773,005 for the Transferred Assets less the principal amount of \$2,188,342.90 for the Promissory Note, the deemed value of the Newco Shares being issued under the Arrangement will be deemed an aggregate of \$1,584,662.10.

The purchase price per Newco Share issued pursuant to the Private Placement will be determined at the Effective Date by the following formula:

$$\frac{\$1,584,662.10}{\text{the number of Newco Shares issued pursuant to the Arrangement}}$$

There are currently 171,836,066 Donnybrook Shares issued and outstanding which will result in 4,295,901 Newco Shares being issued pursuant to the Arrangement prior to the completion of the Private Placement, assuming no Donnybrook Options or Donnybrook Warrants are exercised prior to the Effective Date. Based on the formula above, the maximum subscription price per Newco Share issued under the Private Placement would be approximately \$0.37 per share.

Assuming exercise of all of the issued and outstanding Donnybrook Options and Donnybrook Warrants, there would be 192,985,822 Donnybrook Shares outstanding on a fully diluted basis, which would result in 4,824,645 Newco Shares being issued pursuant to the Arrangement. Based on the formula above, the minimum subscription price per Newco Share issued under the Private Placement would be approximately \$0.33 per share.

Using the minimum subscription price of \$0.33 per share and a maximum subscription price of \$0.37 per share, assuming gross proceeds of \$2,400,000 is raised pursuant to the Private Placement, a minimum of 6,486,486 Newco Shares and a maximum of 7,272,727 Newco Shares will be issued pursuant to the Private Placement.

Minority Approval

The Private Placement will be subscribed for in part by the current directors and officers of Donnybrook (the “**D&O Subscribers**”). The D&O Subscribers are “related parties”, as defined in MI 61-101, of Newco as they are the proposed directors and executive officers of Newco. The Private Placement constitutes a “related party transaction” for purposes of MI 61-101. As a result, MI 61-101 requires that the Private Placement be approved by a majority of the Donnybrook Shareholders, excluding the D&O Subscribers, as related parties to the related party transaction, which excludes the 23,387,278 Donnybrook Shares owned by the D&O Subscribers.

The following table sets out a complete list of the directors, officers and insiders known to Newco that have indicated an intention to participate in the Private Placement as of the date of this Information Circular and their anticipated post-Private Placement holdings (assuming the completion of the Arrangement):

Name and Position	Number and Percentage of Newco Shares assuming completion of the Arrangement⁽¹⁾	Number and Percentage of Newco Shares assuming completion of the Arrangement and the Private Placement⁽¹⁾	Total Number of Newco Shares purchased pursuant to the Private Placement⁽¹⁾
Malcolm Todd President, Chief Executive Officer and Director	108,167 (2.52%)	648,707 (6.02%)	540,540 (8.33%)
Robert Todd Chief Financial Officer	109,004 (2.54%)	649,544 (6.02%)	540,540 (8.33%)
Murray Scalf Vice President of Business Development and Director	98,454 (2.30%)	638,994 (5.93%)	540,540 (8.33%)
David Patterson Director	80,140 (1.87%)	620,680 (5.76%)	540,540 (8.33%)
Randy Kwasnacia Director	73,665 (1.71%)	614,205 (5.70%)	540,540 (8.33%)
Ken Stephenson Director	66,500 (1.55%)	607,040 (5.63%)	540,540 (8.33%)
Colin Watt Director	48,750 (1.13%)	589,290 (5.47%)	540,540 (8.33%)

Note:

(1) Assumes: (i) no Donnybrook Options or Donnybrook Warrants are exercised prior to the Effective Date; (ii) 4,295,901 Newco Shares are issued pursuant to the Arrangement; and (iii) 6,486,486 Newco Shares are issued pursuant to the Private Placement. The information as to Newco Shares to be beneficially owned, directly or indirectly, or on which control or direction is exercised, is based upon information furnished to Newco by its proposed respective directors and officers as at the date hereof.

At the Meeting, provided that the Arrangement Resolution is approved, Donnybrook Shareholders will be asked to consider and, if deemed advisable, to approve the following ordinary resolution to approve the adoption of the Private Placement:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION OF THE SHAREHOLDERS THAT:

1. Effective on the Effective Date (as defined in the management information circular (the “**Information Circular**”) of Donnybrook Energy Inc. dated October 3, 2011), the issuance and sale of common shares of Donnycreek Energy Inc. for gross proceeds of \$2,400,000 at a price per share as more particularly set out in the Information Circular, be and is hereby authorized and approved.
2. Any officer or director of Donnycreek Energy Inc. is hereby authorized to do all such acts and execute and file all instruments and documents necessary or desirable to carry out this resolution, including making appropriate filings with regulatory authorities including the TSX Venture Exchange.”

The TSXV has conditionally accepted notice of the Private Placement subject to, among other things, disinterested Donnybrook Shareholder. In order for the foregoing resolution to be passed, it must be approved by a simple majority of the aggregate votes cast by Donnybrook Shareholders, other than the D&O Subscribers, who vote in person or by proxy at the Meeting. The persons named in the enclosed form of proxy, if named as proxy, intend to vote for the approval of the Private Placement.

Approval of the Newco Option Plan

At the Meeting, provided that the Arrangement Resolution is approved, Donnybrook will be asked to consider and, if deemed advisable, approve the adoption by Newco of the Newco Option Plan, which will authorize the Newco Board to issue stock options to directors, officers, employees and consultants of Newco and its subsidiaries. A copy of the Newco Option Plan is set out in Appendix F to this Information Circular.

The Newco Option Plan reserves a maximum of 10% (on a non-diluted basis) of the issued and outstanding Newco Shares (determined at the time of the stock option grant) for issuance upon the exercise of stock options granted pursuant to the Newco Option Plan. Assuming completion of the Arrangement and the Private Placement (and assuming no Donnybrook Options or Donnybrook Warrants are exercised prior to the Effective Date), there will be up to 10,782,387 Newco Shares issued and outstanding, and therefore 1,078,238 Newco Shares will be available for issuance under the Newco Option Plan, with such number increasing in accordance with the number of issued and outstanding Newco Shares. It is the intention of the Newco Board that options to acquire up to approximately 10% of the number of issued and outstanding Newco Shares then outstanding may be granted following the Arrangement pursuant to the Newco Option Plan to directors, officers, employees and consultants of Newco.

At the Meeting, provided that the Arrangement Resolution is approved, Donnybrook Shareholders will be asked to consider and, if deemed advisable, to approve the following ordinary resolution to approve the adoption of the Newco Option Plan:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION OF THE SHAREHOLDERS THAT:

1. Effective on the Effective Date (as defined in the management information circular (the “**Information Circular**”) of Donnybrook Energy Inc. dated October 3, 2011), the stock option plan substantially as appended as Appendix F to the Information Circular (the “**Stock Option Plan**”), be and is hereby approved and adopted as the Stock Option Plan of Donnycreek Energy Inc. with such modifications, if any, as may be required by the TSX Venture Exchange;
2. Any one or more directors or officers be and are hereby authorized to amend the Stock Option Plan should such amendments be required by applicable regulatory authorities including, but not limited to, the stock exchange on which the common shares of the Donnycreek Energy Inc. are listed;
3. Any officer or director of Donnycreek Energy Inc. is hereby authorized to do all such acts and execute and file all instruments and documents necessary or desirable to carry out this resolution, including making appropriate filings with regulatory authorities including the TSX Venture Exchange.”

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the aggregate votes cast by Donnybrook Shareholders, who vote in person or by proxy at the Meeting. The persons named in the enclosed form of proxy, if named as proxy, intend to vote for the approval of the Newco Option Plan.

GENERAL PROXY MATTERS

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of Donnybrook to be used at the Meeting. Solicitations of proxies will be primarily by mail, but may also be by newspaper publication, in person or by telephone, fax or oral communication by directors, officers, employees or agents of Donnybrook who will be specifically remunerated therefor. All costs of the solicitation for the Meeting will be borne by Donnybrook.

Record Date

The Record Date for determination of Donnybrook Shareholders entitled to receive notice of and to vote at the Meeting is September 30, 2011. Only Donnybrook Shareholders whose names have been entered in the register of

Donnybrook Shares on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting, provided that holders of Donnybrook Shares who acquire Donnybrook Shares after the Record Date will be entitled to vote such Donnybrook Shares at the Meeting if, after the Record Date, a holder of record transfers his or her Donnybrook Shares and the transferee, upon producing properly endorsed certificates evidencing such Donnybrook Shares or otherwise establishing that he or she owns such Donnybrook Shares, requests at least 10 days before the Meeting that the transferee's name is included in the list of Donnybrook Shareholders entitled to vote.

Appointment and Revocation of Proxies

Accompanying this Information Circular is a form of proxy for holders of Donnybrook Shares. The persons named in the enclosed form of proxy are directors and officers of Donnybrook.

A Donnybrook Shareholder may appoint another person (who need not be a Donnybrook Shareholder) to represent such shareholder at the Meeting, other than the persons designated in the accompanying form of proxy, and may do so either by inserting such person's name in the blank space provided in the accompanying form of proxy or by completing another form of proxy and, in either case, sending or delivering the completed proxy to the offices of Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, North Tower, Toronto, Ontario, M5J 2Y1, attention: Proxy Department.

To be valid, the proxy must be received by Computershare Trust Company of Canada no later than 10:00 a.m. (Calgary time) on November 2, 2011 or the second last business day prior to the date of any adjourned Meeting.

A Donnybrook Shareholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by such shareholder or by his attorney duly authorized in writing or, if the Donnybrook Shareholder is a corporation, by a director, officer or attorney thereof duly authorized, and deposited either at the above mentioned office of Computershare Trust Company of Canada no later than 10:00 a.m. (Calgary time) on November 2, 2011 or the second last business day prior to the date of any adjourned Meeting, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

Signature of Proxy

The form of proxy must be executed by the Donnybrook Shareholder or his or her attorney authorized in writing, or if the Donnybrook Shareholder is a corporation, the form of proxy should be signed in its corporate name under its corporate seal by an authorized officer whose title should be indicated. A proxy signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his or her signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with Donnybrook).

Exercise of Discretion by Proxy Holders

All Donnybrook Shares 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 Donnybrook Shares represented by the proxy will be voted in accordance with such specification. **In the absence of such specification, such Donnybrook Shares will be voted in favour of each resolution.** The enclosed forms of proxy confer 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 this Information Circular, management of Donnybrook knows of no such amendment, variation or other matter.

Advice to Beneficial Holders of Shares

The information set forth in this section is of significant importance to many Donnybrook Shareholders, as a substantial number of Donnybrook Shareholders do not hold their Donnybrook Shares in their own name. Donnybrook Shareholders who do not hold their Donnybrook Shares in their own name ("Beneficial

Shareholders”) should note that only proxies deposited by Donnybrook Shareholders whose names appear on the records of the registrar and transfer agent for Donnybrook as the registered holders of Donnybrook Shares can be recognized and acted upon at the Meeting. If Donnybrook Shares are listed in an account statement provided to a Donnybrook Shareholder by a broker, then in almost all cases those Donnybrook Shares will not be registered in the Donnybrook Shareholder’s name on the records of Donnybrook. Such Donnybrook Shares will more likely be registered under the name of the Donnybrook Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such Donnybrook Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominees for many Canadian brokerage firms). Donnybrook Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting Donnybrook Shares for their clients. Donnybrook does not know for whose benefit the Donnybrook Shares registered in the name of CDS & Co. are held. The majority of Donnybrook Shares held in the United States are registered in the name of Cede & Co., the nominee for the Depository Trust Company, which is the United States equivalent of CDS Clearing and Depository Services Inc.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Donnybrook Shares are voted at the applicable Meeting. Often, the form of proxy supplied to a Donnybrook Shareholder by its broker is identical to the form of proxy provided to registered Donnybrook Shareholders; however, its purpose is limited to instructing the registered Donnybrook Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically mails a scannable Voting Instruction Form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the Voting Instruction Form to them by mail or facsimile. Alternatively the Beneficial Shareholder can call a toll-free telephone number or access the internet to vote the Donnybrook Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Donnybrook Shares to be represented at the Meeting. A Beneficial Shareholder receiving a Voting Instruction Form cannot use that Voting Instruction Form to vote Donnybrook Shares directly at the Meeting as the Voting Instruction Form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Donnybrook Shares voted.

Although you may not be recognized directly at the Meeting for the purposes of voting Donnybrook Shares registered in the name of your broker or other intermediary, you may attend at the Meeting as a proxyholder for the registered holder and vote your Donnybrook Shares in that capacity. If you wish to attend the Meeting and vote your own Donnybrook Shares you must do so as proxyholder for the registered holder. To do this, you should enter your own name in the blank space on the applicable form of proxy provided to you and return the document to your broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting.

Beneficial Shareholders of Donnybrook Shares should also instruct their broker or other intermediary to complete the letter of transmittal regarding the Arrangement with respect to the Beneficial Shareholders of Donnybrook Shares as soon as possible in order to receive the consideration payable pursuant to the Arrangement in exchange for such holder’s Donnybrook Shares. See “*The Arrangement - Procedure for Exchange of Donnybrook Shares*”.

Voting Securities and Principal Holders Thereof

Donnybrook is authorized to issue an unlimited number of Donnybrook Shares without nominal or par value and an unlimited number of preferred shares, issuable in series. As of October 3, 2011, 171,836,066 Donnybrook Shares were issued and outstanding and no preferred shares were outstanding. On all matters to be considered and acted upon at the Meeting, holders of Donnybrook Shares are entitled to one vote for each Donnybrook Share held.

The Donnybrook Board has fixed September 30, 2011, as the Record Date for determining which Donnybrook Shareholders are entitled to receive notice of the Meeting. A Donnybrook Shareholder of record at the close of business on September 30, 2011, shall be entitled to vote the Donnybrook Shares registered in such shareholder’s name on that date, except to the extent that: (i) such person transfers his Donnybrook Shares after the Record Date;

and (ii) the transferee of those Donnybrook Shares produces properly endorsed share certificates or otherwise establishes ownership to the Donnybrook Shares, and makes a demand to the registrar and transfer agent of the Corporation, not later than 10 days before the Meeting, that his name be included on the Donnybrook Shareholder's list.

To the best of the knowledge of the directors and officers of the Corporation, as at October 3, 2011, no person or company beneficially owns or controls or directs, directly or indirectly, Donnybrook Shares carrying more than 10% of the voting rights of the Corporation.

Indebtedness of Directors and Executive Officers of Donnybrook

Donnybrook is not aware of any individuals who are, or who at any time during the most recently completed financial year were, a director or executive officer of Donnybrook, a proposed nominee for election as a director of the Corporation, or an associate of any of those directors, executive officers or proposed nominees, who are, or have been at any time since the beginning of the most recently completed financial year of Donnybrook, indebted to Donnybrook or any of its subsidiaries or whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year of Donnybrook has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Donnybrook or any of its subsidiaries.

Interest of Certain Persons or Companies in Matters to be Acted Upon

To the knowledge of the management of Donnybrook, none of Donnybrook's directors or executive officers or anyone who has held office as such since the beginning of Donnybrook's last completed financial year or any associates or affiliates of any of the foregoing, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting except as described below and elsewhere in this Information Circular.

Interest of Informed Persons in Material Transactions

Except as disclosed under "*The Arrangement - Interests of Senior Management and Others in the Arrangement*" and except in connection with the acquisition by Donnybrook of all of the outstanding common shares of Prairie Exploration Inc. ("**Prairie**"), in which David Patterson, Malcolm F.W. Todd and Murray Scalf, directors of the Donnybrook, were also shareholders of Prairie and in which Messrs. Todd and Scalf were also directors and/or officers of Prairie, no informed person of Donnybrook, or any associate or affiliate of any informed person, has had any material interest in any transaction, or proposed transaction, which has materially affected or would materially affect Donnybrook or any of its subsidiaries since the commencement of the most recently completed financial year of Donnybrook.

Other Material Facts

Donnybrook is not aware of any material facts concerning the securities of Donnybrook or any other matter not described in this Information Circular that has not been previously disclosed and is known to Donnybrook but which would reasonably be expected to affect the decision of the Donnybrook Shareholders with respect to the matters to be voted upon at the Meeting.

Additional Information

Additional financial information is provided in Donnybrook's comparative financial statements and management's discussion and analysis ("**MD&A**") for the year ended December 31, 2010 and for the three and six month periods ended June 30, 2011. Copies of Donnybrook's financial statements and MD&A are available on written request to the Corporation by: (i) mail to Suite 300 – 5704 Balsam Street, Vancouver, British Columbia, Canada V6M 4B9; (ii) telephone: (604) 684-2356; or (iii) fax to (604) 684-4265. Additional information relating to Donnybrook is available on SEDAR at www.sedar.com.

CONSENT OF AUDITORS

We have read the Management Information Circular (the “**Information Circular**”) of Donnybrook Energy Inc. (“**Donnybrook**”) dated October 3, 2011 with respect to a proposed plan of arrangement involving Donnycreek Energy Inc. (“**Donnycreek**”), Donnybrook and the shareholders of Donnybrook. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the use in the above mentioned Information Circular of our report to the Directors of Donnycreek on the statement of financial position of Donnycreek Energy Inc. as at September 15, 2011, and the statements of income and comprehensive income, changes in equity and cash flows for the period from incorporation on September 1, 2011 to September 15, 2011. Our report is dated September 23, 2011.

We also consent to the use in the above mentioned Information Circular of our report to the Directors of Donnybrook on the carve-out statements of financial position of Donnybrook Energy Inc. – Deep Basin and Delia-Michichi Operations as at December 31, 2010, 2009 and 2008, and the carve-out statements of operations and deficit and cash flows for each of the years ended December 31, 2010, 2009 and 2008. Our report is dated September 23, 2011.

We also consent to the use in the above mentioned Information Circular of our report to the Directors of Donnybrook on the carve-out statements of financial position of Prairie Exploration Inc. – Deep Basin and Delia-Michichi Operations as at May 31, 2010, September 30, 2009 and 2008, and the carve-out statements operations and retained earnings and cash flows for the eight months ended May 31, 2010 and the years ended September 30, 2009 and 2008. Our report is dated September 23, 2011.

(signed) “*Smythe Ratcliffe LLP*”

Chartered Accountants

Vancouver, British Columbia

October 3, 2011

APPENDIX A

ARRANGEMENT RESOLUTION

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement (the “**Arrangement**”) under section 193 of the *Business Corporations Act* (Alberta) (the “**ABCA**”) substantially as set forth in the Plan of Arrangement attached as Appendix B to the management information circular of Donnybrook Energy Inc. (the “**Corporation**”) dated October 3, 2011 (the “**Information Circular**”), all as more particularly described and set forth in the Information Circular, and all transactions contemplated thereby, be and are hereby authorized and approved.
2. The Arrangement Agreement (the “**Arrangement Agreement**”) dated October 3, 2011 among the Corporation and Donnycreek Energy Inc. described in the Information Circular, together with such amendments and 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, such approval to be evidenced conclusively by their execution and delivery of any such amendments or variations, 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 directors of the Corporation are hereby authorized and empowered without further notice to or approval of the holders of common shares of the Corporation: (i) to amend the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement, as amended; and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
4. Any officer or director of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute, under the seal of the Corporation or otherwise, and to deliver articles of arrangement and such other documents as are necessary or desirable to the Registrar of Corporations under the ABCA in accordance with the Arrangement Agreement for filing and to take all such other steps or actions as may be necessary or desirable in connection with the Arrangement and the transactions described in the Information Circular and to execute under the seal of the Corporation or otherwise, all such other certificates, instruments, agreements, documents and notices, and to take such further actions in such officer’s or director’s opinion as may be necessary or desirable to carry out the purposes and intent of the foregoing resolutions.”

APPENDIX B

PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT UNDER SECTION 193 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

1. INTERPRETATION

- (a) In this Plan of Arrangement, unless the context otherwise requires, the following words and terms shall have the meaning hereinafter set out:
- (i) “**ABCA**” means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
 - (ii) “**Arrangement**” means the arrangement under the provisions of section 193 of the ABCA set forth in this Plan of Arrangement, subject to any amendments or variations hereto made in accordance with the Arrangement Agreement and the provisions hereof or made at the direction of the Court in the Final Order;
 - (iii) “**Arrangement Agreement**” means the Arrangement Agreement dated October 3, 2011 to which this Plan of Arrangement is attached as Exhibit 1;
 - (iv) “**Arrangement Resolution**” means the Special Resolution of Donnybrook Shareholders authorizing and approving the Arrangement;
 - (v) “**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 to give effect to the Arrangement;
 - (vi) “**Business Day**” means a day which is not a Saturday, Sunday or a civic or statutory holiday in Calgary, Alberta;
 - (vii) “**Certificate**” means the certificate or certificates or other confirmation of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA in respect of the Arrangement;
 - (viii) “**Conveyance Agreement**” means the conveyance agreement entered into between Donnybrook and Newco, in the form attached as Exhibit 2 to the Arrangement Agreement, providing for, among other things, the transfer by Donnybrook to Newco of the Transferred Assets;
 - (ix) “**Computershare**” means Computershare Trust Company of Canada;
 - (x) “**Court**” means the Court of Queen’s Bench of Alberta;
 - (xi) “**Dissenting Shareholder**” means a Donnybrook Shareholder who has duly exercised a Dissent Right in strict compliance with the Dissent Procedures;
 - (xii) “**Dissent Procedures**” means the procedures set forth in section 191 of the ABCA and the Interim Order required to be taken by a Donnybrook Shareholder to exercise the right of dissent in respect of Donnybrook Shares in connection with the Arrangement;
 - (xiii) “**Dissent Rights**” means the rights of dissent of Donnybrook Shareholders in respect of the Arrangement Resolution as defined in section 4 hereof;

- (xiv) “**Donnybrook**” means Donnybrook Energy Inc., a corporation existing under the laws of Alberta;
- (xv) “**Donnybrook Shareholder**” means a Person who is a registered holder of Donnybrook Shares as shown on the share register of Donnybrook and for the purposes of the Meeting, is a registered holder of Donnybrook Shares as of the record date therefor, and for the purposes of the Arrangement, is a registered holder of Donnybrook Shares immediately prior to the Effective Time;
- (xvi) “**Donnybrook Shares**” means the common shares in the capital of Donnybrook, which Donnybrook is authorized to issue as presently constituted;
- (xvii) “**Effective Date**” means the date shown in the Certificate;
- (xviii) “**Effective Time**” means the time when the Arrangement will be deemed to have been completed, which shall be 12:01 a.m., Calgary time, on the Effective Date;
- (xix) “**Eligible Dividend**” has the meaning attributed to that term in section 89(1) of the Tax Act;
- (xx) “**Final Order**” means the final order of the Court approving the Arrangement, as such order may be amended by the Court (with the consent of Donnybrook) at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;
- (xxi) “**Interim Order**” means the interim order of the Court providing for, among other things, the calling and holding of the Meeting, as such order may be amended, supplemented or varied by the Court;
- (xxii) “**Meeting**” means the special meeting of Donnybrook Shareholders, including any adjournment or adjournments or postponement or postponements thereof, to be held for the purpose of obtaining approval by Donnybrook Shareholders of the Arrangement Resolution;
- (xxiii) “**Newco**” means Donnycreek Energy Inc., a corporation incorporated under the laws of Alberta;
- (xxiv) “**Newco Shares**” means the common shares in the capital of Newco, which Newco is authorized to issue as presently constituted;
- (xxv) “**Person**” means an individual, general partnership, limited partnership, corporation, company, limited liability company, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative;
- (xxvi) “**Promissory Note**” means a demand non-interest bearing promissory note to be dated as of the Effective Date made by Newco in favour of Donnybrook in the principal amount of \$2,188,342.90;
- (xxvii) “**Registrar**” means the Registrar of Corporations duly appointed under the ABCA;
- (xxviii) “**Special Resolution**” has the meaning ascribed to such term in the ABCA;
- (xxix) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder as amended from time to time; and

- (xxx) “**Transferred Assets**” has the meaning given to such term in the Conveyance Agreement.
- (b) The headings contained in this Plan of Arrangement are for convenience reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement. The terms “**this Plan of Arrangement**”, “**hereof**”, “**herein**”, “**hereto**”, “**hereunder**” and similar expressions refer to this Plan of Arrangement and not to any particular article, section, subsection, paragraph, subparagraph, clause or sub-clause hereof and include any agreement or instrument supplementary or ancillary hereto.
- (c) If the date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.
- (d) In this Plan of Arrangement, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders and neuter.
- (e) A reference to a Person includes any successor to that Person. A reference to any statute includes all regulations made pursuant to such statute and the provisions of any statute or regulation which amends, supplements or supersedes any such statute or regulation.
- (f) Unless otherwise stated in this Plan of Arrangement, all references herein to amounts of money are expressed in lawful money of Canada.

2. **EFFECT OF THE ARRANGEMENT**

- (a) This Plan of Arrangement is made pursuant to and subject to the provisions of the Arrangement Agreement. At the Effective Time, the Arrangement shall be binding upon Donnybrook, Newco and the Donnybrook Shareholders.
- (b) Articles of Arrangement shall be filed with the Registrar with the purpose and intent that none of the provisions of this Plan of Arrangement shall become effective unless all of the provisions of this Plan of Arrangement become effective. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of section 3 has become effective in the sequence set out therein.

3. **THE ARRANGEMENT**

- (a) At the Effective Time, the following shall occur and shall be deemed to occur in the following order without any further act or formality:
- (i) Each Donnybrook Share in respect of which the Donnybrook Shareholder has exercised Dissent Rights and for which the Donnybrook Shareholder is ultimately entitled to be paid fair market value (the “**Dissent Shares**”) shall be deemed to have been repurchased by Donnybrook for cancellation in consideration for a debt-claim against Donnybrook to be paid the fair value of such Dissent Share in accordance with section 4 of this Plan of Arrangement.
- (ii) Donnybrook shall transfer, assign and convey to Newco all of its entire legal and beneficial right title and interest in and to the Transferred Assets in consideration for: (i) the issuance by Newco to Donnybrook of fully paid and non-assessable Newco Shares on the basis of 0.025 of a Newco Share for each Donnybrook Share issued and outstanding immediately prior to the Effective Time; and (ii) the issuance by Newco to Donnybrook of the Promissory Note in accordance with the terms of the Conveyance Agreement.

- (iii) Donnybrook will distribute all of the issued and outstanding Newco Shares to the Donnybrook Shareholders by way of a “reduction of capital” of Donnybrook such that each Donnybrook Shareholder will be entitled to receive 0.025 of a Newco Share for each Donnybrook Share held.
 - (iv) The one Newco Share registered in the name of Donnybrook shall be purchased by Newco in consideration of the payment by Newco to Donnybrook of \$1.00 and such Newco Share shall then be immediately cancelled.
 - (v) The stated capital of Newco for the Newco Shares will equal the amount by which the fair market value of the Transferred Assets in subsection 3(a)(i) above for purposes of the Tax Act exceeds the amount of the Promissory Note.
 - (vi) The stated capital of the Donnybrook Shares shall be reduced by an amount equal to the fair market value of the issued and outstanding Newco Shares.
 - (vii) The number of directors of Newco shall be increased from one to six, and the directors of Donnybrook shall, and shall be deemed to, be the directors of Newco.
 - (viii) The initial auditors of Newco will be Smythe Ratcliffe LLP, who shall continue in office until the close of business of the first annual meeting of the holders of Newco Shares, and the directors of Newco are authorized to fix the remuneration of such auditors.
- (b) Following the Effective Time if the aggregate number of Newco Shares to which a Donnybrook Shareholder would otherwise be entitled would include a fractional share, then the number of Newco Shares that such Donnybrook Shareholder is entitled to receive shall be rounded down to the next whole number.
 - (c) Upon the transfer, assignment and conveyance of the Transferred Assets provided in subsection 3(a)(ii) hereof, Donnybrook will be released from all debts, liabilities, commitments and obligations of any nature of any kind whatsoever (whether matured or unmatured, accrued, fixed, contingent or otherwise) with respect to the Transferred Assets.
 - (d) On or immediately prior to the Effective Date, Donnybrook shall deliver or arrange to be delivered to Computershare, certificates representing the Newco Shares required hereunder, which certificates shall be distributed to Donnybrook Shareholders in accordance with subsection 5(a) hereof.

4. RIGHTS OF DISSENT

- (a) Donnybrook Shareholders shall be entitled to exercise dissent rights (“**Dissent Rights**”) with respect to the Donnybrook Shares pursuant to and in the manner set forth in section 191 of the ABCA as modified by the Interim Order and this section 4, but provided that notwithstanding subsection 191(5)(a) of the ABCA, such Dissenting Shareholder delivers to Donnybrook written objection to the Arrangement by 5:00 p.m. (Calgary time) on the second Business Day immediately prior to the date of the Meeting and otherwise complies with section 191 of the ABCA (the “**Dissent Procedures**”).
- (b) If the Arrangement is concluded, a Donnybrook Shareholder who exercises Dissent Rights in strict compliance with the Dissent Procedures shall be entitled to be paid by Donnybrook the fair value of the Dissent Shares held by such Dissenting Shareholder, determined as provided for in the ABCA, as modified by the Interim Order and this section 4, provided that any such Dissenting Shareholder who exercises such right to dissent and who:

- (i) is ultimately entitled to be paid fair value for its Donnybrook Shares shall be deemed to have transferred its Donnybrook Shares to Donnybrook in consideration for a debt claim against Donnybrook to be paid fair value of such Dissent Shares pursuant to the Dissent Procedures, and shall not be entitled to any other payment or consideration, including any payment under the Arrangement had such holders not exercised their Dissent Rights; or
 - (ii) is for any reason ultimately not entitled to be paid fair value for its Donnybrook Shares, shall be deemed to have participated in the Arrangement as of the Effective Time at the same terms and at the same time as a non-dissenting Donnybrook Shareholder and shall be issued only the same consideration which a Donnybrook Shareholder is entitled to receive under the Arrangement as if such Dissenting Shareholder would not have exercised Dissent Rights.
- (c) The aggregate of all amounts paid to Donnybrook Shareholders by Donnybrook in respect of Dissent Shares in accordance with subsection 4(b)(i) shall be deducted from the stated capital account maintained by Donnybrook for the Donnybrook Shares.
 - (d) The amount of any deemed dividend resulting from the application of subsection 84(3) of the Tax Act to the repurchase of the Dissent Shares held by Dissenting Shareholders is hereby designated by Donnybrook as an Eligible Dividend.
 - (e) All payments made to a Dissenting Shareholder pursuant to this section 4 shall be subject to, and paid net of, all applicable withholding taxes.
 - (f) For greater certainty, in addition to any other restrictions in section 191 of the ABCA, no Person who has voted in favour of this Plan of Arrangement shall be entitled to dissent with respect to this Plan of Arrangement.

5. DELIVERY OF NEWCO SHARES

- (a) Upon completion of this Plan of Arrangement, Donnybrook shall direct Computershare to deliver to each Donnybrook Shareholder, a document evidencing the electronic registration evidencing ownership of the Newco Shares to which such holder is entitled to receive hereunder.
- (b) Donnybrook and Newco shall be entitled to deduct and withhold from all dividends or other consideration otherwise payable to any person such amounts as Donnybrook or Newco is required or permitted to deduct and withhold with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986 or any provision of any applicable federal, provincial, state, local or foreign tax law, in each case, as amended. 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 deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

6. AMENDMENT

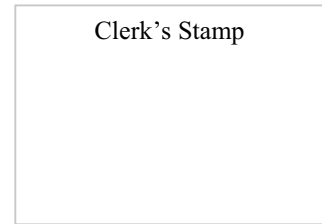
- (a) Donnybrook reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that any amendment, modification or supplement must be contained in a written document which is filed with the Court and, if made following the Meeting, then: (i) approved by the Court; and (ii) if the Court directs, approved by the Donnybrook Shareholders and in any event communicated to them, and in either case in the manner required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement proposed by Donnybrook, may be made at any time prior to or at the Meeting, with or without any other prior

notice or communication and, if so proposed and accepted by Persons voting at the Meeting (other than as may be required under the Interim Order) shall become part of this Plan of Arrangement for all purposes.

- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Meeting will be effective only if it is consented to by Donnybrook and, if required by the Court, by the Donnybrook Shareholders.
- (d) Notwithstanding the foregoing provisions of this section 6, no amendment, modification or supplement of this Plan of Arrangement may be made prior to the Effective Time except in accordance with the terms of the Arrangement Agreement.

APPENDIX C
INTERIM ORDER

COURT FILE NUMBER **1101 - 13305**
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT DONNYBROOK ENERGY INC.
DONNYCREEK ENERGY INC.
RESPONDENTS NONE
DOCUMENT **INTERIM ORDER**



ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

BLG
Borden Ladner Gervais
Centennial Place, East Tower
1900, 520 – 3rd Avenue S.W.
Calgary, Alberta T2P 0R3
Telephone: (403) 232-9500
Facsimile: (403) 266-1395

Attention: David T. Madsen

File No. 438994/000008

DATE ON WHICH ORDER WAS PRONOUNCED: OCTOBER 3, 2011

LOCATION WHERE ORDER WAS PRONOUNCED: CALGARY

NAME OF JUDGE WHO MADE THIS ORDER: THE HONOURABLE JUSTICE P.R. JEFFREY

UPON the Originating Application of Donnybrook Energy Inc. ("**Donnybrook**") and Donnycreek Energy Inc. ("**Newco**") pursuant to Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended ("**ABCA**"); AND UPON reading the said Originating Application and the Affidavit of Malcolm F.W. Todd and the documents sworn to therein; AND UPON hearing counsel for Donnybrook;

FOR THE PURPOSES OF THIS ORDER:

- (a) the capitalized terms not otherwise defined in this Order shall have the meaning ascribed to them in the draft management information circular of Donnybrook, which is attached as Exhibit "A" to the Affidavit of Malcolm F.W. Todd sworn September 29, 2011 (the "**Information Circular**");

- (b) all references to the “**Arrangement**” mean the plan of arrangement pursuant to the ABCA involving Donnybrook, Donnycreek and the holders of Donnybrook Shares in the form attached as Appendix B to the Information Circular.

IT IS HEREBY ORDERED THAT:

General

1. Donnybrook shall seek approval of the Arrangement by the Donnybrook Shareholders in the manner set forth below.

The Meeting

2. Donnybrook shall convene a special meeting (the “**Meeting**”) of Donnybrook Shareholders at 10:00 a.m. (Calgary Time) on November 4, 2011 to consider passing, with or without variation, an extraordinary resolution (the “**Arrangement Resolution**”) to approve the Arrangement and to transact such further and other business as may properly be brought before the Meeting or any adjournment or postponement thereof. A true copy of the Arrangement Resolution in its substantially final form is attached as Appendix A to the Information Circular.
3. The only persons entitled to attend and speak at the Meeting shall be the Donnybrook Shareholders and their authorized representatives as well as representatives of Newco, and such other persons permitted by the Chairman of the Meeting.

Notice of Meeting

4. Donnybrook shall send: the (i) Notice of Meeting; (ii) Notice of Application; (iii) this Order; and (iv) the Information Circular in substantially the form contained in the Affidavit, with such amendments thereto as counsel for Donnybrook may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Order, to the registered Donnybrook Shareholders of record as of September 30, 2011 (the “**Record Date**”) (which shall not change in the event of any postponement or adjournment of the Meeting), to the directors and auditors of Donnybrook by mailing them by prepaid ordinary mail, or by sending them by direct courier at the expense of Donnybrook, to such persons at least 21 days prior to the date of the Meeting, excluding the date of mailing or sending by courier and including the date of the Meeting. Such mailing or sending by courier shall constitute good and sufficient service of the

Notice of Application, the Meeting, this Order, the hearing in respect of the Originating Application and the application for the Final Order approving the Arrangement.

5. The only persons entitled to notice of the Meeting shall be the registered Donnybrook Shareholders as they may appear on the records of Donnybrook as at the close of business on the Record Date, the directors of Donnybrook and auditors of Donnybrook, and the only persons entitled to be represented and to vote at the Meeting, either in person or by proxy, shall be such Donnybrook Shareholders, subject to the provisions of section 137 of the ABCA. Any usual or common form of instruments of proxy may be used for such purpose.
6. The mailings specified in paragraph 4 hereof shall be deemed, for the purposes of this Order, to have been received by the Donnybrook Shareholders: (a) in the case of mailing, when deposited in a post office box or public letter box; (b) in the case of delivery in person, upon personal delivery to such person at the address as it appears on the security registers of Donnybrook as at the Record Date; and (c) in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch.
7. The accidental omission to give notice of the Meeting to, or the non-receipt of such notice by, one or more of the persons specified in paragraph 4 hereof, shall not invalidate any resolution passed or proceedings taken at the Meeting.
8. Subsequent to the provision to the registered Donnybrook Shareholders of information referred to in paragraphs 4 herein, Donnybrook and Newco are authorized to make such amendments, revisions, updates or supplements to the Arrangement as they may determine necessary and proper, and the Arrangement as so amended, revised or supplemented shall be the Arrangement submitted to the Meeting and the subject of the Arrangement Resolution, as the case may be.
9. Notice of any material amendments, revisions, updates, or supplements to any of the information provided pursuant to paragraph 4 of this Order may be communicated to Donnybrook Shareholders by press release, newspaper advertisement or by notice to the Donnybrook Shareholders by one of the methods specified in paragraph 4 of this Order, as determined to be the most appropriate method of communication by the board of directors of Donnybrook.

Chairman

10. Any director or officer of Donnybrook, or, failing them, any person to be chosen at the Meeting, shall be the Chairman of the Meeting.

Scrutineers

11. Scrutineers for the Meeting shall be Computershare Trust Company of Canada (acting through its representatives for that purpose) (the “**Scrutineers**”). The duties of the Scrutineers shall be, *inter alia*, to monitor and report on attendance and to monitor and report on all ballots and motions taken at the Meeting. The duties of the Scrutineers shall extend to:
 - (a) monitoring and reporting to the Chairman on the deposit and validity of proxies;
 - (b) reporting to the Chairman on the quorum of the Meeting;
 - (c) reporting to the Chairman on any polls taken or ballots cast at the Meeting; and
 - (d) providing to Donnybrook and to the Chairman written reports on matters related to their duties.

Deposit of Proxies

12. To be valid, proxies must be deposited with the Scrutineers at the office of the Scrutineers designated in the Notice of Meeting, or with persons appointed by the Scrutineers for that purpose, not later than 10:00 a.m. (Calgary time) two business days immediately preceding the date of the Meeting or any adjournment or postponement thereof.
13. To be valid, proxies must be completed and executed in accordance with the instructions contained thereon. Proxies must be delivered to the Scrutineers either in person, or mail or courier or by facsimile prior to or by the time prescribed in paragraph 12 above.
14. The Chairman is authorized to, but need not, accept any form of proxy other than the forms prescribed herein which is reasonably believed by the Chairman to be in a lawful form, to be genuine, and to indicate the voting intention of the Donnybrook Shareholder or its proxy.

Revocation of Proxies

15. Proxies given by Donnybrook Shareholders for use at the Meeting may be revoked before the proxy is exercised. In addition to revocation in any other manner permitted by law, Donnybrook Shareholders giving a proxy may revoke the proxy by an instrument in writing signed and delivered to the Scrutineers, at any time up to and including the last business day preceding the day of the applicable Meeting or any adjournment or postponement thereof, or deposited with the

Chairman at or before the Meeting or any adjournment or postponement thereof at or prior to the commencement of the Meeting. The document used to revoke a proxy must be in writing, completed and signed by the Donnybrook Shareholders or his attorney authorized in writing or, if the Donnybrook Shareholders is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized to execute same. A registered Donnybrook Shareholders who has given a proxy may attend the Meeting in person (or where the Donnybrook Shareholders is a corporation, its authorized representative may attend), revoke the proxy (by indicating such intention to the Chairman before the proxy is exercised) and vote in person (or abstain from voting).

Waiver

16. The right is reserved to the Chairman to waive any timing or deposit requirement (individually in any particular case or collectively in any series of cases) prescribed above with respect to the deposit of proxies, provided that he instructs the Scrutineers prior to the last time at which any proxy or revocation is to be used.

Quorum, Adjournments and Postponements

17. The quorum at the Meeting shall be two persons present in person, being Donnybrook Shareholders entitled to vote thereat or a duly appointed proxy or representative for absent Donnybrook Shareholders so entitled, and representing in the aggregate not less than 5% of the outstanding Donnybrook Shares carrying voting rights at the Meeting. If within half an hour after the time fixed for the Meeting, a quorum is not present, the Meeting will be reconvened to a new Meeting date selected by the Chairman. If the Chairman selects a new Meeting date that is less than thirty days after the original Meeting date is shall not be necessary to give any further notice of the reconvened Meeting. Is the Chairman selects a new Meeting date that is more than thirty days after the original Meeting date, notice of the reconvened Meeting shall be given to each Donnybrook Shareholder. At such reconvened Meeting, the quorum will consist of the Donnybrook Shareholders then present in person or represented by proxy.
18. Notwithstanding the provisions of the ABCA, Donnybrook, if it deems it so advisable, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Donnybrook Shareholders respecting the adjournment or postponement and without the need for approval of the Court. Notice of any such adjournments or postponements shall be given by such method as

Donnybrook may determine is appropriate in the circumstances, including by press release, news release, newspaper advertisement, or by notice sent to the Donnybrook Shareholders by one of the methods specified in this Interim Order. In all other respects, the Meeting shall be conducted in accordance with the ABCA, subject to such modifications as may be adopted herein or provided for in the Arrangement Agreement.

Voting

19. Spoiled votes, illegible votes, defective votes and abstentions shall be deemed not to be votes cast. Proxies that are properly signed, but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

Approval

20. At the Meeting, Donnybrook Shareholders will have one vote for each Donnybrook Share. The majority required to pass the Arrangement Resolution approving the Arrangement shall be not less than 66 $\frac{2}{3}$ % of the Donnybrook Shares held by Donnybrook Shareholders, either in person or by proxy at the Meeting.

Dissent Rights of Donnybrook Shareholders

21. The registered Donnybrook Shareholders as of the Record Date are entitled to a right of dissent analogous to the right under section 191 of the ABCA, as modified by this Order and the Arrangement, in connection with the Arrangement Resolution (“**Dissent Rights**”). Upon compliance with the provisions of section 191 of the ABCA as modified by this Order and the Arrangement, a dissenting Donnybrook Shareholder is entitled to receive from Donnybrook, under the Arrangement and subject to the provisions of the ABCA, the fair value of their Donnybrook Shares for which they exercise Dissent Rights, determined as of the close of business on the last business day before the date on which the Arrangement Resolution is approved by the Donnybrook Shareholders.
22. A holder of Donnybrook Shares cannot exercise Dissent Rights in respect of only a portion of such holder’s Donnybrook Shares but may dissent only with respect to all of the Donnybrook Shares held by the holder.
23. Notwithstanding section 191(5) of the ABCA, the written objection required to be sent to Donnybrook by a dissenting Donnybrook Shareholder pursuant to section 191(5) of the ABCA

must be received by Donnybrook c/o Borden Ladner Gervais LLP, Centennial Place, East Tower, 1900, 520 – 3rd Avenue S.W. Calgary, Alberta T2P 0R3 (Attention: David Madsen) by 5:00 p.m. (Calgary time) on the business day that is two business days immediately preceding the date of the Meeting (or any date to which the Meeting may be adjourned or postponed), and the objection must otherwise comply with the requirements of section 191 of the ABCA.

24. Any Donnybrook Shareholder who votes Donnybrook Shares at the Meeting, either in person or by proxy, in favour of the Arrangement Resolution approving the Arrangement shall not be entitled to exercise Dissent Rights.
25. The Dissent Rights shall constitute the only rights of dissent regarding the Arrangement for the Donnybrook Shareholders.
26. Notice to Donnybrook Shareholders of the Dissent Rights regarding the Arrangement Resolution approving the Arrangement and the right to receive, subject to the provisions of the ABCA, the fair value of their Donnybrook Shares, shall be sufficiently given by a description of those rights in the Information Circular to be sent to Donnybrook Shareholders in accordance with this Order.
27. A vote against the Arrangement Resolution or an abstention shall not constitute the written objection required under paragraph 23 above.
28. Any dissenting Donnybrook Shareholder who duly exercises Dissent Rights and who:
 - (a) is determined to be entitled to be paid the fair value of his or her Donnybrook Shares shall be deemed to have transferred those Donnybrook Shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims and encumbrances to Donnybrook for cancellation in consideration for a payment of cash by Donnybrook equal to their fair value; or
 - (b) is, for any reason, including electing to withdraw their dissent, determined by this Honourable Court not to be entitled to be paid fair value for the Donnybrook Shares, the dissenting Donnybrook Shareholder shall be deemed to have participated in the Arrangement on the same basis and at the same time as any non-dissenting Donnybrook Shareholder,

but in no case shall Donnybrook or Donnycreek be required to recognize such Donnybrook Shareholders at or after the date upon which the Arrangement becomes

effective and the names of such Donnybrook Shareholders shall be deleted from the applicable register of Donnybrook Shares.

Final Application

29. Upon approval of the Arrangement at the Meeting in the manner set forth in this Order, Donnybrook may proceed with an application before this Court for a Final Order for approval of the Arrangement at 1:00 p.m. (Calgary time) on November 4, 2011 at the Calgary Courts Centre, Calgary, Alberta or so soon thereafter as counsel may be heard or on such other date and time as this Honourable Court may direct.
30. Any Donnybrook Shareholder or other interested party desiring to support or oppose the application for final approval of the Arrangement may appear at the time of the hearing in person or by counsel for that purpose, provided such Donnybrook Shareholder or other interested party files with the Court and serves upon Borden Ladner Gervais LLP on or before 12:00 Noon (Calgary time) on November 2, 2011, a Notice of Intention to Appear, setting out such Donnybrook Shareholder's or other interested party's address for service and indicating whether such Donnybrook Shareholder or other interested party intends to support or oppose the application or make submissions, together with any evidence or materials which are to be presented to the Court. Service of such notice shall be effected by service upon Borden Ladner Gervais LLP, 1900, 520-3rd Avenue S.W., Calgary, Alberta, T2P 0R3, Attention: David T. Madsen.
31. In the event that the application for final approval of the Arrangement is adjourned, only those parties appearing before this Court and those parties who have filed and served a Notice of Intention to Appear in accordance with paragraph 30 above shall have notice of the adjourned date.

General

32. Service of notice of the application for this Interim Order on any person is hereby deemed good and sufficient.

33. Donnybrook shall be entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Honourable Court may direct.

(signed) *P.R. Jeffrey*

J.C.C.Q.B.A.

APPENDIX D

NOTICE OF APPLICATION

COURT FILE NUMBER **1101-13305**

COURT COURT OF QUEEN’S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANTS DONNYBROOK ENERGY INC.
DONNYCREEK ENERGY INC.

RESPONDENTS NONE

DOCUMENT **NOTICE OF ORIGINATING APPLICATION**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF PARTY
FILING THIS DOCUMENT



Centennial Place, East Tower
1900, 520 – 3rd Avenue S.W.
Calgary, Alberta T2P 0R3
Telephone: (403) 232-9500
Facsimile: (403) 266-1395

Attention: David T. Madsen
File No. 438994.000008

NOTICE IS HEREBY GIVEN that an originating application (the “**Application**”) has been filed with the Court of Queen’s Bench of Alberta, Judicial Centre of Calgary (the “**Court**”) on behalf of Donnybrook Energy Inc. (“**Donnybrook**”) and Donnycreek Energy Inc. (“**Newco**”) with respect to a proposed arrangement (the “**Arrangement**”) under section 193 of the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended (the “**ABCA**”), involving Donnybrook, Newco and the holders (“**Donnybrook Shareholders**”) of common shares of Donnybrook (“**Donnybrook Shares**”) (collectively, the “**Arrangement Parties**”). The Arrangement is described in greater detail in the management information circular of Donnybrook dated October 3, 2011 accompanying this Notice of Application.

At the hearing of the Application, Donnybrook intends to seek:

- (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the Donnybrook Shareholders and the other persons affected, both from a substantive and procedural point of view;
- (b) an order approving the Arrangement pursuant to the provisions of section 193 of the ABCA;

- (c) an order declaring that registered Donnybrook Shareholders shall have the right to dissent in respect of the Arrangement in accordance with the provisions of section 191 of the ABCA, as modified by the interim order (the “**Interim Order**”) of the Court dated October 3, 2011;
- (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 each of the Arrangement Parties 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.

AND NOTICE IS HEREBY GIVEN that the said Application was directed to be heard before a Justice of the Court of Queen’s Bench of Alberta, 601 – 5th Street S.W., Calgary, Alberta, on the 4th day of November, 2011 at 1:00 p.m. (Calgary time), or as soon thereafter as counsel may be heard. Any Donnybrook Shareholder or any other interested party desiring to appear at the hearing is required to file with the Court of Queen’s Bench of Alberta, Judicial Centre of Calgary, and serve upon Donnybrook on or before 12:00 Noon (Calgary time) on November 2, 2011, a notice of intention to appear, including an address for service in the Province of Alberta, indicating whether such Donnybrook Shareholder or other interested party intends to support or oppose the application or make submissions thereat, together with a summary of the position such Donnybrook Shareholder or other interested party intends to advocate before the Court and any evidence or materials which are to be presented to the Court. Service on Donnybrook is to be effected by delivery to the solicitors for Donnybrook at the address below. If any Donnybrook Shareholder 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, may approve it subject to such terms and conditions as the Court shall deem fit, or may refuse to approve the Arrangement, without any further notice.

AND NOTICE IS FURTHER GIVEN that no further notice of the Application will be given by Donnybrook 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 the Interim Order, has given directions as to the calling and holding of a meeting of Donnybrook Shareholders for the purpose of such Donnybrook Shareholders voting upon a resolution to approve the Arrangement and has directed that registered Donnybrook Shareholders shall have the right to dissent with respect to the Arrangement in accordance with the provisions of section 191 of the ABCA, as amended by such Interim Order.

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

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 – 3rd Avenue S.W.
Calgary, Alberta T2P 0R3
Attention: David T. Madsen

DATED at the City of Calgary, in the Province of Alberta, this 3rd day of October, 2011.

**BY ORDER OF THE BOARD OF DIRECTORS OF
DONNYBROOK ENERGY INC.**

(signed) “*Malcolm F.W. Todd*”
President and Chief Executive Officer

APPENDIX E

INFORMATION CONCERNING NEWCO

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Schedule F – Form 51-101F3 – *Report of Management and Directors on Oil and Gas Disclosure*

Schedule G – Newco Audit Committee Charter

NOTICE TO THE READER

As of the date hereof, Newco has not carried on any active business. Pursuant to the Arrangement, Newco will acquire the Transferred Assets. Unless otherwise indicated, the disclosure in this Appendix has been prepared assuming that the Arrangement has been effected and that Newco has acquired the Transferred Assets. Unless otherwise defined herein, all capitalized words and phrases used in this Appendix have the meaning given to such words and phrases under the heading “*Glossary of Terms*” contained in this Information Circular.

INCORPORATION AND HISTORY

Newco was incorporated under the ABCA on September 1, 2011 as “Donnycreek Energy Inc.” and is a wholly-owned subsidiary of Donnybrook.

Newco has not carried on any active business since incorporation other than the entering into of the Arrangement Agreement. Newco is not a reporting issuer (or the equivalent) in any jurisdiction and is not listed on any stock exchange. See “*Market for Securities*” in this Appendix.

Upon completion of the Arrangement, all of the Newco Shares will be owned by Donnybrook Shareholders, other than Dissenting Shareholders (except that Donnybrook will indirectly hold Newco Shares that would otherwise have been received by Donnybrook Shareholders who exercise Dissent Rights). Pursuant to the Arrangement, Newco will acquire the Transferred Assets from Donnybrook and following the Arrangement, Newco will be engaged initially in the production of oil and gas in the Delia-Michichi area of eastern Alberta and the exploration and production of oil and natural gas in the Deep Basin area of west central Alberta. See “*Narrative Description of the Business*” and “*Statement of Reserves Data and Other Oil and Gas Information*” in this Appendix.

Concurrently with the closing of the Arrangement, Newco intends to complete the Private Placement for gross proceeds of \$2,400,000. The Private Placement is subject to certain conditions precedent and certain regulatory approvals, including approval of the TSXV. The closing of the Private Placement is conditional upon the closing of the Arrangement. Proceeds of the Private Placement are intended to be used to repay the Promissory Note and to provide additional working capital for Newco. See “*Other Matters to be Considered at the Meeting – Approval of the Private Placement*” in this Information Circular.

Under the terms of the Arrangement Agreement, Donnybrook has agreed to provide Newco with a right to purchase any Land, Wells, Facilities and associated Title Documents and Petroleum and Natural Gas Rights (as such terms are defined in the Conveyance Agreement) within 5 miles of the Transferred Assets acquired by Donnybrook from September 1, 2011 until the Effective Date at cost plus expenses incurred by Donnybrook, and which right to purchase is exercisable by Newco for a period of 90 days following the Effective Date. The right to purchase is conditional upon completion of the Arrangement. See “*The Arrangement Agreement – Right to Purchase*” in this Information Circular.

On September 21, 2011, Donnybrook acquired certain lands over which Newco will have a right to purchase.

Donnybrook has farmed out a portion of its interest in the Prairie Creek property forming part of the Transferred Assets, pursuant to a farm-out agreement dated September 1, 2011 (the “**Farmout Agreement**”). Donnybrook, or Newco after the Arrangement, will participate as to a 25% working interest in a horizontal well and will retain a 25% working interest and a 10% gross overriding royalty on a 75% working interest before payout, and on a 50% working interest after payout, in the well and the balance of this property. The farmee will earn a 50% payout working interest (75% before payout) by paying 75% of the costs to drill, complete and equip the horizontal well and by reimbursing 50% of the land costs incurred to date on this property. In addition, pursuant to the Conveyance Agreement, Newco will have the option to require Donnybrook to earn a 15% interest in the horizontal well and the existing Prairie Creek Property in consideration for 15% of the costs to drill, complete and equip such well and 15% of the land costs incurred to date on this property.

The board of directors of Newco (the “**Newco Board**”) is anticipated to be composed of six members, all of whom are currently directors of Donnybrook. It is proposed that certain of the current officers and employees of Donnybrook will become officers and employees of Newco. See “*Directors and Executive Officers of Newco*” in this Appendix.

There is currently no market for the Newco Shares. Newco has applied to list the Newco Shares on the TSXV. The TSXV has conditionally approved the listing of the Newco Shares on the TSXV. Listing of the Newco Shares on the TSXV will be subject to Newco meeting the original listing requirements of the TSXV. See “*Information Concerning Newco*” in this Information Circular.

The head office of Newco is located at Suite 700, 717 – 7th Avenue S.W., Calgary, Alberta T2R 0Z3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

NARRATIVE DESCRIPTION OF THE BUSINESS

Business Objectives

Following completion of the Arrangement, Newco will be engaged initially in the production of oil and gas in the Delia-Michichi area of eastern Alberta. Newco will be a growth oriented oil and natural gas company focused on the exploration and development of liquid rich natural gas resource plays in the Montney, Wilrich, Bluesky and/or Falher formations in the Deep Basin area of west central Alberta.

The Transferred Assets

Pursuant to the Arrangement and the terms of the Conveyance Agreement, Newco will acquire the Transferred Assets from Donnybrook in consideration for: (i) the issuance by Newco to Donnybrook of fully paid and non-assessable Newco Shares on the basis of 0.025 of a Newco Share for each Donnybrook Share issued and outstanding immediately prior to the Effective Time; and (ii) the issuance by Newco to Donnybrook of the Promissory Note.

The Transferred Assets to be transferred to Newco pursuant to the Arrangement include: (i) \$300,000; and (ii) certain oil and gas assets of Donnybrook in the Delia-Michichi area of eastern Alberta and Donnybrook’s properties in the Prairie Creek, Gold Creek, Ansell Creek, Grand Prairie, Valhalla Creek and Leland Creek areas in the Deep Basin area of west central Alberta. See “*The Arrangement*” in this Information Circular.

A portion of the Transferred Assets were acquired by Donnybrook through the acquisition of Prairie Exploration Inc. (“**Prairie**”). Prairie was acquired by Donnybrook on May 27, 2010 through a take-over bid for the common shares of Prairie. Subsequently, Donnybrook amalgamated with Prairie on November 1, 2010.

Principal Oil and Gas Properties

Newco will acquire P&NG rights prospective for Montney, Wilrich, Bluesky and/or Falher liquid rich natural gas resource development in the Deep Basin area of west central Alberta and certain P&NG rights in the Delia-Michichi area of eastern Alberta. For a description of the principal oil and natural gas properties of Newco, see “*Statement of Reserves Data and Other Oil and Gas Information - Other Oil and Gas Information*” in this Appendix. See also “*Available Funds and Principal Purposes*” in this Appendix.

Environmental Matters

The oil and gas industry is subject to environmental regulations pursuant to applicable legislation. Such legislation provides for restrictions and prohibitions on release or emission of various substances produced in association with certain oil and gas industry operations, and requires that well and facility sites be abandoned and reclaimed to the satisfaction of environmental authorities. As at December 31, 2010, Donnybrook recorded an obligation on its balance sheet of \$30,625 (\$31,885 as at June 30, 2011) for asset retirement related to the Transferred Assets. It is anticipated that Newco will maintain an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts, pollution and other operating accidents or disruptions. It is

also anticipated that Newco will also have operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure. No assurance can be given that the application of environmental laws to the business and operations of Newco will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Newco's financial condition, results of operations or prospects. See "*Risk Factors – Environmental Risks*" in this Appendix.

Employees

As at the date of this Information Circular, Newco had no employees. After giving effect to the Arrangement, it is expected that Newco will have 2 (part-time) employees (not including officers).

Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. Newco will compete with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Newco's competitors will include resource companies which have greater financial resources, staff and facilities than those of Newco. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Newco believes that its competitive position will be equivalent to that of other oil and gas issuers of similar size and at a similar stage of development. See "*Risk Factors - Competition*" in this Appendix.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Fekete prepared the Fekete Report evaluating the oil, natural gas and NGL reserves attributable to the Transferred Assets. The Fekete Report was prepared in accordance with NI 51-101 and the standards contained in the COGE Handbook.

All of the reserves associated with the Transferred Assets are located in Alberta, Canada. There are no unconventional reserves attributable to the Transferred Assets.

In preparing the Fekete Report, Fekete obtained information from Donnybrook, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the Fekete Report is based, was obtained from public records, other operators and from Fekete's non-confidential files. The extent and character of ownership and the accuracy of all factual data supplied for the independent evaluation, from all sources, was accepted by Fekete as represented.

The following tables set forth certain information relating to certain of the oil, natural gas and NGL reserves attributable to the Transferred Assets as of December 31, 2010 and the present value of the estimated future net revenue for these reserves, after provision for Alberta gas cost allowance, using forecast prices and costs.

All evaluations and reviews of future net cash flow are stated prior to any provision for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned and future site restoration and reclamation costs for wells in Canada to which reserves have been assigned. It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and NGL reserves may be greater than or less than the estimates provided herein.

The Report on Reserves Data by Fekete in Form 51-101F2 and the Report of Management and Directors on Reserve Data and Other Information in Form 51-101F3 are included as Schedules E and F, respectively, to this Appendix.

Tables may not add exactly due to rounding.

**Summary of Oil and Gas Reserves
as of December 31, 2010
Forecast Prices and Costs**

Reserves Category	Light, Medium and Heavy Crude Oil		Natural Gas		NGLs	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mmcf)	Net (Mmcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved						
Developed Producing	-	-	460.0	425.0	5.6	3.6
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-
Total Proved	-	-	460.0	425.0	5.6	3.6
Probable	-	-	72.0	67.0	0.5	0.4
Total Proved Plus Probable	-	-	532.0	492.0	6.1	4.0

**Summary of Net Present Values of Future Net Revenue
as of December 31, 2010
Forecast Prices and Costs**

Reserves Category	Before Income Taxes Discounted at (%/Year) ⁽¹⁾					After Income Taxes Discounted at (%/Year) ⁽¹⁾					Unit Value Before Income Tax Discounted at (10%/Year) \$/Mcf
	0	5	10	15	20	0	5	10	15	20	
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	
Proved											
Developed Producing	1,991.24	1,641.57	1,385.96	1,193.99	1,046.29	1,991.24	1,641.57	1,385.96	1,193.99	1,046.29	3.26
Developed Non-Producing	-	-	-	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-	-	-	-	-	-
Total Proved	1,991.24	1,641.57	1,385.96	1,193.99	1,046.29	1,991.24	1,641.57	1,385.96	1,193.99	1,046.29	3.26
Probable	354.04	243.80	173.17	126.53	94.89	282.03	197.47	142.67	106.02	80.83	2.6
Total Proved Plus Probable	2,345.28	1,885.37	1,559.13	1,320.52	1,141.18	2,273.27	1,839.04	1,528.63	1,300.01	1,127.12	3.17

Note:

(1) The before and after tax numbers are the same as Donnybrook had sufficient tax deductions attributable to the Transferred Assets to shelter the taxable income generated from the oil and natural gas properties.

**Total Future Net Revenue
(Undiscounted)
as of December 31, 2010
Forecast Prices and Costs**

<u>Reserves Category</u>	<u>Revenue (M\$)</u>	<u>Royalties (M\$)</u>	<u>Operating Costs (M\$)</u>	<u>Develop- ment Costs (M\$)</u>	<u>Abandonment and Reclamation Costs (M\$)</u>	<u>Future Net Revenue Before Income Taxes (M\$)</u>	<u>Income Taxes (M\$)</u>	<u>Future Net Revenue After Income Taxes (M\$)</u>
Proved Reserves	3,271.0	352.0	835.0	-	39.0	1,991.0	-	1,991.0
Proved Plus Probable Reserves	3,775.0	402.0	988.0	-	40.0	2,345.0	72.0	2,273.0

**Net Present Value of Future Net Revenue
By Production Group
as of December 31, 2010
Forecast Prices and Costs**

<u>Reserves Category</u>	<u>Production Group</u>	<u>Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (M\$)</u>	<u>Unit Value Before Income Taxes (Discounted at 10%/Year) (\$/Mcf)</u>
Proved Reserves	Light and Medium Crude Oil (including solution gas and associated by-products)	-	-
	Natural Gas (including associated by-products) ⁽¹⁾	1,386.0	3.26
	Total	1,386.0	3.26
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and associated by-products)	-	-
	Natural Gas (including associated by-products) ⁽²⁾	1,559.1	3.17
	Total	1,559.1	3.17

Notes:

- (1) Including NGL.
(2) Net present value of natural gas and NGLs (\$) divided by the total not gas reserved (Mcf).

**Fekete Pricing and Inflation Rate Assumptions
as of December 31, 2010
Forecast Prices and Costs⁽¹⁾**

Oil and Gas Liquids Forecast

<u>Year</u>	<u>W.T.I.⁽²⁾ (S.U.S./STB)</u>	<u>Edmonton Light⁽³⁾ (SCDN/STB)</u>	<u>Hardisty Bow River Medium⁽⁴⁾ (SCDN/STB)</u>	<u>Western Canadian Select⁽⁵⁾ (SCDN/STB)</u>	<u>Hardisty Heavy⁽⁶⁾ (SCND/STB)</u>	<u>Sask Cromer⁽⁷⁾ (SCDN/STB)</u>	<u>Edmonton Propane (SCDN/STB)</u>	<u>Edmonton Butane (SCDN/STB)</u>	<u>Inflation Rate⁽⁸⁾ (%/Yr)</u>	<u>Exchange Rate⁽⁸⁾ (S.U.S./ SCDN)</u>
Historical										
2010	79.55	77.64	68.48	67.26	62.19	73.76	46.71	68.18	1.5	0.971
Forecast										
2011	88.00	87.50	75.50	73.50	69.50	81.50	48.10	65.60	2.0	0.980
2012	90.00	89.50	75.50	74.50	69.50	81.50	50.12	67.15	2.0	0.980
2013	92.50	92.10	76.50	75.10	70.10	83.10	52.50	69.10	2.0	0.980
2014	95.00	94.65	78.65	76.65	71.65	84.65	54.90	71.00	2.0	0.980
2015	97.00	96.70	80.00	77.70	71.70	85.70	57.05	72.50	2.0	0.980

...escalate price at 2% per year thereafter

Notes:

- (1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer. These prices were provided by Fekete, an independent reserves evaluator.
(2) At Cushing

- (3) 40° APR; 0.5% Sulphur
(4) 24.9° API; 2.1% Sulphur
(5) 20.5° APR; 3.2% Sulphur
(6) 12° API
(7) 29° API; 1.2% Sulphur
(8) Inflation and US/CDN Exchange rates kept constant at 2%/year and 0.98\$US/CDN beyond 2015.

Natural Gas Price Forecast

Year	Alberta Plantgate ⁽¹⁾						British Columbia			
	Henry Hub Spot (\$U.S.)	AECO-C Hub (\$CDN)	Alberta Gas Reference Price (\$CDN)		Progas (\$CDN)	Spot (\$CDN)	Sumas		Plantgate Spot (\$CDN)	Sask. Plantgate Spot (\$CDN)
			Pan Alberta (\$CDN)				(\$U.S.)	(\$CND)		
Historical										
2010	4.39	4.01	3.76	3.94	3.81	3.79	4.11	4.24	3.83	3.91
Forecast										
2011	4.50	4.15	3.95	3.95	3.95	3.95	4.25	4.35	3.85	4.10
2012	5.00	4.65	4.45	4.45	4.45	4.45	4.75	4.85	4.35	4.60
2013	5.75	5.40	5.20	5.20	5.20	5.20	5.50	5.60	5.10	5.35
2014	6.25	5.90	5.70	5.70	5.70	5.70	6.00	6.10	5.60	5.85
2015	6.75	6.45	6.25	6.25	6.25	6.25	6.50	6.65	6.15	6.40

...escalate price at 2% per year thereafter

Note:

- (1) Year 2010 historical aggregator prices shown are prior to receipt transportation deduction. Forecast prices include plantgate assuming \$0.20/MMBTU receipt transportation deduction.

The weighted average realized sales prices for the year ended December 31, 2010 with respect to the Transferred Assets were \$56.36/bbl for crude oil and NGLs and \$4.04/Mcf for natural gas.

Reconciliation of Gross Reserves By Principal Product Type Forecast Prices and Costs

	Light and Medium Oil			Heavy Crude Oil			Natural Gas			NGLs		
	Gross Proved (MSTB)	Gross Probable (MSTB)	Gross Proved Plus Probable (MSTB)	Gross Proved (MSTB)	Gross Probable (MSTB)	Gross Proved Plus Probable (MSTB)	Gross Proved (Mmsecf)	Gross Probable (Mmsecf)	Gross Proved Plus Probable (Mmsecf)	Gross Proved (MSTB)	Gross Probable (MSTB)	Gross Proved Plus Probable (MSTB)
December 31, 2009	-	-	-	-	-	-	-	-	-	-	-	-
Extensions	-	-	-	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Infill Drilling	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	520	72	592	6.0	0.5	6.5
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions (neg)	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production (neg)	-	-	-	-	-	-	(60)	-	(60)	(0.4)	-	(0.4)
December 31, 2010	-	-	-	-	-	-	460	72	532	5.6	0.5	6.1

Additional Information Relating to Reserves Data

Undeveloped Reserves

No proved or probable undeveloped reserves have been attributed to the Transferred Assets.

Significant Factors or Uncertainties

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, commodity prices and economic conditions. The reserves attributable to the Transferred Assets were evaluated by Fekete, an independent petroleum engineering firm.

Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, commodity prices, economic conditions and governmental restrictions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. The actual production, revenues, taxes, development and operating expenditures with respect to the reserves attributable to the Transferred Assets may vary from such estimates, and such variances could be material.

Future Development Costs

There are no future development costs attributable to proved reserves (using forecast prices and costs) and proved plus probable reserves (using forecast prices and costs) to those properties evaluated in the Fekete Report. Newco has no capital program planned for exploration and development activities for 2011 for those properties evaluated in the Fekete Report.

Other Oil and Gas Information

Oil and Gas Properties and Wells

Pursuant to the Arrangement, Newco will acquire 19 gross (19 net) sections, 4,864 gross (4,864 net) hectares of P&NG rights prospective for Montney, Wilrich, Bluesky and/or Falher liquid rich natural gas resource development in the Deep Basin area of west central Alberta. Newco will have six core areas in this area: Prairie Creek, Gold Creek, Ansell Creek, Grand Prairie, Valhalla Creek and Leland Creek. In addition, Newco will also have an interest in 7.5 gross (1.8 net) sections, 1,920 gross (465 net) hectares of lands located in the Delia-Michichi area of eastern Alberta and working interests in two producing and two non-producing wells in this area. Below is a summary of Newco's important properties.

Prairie Creek, Alberta

Newco will have an interest in approximately 1,792 gross (1,792 net) hectares of P&NG rights prospective for Montney production.

Pursuant to the Farmout Agreement, Donnybrook, or Newco after the Arrangement, will participate as to a 25% working interest in a horizontal well and will retain a 25% working interest and a 10% gross overriding royalty on a 75% working interest before payout, and on a 50% working interest after payout, in the well and the balance of this property. The farmee will earn a 50% payout working interest (75% before payout) by paying 75% of the costs to drill, complete and equip the horizontal well and by reimbursing 50% of the land costs incurred to date on this property. In addition, pursuant to the Conveyance Agreement, Newco will have the option to require Donnybrook to earn a 15% interest in the horizontal well and the existing Prairie Creek Property in consideration for 15% of the costs to drill, complete and equip such well and 15% of the land costs incurred to date on this property.

Gold Creek, Alberta

Newco will have an interest in approximately 1,536 gross (1,536 net) hectares or 6 sections of P&NG rights prospective for Wilrich and Falher liquid rich natural gas production.

Ansell Creek, Alberta

Newco will have an interest in approximately 256 gross (256 net) hectares of P&NG rights prospective for Bluesky production.

Grand Prairie, Alberta

Newco will have an interest in approximately 256 gross (256 net) hectares of P&NG rights prospective for Bluesky production.

Valhalla Creek, Alberta

Newco will have an interest in approximately 256 gross (256 net) hectares of P&NG rights prospective for Bluesky production.

Leland Creek, Alberta

Newco will have an interest in approximately 768 gross (768 net) hectares of P&NG rights prospective for Montney and Bluesky production.

Delia-Michichi, Alberta

Newco will have an interest in approximately 1,920 gross (465 net) hectares of P&NG rights in this area and has an interest in 2 gross (0.816 net) producing wells and 2 gross (0.32 net) non-producing wells in this area.

Wells

Under the Arrangement Agreement, Newco will acquire, as part of the Transferred Assets, Donnybrook's interest in non-producing and producing oil and natural gas wells, which, as at December 31, 2010 was as follows:

Location	Producing Wells				Non-Producing Wells				Total			
	Oil		Natural Gas		Oil		Natural Gas		Oil		Natural Gas	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	-	-	2	0.816	-	-	2	0.32	-	-	4	1.136
Total	-	-	2	0.816	-	-	2	0.32	-	-	4	1.136

Properties with No Attributed Reserves

The following table sets forth the gross and net acres of unproven properties held by Donnybrook in respect of the Transferred Assets as at December 31, 2010 and the net area of improved property for which Donnybrook expects its rights to explore, develop and exploit to expire during the next year in respect of the Transferred Assets:

Location	Unproved Properties (hectares)		
	Gross	Net	Net Area to Expire by December 31, 2011
Alberta	4,864	4,864	nil
Total	4,864	4,864	nil

There are no costs or work commitments associated with the non-producing properties except for ongoing Crown and freehold lease commitments in respect of the Transferred Assets.

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

There are several economic factors and significant uncertainties that may affect the anticipated development of Newco's properties with no attributed reserves. It is expected that Newco will be required to make substantial

capital expenditures in order to prove, exploit, develop and produce oil and natural gas from these properties in the future. Development of these properties to commercial status may require additional debt or equity financing. Failure to obtain such financing on a timely basis or on terms acceptable to Newco may cause Newco to forfeit its interest in certain properties, miss certain opportunities and reduce or terminate its operations. The inability of Newco to access sufficient capital for its exploration and development purposes could have a material adverse effect on Newco's ability to execute its business strategy to develop these prospects. For further information, see "Risk Factors" in this Appendix.

Forward Contracts

Newco may use certain financial instruments to hedge its exposure to commodity price fluctuations on a portion of its crude oil and natural gas production. As at December 31, 2010, there were no outstanding derivative or hedging contracts in respect of the Transferred Assets and there are no such contracts as at the date hereof.

Additional Information Concerning Abandonment and Reclamation Costs

Newco estimates well abandonment and reclamation costs for surface leases, wells and facilities based on Donnybrook's previous management experience, current regulations, costs, technology and industry standards area by area. Such costs are included in the Fekete Report as deductions in arriving at future net revenue. The expected total abandonment costs for 4 gross wells (including producing, non-producing and service wells) and for 0 gross (0 net) facilities are summarized in the net of estimated salvage value calculated without discount and using a discount rate of 10% is as follows:

Nature of cost	Forecast (M\$) Pricing			
	Proved NPV 0%	Proved NPV 10%	Proved Plus Probable NPV 0%	Proved Plus Probable NPV 10%
Wells with reserves assigned	39.0	17.7	40.0	14.8
Wells & Facilities with no reserves assigned	-	-	-	-
Total abandonment and reclamation cost provision	39.0	17.7	40.0	14.8
Portion forecast to be paid during the next three years	-	-	-	-

Tax Horizon

Newco does not expect to incur income taxes for 2011. Depending on production, commodity prices and capital spending levels, Newco may become taxable in 2012.

Costs Incurred

The following table summarizes Donnybrook's property acquisition costs, exploration costs and development costs incurred during the financial year ended December 31, 2010 related to the Transferred Assets:

Nature of cost	Amount (M\$)
Land and property acquisition	951,564
Geological and geophysical	106,613
Drilling and completions	399,916
Facilities and equipment	182,122
Total	1,640,215

Exploration and Development Activities

No wells related to the Transferred Assets were drilled during the financial year ended December 31, 2010.

Newco's current plans for the year ended December 31, 2011 do not include a capital expenditure program.

Production Estimate

The following discloses the estimated average daily sales products of Newco through fiscal 2011 by product type associated with the first year of gross proved reserves and gross probable reserve estimates reported in the Fekete Report, effective December 31, 2010 with respect to the Transferred Assets.

Reserves Category	Production Estimates					
	Light and Medium Crude Oil		Natural Gas		NGLs	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mmcf)	Net (Mmcf)	Gross (Mbbbl)	Net (Mbbbl)
<i>Delia/Michichi, Alberta</i>						
Proved						
Developed producing	-	-	85	75	1.0	0.7
Developed non-producing	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-
Total proved	-	-	85	75	1.0	0.7
Probable	-	-	-	-	0.1	-
Total proved plus probable	-	-	85	75	1.1	0.7

2010 Production History

The following table sets out various information relating to the production from the oil and natural gas properties forming part of the Transferred Assets during the year ended December 31, 2010.

Net Average Daily Production	2010 (Q1)	2010 (Q2)	2010 (Q3)	2010 (Q4)
Oil & NGL (bbl/d)	0.9	1.2	1.5	1.5
Gas (Mcf/d)	147	188	249	220
Boe/d (6:1)	25.4	32.5	42.7	38.2
Oil & NGL (\$/bbl)	56.45	67.97	60.02	64.09
Gas (\$/Mcf)	5.48	4.35	3.88	4.07
Royalties (\$/bbl)	1.59	0.8	2.26	0.27
Royalties (\$/Mcf)	0.19	0.2	0.38	0.08
Production Costs (\$/bbl)	4.32	0.33	2.03	1.67
Production Costs (\$/Mcf)	0.52	0.08	0.35	0.48
Netback (\$/bbl)	59.18	67.5	59.79	65.49
Netback (\$/Mcf)	5.81	4.23	3.85	4.47

Update of Certain Oil and Gas Information

Donnybrook requested Fekete to prepare the Fekete July Report. The effective date of the Fekete July Report is July 31, 2011. The Fekete July Report was prepared in August 2011 for the purposes of updating the petroleum and natural gas reserves for recent development activity conducted by Donnybrook in the first seven months of the 2011 fiscal year with respect to the Transferred Assets. The Fekete July Report was prepared on a before and after tax basis using Fekete's July 31, 2011 forecast pricing (the Fekete Report was based on pricing assumptions as at June 30, 2011).

The following tables set forth certain information relating to the oil, natural gas and NGL reserves attributable to the Transferred Assets as of July 31, 2011 and the present value of the estimated future net revenue for these reserves, after provision for Alberta gas cost allowance, using forecast prices and costs.

All evaluations and reviews of future net cash flow are stated prior to any provision for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned and future site restoration and reclamation costs for wells in Canada to which reserves have been assigned. It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and

reserve estimates of crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and NGL reserves may be greater than or less than the estimates provided herein.

Tables may not add exactly due to rounding.

**Summary of Oil and Gas Reserves
as of July 31, 2011
Forecast Prices and Costs**

Reserves Category	Light, Medium and Heavy Crude Oil		Natural Gas		NGLs	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mmcf)	Net (Mmcf)	Gross (Mbbbl)	Net (Mbbbl)
Proved						
Developed Producing	-	-	388.0	353.0	1.7	1.1
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-
Total Proved	-	-	388.0	353.0	1.7	1.1
Probable	-	-	35.0	33.0	0.1	-
Total Proved Plus Probable	-	-	423.0	386.0	1.8	1.1

**Summary of Net Present Values of Future Net Revenue
as of July 31, 2011
Forecast Prices and Costs**

Reserves Category	Before Income Taxes Discounted at (%/Year)					After Income Taxes Discounted at (%/Year)					Unit Value Before Income Tax Discounted at (10%/Year)
	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	0 (M\$)	5 (M\$)	10 (M\$)	15 (M\$)	20 (M\$)	
Proved											
Developed Producing	2,080.76	1,734.85	1,438.17	1,294.25	1,148.56	2,080.76	1,734.85	1,438.17	1,294.25	1,148.56	4.20
Developed Non-Producing	-	-	-	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-	-	-	-	-	-
Total Proved	2,080.76	1,734.85	1,438.17	1,294.25	1,148.56	2,080.76	1,734.85	1,438.17	1,294.25	1,148.56	4.20
Probable	214.89	158.10	120.60	94.79	76.35	166.64	127.55	100.70	81.55	67.35	3.7
Total Proved Plus Probable	2,295.65	1,892.95	1,603.77	1,389.04	1,224.91	2,247.40	1,862.40	1,583.87	1,375.80	1,215.91	4.15

**Total Future Net Revenue
(Undiscounted)
as of July 31, 2011
Forecast Prices and Costs**

<u>Reserves Category</u>	<u>Revenue (M\$)</u>	<u>Royalties (M\$)</u>	<u>Operating Costs (M\$)</u>	<u>Develop- ment Costs (M\$)</u>	<u>Abandonment & Reclamation Costs (M\$)</u>	<u>Future Net Revenue Before Income Taxes (M\$)</u>	<u>Income Taxes (M\$)</u>	<u>Future Net Revenue After Income Taxes (M\$)</u>
Proved Reserves	2,665.0	269.0	277.0	-	38.0	2,081.0	-	2,081.0
Proved Plus Probable Reserves	2,934.0	292.0	307.0	-	39.0	2,296.0	48.3	2,247.8

**Net Present Value of Future Net Revenue
By Production Group
as of July 31, 2011
Forecast Prices and Costs**

<u>Reserves Category</u>	<u>Production Group</u>	<u>Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (M\$)</u>	<u>Unit Value Before Income Taxes (Discounted at 10%/Year) (\$/Mcf)</u>
Proved Reserves	Light and Medium Crude Oil (including solution gas and associated by-products)	-	-
	Natural Gas (including associated by-products) ⁽¹⁾	1,483.2	4.20
	Total	1,483.2	4.20
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and associated by-products)	-	-
	Natural Gas (including associated by-products) ⁽²⁾	1,603.8	4.15
	Total	1,603.8	4.15

Notes:

- (1) Including NGL.
(2) Net present value of natural gas and NGLs (\$) divided by the total not gas reserved (Mcf).

**Fekete Pricing and Inflation Rate Assumptions
as of June 30, 2011
Forecast Prices and Costs⁽¹⁾**

Oil and Gas Liquids Forecast

<u>Year</u>	<u>W.T.I.⁽²⁾ (SU.S./STB)</u>	<u>Edmonton Light⁽³⁾ (\$CDN/STB)</u>	<u>Hardisty Bow River Medium⁽⁴⁾ (\$CDN/STB)</u>	<u>Western Canadian Select⁽⁵⁾ (\$CDN/STB)</u>	<u>Hardisty Heavy⁽⁶⁾ (\$CND/STB)</u>	<u>Sask Cromer⁽⁷⁾ (\$CDN/STB)</u>	<u>Edmonton Propane (\$CDN/STB)</u>	<u>Edmonton Butane (\$CDN/STB)</u>	<u>Inflation Rate⁽⁸⁾ (%/Yr)</u>	<u>Exchange Rate⁽⁸⁾ (SU.S./ \$CDN)</u>
Historical										
2010	79.55	77.64	68.48	67.26	62.19	73.76	46.71	68.18	1.5	0.971
2011 (Q1- Q2)	98.24	95.22	77.48	76.16	67.11	89.25	55.72	74.49	0.5	1.024
Forecast										
2011 (Q3- Q4)	96.50	94.25	76.30	75.05	65.25	87.25	51.85	70.70	2.0	1.000
2012	97.50	97.45	79.95	78.25	69.45	89.70	53.60	73.10	2.0	0.980
2013	99.00	99.25	82.25	81.00	72.25	91.25	54.60	74.45	2.0	0.980
2014	100.50	100.25	84.25	83.00	74.25	92.25	55.15	75.20	2.0	0.980
2015	101.00	100.75	84.75	83.50	75.75	92.75	55.40	75.55	2.0	0.980

...escalate price at 2% per year thereafter

Notes:

- (1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer. These prices were provided by Fekete, an independent reserves evaluator.

- (2) At Cushing
(3) 40° API; 0.5% Sulphur
(4) 24.9° API; 2.1% Sulphur
(5) 20.5° API; 3.2% Sulphur
(6) 12° API
(7) 29° API; 1.2% Sulphur
(8) Inflation and US/CDN Exchange rates kept constant at 2%/year and 0.98\$US/CDN beyond 2015.

Natural Gas Price Forecast

Year	Alberta Plantgate ⁽¹⁾						British Columbia		Sask. Plantgate Spot (SCDN)	
	Henry Hub Spot (SU.S.)	AECO-C Hub (SCDN)	Alberta Gas Reference Price (SCDN)	Pan Alberta (SCDN)	Progas (SCDN)	Spot (SCDN)	Sumas			
							(SU.S.)	(SCND)		
Historical										
2010	4.39	4.01	3.76	3.94	3.81	3.79	4.11	4.24	3.83	3.91
2011 (Q1-Q3)	4.28	3.82	3.55	3.76	3.82	3.62	4.09	3.99	3.38	3.49
Forecast										
2011 (Q3-Q4)	4.65	4.15	4.00	4.10	3.95	3.95	4.45	4.45	3.85	4.10
2012	5.05	4.70	4.50	4.50	4.50	4.50	4.80	4.90	4.40	4.65
2013	5.65	5.25	5.05	5.05	5.05	5.05	5.40	5.50	5.00	5.20
2014	6.25	5.85	5.05	5.05	5.05	5.05	6.00	6.10	5.60	5.65
2015	6.75	6.35	6.15	6.15	6.15	6.15	6.50	6.65	6.15	6.30

...escalate price at 2% per year thereafter

Note:

- (1) Year 2010-2011 historical aggregator prices shown are prior to receipt transportation deduction. Forecast prices include plantgate assuming \$0.20/MMBTU receipt transportation deduction.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements

Included as Schedule A to this Appendix is the audited financial statements of Newco as at September 15, 2011.

Included as Schedule B to this Appendix are the following financial statements in respect of the Transferred Assets:

- (a) the unaudited carve-out statement of financial position of Donnybrook (Transferred Asset carve-out) as at June 30, 2011;
- (b) the unaudited carve-out statements of comprehensive loss, cash flows and changes in equity of Donnybrook (Transferred Asset carve-out) for the three and six months ended June 30, 2011 and 2010;
- (c) the audited carve-out statements of financial position of Donnybrook (Transferred Asset carve-out) as at December 31, 2010, 2009 and 2008;
- (d) the audited carve-out statements of operations and deficit and cash flows of Donnybrook (Transferred Asset carve-out) for the years ended December 31, 2010, 2009 and 2008;
- (e) the audited carve-out statements of financial position of Prairie (Transferred Asset carve-out) as at May 31, 2010, September 20, 2009 and 2008; and
- (f) the audited carve-out statement of operations and returned earnings and cash flows of Prairie (Transferred Asset carve-out) for the eight months ended May 31, 2010 and the years ended September 30, 2009 and 2008.

Included as Schedule C to this Appendix are the following pro forma financial statements in respect of Newco after giving effect to the Arrangement:

- (a) the unaudited pro forma carve-out statement of financial position as at June 30, 2011; and
- (b) the unaudited pro forma carve-out statement of loss for the six months ended June 30, 2011 and the year ended December 31, 2010.

Management’s Discussion and Analysis

Included as Schedule D to this Appendix is the following management’s discussion and analysis in respect of the Transferred Assets:

- (a) management’s discussion and analysis of the financial condition and results of operations of the Transferred Assets as at and for the period ended June 30, 2011; and
- (b) management’s discussion and analysis of the financial condition and results of operations of the Transferred Assets as at and for the years ended December 31, 2010 and 2009 and as at and for the eight months ended May 31, 2010 and the years ended September 30, 2009 and 2008.

Selected Pro Forma Financial Information

Certain selected unaudited pro forma carve-out financial information following completion of the Arrangement and the Private Placement is set forth in the following table. Such information should be read in conjunction with the unaudited pro forma financial statements as at and for the year ended December 31, 2010 and for the six month period ended June 30, 2011, included as Schedule C to this Appendix.

Pro Forma Carve-out Statements of Operations and Comprehensive Loss	Year Ended December 31, 2010	Six Month Period Ended June 30, 2011
Revenue.....	\$309,183	\$180,808
Expenses.....	\$746,578	\$199,694
Net (Loss).....	\$(437,395)	\$(18,886)
(Loss) Per Share - basic.....	\$(0.05)	\$(0.01)

Pro Forma Combined Balance Sheet	As at December 31, 2010	As at June 30, 2011
Assets	\$1,817,640	\$3,316,196
Liabilities.....	\$56,153	\$31,885
Shareholder's Equity.....	\$1,761,487	\$3,284,311

The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma carve-out financial statements. The unaudited pro forma carve-out financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating or financial results that would have occurred had the Arrangement actually occurred at the times contemplated by the notes to the unaudited pro forma carve-out financial statements or of the results expected in future periods.

DIVIDENDS

Since incorporation, Newco has not paid a dividend on the Newco Shares and has no policy in respect of the declaration or payment of any such dividends. Any decision to declare and pay dividends on any shares of Newco in the future will be made by the Newco Board on the basis of the terms and conditions attaching to such shares, Newco’s earnings, financial conditions and requirements, and other conditions and factors existing at the time and which the Newco Board may consider appropriate in the circumstances.

DESCRIPTION OF SHARE CAPITAL OF NEWCO

The authorized capital of Newco consists of an unlimited number of Newco Shares and an unlimited number of preferred shares issuable in series. As of the date of this Appendix, one Newco Share is issued and outstanding and no preferred shares are issued and outstanding. Assuming no Donnybrook Options or Donnybrook Warrants are exercised prior to the Effective Date, it is expected that an aggregate of 4,295,901 Newco Shares will be issued to Donnybrook Shareholders pursuant to the Arrangement prior to the completion of the Private Placement (except that Donnybrook will indirectly hold Newco Shares that would otherwise have been received by Donnybrook Shareholders who exercise Dissent Rights).

Assuming no Donnybrook Options or Donnybrook Warrants are exercised prior to the Effective Date, it is expected that an aggregate of 6,486,486 Newco Shares will be issued pursuant to the Private Placement for an aggregate of 10,782,387 Newco Shares issued and outstanding upon completion of both the Arrangement and the Private Placement.

The following is a summary of the rights, privileges, restrictions and conditions attached to the Newco Shares and the preferred shares.

Newco Shares

The Newco Shares rank junior to the preferred shares. Holders of Newco Shares are entitled to one vote per share at meetings of Newco Shareholders, to receive dividends if, as and when declared by the Newco Board and to receive pro rata the remaining property and assets of Newco upon its dissolution or winding-up, subject to the rights of shares having priority over the Newco Shares.

Preferred Shares

The preferred shares are issuable in series and will have such rights, restrictions, conditions and limitations as the Newco Board may from time to time determine. The preferred shares shall rank senior to the Newco Shares with respect to the payment of dividends or distribution of assets or return of capital of Newco in the event of a dissolution, liquidation or winding up of Newco. No preferred shares are presently issued and outstanding.

CONSOLIDATED CAPITALIZATION OF NEWCO

The following table sets forth the authorized capital of Newco before and after giving effect to the Arrangement and the Private Placement:

<u>Designation</u>	<u>Authorized</u>	<u>Outstanding as at September 15, 2011⁽¹⁾</u>	<u>Outstanding as at June 30, 2011 after giving effect to the Arrangement⁽²⁾</u>	<u>Outstanding as at June 30, 2011 after giving effect to the Arrangement and the Private Placement⁽²⁾</u>
Newco Shares	Unlimited	\$1.00 (1 Newco Share)	\$1,584,622.10 (4,295,901 Newco Shares)	\$3,984,622.10 (10,782,387 Newco Shares) ⁽³⁾
Preferred Shares	Unlimited	Nil	Nil	Nil

Notes:

- (1) Newco was incorporated on September 1, 2011. One Newco Share and no preferred shares of Newco have been issued since incorporation.
- (2) The information assumes Newco was incorporated on June 30, 2011 and assumes: (i) no Donnybrook Options or Donnybrook Warrants are exercised prior to the Effective Date; (ii) 4,295,901 Newco Shares are issued pursuant to the Arrangement; and (iii) 6,486,486 Newco Shares are issued pursuant to the Private Placement
- (3) Does not include options to acquire up to approximately 10% of the number of issued and outstanding Newco Shares (equal to 1,078,238 Newco Shares) that may be granted following the Arrangement pursuant to the Newco Option Plan to directors, officers,

employees and consultants of Newco, assuming the Donnybrook Shareholders approve the Newco Option Plan. See “*Stock Options*” in this Appendix.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Upon completion of the Arrangement and the Private Placement, Newco will have an estimated aggregate working capital in the amount of \$2,700,000 after payment of transaction costs. It is expected that these available funds will be used to carry out the business objectives of Newco set out under the heading “*Narrative Description of the Business – Business Objectives*” in this Appendix. There is no particular significant event or milestone that must be met for Newco’s business objectives to be met.

The following table sets for the anticipated available funds for Newco for the 12 month period following the completion of the Arrangement.

<u>Available Funds</u>	<u>Approximate Amount</u>
Cash forming part of the Transferred Assets	\$300,000.00
Private Placement	\$2,400,000.00
Net operating income (12 months)	\$323,000.00
Prairie Creek land equalization payment ⁽¹⁾	\$488,955.00
Total	\$3,511,955.00

Note:

(1) Pursuant to the Farmout Agreement.

The following table sets forth the anticipated expenditures by Newco for the 12 month period following the completion of the Arrangement:

<u>Proposed Expenditures by Newco for the 12 month Period Following Completion of the Arrangement</u>	<u>Approximate Amount</u>
Repayment of the Promissory Note	\$2,188,342.90
Drill, complete, equip and tie-in of one horizontal well ⁽¹⁾	\$750,000.00
Working capital and unallocated funds	\$463,732.10
General and administrative expenses	\$109,880.00
Total	\$3,511,955.00

Note:

(1) Based on 10% of the estimated cost to drill, complete, equip and tie-in one horizontal well at Prairie Creek pursuant to the Farmout Agreement and assuming Newco has elected to require Donnybrook to pay 15% of the cost for such well and land costs to date pursuant to the Conveyance Agreement.

Following completion of the Arrangement, Newco will be engaged initially in the production of oil and natural gas in the Delia-Michichi area of eastern Alberta. In respect of its oil and gas activities, in the 12 month period following completion of the Arrangement, Newco expects that it will expend funds in respect of operating and routine repair and maintenance costs, anticipated to be approximately \$27,000.

While Newco intends to use the available funds as described above, there may be circumstances where for sound business reasons, a reallocation of funds may be necessary in order for Newco to achieve its business objectives.

Following completion of the Arrangement, under the Arrangement Agreement, Newco has agreed to indemnify and save harmless Donnybrook from all losses suffered or incurred by Donnybrook as a result of or arising directly out of or in connection with certain liabilities and taxes related to the Transferred Assets.

PRINCIPAL SHAREHOLDERS OF NEWCO

As of the date hereof, Donnybrook is the sole shareholder of Newco, holding one Newco Share. Pursuant to the Arrangement, the one Newco Share held by Donnybrook will be purchased by Newco in consideration of the payment by Newco to Donnybrook of \$1.00 and such Newco Share shall then be immediately cancelled. To the knowledge of the Newco Board, upon completion of the Arrangement and the Private Placement, it is expected that

the no persons will beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding Newco Shares.

PRIOR SALES

One Newco Share at a price of \$1.00 has been issued since incorporation.

MARKET FOR SECURITIES

There is currently no market for the Newco Shares. Newco has applied to list the Newco Shares on the TSXV. The TSXV has conditionally approved the listing of the Newco Shares on the TSXV. Listing of the Newco Shares on the TSXV will be subject to Newco meeting the original listing requirements of the TSXV.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

The following table sets out those Newco Shares which will be held in escrow as at the Effective Date, upon completion of the Private Placement (assuming 4,295,901 Newco Shares are issued pursuant to the Arrangement and 6,486,486 Newco Shares are issued pursuant to the Private Placement).

<u>Designation of Class</u>	<u>Number of Newco Shares held in escrow or that are subject to a contractual restriction on transfer</u>	<u>Percentage of Class</u>
Newco Shares	3,783,780	35.09%

The Newco Shares will be held in escrow pursuant to a Value Security Escrow Agreement with Computershare Trust Company of Canada as the escrow agent (the “**Escrow Agreement**”). Pursuant to the Escrow Agreement, 10% of the Newco Shares will be released from escrow on the date of the final exchange bulletin (the “**Final Exchange Bulletin**”) in connection with the listing of the Newco Shares on the TSXV (the “**Initial Release**”) and an additional 15% will be released on each of the dates 6 months, 12 months, 18 months, 30 months and 36 months following the Initial Release. If Newco meets the TSXV’s Tier 1 Listing Requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the escrowed shares will be accelerated. An accelerated escrow release will not commence until Newco has made application to the TSXV for listing as a Tier 1 Issuer and the TSXV has issued a bulletin that announces the acceptance for listing of Newco on Tier 1 of the TSXV.

DIRECTORS AND EXECUTIVE OFFICERS OF NEWCO

The following table sets forth the name, province and country of residence, present office, principal occupation during the previous five years and the number of voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised, for each of the proposed directors and executive officers of Newco:

Name, Province and Country of Residence and Position with Newco	Principal Occupation During the Past 5 Years	Number and Percentage of Newco Shares Beneficially Owned, Directly or Indirectly, or Over which Control or Direction is Exercised After the Arrangement⁽¹⁾	Number and Percentage of Newco Shares Beneficially Owned, Directly or Indirectly, or Over which Control or Direction is Exercised After the Arrangement and the Private Placement⁽¹⁾
Malcolm F.W. Todd ⁽²⁾⁽³⁾ British Columbia, Canada President, Chief Executive Officer and Director	Mr. Todd is the President and Chief Executive Officer of Donnybrook since June 18, 2010. He was the President of Prairie Exploration Inc. from December 4, 2006 to November 1, 2010. Prior thereto, he was the President and Chief Executive Officer of Prairie Pacific Energy Corporation.	108,167 (2.52%)	648,707 (6.02%)
Robert H.O. Todd ⁽²⁾ British Columbia, Canada Chief Financial Officer	Mr. Todd is the Chief Financial Officer of Donnybrook since June 18, 2010. He was the Chief Financial Officer of Prairie Exploration Inc. from December 4, 2006 to November 1, 2010. Prior thereto, he was the Chief Financial Officer of Prairie Pacific Energy Corporation.	109,004 (2.54%)	649,544 (6.02%)
Murray Scalf ⁽²⁾ Alberta, Canada Vice President of Business Development and Director	Mr. Scalf is the Vice President of Business Development of Donnybrook since June 18, 2010. He is the President and Director of Dunleath Investments Ltd. From 2006 to January 2010, he was the President of Dorado Energy Inc. Prior thereto, Mr. Scalf was the President of Denim Exploration Inc.	98,454 (2.30%)	638,994 (5.93%)
Randy Kwasnicia ⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada Director	Mr. Kwasnicia has been President of Bralin Management Ltd., a private oil and gas and real estate investment company, since June 2004.	73,665 (1.71%)	614,205 (5.70%)
David Patterson ⁽²⁾ British Columbia, Canada Director	Mr. Patterson was the President and Chief Executive Officer of Donnybrook from January 18, 2006 to June 18, 2010. Mr. Patterson is the Chief Financial Officer of Donner Metals Ltd. and the Chief Financial Officer of Knight Resources Ltd.	80,140 (1.87%)	620,680 (5.76%)
Ken Stephenson ⁽²⁾⁽⁴⁾ Alberta, Canada Director	Mr. Stephenson is the President of Kenaco Capital Services Inc.	66,500 (1.55%)	607,040 (5.63%)

Name, Province and Country of Residence and Position with Newco	Principal Occupation During the Past 5 Years	Number and Percentage of Newco Shares Beneficially Owned, Directly or Indirectly, or Over which Control or Direction is Exercised After the Arrangement ⁽¹⁾	Number and Percentage of Newco Shares Beneficially Owned, Directly or Indirectly, or Over which Control or Direction is Exercised After the Arrangement and the Private Placement ⁽¹⁾
Colin Watt ⁽²⁾⁽³⁾⁽⁴⁾ British Columbia, Canada Director	Mr. Watt is the President of Squall Capital Corp., a private Canadian based company which specializes in financing, restructuring and providing management services to early stage public companies. Mr. Watt is President and Chief Executive Officer of Lynden Energy Corp.	48,750 (1.13%)	589,290 (5.47%)

Notes:

- (1) Assumes: (i) no Donnybrook Options or Donnybrook Warrants are exercised prior to the Effective Date; (ii) 4,295,901 Newco Shares are issued pursuant to the Arrangement; and (iii) 6,486,486 Newco Shares are issued pursuant to the Private Placement. The information as to Newco Shares to be beneficially owned, directly or indirectly, or on which control or direction is exercised, is based upon information furnished to Newco by its proposed respective directors and officers as at the date hereof.
- (2) The term of office of all proposed directors will expire on the termination of the next annual meeting of Newco Shareholders or when their successors are elected or appointed pursuant to the ABCA.
- (3) Proposed member of the Audit Committee.
- (4) Proposed member of the Compensation Committee.

The following is a description of the background and experience of each proposed member of management of Newco.

Malcolm F.W. Todd – President, Chief Executive Officer and Director

Mr. Todd has over 25 years of experience in senior positions with private and publicly traded oil and natural gas companies with operations in Alberta and British Columbia. Mr. Todd was the President and a director of Prairie Exploration Inc. (a private Alberta corporation) from December 2006 until it was acquired by Donnybrook in May 2010. Mr. Todd was also the President of Pacific Prairie Energy Corporation until February 2006 and he has served as a senior officer and director of a number of other public and private companies.

Following completion of the Arrangement, Mr. Todd will devote the appropriate time, in his reasonable business judgment, to the business and operations of Newco, assuming that he will have other employment and business commitments.

Robert H.O. Todd – Chief Financial Officer

Mr. Todd has over 25 years of experience in senior positions with private and publicly traded natural resource companies with operations in Alberta and British Columbia. Mr. Todd was the Chief Financial Officer of Prairie Exploration Inc. (a private Alberta corporation) from December 2006 until it was acquired by Donnybrook in May 2010. Mr. Todd was also the Chief Financial Officer of Pacific Prairie Energy Corporation until February 2006 and he has served as a senior officer and director of a number of other public and private companies.

Following completion of the Arrangement, Mr. Todd will devote the appropriate time, in his reasonable business judgment, to the business and operations of Newco, assuming that he will have other employment and business commitments.

Murray Scalf – Vice President of Business Development

Mr. Scalf has over 25 years of experience building oil and natural gas exploration and production companies in Alberta. Mr. Scalf was the President of Dorado Energy Inc., a private oil and gas exploration and production company until January 2010. Mr. Scalf was formerly the President of Denim Exploration Corp. and prior thereto, President of Dorchester Energy Inc., both Calgary based oil and gas companies. Mr. Scalf is a member of the Canadian Association of Petroleum Landmen.

Following completion of the Arrangement, Mr. Scalf will devote the appropriate time, in his reasonable business judgment, to the business and operations of Newco, assuming that he will have other employment and business commitments.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as set out below, no proposed director or executive officer of Newco is, as at the date of this Information Circular, or was within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any Company (including Newco), that was:

- (a) subject to a cease trade or similar order or an order that denied the relevant Company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade or similar order or an order that denied the relevant Company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Patterson was a director of Crocotta Energy Inc. (formerly Donner Petroleum Ltd.) (“CEI”). CEI was subject to a cease trade order issued by the British Columbia Securities Commission (“BCSC”) on July 13, 2006 as a result of the failure to file financial statements. The cease trade order was subsequently revoked by the BCSC on October 17, 2006 following CEI’s filing of the required records.

No proposed director or executive officer of Newco, or a shareholder holding a sufficient number of securities of Newco to affect materially the control of Newco:

- (a) is, as at the date of this Information Circular, or has been within the 10 years before the date of this Information Circular, a director or executive officer of any Company (including Newco) 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; or
- (b) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become 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 the director, executive officer or shareholder.

Except as set out below, no proposed director or executive officer of Newco, or a shareholder holding a sufficient number of securities of Newco to affect materially the control of Newco, 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 investor in making an investment decision.

Mr. Patterson entered into a settlement agreement and agreed statement of facts with the BCSC dated October 13, 2000, whereby Mr. Patterson admitted to failing to file certain insider trading reports pertaining to trades by a trust over which he had direction or control. Mr. Patterson was fined \$40,000 (and \$10,000 costs) and was prohibited from acting as a director or officer of public companies for a period of 15 months (expired January 14, 2002).

Conflicts of Interest

There are potential conflicts of interest to which the proposed directors and officers of Newco are subject with respect to the operations of Newco. Certain of the proposed directors and/or officers serve as directors and/or officers of other companies or have significant shareholdings in other companies. Situations may arise where the proposed directors and officers of Newco will be engaged in direct competition with Newco. Any conflicts of interest will be subject to and governed by laws applicable to directors and officers' conflicts of interest, including the procedures prescribed under the ABCA. The ABCA requires that directors and officers of Newco, who are also directors or officers of a party which enters into a material contract with Newco or who otherwise have a material interest in a material contract entered into by Newco, must disclose their interest and, in certain instances, refrain from voting on any resolution of Newco's directors to approve the contract.

EXECUTIVE COMPENSATION

Compensation of Executive Officers and Directors of Newco

To date, Newco has not carried on any active business and has not completed a fiscal year of operations. No compensation has been paid by Newco to its proposed executive officers or directors and none will be paid until after the Arrangement is completed. Following the completion of the Arrangement, it is anticipated that initially the executive officers of Newco will be paid salaries comparable to other companies' of similar size and character and through the award of stock options; however, no definitive determinations with respect to executive compensation have been made as of the date hereof.

As at the date hereof, there are no employment contracts in place between Newco and any of its proposed executive officers and there are no provisions for the compensation of executive officers in the event of termination of employment or change of responsibilities following a change of control. The Newco Board will consider whether employment contracts should be entered into with each of the executive officers of Newco following the completion of the Arrangement.

It is not anticipated that the directors of Newco will be paid an annual retainer fee or a fee for each Newco Board and committee meeting attended but will be entitled to be reimbursed for all reasonable expenses incurred in order to attend such meetings. In addition, it is anticipated that directors will be compensated for their time and effort by granting them options to acquire Newco Shares pursuant to the Newco Option Plan.

The compensation committee of the Newco Board (the "**Compensation Committee**") will review the compensation levels for the executive officers and directors of Newco on an annual basis.

STOCK OPTIONS

At the Meeting, provided that the Arrangement Resolution is approved, Donnybrook Shareholders will be asked to consider and, if deemed advisable, approve, with or without variation, the ordinary resolution approving the adoption by Newco of the Newco Option Plan. A copy of the Newco Option Plan is set out in Appendix F to this Information Circular. For a description of the Newco Option Plan, see “*Other Matters to be Considered at the Meeting – Approval of the Newco Option Plan*” in this Information Circular.

It is the intention of the Newco Board that options to acquire up to approximately 10% of the number of issued and outstanding Newco Shares then outstanding may be granted following the Arrangement pursuant to the Newco Option Plan to directors, officers, employees and consultants of Newco.

AUDIT COMMITTEE

Audit Committee Charter

The proposed Audit Committee charter of Newco is attached hereto as Schedule G.

Composition of the Audit Committee

The Audit Committee of Newco is anticipated to consist of Colin Watt (Chair), Randy Kwasnicia and Malcolm Todd. Two of the proposed members of the Audit Committee are independent and each proposed member is financially literate in that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Newco’s financial statements.

Relevant Education and Experience

The relevant education and experience of each of the proposed members of the Audit Committee is as follows:

<u>Member</u>	<u>Independent ⁽¹⁾</u>	<u>Financially Literate⁽¹⁾</u>	<u>Relevant Education and Experience</u>
Colin Watt (Chair)	Yes	Yes	Senior officer and director of a number of private and public natural resource companies.
Randy Kwasnicia	Yes	Yes	Senior officer and director of a number of private and public natural resource companies.
Malcolm Todd	No	Yes	Senior officer and director of a number of private and public natural resources companies.

Note:

(1) As defined by National Instrument 52-110 – *Audit Committees* (“NI 52-110”).

Pre-Approval Policies and Procedures

The Audit Committee will pre-approve all non-audit services to be provided to Newco by the external auditors of Newco.

External Auditor Service Fees (By Category)

The approximate aggregate fees paid by Newco to the external auditors of Newco since incorporation are described below:

<u>Audit Fees</u>	<u>Audit Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees</u>
\$1,000	Nil	Nil	Nil

Exemption

This disclosure regarding the Audit Committee is being provided in reliance on the exemption provided in section 6.1 of NI 52-110.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

This Appendix sets out the following disclosure with respect to Newco's proposed corporate governance practices.

Board of Directors

The Newco Board will be comprised of six directors, of which four will be independent within the meaning of independent in section 1.4 of NI 52-110. In order to facilitate independent judgment, members of the Newco Board will recuse themselves from the discussion of and voting on any matters of Newco which may be perceived to place them in a conflict of interest. The independent directors will be Randy Kwasnicia, David Patterson, Ken Stephenson and Colin Watt. The proposed President and Chief Executive Officer of Newco, Malcolm F.W. Todd, will not be independent by virtue of being an executive officer of Newco. The proposed Vice President of Business Development of Newco, Murray Scalf, will not be independent by virtue of being an executive officer of Newco. All of Newco's proposed directors serve as directors of other reporting issuers as indicated in the table below.

<u>Name of Director</u>	<u>Directorships Held</u>	<u>Market</u>	<u>Term</u>
Malcolm F.W. Todd	Donnybrook Energy Inc.	TSXV	August 2009 - present
Murray Scalf	Donnybrook Energy Inc. Clearview Resources Ltd.	TSXV N/A	November 2009 – present October 2010 - present
Randy Kwasnicia	Donnybrook Energy Inc. Total Energy Services Inc.	TSXV TSX	June 2010 – present May 2006 - present
David Patterson	Donnybrook Energy Inc. Donner Metals Ltd. Fuller Capital Corp. Knight Resources Ltd. Oakham Capital Corp. Prophecy Platinum Corporation	TSXV TSXV TSXV TSXV TSXV TSXV	May 2006 - present June 2005 - present October 2009 - present September 2002 - present October 2009 - present December 2010 - present
Ken Stephenson	Donnybrook Energy Inc. Calvalley Petroleum Inc. Clearview Resources Ltd. US Oil Sands Inc.	TSXV TSX N/A TSXV	June 2010 - present May 2006- present November 2010 - present April 2011 - present
Colin Watt	Donnybrook Energy Inc. Fuller Capital Corp. Lynden Energy Corp. Oakham Capital Corp.	TSXV TSXV TSXV TSXV	June 2010 - present October 2009 - present January 2005 - present October 2009 - present

It is expected that following completion of the Arrangement, in order to facilitate the exercise of the independent directors' judgement, the independent members of the Newco Board will hold meetings at which the non-independent director and members of management are not in attendance. In addition, it is expected that the Newco Board will hold "in camera" sessions for independent directors during each Newco Board meeting to facilitate open

and candid discussion amongst the independent directors. The independent directors may also schedule meetings as they see fit without members of management and non-independent directors present.

Orientation and Continuing Education

Each new director will be given an outline of the nature of Newco's business, its corporate strategy, and current issues within Newco. New directors will also be required to meet with management of Newco to discuss and better understand Newco's business and will be given the opportunity to meet with counsel to Newco to discuss their legal obligations as directors of Newco.

In addition, management of Newco will take steps to ensure that its directors and officers are continually updated as to the latest corporate and securities policies which may affect the directors, officers and committee members of Newco as a whole. Newco will continually review the latest securities rules and policies and will be on the mailing list of the TSXV to receive updates to any of those policies. Any such changes or new requirements will then be brought to the attention of Newco's directors either by way of director or committee meetings or by direct communication from management to the directors.

Ethical Business Conduct

Newco believes the fiduciary duties placed on individual directors by Newco's governing corporate legislation and the common law restrictions placed by applicable corporate legislation on an individual director's participation in the decisions of the Newco Board in which the director has an interest will be sufficient to ensure that the Newco Board operates independently of management and in the best interest of Newco.

Nomination of Directors

The Newco Board will not have a nominating committee and responsibility for identifying new candidates to join the Newco Board belongs to the entire Newco Board. The Newco Board will be responsible for identifying qualified candidates, recommending nominees for election as directors, and appointing directors to committees. The Newco Board will consider a candidate's independence, financial acumen, skills and available time to devote to the duties of the Newco Board in making their recommendations for nomination. The Newco Board will review the composition and size of the Newco Board and tenure of directors in advance of annual general meetings when directors are most commonly elected by Newco Shareholders, as well as when individual directors indicate that their terms may end or that their status may change. The Newco Board will encourage all directors to participate in assessing the need for and identifying and recruiting new nominees for the Newco Board.

Compensation

Newco anticipates that it will form a Compensation Committee following the completion of the Arrangement which will be comprised of three directors, all of whom will be independent directors within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. The Compensation Committee will determine the salary and benefits of the executive officers of Newco, and determine Newco's general compensation structure, policies and programs.

Other Board Committees

It is anticipated that immediately following the completion of the Arrangement, Newco will have no committees other than the Audit Committee and the Compensation Committee.

Assessments

Given its stage of development, it is not anticipated that the Newco Board will have a formal process in place to assess the effectiveness of the Newco Board, its committees and individual members. However, through the regular interaction between Newco Board members, the Newco Board will satisfy itself that the Newco Board, its committees and individual members are performing effectively.

RISK FACTORS

An investment in the shares of Newco would be subject to certain risks. Investors should carefully consider the risk factors set out below and consider all other information contained herein.

Conveyance Agreement

Pursuant to the Conveyance Agreement, Newco will assume all liabilities, including environmental liabilities, related to the Transferred Assets. Although Newco is not aware of any material liabilities relating to the Transferred Assets, it is possible that Newco could become aware of certain liabilities after the completion of the Arrangement, which could have a material adverse effect on Newco.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by Newco will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

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

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, including geo-political events, all of which are beyond the control of Newco. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices will result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the future volume of Newco's oil and gas production. Newco might also elect not to produce from certain wells at lower prices. All these factors could result in a material decrease in Newco's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to Newco will be in part determined by the borrowing base of Newco. A sustained material decline in prices from historical average prices could reduce Newco's future borrowing base, therefore reducing the bank credit available to Newco, and could require that a portion of any existing bank debt of Newco be repaid.

In addition to establishing markets for its oil and natural gas, Newco must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by Newco will be affected by numerous factors beyond its control. Newco will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by Newco. The ability of Newco to market natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Newco will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable

production, the export of oil and natural gas and the management of other aspects of the oil and natural gas business. Newco has limited direct experience in the marketing of oil and natural gas.

Global Economic Conditions

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and 2009 and still currently persist, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments to address the global financial crisis, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have and may continue to negatively impact corporate valuations and will impact the performance of the global economy going forward.

Petroleum and natural gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns, as well, due to recent geo-political uncertainty in North Africa and the Middle East.

Capital Markets

As a result of the weakened global economic situation, Newco, along with all other oil and gas entities, may have restricted access to capital, bank debt and equity, and is likely to face increased borrowing costs. The lending capacity of all financial institutions has diminished and risk premiums have increased. As future capital expenditures will be financed out of funds generated from operations, cash on hand, borrowings and possible future equity sales, Newco's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry and Newco's securities in particular.

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

Based on current funds available and expected funds generated from operations, Newco believes it will have sufficient funds available after the Arrangement to fund its projected capital expenditures. However, if funds generated from operations are lower than expected or capital costs for these projects exceed current estimates, or if Newco incurs major unanticipated expenses related to development or maintenance of its existing properties, it may be required to seek additional capital to maintain its capital expenditures at planned levels. Failure to obtain any financing necessary for Newco's capital expenditure plans may result in a delay in development or production on Newco's properties.

Royalty Regime

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on well productivity, geographical location, field discovery data and the type or quality of the petroleum product produced.

The royalty regime in Alberta and any other jurisdictions in which Newco's oil and natural gas assets may be located may be subject to further review and changes which could adversely impact Newco's financial condition and operations.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Although Newco has no control over these regulatory risks, it will continually monitor changes in these areas by participating in industry organizations and conferences, exchanging information with third party experts and employing qualified individuals to assess the impacts of such changes on Newco's financial and operating results.

Insurance

Newco's involvement in the exploration for and development of oil and gas properties may result in Newco becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Newco will obtain insurance in accordance with industry standards to address such risks, such insurance will have limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Newco may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to Newco. The occurrence of a significant event that Newco is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Newco's financial position, results of operations or prospects. Newco's insurance program will be consistent with industry practice to protect against pollution, blow-outs, property damage, personal injury and other business interruptions. Newco will maintain insurance coverage for comprehensive and general liability as well as limited pollution liability and Operators Extra Expense coverage. The amount and terms of this insurance will be reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations.

Project Risks

Newco will manage a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic.

Newco's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond Newco's control, including: the availability of processing capacity; the availability and proximity of pipeline capacity; the availability of storage capacity; the supply of and demand for oil and natural gas; the availability of alternative fuel sources; the effects of inclement weather; the availability of drilling and related equipment; unexpected cost increases; accidental events; currency fluctuations; changes in regulations; the availability and productivity of skilled labour; and the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, Newco could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Substantial Capital Requirements; Liquidity

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

Competition

Newco will actively compete for acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than Newco. Newco's competitors will include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

The oil and gas industry is highly competitive. Newco's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities include companies that have greater financial and personnel resources available to them than Newco.

Newco's ability to successfully bid on and acquire additional property rights, to discover reserves to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Title

Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. In accordance with industry practice, Newco will conduct such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties. However, no absolute assurances can be given that title defects do not exist. If title defects do exist, it is possible that Newco may lose all or a portion of its right, title and interest in and to the properties to which the title defects relate.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. See "*Statement of Reserves Data and Other Oil and Gas Information – Other Oil and Gas Information – Additional Information Concerning Abandonment and Reclamation Costs*" in this Appendix regarding amounts Newco estimates it will cost for the abandonment and reclamation of surface leases and wells, based on management's previous experience, current regulations, costs, technology and industry standards by area. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require Newco to incur costs to remedy such discharge. In recent months, the industry has been subject to a greater focus of the environmental impact of drilling and completion techniques relating to exploration and development activities. Changes to the requirements involving drilling and completion techniques could have a material impact on the ability of Newco to drill and complete wells. No assurance can be given that the application of environmental laws to the business and operations of Newco will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Newco's financial condition, results of operations or prospects. Newco anticipates having a Corporate Emergency Response Plan and Health, Environmental and Safety manuals and procedures in place.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities in oil, natural gas and natural gas liquids reserves and cash flows to be derived therefrom, including many factors beyond Newco's control. The reserve and associated cash flow information set forth herein represents estimates only. In general, estimates of economically

recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. Newco's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Further, the evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluation.

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

In accordance with applicable securities laws, Fekete, the independent reserves evaluator, has used forecast price and cost estimates in calculating reserve quantities included herein. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and revenues derived therefrom will vary from the estimates contained in the Fekete Report and the Fekete July Report, and such variations could be material. The Fekete Report and the Fekete July Report are based in part on the assumed success of activities Newco intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the Fekete Report and the Fekete July Report will be reduced to the extent that such activities do not achieve the level of success assumed in the Fekete Report or the Fekete July Report, as applicable. The Fekete Report and the Fekete July Report are effective as of a specific effective date and has not been updated (other than pursuant to the Fekete July Report) and thus does not reflect changes in Newco's reserves since that date.

Reserve Replacement

Newco's future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on Newco successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Newco may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Newco's reserves will depend not only on Newco's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Newco's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Operational Dependence

Other companies operate some of the assets in which Newco has an interest. As a result, Newco will have limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect Newco's financial performance. Newco's return on assets operated by others will therefore depend upon a number of factors that may be outside of Newco's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Key Employees

The success of Newco will be largely dependent upon the performance of its management and key employees. Newco does not anticipate having any key man insurance policies, and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on Newco.

Corporate Matters

To date, Newco has not paid any dividends on the outstanding Newco Shares and does not anticipate the payment of any dividends on the Newco Shares for the foreseeable future. Certain of the anticipated directors and officers of Newco are also directors and officers of other oil and gas companies involved in oil and gas exploration and development, and conflicts of interest may arise between their duties as officers and directors of Newco and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the ABCA.

Management of Growth

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

Expiration of Licences and Leases

Newco's properties will be held in the form of licences and leases and working interests in licences and leases. If Newco or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of Newco's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on Newco's results of operations and business.

Permits and Licences

The operations of Newco may require licences and permits from various governmental authorities. There can be no assurance that Newco will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its properties.

Additional Funding Requirements

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

Variations in Foreign Exchange Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar. Such material increases in the value of the Canadian dollar have in the past negatively impacted Donnybrook's production revenues. Future

increases in the Canadian/ United States exchange rates could accordingly impact the future value of Newco's reserves as determined by independent evaluators.

Issuance of Debt

From time to time Newco may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase Newco's debt levels above industry standards. Neither Newco's articles nor its bylaws limit the amount of indebtedness that Newco may incur. The level of Newco's indebtedness from time to time could impair Newco's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. Newco's ability to meet its debt service obligations will depend on Newco's future operations which are subject to prevailing industry conditions and other factors, many of which are beyond the control of Newco. As certain of the indebtedness of Newco would bear interest at rates which fluctuate with prevailing interest rates, increases in such rates would increase Newco's interest payment obligations and could have a material adverse effect on Newco's financial condition and results of operations. Further, Newco's indebtedness would be secured by substantially all of Newco's assets. In the event of a violation by Newco of any of its loan covenants or any other default by Newco on its obligations relating to its indebtedness, the lender could declare such indebtedness to be immediately due and payable and, in certain cases, foreclose on Newco's assets. In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Hedging

From time to time Newco may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Newco will not benefit from such increases. Similarly, from time to time Newco may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, Newco will not benefit from its fluctuating exchange rate.

Availability of Drilling Equipment and Access Restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such equipment or access restrictions may affect the availability of such equipment to Newco and may delay exploration and development activities.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. Newco is not aware that any claims have been made in respect of the Transferred Assets; however, if a claim arose and was successful this could have an adverse effect on Newco and its operations.

Conflicts of Interest

The proposed directors and officers of Newco may also be directors and officers of other oil and gas companies involved in oil and gas exploration and development, and conflicts of interest may arise between their duties as officers and directors of Newco and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the ABCA.

Dilution

Newco may make future acquisitions or enter into financings or other transactions involving the issuance of securities of Newco which may be dilutive.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. There can be no assurance that these seasonal factors will not adversely affect the timing and scope of Newco's exploration and development activities, which could in turn have a material adverse impact on Newco's business, operations and prospects.

Third Party Credit Risk

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

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Newco cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on Newco's business, financial condition, results of operations and cash flows.

Emission Regulation

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". The Government of Canada is in the process of developing future regulatory requirements that are expected to set greenhouse gas emission reduction requirements for various industrial activities, including oil and gas exploration and production. Newco's exploration and production facilities and other operations and activities will emit a small amount of greenhouse gases which will likely subject Newco to federal law regulating emissions of greenhouse gases if and when such requirements come into force. Future federal legislation, together with provincial emission reduction requirements, such as those contained in Alberta's *Climate Change and Emissions Management Act* may require the reduction of emissions or emissions intensity with Newco's operations and facilities. The direct or indirect costs of these regulations may adversely affect the business of Newco.

Risk Factors Related to Newco Generally

Market for Newco Shares

There is currently no market for the Newco Shares. Newco has applied to list the Newco Shares on the TSXV. The TSXV has conditionally approved the listing of the Newco Shares on the TSXV. Listing of the Newco Shares on the TSXV will be subject to Newco meeting the original listing requirements of the TSXV.

Tax Compliance

The taxation of corporations is complex. In the ordinary course of business, Newco is subject to ongoing audits by tax authorities. While Newco believes that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income, taxes payable and renunciations of flow through expenditures, may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse effect on Newco's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect Newco's tax position. As a consequence, Newco is unable to predict with certainty the effect of the foregoing on Newco's effective tax rate and earnings.

Newco will regularly review the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from the provisions, Newco's effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved. Newco intends to mitigate this risk through ensuring that tax filing positions are carefully scrutinized by management and external consultants, as appropriate.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of Newco, nor any associate or affiliate of any of them is or was indebted to Newco at any time since incorporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described elsewhere herein, Newco is not aware of any material interest, direct or indirect, of any directors or executive officers of Newco, any person or company which beneficially owns or controls or directs, directly or indirectly, more than 10% of any class or series of Newco's outstanding voting securities, or any known associate or affiliate of such persons, in any transaction within the three years before the date of this Appendix (other than through their interests as securityholders of Donnybrook) that has materially affected or is reasonably expected to materially affect Newco since incorporation.

EXPERTS

Certain information relating to Newco's reserves has been prepared by Fekete. As of the date hereof, the partners and associates of Fekete do not beneficially own, or exercise control or direction over, directly or indirectly, any of the outstanding Newco Shares.

Smythe Ratcliffe LLP is the auditor of Newco and is independent of Newco within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no outstanding legal proceedings to which Newco is a party or in respect of which any of its assets or properties are subject, nor are there any such proceedings known to be contemplated.

MATERIAL CONTRACTS

Except for contracts entered into by Newco in the ordinary course of business, the only material contract entered into by Newco since the beginning of the most recently completed financial year or that are still in effect, is the Arrangement Agreement, a copy of which is available on SEDAR under Donnybrook's profile and the Conveyance Agreement. The Arrangement Agreement contains obligations of Newco that will survive the Arrangement.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of Newco are Smythe Ratcliffe LLP at its offices located at 7th Floor, 355 Burrard Street, Vancouver, British Columbia V6C 2G8.

Computershare Trust Company of Canada, at its principal offices in Vancouver, British Columbia, is expected to be the transfer agent and registrar of the Newco Shares.

SPONSORSHIP

Newco has applied to the TSXV for and has obtained an exemption from the requirement to obtain a sponsor in connection with the listing of the Newco Shares on the TSXV.

SCHEDULE A

Financial Statement of Newco



Donnycreek Energy Inc.

Financial Statements

Period from incorporation on September 1, 2011 to September 15, 2011

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF DONNYCREEK ENERGY INC.

We have audited the accompanying financial statements of Donnycreek Energy Inc, which comprise the statement of financial position as at September 15, 2011, and the statements of income and comprehensive income, changes in equity and cash flows for the period from September 1, 2011 (date of incorporation) to September 15, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Canadian generally accepted auditing standards. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Donnycreek Energy Inc. as at September 15, 2011, and the results of its operations and its cash flows for the period from September 1, 2011 (date of incorporation) to September 15, 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements, which indicates that the Company has no source of financing. This condition, along with other matters set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about Donnycreek Energy Inc.'s ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
September 23, 2011

Page 2 of 12

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Donnycreek Energy Inc.
Statement of Financial Position
(Canadian Dollars)

	As at September 15, 2011
Assets	
Current assets	
Cash	\$ 1
Total assets	\$ 1
Equity	
Share capital (note 5)	\$ 1
Total Equity	\$ 1

Subsequent event (note 8)

Approved on behalf of the Board:

"Malcolm Todd"

Malcolm Todd

Donnycreek Energy Inc.**Statement of Income and Comprehensive Income**

(Canadian Dollars)

	Period from Incorporation September 1, 2011 to September 15, 2011	
Revenue	\$	-
Expenses		-
Net income and comprehensive income	\$	-
Earnings per share:		
Basic	\$	-
Diluted	\$	-
Weighted average number of common shares outstanding		1

Donnycreek Energy Inc.
Statement of Changes in Equity
(Canadian Dollars)

	Share Capital	
	Number	Amount
Balance at September 1, 2011	-	\$ -
Issued:	1	1
Balance at September 15, 2011	1	\$ 1

Donnycreek Energy Inc.

Statement of Cash Flows

(Canadian Dollars)

	Period from Incorporation September 1, 2011 to September 15, 2011	
Financing activities		
Issuance of common shares	\$	1
Increase in cash	\$	1
Cash, beginning of period		-
Cash, end of period	\$	1

DONNYCREEK ENERGY INC.

Notes to the Financial Statements

Period from incorporation on September 1, 2011 to September 15, 2011

(Canadian Dollars)

1. Nature of Business

Donnycreek Energy Inc. (“Donnycreek” or the “Company”) was incorporated in Alberta under the Alberta Business Corporations Act on September 1, 2011 and is a wholly owned subsidiary of Donnybrook Energy Inc. (“Donnybrook”), a publicly traded company listed on the TSX Venture Exchange. The Company was established for the purpose of acquiring certain petroleum and natural gas interests from Donnybrook.

The accompanying financial statements have been prepared for inclusion in the Information Circular of Donnybrook (the “Circular”) in connection with an arrangement agreement (the “Arrangement”) involving the acquisition by Donnycreek of certain petroleum and natural gas assets of Donnybrook (collectively the “Acquisition”). The Transferred Assets include petroleum and natural gas interests in the Deep Basin area of west central Alberta in the following areas: Prairie Creek, Gold Creek, Ansell Creek, Grand Prairie, Valhalla Creek, and Leland Creek as well as in the Delia-Michichi area of central Alberta and cash in the amount of \$300,000.

These interim financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon, its ability to complete the Acquisition, secure additional financing on a timely basis, and achieve sufficient positive cash flows from operating activities to cover obligations and expenses.

Donnycreek’s head office is located at Suite 700, 717 Seventh Avenue Southwest, Calgary, Alberta, T2P 0Z3, Canada.

2. Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for held-for-trading financial assets measured at fair value with changes in fair value recorded in earnings.

c) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company’s functional currency.

d) Use of estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates. It requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

3. Significant Accounting Policies

a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the statement of financial position at the time the Company becomes party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument.

DONNYCREEK ENERGY INC.

Notes to the Financial Statements

Period from incorporation on September 1, 2011 to September 15, 2011

(Canadian Dollars)

The Company has made the following classifications:

- Cash is classified as a financial asset recorded at fair value through profit or loss and are carried at fair value. Gains and losses from revaluation are recognized in comprehensive income (loss).

Transaction costs related to financial instruments classified as fair value through profit or loss are expensed as incurred. All other transaction costs related to financial instruments are recorded as part of the instrument and are amortized using the effective interest method.

Contracts that are entered into for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale, or usage requirements (such as physical delivery commodity contracts) do not qualify as financial instruments and thus, are accounted for in accordance with other applicable standards.

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used measure fair value. The three levels of the fair value hierarchy are described below:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measure in its entirety.

Impairment of financial assets

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized in comprehensive income (loss) is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance accounts are recognized in net income.

4. New Standards and Interpretations Not Yet Adopted

As of January 1, 2013, the Company will be required to adopt certain standards and amendments issued by the International Accounting Standards Board ("IASB") as described below, for which the Company is currently assessing the impact on its financial statements.

DONNYCREEK ENERGY INC.

Notes to the Financial Statements

Period from incorporation on September 1, 2011 to September 15, 2011

(Canadian Dollars)

Accounting standards issued but not yet effective:

a) Effective for annual periods beginning on or after February 1, 2010

- *Amendment to IAS 32 Financial Instruments: Presentation*
Rights, options or warrants to acquire a fixed number of the Company's equity instruments for a fixed amount of any currency will be allowed to be classified as equity instruments so long as the Company offers the rights, options or warrants pro rata to all of the Company's existing owners of the same class of the Company's non-derivative equity instruments.

b) Effective for annual periods beginning on or after July 1, 2010

- *Amendments to IFRS 3 Business Combinations*
Clarification that the contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 that is outstanding at the adoption date continues to be accounted for in accordance with IFRS 3.

Limiting the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation.

Expansion of the guidance with regards to the attribution of the market based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards.

- *Amendments to IAS 27 Consolidated and Separate Financial Statements*
Clarification that the amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates, and IAS 31 Interests in Joint Ventures resulting from IAS 27 should be applied prospectively, except for amendments resulting from renumbering.

c) Effective for annual periods beginning on or after January 1, 2011

- *Amendments to IFRS 7 Financial Instruments: Disclosures*
Amendment to disclosure requirements, specifically, ensuring qualitative disclosures are made in close proximity to quantitative disclosures in order to better enable financial statement users to evaluate an entity's exposure to risks arising from financial instruments.
- *Amendments to IAS 1 Presentation of Financial Statements*
Clarification that the breakdown of changes in equity resulting from transactions recognized in other comprehensive income is required to be presented in the statement of changes in equity or in the notes to the financial statements.
- *Amendments to IAS 24 Related Party Disclosures*
Amendment of the definition for related parties.
- *Amendments to IAS 34 Interim Financial Reporting*
Addition of further examples of events or transactions that require disclosure and removal of references to materiality when discussing other minimum disclosures.

DONNYCREEK ENERGY INC.

Notes to the Financial Statements

Period from incorporation on September 1, 2011 to September 15, 2011

(Canadian Dollars)

d) *Effective for annual periods beginning on or after July 1, 2011*

- *Amendments to IFRS 7 Financial Instruments: Disclosures*
Increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

e) *Effective for annual periods beginning on or after January 1, 2013*

- *New standard IFRS 9 Financial Instruments*
Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement
- *IFRS 10 Consolidation*
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.
- *IFRS 11 Joint Arrangements*
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.
- *IFRS 12 Disclosure of Interests in Other Entities*
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.
- *IFRS 13 Fair Value Measurement*
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.
- *Amendments to Other Standards*
In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

The Entity has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

DONNYCREEK ENERGY INC.

Notes to the Financial Statements

Period from incorporation on September 1, 2011 to September 15, 2011

(Canadian Dollars)

5. Share Capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares issuable in series with rights and privileges to be determined upon issue. As at September 15, 2011, the Company has no preferred shares outstanding. The common shareholders are entitled to dividends declared by the Board of Directors. As at September 15, 2011, the Company has 1 common share issued and outstanding which was issued on incorporation.

6. Financial Instruments

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities such as:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The board of directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(a) Fair values of financial assets and liabilities

Financial instruments of the Company consist of cash.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to cash, which is mitigated by placing amounts with a single major financial institution.

(c) Liquidity risk

The Company is not exposed to significant liquidity risk.

(d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is exposed to market risk as follows:

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk due to the short-term to maturity of its financial instruments. The Company had no interest rate swap or financial contracts in place as at September 15, 2011.

DONNYCREEK ENERGY INC.

Notes to the Financial Statements

Period from incorporation on September 1, 2011 to September 15, 2011

(Canadian Dollars)

ii. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to significant currency risk.

iii. Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in commodity prices.

The Company is not exposed to commodity price risk with respect to its financial instruments as their fair values and future cash flows are not impacted by fluctuations in commodity prices.

7. Capital Management

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital and makes adjustments to it in light of changes in economic conditions. The Company considers its capital to comprise shareholders' equity. In order to maintain or adjust its capital structure, the Company may from time to time issue equity through private placements and adjust its capital spending.

8. Subsequent Event

Donnybrook will be providing to shareholders and filing with applicable regulatory authorities a Management Information Circular whereby Donnybrook shareholders will be asked to approve the Arrangement and a private placement of the Company's common shares for gross proceeds of \$2,400,000.

SCHEDULE B

Carve-out Financial Statements of the Transferred Assets



Donnybrook Energy Inc. – Deep Basin and Delia-Michichi Operations

Carve-out Financial Statements

Deep Basin and Delia-Michichi Assets of Donnybrook Energy Inc. only (Note 1)

Six months ended June 30, 2011

UNAUDITED INTERIM FINANCIAL STATEMENTS

Donnybrook Energy Inc. – Deep Basin and Delia-Michichi Operations

Carve-Out Financial Statements

Deep Basin and Delia-Michichi Assets of Donnybrook Energy Inc. only (Note 1)

Six months ended June 30, 2011

(Unaudited)

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Donnybrook Energy Inc. - Deep Basin and Delia-Michichi Operations

Carve-out Statements of Financial Position

(Unaudited)

(Canadian Dollars)

	As at June 30, 2011	As at December 31, 2010 (note 16)	As at January 1, 2010 (note 16)
Assets			
Current assets			
Trade and other receivables	\$ 33,912	\$ 30,026	\$ 42,485
Deposits and prepaid expenses	24,144	24,144	-
Total current assets	58,056	54,170	42,485
Non-current assets			
Petroleum and natural gas properties (note 7)	720,572	814,880	805,553
Exploration and evaluation assets (note 6)	2,083,966	948,590	-
Total non-current assets	2,804,538	1,763,470	805,553
Total assets	\$ 2,862,594	\$ 1,817,640	\$ 848,038
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	\$ 33,289	\$ 25,528	\$ 2,508
Total current liabilities	33,289	25,528	2,508
Non-current liabilities			
Decommissioning liabilities (note 8)	31,885	30,625	18,831
Total liabilities	65,174	56,153	21,339
Equity			
Contribution from Donnybrook Energy Inc.	3,348,654	2,293,835	921,652
Deficit	(551,234)	(532,348)	(94,953)
Total equity	2,797,420	1,761,487	826,699
Total liabilities and equity	\$ 2,862,594	\$ 1,817,640	\$ 848,038

Subsequent event (note 15)

Approved on behalf of the Board:

"Malcolm Todd"

Malcolm Todd

"Colin Watt"

Colin Watt

Donnybrook Energy Inc. - Deep Basin and Delia-Michichi Operations

Carve-out Statements of Comprehensive Loss

(Unaudited)

(Canadian Dollars)

	Three months ended June 30, 2011	Three months ended June 30, 2010 (note 16)	Six months ended June 30, 2011	Six months ended June 30, 2010 (note 16)
Revenue				
Petroleum and natural gas	\$ 115,747	\$ 182,526	\$ 227,755	\$ 265,875
Royalties	(26,710)	(34,783)	(46,947)	(50,362)
	89,037	147,743	180,808	215,513
Expenses				
Production and operating expenses	22,529	35,149	45,760	50,645
Depletion, depreciation and amortization	48,284	41,172	95,701	75,940
General and administrative expenses (note 11)	15,925	9,095	24,577	13,702
Share-based compensation (note 9)	15,033	8,236	32,396	9,090
	101,771	93,652	198,434	149,377
Income (loss) from operations	(12,734)	54,091	(17,626)	66,136
Finance expenses	(1,783)	(1,296)	(1,260)	(1,528)
Income (loss) before other item	(14,517)	52,795	(18,886)	64,608
Impairment loss on goodwill	-	(129,944)	-	(129,944)
Net loss and comprehensive loss for the period	\$ (14,517)	\$ (77,149)	\$ (18,886)	\$ (65,336)

Donnybrook Energy Inc. - Deep Basin and Delia-Michichi Operations

Carve-out Statements of Cash Flows

(Unaudited)

(Canadian Dollars)

	Three months ended June 30, 2011	Three months ended June 30, 2010 (note 16)	Six months ended June 30, 2011	Six months ended June 30, 2010 (note 16)
Cash provided by (used for):				
Operating activities				
Loss for the period	\$ (14,517)	\$ (77,149)	\$ (18,886)	\$ (65,336)
Items not involving cash:				
Depletion, depreciation and amortization	48,284	41,172	95,701	75,940
Share-based compensation (note 9)	15,033	8,236	32,396	9,090
Finance expenses	1,783	1,296	1,260	1,528
Impairment on goodwill	-	129,944	-	129,944
Changes in non-cash operating working capital items:				
Trade and other receivables	5,534	18,559	(3,886)	(11,759)
Accounts payable and accrued liabilities	5,229	12,213	7,761	11,782
	61,346	134,271	114,346	151,189
Investing activities				
Expenditures on petroleum and natural gas properties	2,042	(370,352)	(1,393)	(313,536)
Expenditures on exploration and evaluation assets	(790,410)	(564,072)	(1,135,376)	(564,072)
	(788,368)	(934,424)	(1,136,769)	(877,608)
Financing activities				
Contribution from Donnybrook Energy Inc.	727,022	800,153	1,022,423	726,419
Change in cash during the period	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

Donnybrook Energy Inc. - Deep Basin and Delia-Michichi Operations

Carve-out Statements of Changes in Equity

(Unaudited)

(Canadian Dollars)

	Contribution from Donnybrook Energy Inc.	Deficit	Total Equity
Balance at January 1, 2010 (note 16)	\$ 921,652	\$ (94,953)	\$ 826,699
Contributions for the period	922,267	-	922,267
Loss for the period	-	(65,336)	(65,336)
Balance at June 30, 2010	\$ 1,843,919	\$ (160,289)	\$ 1,683,630

	Contribution from Donnybrook Energy Inc.	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2011 (note 16)	\$ 2,293,835	\$ (532,348)	\$ 1,761,487
Contributions for the period	1,054,819	-	1,054,819
Loss for the period	-	(18,886)	(18,886)
Balance at June 30, 2011	\$ 3,348,654	\$ (551,234)	\$ 2,797,420

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

1. Nature of Business

Donnybrook Energy Inc. (“Donnybrook” or the “Company”) was incorporated on April 14, 2000. The Company is a Western Canadian based growth oriented petroleum and natural gas company engaged in the exploration for, and the acquisition, development and production, of petroleum and natural gas reserves in the province of Alberta. On August 30, 2010, the Company continued into Alberta under the *Alberta Business Corporations Act* and changed its name to Donnybrook Energy Inc. Donnybrook and Donnycreek Energy Inc. (“Donnycreek”), its wholly owned subsidiary, intend to enter into an arrangement agreement for the transfer of certain petroleum and natural gas interests owned by Donnybrook (the “Entity”) and cash in the amount of \$300,000 (collectively, the “Transferred Assets”). The Transferred Assets include petroleum and natural gas interests in the Deep Basin area of west central Alberta in the following areas: Prairie Creek, Gold Creek, Ansell Creek, Grand Prairie, Valhalla Creek, and Leland Creek as well as in the Delia-Michichi area of central Alberta. Following the completion of the transfer of assets, the shares of Donnycreek will be distributed to shareholders of Donnybrook on the basis of 0.025 of a Donnycreek share for each common share of Donnybrook outstanding as of the effective date of the Arrangement.

Common shares of the Company are listed and posted for trading on the TSX Venture Exchange (“TSXV”) under the symbol “DEI”.

Donnybrook has offices based in Calgary, Alberta and Vancouver, British Columbia, Canada.

As consideration for the Transferred Assets, Donnycreek has agreed to issue approximately 4.3 to 4.83 million common shares to Donnybrook and a promissory note in the principal amount of approximately \$2.19 million.

The carve-out statement of financial position of the Entity presents the historical financial position on a carve-out basis in connection with the transfer by Donnybrook of its petroleum and natural gas interests to Donnycreek. The carve-out financial statements and notes thereto have been derived from the accounting records of Donnybrook on a carve-out basis and should be read together with the audited financial statements and notes thereto of Donnybrook for the years ended December 31, 2010, 2009 and 2008. The carve-out financial statements have been presented in accordance with the continuity of interest basis of accounting with financial position amounts based on the amounts recorded by Donnybrook. Management cautions readers of the carve-out financial statements that the results do not necessarily reflect the results of operations or financial position that the Entity would have incurred in the aforementioned period or will incur in the future.

The Company provides services and support functions to the Entity. The costs associated with these services and support functions have been allocated to the Entity using methodologies primarily based on proportionate revenues and proportionate time spent on the Entity, which is considered to be the most meaningful in the circumstances. The allocated costs are primarily related to corporate administrative expenses, employee related costs, rental and usage fees for shared assets for the following functional groups: information systems, finance and other executive oversight, human resources and risk management to the Entity. These expenses and cost allocations have been determined on a basis considered by the Company and the Entity to be a reasonable reflection of the utilization of services provided to or for the benefit received by the Entity during the periods presented. However, these assumptions and allocations are not necessarily indicative of the costs the Entity would have incurred if it had operated on a standalone basis or as an entity independent of the Company.

The Company uses a centralized approach to cash management and financing of its operations. Central treasury activities include the investment of surplus cash and interest rate management. The financial systems of the Company were not designed to track certain balances and transactions at an entity unit level. All funding to the Entity since inception has been accounted for as a capital contribution from the Company and all cash remittances from the Entity have been accounted for as a distribution to the Company, including the allocation of expenses and settlement of transactions with the Company within the account caption “Contribution from Donnybrook Energy Inc.” in Equity. In addition, the caption “Contribution from Donnybrook Energy Inc.” represents the Company’s interest in the recorded

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

net assets of the Entity and represents the cumulative net investment by the Company in the Entity through the dates presented and includes cumulative operating results of the Entity.

Prairie was acquired by Donnybrook in May 2010 and became a wholly owned subsidiary. On November 1, 2010, Prairie was amalgamated with Donnybrook.

The carve-out financial statements have been prepared on a going concern basis, which assumes that the Entity will realize its assets and discharge its liabilities in the normal course of business. The Entity's ability to continue as a going concern is dependent upon its ability to secure additional financing on a timely basis, and achieve sufficient positive cash flows from operating activities to cover obligations and expenses.

2. Basis of preparation

a) Statement of compliance

These interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 – "Interim Financial Reporting" and IFRS 1 – "First-time Adoption of IFRS," as they are part of the period covered by the Entity's first IFRS financial statements for the year ending December 31, 2011.

Previously, the Entity prepared its annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Previous GAAP"). Previous GAAP differs in some areas from IFRS. The comparative figures from 2010 have been restated to reflect these adjustments. Certain information and footnote disclosure which are considered material to the understanding of the Entity's interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in note 16 along with reconciliations and descriptions of the effect of the transition from Previous GAAP to IFRS on equity, earnings and comprehensive income.

These condensed interim financial statements do not include all the information required for full annual financial statements. The condensed interim financial statements should be read in conjunction with our Canadian GAAP annual financial statements for the year ended December 31, 2010.

b) Basis of measurement

The carve-out financial statements have been prepared on the historical cost basis, except for held-for-trading financial assets measured at fair value with changes in fair value recorded in earnings.

c) Functional and presentation currency

These carve-out financial statements are presented in Canadian dollars, which is the Entity's functional currency.

d) Use of estimates and assumptions

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It requires management to make estimates and assumptions that affect the amounts reported in the interim carve-out financial statements and accompanying notes (note 5).

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

3. Significant Accounting Policies

a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the statement of financial position at the time the Entity becomes party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument.

The Entity has made the following classifications:

- Trade and other receivables are classified as loans and receivables and are initially measured at fair value plus directly attributable transaction costs. Subsequently, they are recorded at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities related to investments are classified as other liabilities and are initially measured at fair value less directly attributable transaction costs. Subsequently, they are recorded at amortized cost using the effective interest method.

Transaction costs related to financial instruments classified as fair value through profit or loss are expensed as incurred. All other transaction costs related to financial instruments are recorded as part of the instrument and are amortized using the effective interest method.

Contracts that are entered into for the purpose of the receipt or delivery of a non-financial item in accordance with the Entity's expected purchase, sale, or usage requirements (such as physical delivery commodity contracts) do not qualify as financial instruments and thus, are accounted for in accordance with other applicable standards.

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety.

Impairment of financial assets

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected.

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For financial assets carried at amortized cost, the amount of the impairment loss recognized in comprehensive income (loss) is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance accounts are recognized in comprehensive income (loss).

b) Petroleum and natural gas properties and exploration and evaluation assets

i. Pre-exploration expenditures

Expenditures made by the Entity before acquiring the legal right to explore in a specific area do not meet the definition of an asset and therefore are expensed by the Entity as incurred.

ii. Exploration and evaluation expenditures

Costs incurred once the legal right to explore has been acquired are capitalized as exploration and evaluation assets. These costs include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. These costs are accumulated in cost centers by property and are not subject to depletion until technical feasibility and commercial viability has been determined.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are grouped together with developing and producing assets and are tested at an aggregated cash-generating unit ("CGU") level.

The technical feasibility and commercial viability of extracting a petroleum and natural gas resource is considered to be determinable when proved and probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to those reserves are tested for impairment and reclassified from exploration and evaluation assets to petroleum and natural gas properties.

iii. Developing and production costs

Petroleum and natural gas properties, which include petroleum and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGU's for impairment testing. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

Gains and losses on disposal of a petroleum and natural gas property, are determined by comparing the proceeds from disposal with the carrying amount of property and are recognized net within the Statement of Comprehensive Income.

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iv. Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of equipment are recognized as petroleum and natural gas properties only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized petroleum and natural gas properties generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

v. Depletion and depreciation

Depletion of petroleum and natural gas properties is provided using the unit-of-production method based on production volumes in relation to total estimated proved reserves as determined annually by independent engineers and determined in accordance with National Instrument 51-101. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

Calculations for depletion and depreciation of production equipment are based on total capitalized costs plus estimated future development costs of proved and undeveloped reserves less the estimated net realizable value of production equipment and facilities after the proved reserves are fully produced.

Proved reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical, and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable and a 50 percent statistical probability that it will be less. The equivalent statistical probabilities for the proved component of proved and probable reserves are 90 percent and 10 percent, respectively.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- A reasonable assessment of the future economics of such production;
- A reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- Evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved if supported by either actual production or conclusive formation tests. The area of reservoir considered proved includes (a) that portion delineated by drilling and defined by as-oil and/or oil-water contacts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Reserves which can be produced economically through application of improved recovery techniques such as fluid injection are only included in the proved classification when successful testing by a pilot project, the operation of an installed program in the reservoir, or other reasonable evidence (such as,

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experience of the dame techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or program was based.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

c) Impairment

i. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Entity will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

ii. Non-financial assets

Exploration and evaluation assets are assessed for impairment when they are reclassified to developing and producing assets, as petroleum and natural gas properties, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Fair value less costs to sell is determined to be the amount for which the asset could be sold in an arm's length transaction. Fair value less costs to sell can be determined by using an observable market or by using discounted future net cash flows of proved and probable reserves using forecasted prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or cash generating unit.

Exploration and evaluation assets are grouped together with the Entity's CGU's when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (petroleum and natural gas properties).

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An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of goodwill, if any, allocated to the units and then to reduce carrying amounts of other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

d) Provisions

Provisions are recognized when the Entity has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the risks have not been incorporated into the estimate of cash flows. The increase in the provision due to the passage of time is recognized within finance costs.

i. Decommissioning obligations

The Entity's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. Changes in the present value of the estimated expenditure are reflected as an adjustment to the provision and the relevant asset. The unwinding of the discount on the decommissioning provision is recognized as a finance cost. Actual costs incurred upon settlement of the decommissioning liabilities is charged against the provision to the extent the provision was recognized.

ii. Environmental Liabilities

The Entity records liabilities on an undiscounted basis for environmental remediation efforts that are likely to occur and where the cost can be reasonably estimated. The estimates, including associated legal costs, are based on available information using existing technology and enacted laws and regulations. The estimates are subject to revision in future periods based on actual costs incurred or new circumstances. Any amounts expected to be recovered from other parties, including insurers, are recorded as an asset separate from the associated liability.

e) Share-based compensation

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based compensation to non-employees is measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of the instrument is recorded as share capital and the recorded value in contributed surplus is transferred to share capital. Upon expiry, the recorded value in contributed surplus is transferred to deficit.

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f) Revenue recognition

Revenue from the sale of petroleum and natural gas is recognized when the significant risks and rewards of ownership are transferred to the buyer, which is based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including operating and maintenance costs, and production-based royalty expenses, are recognized during the same period in which the related revenue is earned. Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements and is included with petroleum and natural gas sales.

g) Joint interests

A substantial portion of the Entity's exploration, development and production activities is conducted jointly with others. These financial statements reflect only the Entity's proportionate interest in such activities.

h) Government grants

The Entity may be entitled to receive government grants in the form of drilling royalty credits.

Government grants are not recognized until there is reasonable assurance that the Entity will comply with the conditions attached to them and that the grants will be received.

Government grants whose primary condition is that the Entity should purchase, construct or otherwise acquire non-current assets are deducted from the cost of the related assets. The net amount is amortized to income over the useful life of the related assets in accordance with the Entity's relevant policies.

i) Deferred Income taxes

Deferred income tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities if they intend to settle current income tax assets and liabilities on a net basis or if their tax assets and liabilities will be realized simultaneously. The effect on deferred income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted.

A deferred income tax asset is recognized to the extent that it is not probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. New Standards and Interpretations Not Yet Adopted

As of January 1, 2013, the Entity will be required to adopt certain standards and amendments issued by the International Accounting Standards Board ("IASB") as described below, for which the Entity is currently assessing the impact on its financial statements.

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Accounting standards issued but not yet effective:

a) *Effective for annual periods beginning on or after February 1, 2010*

- *Amendment to IAS 32 Financial Instruments: Presentation*

Rights, options or warrants to acquire a fixed number of the Entity's equity instruments for a fixed amount of any currency will be allowed to be classified as equity instruments so long as the Entity offers the rights, options or warrants pro rata to all of the Entity's existing owners of the same class of the Entity's non-derivative equity instruments.

b) *Effective for annual periods beginning on or after July 1, 2010*

- *Amendments to IFRS 3 Business Combinations*

Clarification that the contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 that is outstanding at the adoption date continues to be accounted for in accordance with IFRS 3.

Limiting the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation.

Expansion of the guidance with regards to the attribution of the market based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards.

- *Amendments to IAS 27 Consolidated and Separate Financial Statements*

Clarification that the amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates, and IAS 31 Interests in Joint Ventures resulting from IAS 27 should be applied prospectively, except for amendments resulting from renumbering.

c) *Effective for annual periods beginning on or after January 1, 2011*

- *Amendments to IFRS 7 Financial Instruments: Disclosures*

Amendment to disclosure requirements, specifically, ensuring qualitative disclosures are made in close proximity to quantitative disclosures in order to better enable financial statement users to evaluate an entity's exposure to risks arising from financial instruments.

- *Amendments to IAS 1 Presentation of Financial Statements*

Clarification that the breakdown of changes in equity resulting from transactions recognized in other comprehensive income is required to be presented in the statement of changes in equity or in the notes to the financial statements.

- *Amendments to IAS 24 Related Party Disclosures*

Amendment of the definition for related parties.

- *Amendments to IAS 34 Interim Financial Reporting*

Addition of further examples of events or transactions that require disclosure and removal of references to materiality when discussing other minimum disclosures.

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d) *Effective for annual periods beginning on or after July 1, 2011*

- *Amendments to IFRS 7 Financial Instruments: Disclosures*
Increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

e) *Effective for annual periods beginning on or after January 1, 2013*

- *New standard IFRS 9 Financial Instruments*
Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement
- *IFRS 10 Consolidation*
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.
- *IFRS 11 Joint Arrangements*
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.
- *IFRS 12 Disclosure of Interests in Other Entities*
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.
- *IFRS 13 Fair Value Measurement*
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.
- *Amendments to Other Standards*
In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

The Entity has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

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5. Critical Judgments and Accounting Estimates

The preparation of carve-out financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. The financial statements have, in management's opinion, been properly prepared using careful judgment and reasonable limits of materiality and within the framework of the significant policies summarized below.

- i. Trade and other receivables
Trade and other receivables are recorded at the estimated recoverable amount which involves the estimate of uncollectible accounts.
- ii. Petroleum and natural gas reserves
Reserves and resources are used in the units of production calculation for depreciation, depletion and amortization and the impairment analysis which affect net income. There are numerous uncertainties inherent in estimating petroleum and natural gas reserves. Estimating reserves is very complex, requiring many judgments based on geological, geophysical, engineering and economic data. Changes in these judgments could have a material impact on the estimated reserves. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available and as the economic environment changes.
- iii. Depreciation and depletion
Depletion of petroleum and natural gas properties is provided using the unit-of-production method based on production volumes before royalties in relation to total estimated proved reserves as determined annually by independent engineers and internal reserve evaluations on a quarterly basis determined in accordance with National Instrument 51-101. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.
- iv. Recoverability of asset carrying values
The Entity assesses its petroleum and natural gas properties, including exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least annually.

The assessment of any impairment of petroleum and natural gas properties and exploration and evaluation assets is dependent upon estimates of recoverable amount that take into account factors such as reserves, economic and market conditions, timing of cash flows, the useful lives of assets and their related salvage values.

- v. Decommissioning obligations
Provisions for decommissioning obligations associated with the Entity's drilling operations are based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in clean up technology.
- vi. Share-based compensation
The fair value of share options granted is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends, and the risk-free rate. The Entity estimates volatility based on historical share price excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the Entity's expected share price volatility. The expected life of the options is based on historical experience and general option holder behavior. Dividends were not taken into

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consideration as the Entity does not expect to pay dividends. Management also makes an estimate of the number of options that will forfeit and the rate is adjusted to reflect the actual number of options that actually vest.

6. Exploration and Evaluation Assets

Deemed cost (note 14)	
Balance, January 1, 2010	\$ -
Additions	948,590
Balance, December 31, 2010	948,590
Additions	1,135,376
Balance, June 30, 2011	\$ 2,083,966

7. Petroleum and Natural Gas Properties

	Petroleum and natural gas properties
Cost (note 14)	
Balance, January 1, 2010	\$ 1,006,890
Additions	391,853
Balance, December 31, 2010	1,398,743
Additions	1,393
Balance, June 30, 2011	\$ 1,400,136
Accumulated Depletion, Depreciation, Amortization and Impairment Losses	
Balance, January 1, 2010 (note 14)	\$ 201,337
Charge for period	175,021
Impairment loss	207,505
Balance, December 31, 2010	583,863
Charge for period	95,701
Balance, June 30, 2011	\$ 679,564
Carrying amounts	
At January 1, 2010	\$ 805,553
At December 31, 2010	\$ 814,880
At June 30, 2011	\$ 720,572

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8. Decommissioning Liabilities

The Entity's decommissioning liabilities result from ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The total decommissioning liabilities were estimated by management based on the Entity's net ownership interest in all wells, estimated costs to reclaim and abandon the wells and the estimated timing of the costs to be incurred in future periods. The Entity has estimated the total undiscounted amount of future cash flows to settle the liabilities to be \$31,885 as at June 30, 2011 (December 31, 2010 - \$30,625). These payments are expected to be made over the next 8 to 14 years (December 31, 2010 - 9 to 14 years).

A risk-free rate of between 4.06% - 3.55% and an inflation rate of approximately 2.0% were used to calculate the fair value of the decommissioning liabilities.

The following table provides a reconciliation of the carrying amount of the liabilities associated with the decommissioning of P&NG properties:

	June 30, 2011		December 31, 2010	
Balance, beginning of period	\$	30,625	\$	18,831
Assumed on the acquisition of Prairie Exploration Inc.		-		9,459
Finance expense		1,260		2,335
Balance, end of period	\$	31,885	\$	30,625

9. Share-based Compensation

Donnybrook has implemented a Share Option Plan (the "Plan") for directors, officers, employees and consultants whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of share options. The term of the share options granted are determined by the board of directors and are not to exceed 10 years. The exercise price of the share options is determined by the board of directors but shall not be less than the closing trading price of the Company's common shares on the day preceding the grant date, less any discount permitted by the TSX-Venture Exchange (the "Exchange"). Options granted under the Plan vest over varying periods at the discretion of the board of directors provided the terms are in accordance with the policies of the Exchange.

During the six months ended June 30, 2011, 10% of the share-based compensation expense recorded by the Company has been allocated to the Entity with \$32,396 (June 30, 2010 – \$26,470) recognized in 2011 related to options granted in prior periods that vested during the period.

The fair value of vested share options recognized is broken down as follows:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Directors, Officers and Employees	\$ 14,514	\$ 8,236	\$ 30,451	\$ 9,090
Consultants	519	-	1,945	-
Capitalized to P&NG Properties	-	17,380	-	17,380
	\$ 15,033	\$ 25,616	\$ 32,396	\$ 26,470

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10. Related Party Transactions

The following is a summary of the related party transactions that occurred throughout the six months ended June 30, 2011 and 2010:

a) Trading Transactions

- i. paid or accrued \$nil (2010 - \$2,460) for rent to a company controlled by a director;
- ii. paid or accrued \$nil (2010 - \$500) for administrative fees to a company controlled by a director;
- iii. paid or accrued \$nil (2010 - \$1,333) for geological consulting fees capitalized to P&NG Properties to a company controlled by a director and officer; and
- iv. paid or accrued \$2,940 (2010 - \$490) for rent to a company controlled by a director, and an officer.

Accounts payable and accrued liabilities as at June 30, 2011 include \$nil (December 31, 2010 - \$nil) owing to related parties.

b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the three and six months ended June 30, 2011 and 2010 were as follows:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Salaries	\$ 6,450	\$ 2,150	\$ 12,900	\$ 2,150
Share-based compensation	10,861	5,351	22,213	5,351
	\$ 17,311	\$ 7,501	\$ 35,113	\$ 7,501

- i. Share-based compensation represents the fair value of options granted to key management personnel.
- ii. Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three and six months ended June 30, 2011 and 2010.

11. General and Administrative Expenses

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Audit and accounting	\$ 4,735	\$ 824	\$ 3,975	\$ 824
Insurance	731	-	1,175	-
Office and administrative fees (note 10)	8,081	5,200	14,596	8,036
Rent (note 10)	2,270	2,851	4,606	4,566
Telephone and communications	108	220	225	276
	\$ 15,925	\$ 9,095	\$ 24,577	\$ 13,702

12. Financial Instruments

The Entity's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities such as:

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- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Entity's exposure to each of the above risks, the Entity's objectives, policies and processes for measuring and managing risk, and the Entity's management of capital. Further quantitative disclosures are included throughout these carve-out financial statements.

The board of directors oversees management's establishment and execution of the Entity's risk management framework. Management has implemented and monitors compliance with risk management policies. The Entity's risk management policies are established to identify and analyze the risks faced by the Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Entity's activities.

(a) Fair values of financial assets and liabilities

Financial instruments of the Entity consist of trade and other receivables, and accounts payables and accrued liabilities, all of which are included in these financial statements. The amounts reflected in the statements of financial position are carrying amounts and approximate their fair values due to their short-term nature.

(b) Credit risk

Credit risk is the risk of financial loss to the Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Entity's receivables from joint venture partners and P&NG marketers.

Trade and other receivables:

All of the Entity's operations are conducted in Canada. The Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Receivables from P&NG marketers are normally collected on the 25th day of the month following production. The Entity's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Entity historically has not experienced any collection issues with its P&NG marketers.

Receivables from joint venture partners are typically collected within one to three months of the joint venture operator statement being issued. The Entity attempts to mitigate the risk from joint venture receivables by obtaining venturer pre-approval of significant capital expenditures. However, the receivables are from participants in the P&NG sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venturers, as disagreements occasionally arise that increase the potential for non-collection.

The Entity does not typically obtain collateral from P&NG marketers or joint venturers; however, the Entity does have the ability to withhold production from joint venturers in the event of non-payment.

The Entity does not anticipate any default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers. As such, a provision for doubtful accounts has not been recorded at June 30, 2011 and December 31, 2010.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

The aging of receivables is as follows:

	June 30, 2011	December 31, 2010
Receivables		
0 to 60 days	\$ 33,912	\$ 30,026
	\$ 33,912	\$ 30,026

(c) Liquidity risk

Liquidity risk is the risk that the Entity will encounter difficulties in meeting its financial liability obligations. The Entity's financial liabilities are comprised of accounts payable and accrued liabilities all of which are due in 30 days. The Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Entity's reputation.

Typically the Entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To achieve this objective, the Entity prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Entity utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures.

(d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Entity's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Entity is exposed to market risk as follows:

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Entity is not exposed to significant interest rate risk due to the short-term to maturity of its financial instruments. The Entity had no interest rate swap or financial contracts in place as at or during the periods ended June 30, 2011 and December 31, 2010.

ii. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Entity's exposure to currency risk is small as the Entity's operations are in one country, being Canada. The current dollar amount and number of transactions conducted in currencies other than the Canadian dollar are not significant.

iii. Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand.

The Entity is not exposed to commodity price risk with respect to its financial instruments as their fair values and future cash flows are not impacted by fluctuations in commodity prices.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

13. Capital Management

The Entity's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Entity manages its capital and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying P&NG assets. The Entity considers its capital to comprise shareholders' equity. In order to maintain or adjust its capital structure, the Entity may from time to time issue equity through private placements and adjust its capital spending. The Entity prepares annual capital expenditure budgets that are reviewed and updated as necessary depending on varying factors including current and forecast prices, successful capital deployment and general industry conditions.

There were no changes in the Entity's approach to capital management during the six months ended June 30, 2011.

14. Deferred Income Taxes

The tax bases of the Transferred Assets approximate the accounting carrying values as such, there are no deferred income tax assets or liabilities to recognize for any periods.

15. Subsequent Event

Donnybrook will be providing to shareholders and filing with applicable regulatory authorities a Management Information Circular whereby Donnybrook shareholders will be asked to approve the Arrangement and a private placement of Donnybrook's common shares for gross proceeds of \$2,400,000.

16. Transition to International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board announced that Canadian public reporting issuers will be required to report under IFRS, replacing Canadian GAAP for years beginning on or after January 1, 2011.

The adoption date of January 1, 2011 requires restatement for comparative purposes, of the Entity's opening balance sheet as at January 1, 2010, all interim quarterly periods in 2010 and for its year ended December 31, 2010. The effects of the transition from GAAP to IFRS on the cash flow are immaterial; therefore, a reconciliation of cash flows has not been presented.

The Entity has prepared reconciliations of equity as at January 1, 2010, June 30, 2010 and December 31, 2010 and reconciliations of net income and comprehensive income for the three months and six months ended June 30, 2010 and year ended December 31, 2010 using the accounting policies in note 3 and the following IFRS 1 exemptions:

a. Petroleum and natural gas properties ("P&NG") and Exploration and Evaluation assets ("E&E")

As permitted under IFRS, the Entity has elected to value its P&NG properties and E&E assets as previously determined by Previous GAAP. The measurement upon transition to IFRS is as follows:

- Exploration and evaluation assets were classified from the full cost pool to exploration and evaluation assets at the amount that was recorded under Previous GAAP; and
- The full cost pool was allocated to development and producing assets on a pro-rata basis using reserve values for its proved reserves.

This resulted in, \$814,880 in E&E assets and \$948,590 in P&NG properties at December 31, 2010, \$564,072 in E&E assets and \$1,109,422 in P&NG properties at June 30, 2010, and \$805,553 in P&NG properties at January 1, 2010.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

b. Share-based Payments

Differences in the accounting for the Entity's share option plan under Previous GAAP and IFRS exist. IFRS 2 – "Share-based Payment," requires the Entity to estimate the number of options expected to vest when a grant of equity instruments do not vest immediately. IFRS 2 does not allow the recognition of the expense on a straight-line basis and requires each installment to be treated as a separate arrangement. Under Previous GAAP, the Entity accounted for forfeitures as they occurred and recognized share-based compensation expense using the graded method, which is the method required under IFRS.

As a result of applying IFRS 2, a reduction of share-based compensation under Previous GAAP and IFRS adjustments are required in the amount of capitalized share-based compensation. For the six months ended June 30, 2010, the Entity capitalized \$8 (December 31, 2010 - \$nil; January 1, 2010 - \$nil) less for share-based compensation under IFRS when compared to Previous GAAP.

c. Decommissioning Liabilities

IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets", will govern how the Entity accounts for its decommissioning liabilities (previously referred to as asset retirement obligations). The discount rate used for the decommissioning liability will be a risk free rate as the estimated provision is adjusted to reflect risks specific to the liability. Under Previous GAAP, the Entity used a credit-adjusted risk free rate. Therefore, under IFRS, the decommissioning liabilities are higher due to the lower discount rates used.

Under IFRS, the liability is to be re-measured each reporting period in order to reflect interest rates in effect at that time. As at June 30, 2010, the Entity re-measured the decommissioning liabilities based on an average decrease in discount rates which increased P&NG properties and decommissioning liabilities by \$8,147 (December 31, 2010 - \$10,592; January 1, 2010 - \$7,194) . As a result of lower interest rates used for the discounting and unwinding of decommissioning liabilities, finance expense for the year ended December 31, 2010 increased by \$2,334, six months ended June 30, 2010 increased by \$1,528, and 3 months ended June 30, 2010 increased by \$1,296 when compared to finance expense under Previous GAAP.

d. Impairment Test

IFRS requires an asset impairment test to be conducted on transition date and when indicators of impairment are present. Under Previous GAAP, impairment of long-lived assets is assessed on the basis of an asset's estimated undiscounted future cash flows compared with the asset's carrying amount and if impairment is indicated, discounted cash flows are prepared to quantify the amount of impairment. The impairment test under Previous GAAP is done at the cost center level. Under Previous GAAP, Donnybrook had one cost center for impairment test purposes.

IFRS requires the impairment test to occur at the asset level or at the cash generating unit ("CGU") level when long lived assets exist that do not generate largely independent cash inflows. The carrying amount of the asset or CGU is compared to its recoverable amount which is the higher of value in use or fair value less costs to sell.

The Entity performed an impairment test on transition to IFRS on January 1, 2010 based on evaluation of its petroleum and natural gas properties by an independent engineering firm and fair value less costs to sell. Fair value less costs to sell was based on merger and acquisition transactions on petroleum and natural gas properties similar to those owned by the Entity. The Entity experienced a transitional write-down on its petroleum and natural gas properties with an offsetting entry to the Entity's January 1, 2010 deficit.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

Based on the assessment, the carrying amount of the following CGU was impaired, with an offsetting entry to the January 1, 2010 deficit:

Cash Generating Unit	Product ⁽¹⁾	Transitional Impairment ⁽²⁾
Delia-Michichi	Natural Gas	\$ 55,986
Total		\$ 55,986

⁽¹⁾ Based on 2009 year end proved reserves.

⁽²⁾ Includes impairment related to corporate assets assigned to each CGU on a pro-rata basis.

Due to the continued weakening of natural gas prices, Donnybrook performed impairment tests on its petroleum and natural gas properties for all of the quarterly reporting periods in 2010. Fair value less costs to sell was used as the recoverable amount, using market transactions and the Company's proved and probable reserves. No impairment was recognized for the period ended June 30, 2010. The following impairment was recorded for the year ended December 31, 2010:

Cash Generating Unit	Product ⁽¹⁾	Impairment ⁽²⁾
Delia-Michichi	Natural Gas	\$ 263,282
Total		\$ 263,282

⁽¹⁾ Based on applicable year end proved reserves.

⁽²⁾ Includes impairment related to corporate assets assigned to each CGU on a pro-rata basis.

e. Presentation

Certain presentation and classification differs under IFRS in comparison with the Entity's Previous GAAP as follows:

- Interest and finance charges – the net finance income or expense is presented separately from operating expenses. These charges also include the unwinding of the discount rate on decommissioning liabilities that were presented as part of depletion, depreciation and accretion under Previous GAAP.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

Reconciliation of Equity

As at January 1, 2010

(Unaudited)

	Note 16	Previous GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Trade and other receivables		\$ 42,485	\$ -	\$ 42,485
Non-current assets				
Petroleum and natural gas properties	a, d	855,173	(49,620)	805,553
Total assets		897,658	(49,620)	848,038
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued liabilities		2,508	-	2,508
Non-current liabilities				
Decommissioning liabilities	c	11,637	7,194	18,831
Total liabilities		14,145	7,194	21,339
Equity				
Contribution from Donnybrook Energy Inc.		978,466	(56,814)	921,652
Deficit		(94,953)	-	(94,953)
Total equity		883,513	(56,814)	826,699
Total equity and liabilities		\$ 897,658	\$ (49,620)	\$ 848,038

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

Reconciliation of Equity

As at June 30, 2010

(Unaudited)

	Note 16	Previous GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Trade and other receivables		\$ 54,244	\$ -	\$ 54,244
Non-current assets				
Petroleum and natural gas properties	a, d	1,662,827	(553,405)	1,109,422
Transfer to exploration and evaluation assets	a	-	564,072	564,072
Total non-current assets		1,662,827	10,667	1,673,494
Total assets		1,717,071	10,667	1,727,738
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued liabilities		14,290	-	14,290
Non-current liabilities				
Decommissioning liabilities	c	21,671	8,147	29,818
Total liabilities		35,961	8,147	44,108
Equity				
Contribution from Donnybrook Energy Inc.		1,882,545	(38,626)	1,843,919
Deficit		(201,435)	41,146	(160,289)
Total equity		1,681,110	2,520	1,683,630
Total equity and liabilities		\$ 1,717,071	\$ 10,667	\$ 1,727,738

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

Reconciliation of Equity

As at December 31, 2010

(Unaudited)

	Note 16	Previous GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Trade and other receivables		\$ 30,026	\$ -	\$ 30,026
Deposits and prepaid expenses		24,144	-	24,144
Total current assets		54,170	-	54,170
Non-current assets				
Petroleum and natural gas properties	a, d	1,997,323	(1,182,443)	814,880
Transfer to exploration and evaluation assets	a	-	948,590	948,590
Total non-current assets		1,997,323	(233,853)	1,763,470
Total assets		2,051,493	(233,853)	1,817,640
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued liabilities		25,528	-	25,528
Non-current liabilities				
Decommissioning liabilities	c	20,033	10,592	30,625
Total liabilities		45,561	10,592	56,153
Equity				
Contribution from Donnybrook Energy Inc.		2,285,621	8,214	2,293,835
Deficit		(279,689)	(252,659)	(532,348)
Total equity		2,005,932	(244,445)	1,761,487
Total equity and liabilities		\$ 2,051,493	\$ (233,853)	\$ 1,817,640

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

Reconciliation of Loss and Comprehensive Loss

For the three months ended June 30, 2010

(Unaudited)

	Note	Previous	Effect of	
	16	GAAP	transition to	IFRS
			IFRS	
Revenue				
Petroleum and natural gas		\$ 182,526	\$ -	\$ 182,526
Royalties		(34,783)	-	(34,783)
		147,743	-	147,743
Expenses				
Production and operating expenses		35,149	-	35,149
Depletion, depreciation and amortization	e	68,820	(27,648)	41,172
General and administrative expenses	e	9,095	-	9,095
Share-based compensation		8,244	(8)	8,236
		121,308	(27,656)	93,652
Income from operations		26,435	27,656	54,091
Finance expenses		-	(1,296)	(1,296)
Income before other item		26,435	26,360	52,795
Impairment loss on goodwill	e	(129,944)	-	(129,944)
Net loss and comprehensive loss		\$ (103,509)	\$ 26,360	\$ (77,149)

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

Reconciliation of Loss and Comprehensive Loss

For the six months ended June 30, 2010

(Unaudited)

	Note 16	Previous GAAP	Effect of transition to IFRS	IFRS
Revenue				
Petroleum and natural gas		\$ 265,875	\$ -	\$ 265,875
Royalties		(50,362)	-	(50,362)
		215,513	-	215,513
Expenses				
Production and operating expenses		50,645	-	50,645
Depletion, depreciation and amortization	e	118,606	(42,666)	75,940
General and administrative expenses	e	13,702	-	13,702
Share-based compensation		9,098	(8)	9,090
		192,051	(42,674)	149,377
Income from operations		23,462	42,674	66,136
Finance expenses		-	(1,528)	(1,528)
Income before other item		23,462	41,146	64,608
Impairment loss on goodwill		(129,944)	-	(129,944)
Net loss and comprehensive loss		\$ (106,482)	\$ 41,146	\$ (65,336)

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

Reconciliation of Loss and Comprehensive Loss

For the year ended December 31, 2010

(Unaudited)

	Note 16	Previous GAAP	Effect of transition to IFRS	IFRS
Revenue				
Petroleum and natural gas		\$ 379,644	\$ -	\$ 379,644
Royalties		(70,461)	-	(70,461)
		309,183	-	309,183
Expenses				
Production and operating expenses		77,001	-	77,001
Depletion, depreciation and amortization	e	188,189	(13,167)	175,022
General and administrative expenses	e	49,920	-	49,920
Share-based compensation		48,865	-	48,865
Impairment losses on petroleum and natural gas properties	d	-	263,491	263,491
		363,975	250,324	614,299
Loss from operations		(54,792)	(250,324)	(305,116)
Finance expenses		-	(2,334)	(2,334)
Loss before other item		(54,792)	(252,658)	(307,450)
Impairment of goodwill		(129,944)	-	(129,944)
Net loss and comprehensive loss		\$ (184,736)	\$ (252,658)	\$ (437,394)



Donnybrook Energy Inc. – Deep Basin and Delia-Michichi Operations

Carve-out Financial Statements

Deep Basin and Delia-Michichi Assets of Donnybrook Energy Inc. only (Note 1)

For the years ended December 31, 2010, 2009 and 2008

Donnybrook Energy Inc. – Deep Basin and Delia-Michichi Operations

Carve-Out Financial Statements

Deep Basin and Delia-Michichi Assets of Donnybrook Energy Inc. only (Note 1)

For the years ended December 31, 2010, 2009 and 2008

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying carve-out financial statements of Donnybrook Energy Inc. – Deep Basin and Delia-Michichi Operations are the responsibility of the Board of Directors and management of Donnybrook Energy Inc. These carve-out financial statements have been prepared by the Company's management in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control through an audit committee, which is comprised primarily of non-management directors. The Audit Committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The carve-out financial statements as at December 31, 2010, 2009 and 2008 and for the years then ended have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the carve-out financial statements.

"Malcolm Todd"
President and Chief Executive Officer

"Robert Todd"
Chief Financial Officer

Vancouver, British Columbia
September 23, 2011

INDEPENDENT AUDITORS' REPORT

TO THE DIRECTORS OF DONNYBROOK ENERGY INC.

We have audited the accompanying carve-out financial statements of Donnybrook Energy Inc. – Deep Basin and Delia-Michichi Operations, which comprise the statement of financial position as at December 31, 2010, 2009, and 2008, and the statements of operations and deficit and cashflows the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management of Donnybrook Energy Inc. is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for carve-out financial statements, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of Donnybrook Energy Inc. – Deep Basin and Delia-Michichi Operations at December 31, 2010, 2009, and 2008, and its financial performance and its cash flows for the years then ended in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for carve-out financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the carve-out financial statements, which indicates that the Company had no source of financing. This condition, along with other matters set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about Donnybrook Energy Inc. – Deep Basin and Delia-Michichi Operations' ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
September 23, 2011

Donnybrook Energy Inc. - Deep Basin and Delia-Michichi Operations

Carve-out Statements of Financial Position

(Canadian Dollars)

	As at December 31, 2010	As at December 31, 2009	As at December 31, 2008
Assets			
Current assets			
Trade and other receivables	\$ 30,026	\$ 42,485	\$ -
Deposits and prepaid expenses	24,144	-	-
Total current assets	54,170	42,485	-
Non-current assets			
Petroleum and natural gas properties (note 6)	1,997,323	855,173	-
Total assets	\$ 2,051,493	\$ 897,658	\$ -
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	\$ 25,528	\$ 2,508	\$ -
Non-current liabilities			
Asset retirement obligations (note 7)	20,033	11,637	-
Total liabilities	45,561	14,145	-
Equity			
Contribution from Donnybrook Energy Inc. (note 1)	2,285,621	978,466	-
Deficit	(279,689)	(94,953)	-
Total equity	2,005,932	883,513	-
Total liabilities and equity	\$ 2,051,493	\$ 897,658	\$ -

Subsequent event (note 13)

Approved on behalf of the Board:

"Malcolm Todd"

Malcolm Todd

"Colin Watt"

Colin Watt

Donnybrook Energy Inc. - Deep Basin and Delia-Michichi Operations

Carve-out Statements of Operations and Deficit

(Canadian Dollars)

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Revenue			
Petroleum and natural gas	\$ 379,644	\$ 159,620	\$ -
Royalties	(70,461)	(34,383)	-
	309,183	125,237	-
Expenses			
Production and operating expenses	77,001	41,336	-
Depletion, depreciation and accretion	188,189	144,745	-
General and administrative expenses	49,920	21,289	-
Share-based compensation (note 8)	48,865	12,820	-
	363,975	220,190	-
Loss before other item	(54,792)	(94,953)	-
Impairment loss on goodwill	(129,944)	-	-
Net loss and comprehensive loss	(184,736)	(94,953)	-
Deficit, beginning of year	(94,953)	-	-
Deficit, end of year	\$ (279,689)	\$ (94,953)	\$ -

Donnybrook Energy Inc. - Deep Basin and Delia-Michichi Operations

Carve-out Statements of Cash Flows

(Canadian Dollars)

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Cash provided by (used for):			
Operating activities			
Loss for the year	\$ (184,736)	\$ (94,953)	\$ -
Items not involving cash:			
Depletion, depreciation and accretion	188,189	144,745	-
Share-based compensation	48,865	12,820	-
Impairment loss on goodwill	129,944	-	-
Changes in non-cash operating working capital items:			
Trade and other receivables	12,459	(42,485)	-
Deposits and prepaid expenses	(24,144)	-	-
Accounts payable and accrued liabilities	23,020	2,508	-
	193,597	22,635	-
Investing activities			
Expenditures on petroleum and natural gas properties	(1,321,943)	(988,281)	-
Financing activities			
Contribution from Donnybrook Energy Inc.	1,128,346	965,646	-
Change in cash during the year	-	-	-
Cash, beginning of year	-	-	-
Cash, end of year	\$ -	\$ -	\$ -

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the years ended December 31, 2010, 2009, and 2008

(Canadian Dollars)

1. Nature of Operations and Going Concern

Donnybrook Energy Inc. (“Donnybrook” or the “Company”) and Donnycreek Energy Inc. (“Donnycreek”), its wholly owned subsidiary intend to enter into an arrangement agreement for the transfer of certain petroleum and natural gas interests owned by Donnybrook (the “Entity”) and cash in the amount of \$300,000 (collectively, the “Transferred Assets”). The Transferred Assets include petroleum and natural gas interests in the Deep Basin area of west central Alberta in the following areas: Prairie Creek, Gold Creek, Ansell Creek, Grand Prairie, Valhalla Creek, and Leland Creek as well as in the Delia-Michichi area of central Alberta. Following the completion of the transfer of assets, the shares of Donnycreek will be distributed to shareholders of Donnybrook on the basis of 0.025 of a Donnycreek share for each common share of Donnybrook outstanding as of the effective date of the Arrangement.

As consideration for the Transferred Assets, Donnycreek has agreed to issue approximately 4.3 to 4.83 million common shares to Donnybrook and a promissory note in the principal amount of approximately \$2.19 million.

The carve-out statement of financial position of the Entity presents the historical financial position on a carve-out basis in connection with the transfer by Donnybrook of its petroleum and natural gas interests to Donnycreek. The carve-out financial statements and notes thereto have been derived from the accounting records of Donnybrook on a carve-out basis and should be read together with the audited financial statements and notes thereto of Donnybrook for the years ended December 31, 2010, 2009 and 2008. The carve-out financial statements have been presented in accordance with the continuity of interest basis of accounting with financial position amounts based on the amounts recorded by Donnybrook. Management cautions readers of the carve-out financial statements that the results do not necessarily reflect the results of operations or financial position that the Entity would have incurred in the aforementioned period or will incur in the future.

The Entity’s ability to continue as a going concern is dependent on continued financial support from its shareholders, the ability of the Entity to raise financing or the attainment of profitable operations to settle liabilities as they become payable. The carve-out balance sheet has been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The carve-out statement of financial position does not include adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Entity be unable to continue as a going concern.

The Company provides services and support functions to the Entity. The costs associated with these services and support functions have been allocated to the Entity using methodologies primarily based on proportionate revenues and proportionate time spent on the Entity, which is considered to be the most meaningful in the circumstances. The allocated costs are primarily related to corporate administrative expenses, employee related costs, rental and usage fees for shared assets for the following functional groups: information systems, finance and other executive oversight, human resources and risk management to the Entity. These expenses and cost allocations have been determined on a basis considered by the Company and the Entity to be a reasonable reflection of the utilization of services provided to or for the benefit received by the Entity during the periods presented. However, these assumptions and allocations are not necessarily indicative of the costs the Entity would have incurred if it had operated on a standalone basis or as an entity independent of the Company.

The Company uses a centralized approach to cash management and financing of its operations. Central treasury activities include the investment of surplus cash and interest rate management. The financial systems of the Company were not designed to track certain balances and transactions at an entity unit level. All funding to the Entity since inception has been accounted for as a capital contribution from the Company and all cash remittances from the Entity have been accounted for as a distribution to the Company, including the allocation of expenses and settlement of transactions with the Company within the account caption “Contribution from Donnybrook Energy Inc.” in Equity. In addition, the caption “Contribution from Donnybrook Energy Inc.” represents the Company’s interest in the recorded net assets of the Entity and represents the cumulative net investment by the Company in the Entity through the dates presented and includes cumulative operating results of the Entity.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the years ended December 31, 2010, 2009, and 2008

(Canadian Dollars)

2. Significant Accounting Policies

These carve-out financial statements are presented in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for carve-out financial statements (defined as Canadian Generally Accepted Accounting Principles “GAAP”) and are presented in Canadian dollars, which is the Entity’s functional currency.

a) Measurement Uncertainty

The timely preparation of these carve-out financial statements in conformity with Canadian GAAP requires that management make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Donnybrook carve-out financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the Donnybrook carve-out financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Amounts recorded for depreciation, depletion, and amortization, asset retirement costs and obligations and amounts used for ceiling test and impairment calculations are based on estimates of natural gas and crude oil reserves and future costs required to develop those reserves. By their nature, these estimates of reserves, including the estimates of future prices and costs, and the related future cash flows are subject to measurement uncertainty, and the impact in the Donnybrook carve-out financial statements of future periods could be material.

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one company and a financial liability or equity instrument of another company. Financial assets and financial liabilities are recognized on the statement of financial position at the time the Entity becomes party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument.

The Entity has made the following classifications:

- Trade and other receivables are classified as loans and receivables and are initially measured at fair value plus directly attributable transaction costs. Subsequently, they are recorded at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities related to investments are classified as other liabilities and are initially measured at fair value less directly attributable transaction costs. Subsequently, they are recorded at amortized cost using the effective interest method.

Transaction costs related to financial instruments classified as fair value through profit or loss are expensed as incurred. All other transaction costs related to financial instruments are recorded as part of the instrument and are amortized using the effective interest method.

Contracts that are entered into for the purpose of the receipt or delivery of a non-financial item in accordance with the Entity’s expected purchase, sale, or usage requirements (such as physical delivery commodity contracts) do not qualify as financial instruments and thus, are accounted for in accordance with other applicable standards.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the years ended December 31, 2010, 2009, and 2008

(Canadian Dollars)

The Entity classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair values:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measure in its entirety.

c) Petroleum and Natural Gas Properties

The Entity follows the full-cost method of accounting for costs of P&NG properties. All costs relating to the acquisition, exploration and development of P&NG are capitalized. Such costs by area of interest include geological and geophysical expenditures, land acquisition costs and costs of drilling productive and non-productive wells and general and administrative costs directly related to exploration and development activities.

When and if production is attained, these costs are depleted using the unit-of-production method based upon estimated proven recoverable reserves. The Entity applies a cost recovery test (the “ceiling test”) in respect of producing properties to determine that the capitalized costs of proved properties will be recovered from estimated net future revenues from the production of proved reserves at year-end P&NG prices. The Entity records an impairment loss when the carrying amount of an area of interest is considered not recoverable and exceeds its fair value. The carrying value of P&NG properties in an area of interest is considered not recoverable when the carrying amount exceeds the sum of the undiscounted cash flows based on expected prices. Fair value is determined using the expected present value approach. This approach incorporates risk and uncertainties in the expected future cash flows, which are discounted using a risk-free rate of return. Future depletion charges will be based on the revised carrying values for producing properties.

The carrying value of capitalized costs for exploration stage P&NG properties are separately reviewed at each reporting period to determine if impairment in value is indicated. Should impairment occur, the carrying value will be written down to the estimated net recoverable amount.

No gains or losses are ordinarily recognized upon the sale or disposition of P&NG properties within a specified area of interest, unless such a disposition would alter the rate of depletion and depreciation by 20% or more or represent the sale or abandonment of an entire area of interest.

Costs incurred for initial new property investigation where no acquisition occurs are expensed as incurred.

d) Share-based compensation

The Entity accounts for share-based compensation using a fair value based method with respect to all share-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed, the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

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(Canadian Dollars)

vested and non-forfeitable. The fair value of the options is accrued and recognized as compensation expense with a corresponding increase in contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

e) Asset retirement obligations

The Entity's activities give rise to dismantling, decommissioning and site disturbance remediation activities ("site restoration"). Provision is made for the estimated cost of site restoration and concurrently an increase in the carrying value of the related long-lived asset is recognized.

Asset retirement obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

f) Revenue recognition

Revenue from the sale of petroleum and natural gas is recognized when the significant risks and rewards of ownership are transferred to the buyer, which is based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including operating and maintenance costs, and production-based royalty expenses, are recognized during the same period in which the related revenue is earned. Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements and is included with petroleum and natural gas sales.

g) Production and mineral payments

Costs paid to non-mineral interest owners based on production of natural gas, crude oil and natural gas liquids are recognized when the product is produced.

h) Transportation and selling costs

Costs paid for the transportation and selling of natural gas, crude oil, and natural gas liquids, including diluent, are recognized when the product is delivered and the services provided.

i) Joint interests

A substantial portion of the Entity's exploration, development and production activities is conducted jointly with others. These carve-out financial statements reflect only the Entity's proportionate interest in such activities.

j) Future income taxes

Future income tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Future income tax is recognized on the acquisition of an asset in a transaction that is not a business combination when the cost of the asset is different than the tax value. In addition, future tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Future income tax is measured at

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

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the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Future income tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities if they intend to settle current income tax assets and liabilities on a net basis or if their tax assets and liabilities will be realized simultaneously. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted.

A future income tax asset is recognized to the extent that it is more likely than not that future taxable profits will be available against which the temporary difference can be utilized. Future income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer more likely than not that the related tax benefit will be realized.

3. Changes in accounting policies and practices

Effective January 1, 2010, the Entity elected to early adopt the following Canadian Institute of Chartered Accountants' Handbook sections, all of which must be adopted concurrently:

Section 1582, "Business Combinations" requires assets and liabilities acquired in a business combination, including goodwill, to be measured at their fair values as of the date of acquisition. Acquisition costs are not part of the consideration and are to be expensed when incurred.

Section 1601, "Consolidated Financial Statements" establishes the standards for the preparation of consolidated financial statements. The adoption of this section had no impact on the Entity's December 31, 2010 financial statements.

Section 1602, "Non-controlling Interests" establishes the accounting for a non-controlling interest in a subsidiary to be classified as a component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this section had no impact on the Entity's December 31, 2010 financial statements.

4. Future Accounting Pronouncement

International Financial Reporting Standards ("IFRS")

On February 13, 2008 the Canadian Accounting Standards Board announced that Canadian public reporting issuers will be required to report under IFRS, which will replace Canadian GAAP for years beginning on or after January 1, 2011. The Entity will therefore be required to report using IFRS commencing with its unaudited interim financial statements for the three months ended March 31, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Entity for the interim periods and for the year ending December 31, 2011.

5. Capital Management

The Entity's capital management objective is to maximize potential investment returns to its equity stakeholders within the context of the relevant opportunities and risks associated with the Entity's operating segment.

The inherent nature of petroleum and natural gas exploration involves a high degree of "discovery" risk. Consequently, there is substantial uncertainty as to whether any particular project will generate positive cash flows in the future. Therefore, management of Donnybrook funds its exploration activity primarily by issuing share capital rather than using other capital sources that require fixed repayments of principal and interest. The Entity's funding is limited to available funds and use of funds allocated by Donnybrook to the Entity.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the years ended December 31, 2010, 2009, and 2008

(Canadian Dollars)

6. Petroleum and Natural Gas Properties

Petroleum and natural gas property balances for the years ended December 31, 2010, 2009 and 2008 are as follows:

	December 31, 2010		
	Cost	Accumulated Depletion and Amortization	Net
Ansell Creek	\$ 441,956	\$ -	\$ 441,956
Delia-Michichi	534,325	98,741	435,584
Gold Creek	354,158	-	354,158
Grand Prairie	73,722	-	73,722
Leland Creek	6,951	-	6,951
Michichi	850,553	232,475	618,078
Valhalla Creek	66,874	-	66,874
	<u>\$ 2,328,539</u>	<u>\$ 331,216</u>	<u>\$ 1,997,323</u>

	December 31, 2009		
	Cost	Accumulated Depletion and Amortization	Net
Delia-Michichi	\$ 303,076	\$ 29,994	\$ 273,082
Michichi	696,457	114,366	582,091
	<u>\$ 999,533</u>	<u>\$ 144,360</u>	<u>\$ 855,173</u>

	December 31, 2008		
	Cost	Accumulated Depletion and Amortization	Net
Delia-Michichi	\$ -	\$ -	\$ -
Michichi	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

During the annual ceiling test, the Entity concluded that the full book value of the P&NG properties were unlikely to be recovered from future cash flows. Included in the Entity's resource property interests is a \$209 (December 31, 2009 - \$nil; December 31, 2008 - \$nil) impairment charge to write the interests down to fair value.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

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(Canadian Dollars)

a) Realization of assets

The investment in and expenditures on resource property interests comprise a significant portion of the Entity's assets. Realization of the Entity's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if petroleum and natural gas are discovered can be substantial, few properties that are explored are ultimately developed into producing wells. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of petroleum and natural gas.

b) Title to resource property interests

Although the Entity has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Entity's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

c) Environmental

The Entity is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The entity may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Entity conducts its resource exploration activities in compliance with applicable environmental protection legislation. The Entity is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Entity. Environmental legislation is becoming increasingly stringent and costs and expense of regulatory compliance are increasing. The impact of new and future environmental legislation on the Entity's operations may cause additional expense and restriction. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

7. Asset Retirement Obligations

The Entity's asset retirement obligations result from net ownership interest in petroleum and natural gas properties including well sites and gathering systems. The Entity estimates the total undiscounted amount of cash flows required to settle its AROs is approximately \$20,033 (December 31, 2009 - \$11,637; December 31, 2008 - \$nil). These payments are expected to be made over the next 7 to 20 years (December 31, 2009 - 8 to 15 years). The Entity used a weighted-average credit-adjusted risk-free discount rate of 7.42% (2009 - 7.90%) and a weighted-average inflation rate of 1.96% (2009 - 2.00%) to calculate the present value of the asset retirement obligations.

A reconciliation of the AROs is provided below:

	December 31, 2010	December 31, 2009	December 31, 2008
Balance, beginning of year	\$ 11,637	\$ -	\$ -
Increase in estimated future obligations	-	11,252	-
Accretion expense	8,396	385	-
Balance, end of year	\$ 20,033	\$ 11,637	\$ -

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

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8. Share-based Compensation

Donnybrook has implemented a Share Option Plan (the “Plan”) for directors, officers, employees and consultants whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of share options. The term of the share options granted are determined by the board of directors and are not to exceed 10 years. The exercise price of the share options is determined by the board of directors but shall not be less than the closing trading price of the Company’s common shares on the day preceding the grant date, less any discount permitted by the TSX-Venture Exchange (the “Exchange”). Options granted under the Plan vest over varying periods at the discretion of the board of directors provided the terms are in accordance with the policies of the Exchange.

During the year ended December 31, 2010, the Company granted 1,115,200 (December 31, 2009 – 409,800; December 31, 2008 - \$nil) share options with a fair value of \$1,610,240 (December 31, 2009 – \$139,283; December 31, 2008 - \$nil). Of this amount, 10% has been allocated to the Entity with \$77,899 (December 31, 2009 - \$12,820; December 31, 2008 - \$nil) recognized in 2010 for options granted and vested in 2010 and \$1,108 (December 31, 2009 - \$nil; December 31, 2008 - \$nil) recognized in 2010 related to options granted in prior years that vested in 2010.

The fair value of vested share options recognized is broken down as follows:

	December 31, 2010	December 31, 2009	December 31, 2008
Directors, Officers and Employees	\$ 46,027	\$ 12,393	\$ -
Consultants	2,839	427	-
Capitalized to P&NG Properties	30,141	-	-
	\$ 79,007	\$ 12,820	\$ -

9. Related Party Transactions

The following is a summary of the related party transactions that occurred throughout the years ended December 31, 2010, 2009 and 2008:

a) Trading Transactions

- i. paid or accrued \$12,143 (2009 - \$5,111; 2008 \$nil) for rent to a company controlled by the Chairman (former CEO and President);
- ii. paid or accrued \$1,333 (2009 - \$nil; 2008 \$nil) for geological consulting fees capitalized to P&NG Properties to a company controlled by a director and Vice-President Business Development; and
- iii. paid or accrued \$3,674 (2009 - \$nil; 2008 \$nil) for rent to a company controlled by a director, and an officer.

Accounts payable and accrued liabilities as at December 31, 2010 include \$nil (December 31, 2009 - \$nil; December 31, 2008 - \$nil) owing to related parties.

10. Financial Instruments

The Entity’s activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities such as:

- credit risk;
- liquidity risk; and
- market risk.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

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(Canadian Dollars)

This note presents information about the Entity's exposure to each of the above risks, the Entity's objectives, policies and processes for measuring and managing risk, and the Entity's management of capital. Further quantitative disclosures are included throughout these carve-out financial statements.

The board of directors oversees management's establishment and execution of the Entity's risk management framework. Management has implemented and monitors compliance with risk management policies. The Entity's risk management policies are established to identify and analyze the risks faced by the Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Entity's activities.

(a) Fair values of financial assets and liabilities

Financial instruments of the Entity consist of trade and other receivables, and accounts payables and accrued liabilities, all of which are included in these financial statements. The amounts reflected in the statements of financial position are carrying amounts and approximate their fair values due to their short-term nature.

(b) Credit risk

Credit risk is the risk of financial loss to the Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Entity's receivables from joint venture partners and P&NG marketers.

Trade and other receivables:

All of the Entity's operations are conducted in Canada. The Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Receivables from P&NG marketers are normally collected on the 25th day of the month following production. The Entity's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Entity historically has not experienced any collection issues with its P&NG marketers.

Receivables from joint venture partners are typically collected within one to three months of the joint venture operator statement being issued. The Entity attempts to mitigate the risk from joint venture receivables by obtaining venturer pre-approval of significant capital expenditures. However, the receivables are from participants in the P&NG sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venturers, as disagreements occasionally arise that increase the potential for non-collection.

The Entity does not typically obtain collateral from P&NG marketers or joint venturers; however, the Entity does have the ability to withhold production from joint venturers in the event of non-payment.

The Entity does not anticipate any default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers. As such, a provision for doubtful accounts has not been recorded at December 31, 2010, 2009 and 2008.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the years ended December 31, 2010, 2009, and 2008

(Canadian Dollars)

The aging of receivables is as follows:

	December 31, 2010	December 31, 2009	December 31, 2008
Receivables			
0 to 60 days	\$ 30,026	\$ 32,168	\$ -
60 to 90 days	-	10,317	-
	\$ 30,026	\$ 42,485	\$ -

(c) Liquidity risk

Liquidity risk is the risk that the Entity will encounter difficulties in meeting its financial liability obligations. The Entity's financial liabilities are comprised of accounts payable and accrued liabilities all of which are due in 30 days. The Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Entity's reputation.

(d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Entity's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Entity is exposed to market risk as follows:

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Entity is not exposed to significant interest rate risk due to the short-term to maturity of its financial instruments. The Entity had no interest rate swap or financial contracts in place as at or during the periods ended December 31, 2010, 2009 and 2008.

ii. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Entity's exposure to currency risk is small as the Entity's operations are in one country, being Canada. The current dollar amount and number of transactions conducted in currencies other than the Canadian dollar are not significant.

iii. Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand.

The Entity is not exposed to commodity price risk with respect to its financial instruments as their fair values and future cash flows are not impacted by fluctuations in commodity prices.

11. Future Income Taxes

The Entity did not file stand alone tax returns for the years ended December 31, 2010, 2009 and 2008. The tax bases of the Transferred Assets approximate the accounting carrying values as such, there are no future income tax assets or liabilities to recognize for any periods.

DONNYBROOK ENERGY INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

For the years ended December 31, 2010, 2009, and 2008

(Canadian Dollars)

12. Segmented Disclosure

The Entity operates in one business segment, the acquisition, exploration and development of petroleum and natural gas properties. All of the Entity's assets are located in Alberta, Canada.

13. Subsequent Event

Except as disclosed elsewhere, the following occurred subsequent to the year end:

Donnybrook will be providing to shareholders and filing with applicable regulatory authorities a Management Information Circular whereby Donnybrook shareholders will be asked to approve the Arrangement and a private placement of Donnycreek's common shares for gross proceeds of \$2,400,000.



Prairie Exploration Inc. – Deep Basin and Delia-Michichi Operations

Carve-out Financial Statements

Deep Basin and Delia-Michichi Assets of Prairie Exploration Inc. only (Note 1)

May 31, 2010, September 30, 2009 and 2008

Prairie Exploration Inc. – Deep Basin and Delia-Michichi Operations

Carve-Out Financial Statements

Deep Basin and Delia-Michichi Assets of Prairie Exploration Inc. only (Note 1)

May 31, 2010, September 30, 2009 and 2008

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying carve-out financial statements of Prairie Exploration Inc. – Deep Basin and Delia-Michichi Operations are the responsibility of the Board of Directors and management of Donnybrook Energy Inc. These carve-out financial statements have been prepared by the Company's management in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control through an audit committee, which is comprised primarily of non-management directors. The Audit Committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The carve-out financial statements as at May 31, 2010, September 30, 2009 and 2008 and for the periods then ended have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the carve-out financial statements.

"Malcolm Todd"

President and Chief Executive Officer
Donnybrook Energy Inc.

"Robert Todd"

Chief Financial Officer
Donnybrook Energy Inc.

Vancouver, British Columbia
September 23, 2011

INDEPENDENT AUDITORS' REPORT

TO THE DIRECTORS OF DONNYBROOK ENERGY INC.

We have audited the accompanying carve-out financial statements of Prairie Exploration Inc. – Deep Basin and Delia-Michichi Operations, which comprise the statement of financial position as at May 31, 2010, and September 30 2009, and 2008, and the statements of operations and retained earnings and cashflows for the eight months ended May 31, 2010, and the years ended September 30, 2009 and 2008, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management of Donnybrook Energy Inc. is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for carve-out financial statements, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of Prairie Exploration Inc. – Deep Basin and Delia-Michichi Operations at May 31, 2010, September 30 2009, and 2008, and its financial performance and its cash flows for the eight months ended May 31, 2010, and the years ended September 30, 2009 and 2008 in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for carve-out financial statements.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
September 23, 2011

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Prairie Exploration Inc. - Deep Basin and Delia-Michichi Operations

Carve-out Statements of Financial Position

(Canadian Dollars)

	As at May 31, 2010	As at September 30, 2009	As at September 30, 2008
Assets			
Current assets			
Trade and other receivables	\$ 13,879	\$ 11,575	\$ 7,454
Deposits and prepaid expenses	16,423	16,423	-
Total current assets	30,302	27,998	7,454
Non-current assets			
Resource properties (note 6)	562,102	457,581	591,148
Total assets	\$ 592,404	\$ 485,579	\$ 598,602
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	\$ 17,737	\$ 20,916	\$ 36,320
Non-current liabilities			
Asset retirement obligations (note 7)	7,283	7,050	5,825
Total liabilities	25,020	27,966	42,145
Equity			
Contribution from Prairie Exploration Inc. (note 1)	525,783	370,647	448,034
Retained earnings	41,601	86,966	108,423
Total equity	567,384	457,613	556,457
Total liabilities and equity	\$ 592,404	\$ 485,579	\$ 598,602

Subsequent events (note 11)

Approved on behalf of the Board of Donnybrook Energy Inc.:

"Malcolm Todd"

Malcolm Todd

"Colin Watt"

Colin Watt

Prairie Exploration Inc. - Deep Basin and Delia-Michichi Operations

Carve-out Statements of Operations and Retained Earnings

(Canadian Dollars)

	Eight months ended May 31, 2010	Year ended September 30, 2009	Year ended September 30, 2008
Revenue			
Petroleum and natural gas	\$ 148,598	\$ 253,493	\$ 318,824
Royalties	(30,337)	(68,560)	(59,895)
	118,261	184,933	258,929
Expenses			
Production and operating expenses	32,483	38,284	37,922
Depletion, depreciation and accretion	111,499	134,131	79,170
General and administrative expenses	19,644	33,933	33,247
Impairment losses on resource properties	-	42	167
	\$ 163,626	\$ 206,390	\$ 150,506
Net income (loss) and comprehensive income (loss) for period	(45,365)	(21,457)	108,423
Retained Earnings, beginning of period	86,966	108,423	-
Retained Earnings, end of period	\$ 41,601	\$ 86,966	\$ 108,423

Prairie Exploration Inc. - Deep Basin and Delia-Michichi Operations

Carve-out Statements of Cash Flows

(Canadian Dollars)

	Eight months ended May 31, 2010	Year ended September 30, 2009	Year ended September 30, 2008
Cash provided by (used for):			
Operating activities			
Income (loss) for the period	\$ (45,365)	\$ (21,457)	\$ 108,423
Items not involving cash:			
Depletion, depreciation and accretion	111,499	134,131	79,170
Impairment losses on resource properties	-	42	167
Changes in non-cash operating working capital items:			
Trade and other receivables	(2,304)	(4,121)	(7,454)
Deposits and prepaid expenses	-	(16,423)	-
Accounts payable and accrued liabilities	(3,179)	(15,404)	(61,615)
	<u>60,651</u>	<u>76,768</u>	<u>118,691</u>
Investing activities			
Expenditures on resource properties	(215,787)	619	(231,913)
Financing activities			
Contribution from Prairie Exploration Inc.	155,136	(77,387)	113,222
Change in cash during the period	-	-	-
Cash, beginning of period	-	-	-
Cash, end of period	\$ -	\$ -	\$ -

PRAIRIE EXPLORATION INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

Notes to the Carve-out Financial Statements

May 31, 2010, September 30, 2009 and 2008

(Canadian Dollars)

1. Nature of Operations & Going Concern

Donnybrook Energy Inc. (“Donnybrook” or the “Company”) and Donnycreek Energy Inc. (“Donnycreek”), its wholly owned subsidiary, intend to enter into an arrangement agreement for the transfer of certain petroleum and natural gas interests owned by Donnybrook and cash in the amount of \$300,000 (collectively, the “Transferred Assets”). The Transferred Assets include petroleum and natural gas interests in the Deep Basin area of west central Alberta in the following areas: Prairie Creek, Gold Creek, Ansell Creek, Grand Prairie, Valhalla Creek, and Leland Creek as well as in the Delia-Michichi area of central Alberta. Following the completion of the transfer of assets, the shares of Donnycreek will be distributed to shareholders of Donnybrook on the basis of 0.025 of a Donnycreek share for each common share of Donnybrook outstanding as of the effective date of the Arrangement.

As consideration for the Transferred Assets, Donnycreek has agreed to issue approximately 4.3 to 4.83 million common shares to Donnybrook and a promissory note in the principal amount of approximately \$2.19 million.

The carve-out statement of financial position of Prairie Exploration Inc. – Deep Basin and Delia-Michichi Operations (the “Entity”) presents the historical financial position on a carve-out basis in connection with the transfer by Prairie Exploration Inc. (“Prairie”) of its petroleum and natural gas interests to Donnycreek. Prairie was acquired by Donnybrook in May 2010 and became a wholly owned subsidiary of Donnybrook. On November 1, 2010, Prairie was amalgamated with Donnybrook. The carve-out financial statements and notes thereto have been derived from the accounting records of Prairie on a carve-out basis and should be read together with the audited financial statements and notes thereto of Prairie for the years ended September 30, 2009 and 2008. The carve-out financial statements have been presented in accordance with the continuity of interest basis of accounting with financial position amounts based on the amounts recorded by Prairie. Management cautions readers of the carve-out financial statements that the results do not necessarily reflect the results of operations or financial position that the Entity would have incurred in the aforementioned period or will incur in the future.

The Entity’s ability to continue as a going concern is dependent on continued financial support from its shareholders, the ability of the Entity to raise financing or the attainment of profitable operations to settle liabilities as they become payable. The carve-out balance sheet has been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The carve-out statement of financial position does not include adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Entity be unable to continue as a going concern.

The Company provides services and support functions to the Entity. The costs associated with these services and support functions have been allocated to the Entity using methodologies primarily based on proportionate revenues and proportionate time spent on the Entity, which is considered to be the most meaningful in the circumstances. The allocated costs are primarily related to corporate administrative expenses, employee related costs, rental and usage fees for shared assets for the following functional groups: information systems, finance and other executive oversight, human resources and risk management to the Entity. These expenses and cost allocations have been determined on a basis considered by the Company and the Entity to be a reasonable reflection of the utilization of services provided to or for the benefit received by the Entity during the periods presented. However, these assumptions and allocations are not necessarily indicative of the costs the Entity would have incurred if it had operated on a standalone basis or as an entity independent of the Company.

The Company uses a centralized approach to cash management and financing of its operations. Central treasury activities include the investment of surplus cash and interest rate management. The financial systems of the Company were not designed to track certain balances and transactions at an entity unit level. All funding to the Entity since inception has been accounted for as a capital contribution from the Company and all cash remittances from the Entity have been accounted for as a distribution to the Company, including the allocation of expenses and settlement of transactions with the Company within the account caption “Contribution from Prairie Exploration Inc.” in Equity. In

PRAIRIE EXPLORATION INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

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(Canadian Dollars)

In addition, the caption "Contribution from Prairie Exploration Inc." represents the Company's interest in the recorded net assets of the Entity and represents the cumulative net investment by the Company in the Entity through the dates presented and includes cumulative operating results of the Entity.

Prairie was acquired by Donnybrook in May 2010 and became a wholly owned subsidiary of Donnybrook. On November 1, 2010, Prairie was amalgamated with Donnybrook.

2. Significant Accounting Policies

These carve-out financial statements are presented in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for carve-out financial statements (defined as Canadian Generally Accepted Accounting Principles "GAAP") and are presented in Canadian dollars, which is the Entity's functional currency.

a) Measurement Uncertainty

The timely preparation of these carve-out financial statements in conformity with Canadian GAAP requires that Management make estimates and assumptions and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Prairie carve-out financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the Prairie carve-out financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Amounts recorded for depreciation, depletion, and amortization, asset retirement costs and obligations and amounts used for ceiling test and impairment calculations are based on estimates of natural gas and crude oil reserves and future costs required to develop those reserves. By their nature, these estimates of reserves, including the estimates of future prices and costs, and the related future cash flows are subject to measurement uncertainty, and the impact in the Prairie carve-out financial statements of future periods could be material.

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one company and a financial liability or equity instrument of another company. Financial assets and financial liabilities are recognized on the statement of financial position at the time the Entity becomes party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument.

The Entity has made the following classifications:

- Trade and other receivables are classified as loans and receivables and are initially measured at fair value plus directly attributable transaction costs. Subsequently, they are recorded at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities related to investments are classified as other liabilities and are initially measured at fair value less directly attributable transaction costs. Subsequently, they are recorded at amortized cost using the effective interest method.

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Transaction costs related to financial instruments classified as fair value through profit or loss are expensed as incurred. All other transaction costs related to financial instruments are recorded as part of the instrument and are amortized using the effective interest method.

Contracts that are entered into for the purpose of the receipt or delivery of a non-financial item in accordance with the Entity's expected purchase, sale, or usage requirements (such as physical delivery commodity contracts) do not qualify as financial instruments and thus, are accounted for in accordance with other applicable standards.

The Entity classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair values:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measure in its entirety.

c) Resource Properties

Natural gas and crude oil properties are accounted for in accordance with the CICA guideline on full cost accounting in the oil and gas industry. Under this method, all costs, including internal costs and asset retirement costs, directly associated with the acquisition of, the exploration for, and the development of natural gas and crude oil reserves, are capitalized on a country-wide cost centre basis.

Costs accumulated within each cost centre are depreciated, depleted and amortized using the unit-of production method based on estimated proved reserves determined using estimated future prices and costs. For purposes of this calculation, oil is converted to gas on an energy equivalent basis. Proceeds from divestiture of properties are normally deducted from the full cost pool without recognition of gain or loss unless that deduction would result in a change to the rate of depreciation, depletion and amortization of 20 percent or greater, in which case a gain or loss is recorded. Costs that have been impaired are included in the costs subject to depreciation, depletion and amortization.

The Entity applies a cost recovery test (the "ceiling test") in respect of producing properties to determine that the capitalized costs of proved properties will be recovered from estimated net future revenues from the production of proved reserves at year-end resource property prices. The Entity records an impairment loss when the carrying amount of an area of interest is considered not recoverable and exceeds its fair value. The carrying value of resource properties in an area of interest is considered not recoverable when the carrying amount exceeds the sum of the undiscounted cash flows based on expected prices. Fair value is determined using the expected present value approach. This approach incorporates risk and uncertainties in the expected future cash flows, which are discounted using a risk-free rate of return.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

PRAIRIE EXPLORATION INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

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d) Asset retirement obligations

The Entity's activities give rise to dismantling, decommissioning and site disturbance remediation activities ("site restoration"). Provision is made for the estimated cost of site restoration and concurrently an increase in the carrying value of the related long-lived asset is recognized.

The fair value of estimated asset retirement obligations is recognized in the statement of financial position when incurred and a reasonable estimate of fair value can be made.

Asset retirement obligations include those legal obligations where the Entity will be required to retire tangible long-lived assets such as producing well sites. The asset retirement cost, equal to the initially estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to estimated timing or amount of undiscounted cash flows are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Amortization of asset retirement costs are included in depreciation, depletion and amortization in the statement of operations and retained earnings. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the statement of operations and retained earnings.

e) Revenue recognition

Revenue from the sale of petroleum and natural gas is recognized when the significant risks and rewards of ownership are transferred to the buyer, which is based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including operating and maintenance costs, and production-based royalty expenses, are recognized during the same period in which the related revenue is earned. Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements and is included with petroleum and natural gas sales.

f) Production and mineral payments

Costs paid to non-mineral interest owners based on production of natural gas, crude oil and natural gas liquids are recognized when the product is produced.

g) Transportation and selling costs

Costs paid for the transportation and selling of natural gas, crude oil, and natural gas liquids, including diluent, are recognized when the product is delivered and the services provided.

h) Joint interests

A substantial portion of the Entity's exploration, development and production activities is conducted jointly with others. These carve-out financial statements reflect only the Entity's proportionate interest in such activities.

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i) Future Income taxes

Future income tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Future income tax is recognized on the acquisition of an asset in a transaction that is not a business combination when the cost of the asset is different than the tax value. In addition, future tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Future income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Future income tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities if they intend to settle current income tax assets and liabilities on a net basis or if their tax assets and liabilities will be realized simultaneously. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted.

A future income tax asset is recognized to the extent that it is more likely than not that future taxable profits will be available against which the temporary difference can be utilized. Future income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer more likely than not that the related tax benefit will be realized.

3. Future Accounting Pronouncement

International Financial Reporting Standards ("IFRS")

On February 13, 2008 the Canadian Accounting Standards Board announced that Canadian public reporting issuers will be required to report under IFRS, which will replace Canadian GAAP for years beginning on or after January 1, 2011. The Entity will therefore be required to report using IFRS commencing with its unaudited interim financial statements for the three months ended March 31, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Entity for the interim periods and for the year ending September 30, 2011.

4. New Standards and Interpretations Not Yet Adopted

Business combinations

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred.

Section 1601, "Consolidated Financial Statements", replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for the Company's interim and annual consolidated financial statements beginning on January 1, 2011.

PRAIRIE EXPLORATION INC. – DEEP BASIN AND DELIA-MICHICHI OPERATIONS

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Section 1602, “Non-Controlling Interests”, establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to IFRS on consolidated and separate financial statements. This standard is effective for the Company’s interim and annual consolidated financial statements beginning on January 1, 2011.

All three sections must be adopted concurrently. The Company will evaluate the impact of the adoption of these sections as required.

5. Capital Management

The Entity’s capital management objective is to maximize potential investment returns to its equity stakeholders within the context of the relevant opportunities and risks associated with the Entity’s operating segment.

The inherent nature of petroleum and natural gas exploration involves a high degree of “discovery” risk. Consequently, there is substantial uncertainty as to whether any particular project will generate positive cash flows in the future. The Entity’s funding is limited to available funds and use of funds allocated by Prairie to the Entity.

Prairie manages its capital base by quarterly and annual cash flows forecasts. The timing and extent of both program implementation and financings are determined by management evaluation of both program implementation and financings as determined by management’s evaluation of economic factors such as the expected impact that completion of a given program may have on the cost of capital.

6. Resource Properties

Resource property expenditures and balances for the eight months ended May 31, 2010 and years ended September 30, 2009 and 2008 are as follows:

May 31, 2010				
	Cost	Accumulated Depletion and Amortization	Impairment	Net
Ansell Creek	\$ 108,958	\$ 14,383	\$ -	\$ 94,575
Delia-Michichi	415,775	180,535	209	235,031
Grand Prairie	24,250	3,460	-	20,790
Michichi	254,330	110,369	-	143,961
Valhalla Creek	81,923	14,178	-	67,745
	\$ 885,236	\$ 322,925	\$ 209	\$ 562,102

September 30, 2009				
	Cost	Accumulated Depletion and Amortization	Impairment	Net
Delia-Michichi	\$ 415,775	\$ 131,720	\$ 209	\$ 283,846
Michichi	254,330	80,595	-	173,735
	\$ 670,105	\$ 212,315	\$ 209	\$ 457,581

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(Canadian Dollars)

September 30, 2008				
	Cost	Accumulated Depletion and Amortization	Impairment	Net
Delia-Michichi	\$ 414,706	\$ 48,810	\$ 167	\$ 365,729
Michichi	255,449	30,030	-	225,419
	<u>\$ 670,155</u>	<u>\$ 78,840</u>	<u>\$ 167</u>	<u>\$ 591,148</u>

During the annual ceiling test, the Entity concluded that the full book value of the resource property interests were unlikely to be recovered from future cash flows. Included in the Entity's resource property interests is a \$209 (September 30, 2009 - \$209; September 30, 2008 - \$167) impairment charge to write the interests down to fair value.

a) Realization of assets

The investment in and expenditures on resource property interests comprise a significant portion of the Entity's assets. Realization of the Entity's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if petroleum and natural gas are discovered can be substantial, few properties that are explored are ultimately developed into producing wells. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of petroleum and natural gas.

b) Title to resource property interests

Although the Entity has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Entity's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

c) Environmental

The Entity is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The entity may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Entity conducts its resource exploration activities in compliance with applicable environmental protection legislation. The Entity is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Entity. Environmental legislation is becoming increasingly stringent and costs and expense of regulatory compliance are increasing. The impact of new and future environmental legislation on the Entity's operations may cause additional expense and restriction. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

7. Asset Retirement Obligations

The Entity's asset retirement obligations result from net ownership interest in petroleum and natural gas properties including well sites and gathering systems. The Entity estimates the total undiscounted amount of cash flows required to settle its AROs is approximately \$7,283 (September 30, 2009 - \$7,050; September 30, 2008 - \$5,825). The majority of the costs will be incurred after 2012. An inflation factor of 1.5% (September 30, 2009 - 1.5%;

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September 30, 2008 – 1.5%) has been applied to the estimated asset retirement cost. A credit-adjusted, risk-free rate of 5% (September 30, 2009 - 5%; September 30, 2008 – 6%) was used to calculate the fair value of the AROs.

A reconciliation of the AROs is provided below:

	May 31, 2010	September 30, 2009	September 30, 2008
Balance, beginning of period	\$ 7,050	\$ 5,825	\$ -
Increase in estimated future obligations	-	-	5,495
Accretion expense	233	1,225	330
	<u>\$ 7,283</u>	<u>\$ 7,050</u>	<u>\$ 5,825</u>

8. Financial Instruments

The Entity's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities such as:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Entity's exposure to each of the above risks, the Entity's objectives, policies and processes for measuring and managing risk, and the Entity's management of capital. Further quantitative disclosures are included throughout these carve-out financial statements.

The board of directors oversees management's establishment and execution of the Entity's risk management framework. Management has implemented and monitors compliance with risk management policies. The Entity's risk management policies are established to identify and analyze the risks faced by the Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Entity's activities.

(a) Fair values of financial assets and liabilities

Financial instruments of the Entity consist of trade and other receivables, and accounts payables and accrued liabilities, all of which are included in these financial statements. The amounts reflected in the statements of financial position are carrying amounts and approximate their fair values due to their short-term nature.

(b) Credit risk

Credit risk is the risk of financial loss to the Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Entity's receivables from joint venture partners and P&NG marketers.

Trade and other receivables:

All of the Entity's operations are conducted in Canada. The Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

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Receivables from P&NG marketers are normally collected on the 25th day of the month following production. The Entity's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Entity historically has not experienced any collection issues with its P&NG marketers.

Receivables from joint venture partners are typically collected within one to three months of the joint venture operator statement being issued. The Entity attempts to mitigate the risk from joint venture receivables by obtaining venturer pre-approval of significant capital expenditures. However, the receivables are from participants in the P&NG sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venturers, as disagreements occasionally arise that increase the potential for non-collection.

The Entity does not typically obtain collateral from P&NG marketers or joint venturers; however, the Entity does have the ability to withhold production from joint venturers in the event of non-payment.

The Entity does not anticipate any default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers. As such, a provision for doubtful accounts has not been recorded at May 31, 2010 and September 30, 2009 and 2008.

The aging of receivables is as follows:

	May 31, 2010	September 30, 2009	September 30, 2008
Receivables			
0 to 60 days	\$ 13,879	\$ 11,575	\$ 7,454

(c) Liquidity risk

Liquidity risk is the risk that the Entity will encounter difficulties in meeting its financial liability obligations. The Entity's financial liabilities are comprised of accounts payable and accrued liabilities all of which are due in 30 days. The Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Entity's reputation.

(d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Entity's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Entity is exposed to market risk as follows:

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Entity is not exposed to significant interest rate risk due to the short-term to maturity of its financial instruments. The Entity had no interest rate swap or financial contracts in place as at or during the periods ended May 31, 2010, September 30, 2009 and 2008.

ii. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Entity's exposure to currency risk is small as the Entity's operations are in one country, being Canada. The current dollar amount and number of transactions conducted in currencies other than the Canadian dollar are not significant.

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(Canadian Dollars)

iii. Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand.

The Entity is not exposed to commodity price risk with respect to its financial instruments as their fair values and future cash flows are not impacted by fluctuations in commodity prices.

9. Future Income Taxes

The Entity did not file stand alone tax returns for the period ended May 31, 2010 and years ended September 30, 2009 and 2008. The tax bases of the Transferred Assets approximate the accounting carrying values as such, there are no future income tax assets or liabilities to recognize for any periods.

10. Segmented Disclosure

The Entity operates in one business segment, the acquisition, exploration and development of resource properties. All of the Entity's assets are located in Alberta, Canada.

11. Subsequent Events

Except as disclosed elsewhere, the following occurred subsequent to period end:

- i. Donnybrook acquired 100% of the issued and outstanding shares of Prairie by way of a takeover bid that resulted in the shareholders of Prairie receiving 5.992 common shares of Donnybrook in exchange for one common share of Prairie. Subsequent to the acquisition, Donnybrook and Prairie amalgamated to form a single entity which continued under the name of Donnybrook.
- ii. Donnybrook will be providing to shareholders and filing with applicable regulatory authorities a Management Information Circular whereby Donnybrook shareholders will be asked to approve the Arrangement and a private placement of Donnybrook's common shares for gross proceeds of \$2,400,000.

SCHEDULE C

Unaudited Pro Forma Carve-out Financial Statements of Newco



Donnycreek Energy Inc.

Pro Forma Carve-out Financial Statements

Deep Basin and Delia-Michichi Assets of Donnycreek Energy Inc. only (Notes 1 and 2)

June 30, 2011

(Unaudited)

Donnycreek Energy Inc.

Pro Forma Carve-out Statement of Financial Position

June 30, 2011

(Unaudited)

(Canadian Dollars)

	As at June 30, 2011				
	Donnycreek Energy Inc.	Donnybrook Carve-out	Pro Forma Adjustments	Note	Donnycreek Pro Forma
Assets					
Current assets					
Cash	\$ 1	\$ -	\$ 300,000	2a)	\$ 511,658
	-	-	211,657	2d)	-
Trade and other receivables	-	33,912	(33,912)	2f)	-
Deposits and prepaid expenses	-	24,144	(24,144)	2f)	-
Total current assets	1	58,056	453,601		511,658
Non-current assets					
Petroleum and natural gas properties	-	720,572	-		720,572
Exploration and evaluation assets	-	2,083,966	-		2,083,966
Total non-current assets	-	2,804,538	-		2,804,538
Total assets	\$ 1	\$ 2,862,594	\$ 453,601		\$ 3,316,196
Liabilities and Equity					
Current liabilities					
Accounts payable and accrued liabilities	\$ -	\$ 33,289	\$ (33,289)	2f)	\$ -
Note payable	-	-	2,188,343	2b)	-
	-	-	(2,188,343)	2d)	-
Total current liabilities	-	33,289	(33,289)		-
Non-current liabilities					
Decommissioning liabilities	-	31,885	-		31,885
Total liabilities	-	65,174	(33,289)		31,885
Equity					
Share capital	1	-	884,310	2b)	3,284,311
	-	-	2,400,000	2d)	-
Contribution from Donnybrook Energy Inc.	-	3,348,654	(3,348,654)	2g)	-
Retained earnings (deficit)	-	(551,234)	551,234	2g)	-
Total equity	1	2,797,420	486,890		3,284,311
Total liabilities and equity	\$ 1	\$ 2,862,594	\$ 453,601		\$ 3,316,196

Donnycreek Energy Inc.
Pro Forma Carve-out Statement of Loss
For six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

	Donnycreek Energy Inc.	Donnybrook Carve-out	Pro Forma Adjustments	Donnycreek Pro Forma Six months ended June 30, 2011
Revenue				
Petroleum and natural gas	\$ -	\$ 227,755	\$ -	\$ 227,755
Royalties	-	(46,947)	-	(46,947)
	-	180,808	-	180,808
Expenses				
Production and operating expenses	-	45,760	-	45,760
Depletion, depreciation and amortization	-	95,701	-	95,701
General and administrative expenses	-	24,577	-	24,577
Share-based compensation	-	32,396	-	32,396
	-	198,434	-	198,434
Loss from operations	-	(17,626)	-	(17,626)
Finance expenses	-	(1,260)	-	(1,260)
Net loss	\$ -	\$ (18,886)	\$ -	\$ (18,886)
Earnings per share:				
Basic	\$ -	\$ (0.01)	\$ -	\$ (0.01)
Diluted	\$ -	\$ (0.01)	\$ -	\$ (0.01)
Weighted average number of common shares outstanding	1	10,782,387	-	10,782,388

Donnycreek Energy Inc.
Pro Forma Carve-out Statement of Loss
For year ended December 31, 2010

(Unaudited)
(Canadian Dollars)

	Donnycreek Energy Inc.	Donnybrook Carve-out	Pro Forma Adjustments	Donnycreek Pro Forma Year ended December 31, 2010
Revenue				
Petroleum and natural gas	\$ -	\$ 379,644	\$ -	\$ 379,644
Royalties	-	(70,461)	-	(70,461)
	-	309,183	-	309,183
Expenses				
Production and operating expenses	-	77,001	-	77,001
Depletion, depreciation and amortization	-	175,023	-	175,023
General and administrative expenses	-	49,920	-	49,920
Share-based compensation	-	48,865	-	48,865
Impairment losses on petroleum and natural gas properties	-	263,491	-	263,491
	-	614,300	-	614,300
Loss from operations	-	(305,117)	-	(305,117)
Finance expenses	-	(2,334)	-	(2,334)
Loss before other item	-	(307,451)	-	(307,451)
Impairment loss on goodwill	-	(129,944)	-	(129,944)
Net loss	\$ -	\$ (437,395)	\$ -	\$ (437,395)
Earnings per share:				
Basic	\$ -	\$ (0.05)	\$ -	\$ (0.05)
Diluted	\$ -	\$ (0.05)	\$ -	\$ (0.05)
Weighted average number of common shares outstanding	1	10,782,387	-	10,782,388

DONNYCREEK ENERGY INC.

Notes to the Pro Forma Carve-out Financial Statements

Six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

1. Basis of Presentation

The accompanying unaudited pro forma carve-out financial statements have been prepared by the management of Donnycreek Energy Inc. (“Donnycreek” or the “Company”) for inclusion in the Management Information Circular (the “Circular”) of Donnybrook Energy Inc. (“Donnybrook”) in connection with the arrangement agreement (the “Arrangement”) involving the acquisition by Donnycreek of certain petroleum and natural gas assets of Donnybrook (collectively the “Acquisition”).

The unaudited pro forma statements have been prepared assuming the transaction had occurred on June 30, 2011 and Donnycreek was incorporated on June 30, 2011. The unaudited pro forma carve-out financial statements have been prepared in accordance with Donnybrook’s accounting policies, as disclosed in Donnybrook’s unaudited carve-out financial statements for the six-months ended June 30, 2011 and Donnybrook’s audited carve-out financial statements for the year ended December 31, 2010.

These unaudited pro forma carve-out financial statements have been prepared for the Arrangement and are expressed in Canadian dollars. The unaudited pro forma carve-out financial statements have been compiled from and include:

- The audited carve-out financial statements of Donnybrook for the year ended December 31, 2010 representing only Donnybrook’s petroleum and natural gas assets, Deep Basin and Delia-Michichi Operations;
- The unaudited interim carve-out financial statements of Donnybrook for the six-months ended June 30, 2011 representing only Donnybrook’s petroleum and natural gas assets, Deep Basin and Delia-Michichi Operations; and
- The audited financial statements of Donnycreek as at September 15, 2011.

The unaudited pro forma carve-out financial statements should be read in conjunction with Donnybrook’s audited carve-out financial statements for the year ended December 31, 2010, and the unaudited condensed carve-out interim financial statements for the six months ended June 30, 2011 and related Management’s Discussion and Analysis. The audited carve-out financial statements of Donnybrook are included in the Circular.

It is management’s opinion that the unaudited pro forma carve-out financial statements include all adjustments necessary for the fair presentation of the transactions described here in accordance with IFRS applied on a basis consistent with Donnybrook’s accounting policies. The unaudited pro forma carve-out financial statements are for illustrative and information purposes only and may not be indicative of the results that actually would have occurred if the Arrangement had been in effect on the dates indicated or of the results that may be obtained in the future. In addition to the pro forma adjustments to the historical carve-out financial statements, various other factors will have an effect on the financial condition and results of operations after the completion of the Arrangement.

The unaudited pro forma carve-out statement of financial position gives effect to the Arrangement as if it had taken place on June 30, 2011. The unaudited pro forma carve-out statements of loss for the six-months ended June 30, 2011 and year ended December 31, 2010 gives effect to the Arrangement as if it had taken place on January 1, 2010. Note 2 outlines the pro forma assumptions and adjustments that have been made.

2. Pro Forma Assumptions and Adjustments

The accompanying unaudited pro forma statement of financial position of the Company gives effect to the proposed Acquisition of certain petroleum and natural gas assets of Donnybrook pursuant to the arrangement agreement. As a result of the Acquisition, Donnycreek will acquire certain petroleum and natural gas assets of Donnybrook, the (“Transferred Assets”). The Transferred Assets consist of petroleum and natural gas interests in the following areas: Prairie Creek, Gold Creek, Ansell Creek, Grand Prairie, Valhalla Creek, Leland Creek and Delia-Michichi. The transaction will result in the shareholders of Donnybrook owning issued and outstanding shares of Donnycreek. As this is a transfer

DONNYCREEK ENERGY INC.

Notes to the Pro Forma Carve-out Financial Statements

Six months ended June 30, 2011

(Unaudited)

(Canadian Dollars)

between two controlled entities, the Arrangement has been accounted for as a continuity of interests followed by a return of capital transaction to Donnybrook shareholders.

Pro Forma Statement of Financial Position:

The pro forma carve-out statement of financial position of Donnycreek as at June 30, 2011 is based on the historical carve-out statement of financial position of Donnybrook as at June 30, 2011 and has been prepared as if the following proposed transactions had been completed as at June 30, 2011:

- a) Cash in the amount of \$300,000 will be received by Donnycreek from Donnybrook.
- b) Donnybrook will transfer the Transferred Assets to Donnycreek in return for common shares of Donnycreek and the issuance of Donnycreek to Donnybrook of a promissory note in the principal amount of approximately \$2.19 million. The transferred assets have a net carrying value of \$884,310 on the accounting records of Donnybrook and are recorded at this amount.
- c) Pursuant to the Arrangement, shareholders of Donnybrook will be entitled to receive 0.025 of a Donnycreek share for each common share of Donnybrook outstanding as of the effective date of the Arrangement.
- d) In connection with the Arrangement, certain directors and officers of the Company will be among the participants in a private placement for Donnycreek shares at a purchase price per share equivalent to the deemed issue price per Donnycreek share issued pursuant to the Arrangement, for aggregate gross proceeds of approximately \$2.4 million, (the "Private Placement"). The proceeds of the Private Placement will be used to repay the promissory note and provide Donnycreek with additional working capital. The Arrangement will be conditional upon the completion of the Private Placement.
- e) Assuming no convertible securities of the Company are exercised prior to the Arrangement, on completion of the Arrangement, including the Private Placement, Donnycreek will have approximately 10.8 million shares outstanding.
- f) Trade and other receivables (\$33,912), deposits and prepaid expenses (\$24,144), and accounts payable and accrued liabilities (\$33,289) will not be transferred upon completion of the Arrangement.
- g) Eliminating the deficit and Contribution from Donnybrook Energy Inc. upon the completion of the Arrangement.

Pro Forma Carve-out Statement of Loss:

The pro forma carve-out statement of comprehensive loss of Donnycreek for the six months ended June 30, 2011 and for the year ended December 31, 2010 is based on historical carve-out results of Donnybrook.

Included in general and administrative expenses are costs allocated by Donnybrook of \$24,577 for the six months ended June 30, 2011 and \$49,920 for the year ended December 31, 2010 related to corporate administrative expenses, employee related costs, rental and usage fees for shared assets for the following functional groups: information systems, finance and other executive oversight, human resources and risk management to Donnycreek.

Management estimates that Donnycreek will incur expenses (production, operating, general and administrative) of approximately \$150,000 on an annual basis as a stand-alone entity.

SCHEDULE D

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated September 23, 2011 and should be read in conjunction with the unaudited carve-out financial statements and accompanying notes of Donnybrook Energy Inc. – Deep Basin and Delia-Michichi Operations (the "Transferred Assets") as at and for the period ended June 30, 2011 (the "Interim Financial Statements"), the MD&A for the years ended December 31, 2010, 2009 and the audited carve-out financial statements as at and for the years ended December 31, 2010, 2009 and 2008 in relation to the Transferred Assets. The financial information in this MD&A is derived from unaudited interim financial statements for the Transferred Assets prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRS 1 – First-time adoption of International Financial Reporting Standards ("IFRS 1") and International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board.

Basis of Presentation

Donnybrook Energy Inc. ("Donnybrook") has incorporated a 100% wholly owned subsidiary, Donnycreek Energy Inc. ("Newco"), which will be capitalized with the assets and liabilities of the Transferred Assets. In return, Donnybrook will receive 4,295,901 common shares of Newco (or up to 4,824,645 common shares of Newco assuming the exercise of all issued and outstanding options and warrants to purchase Donnybrook common shares) and a promissory note in the principal amount of \$2,188,342.90. The authorized capital of Newco consists of an unlimited number of common shares and preferred shares issuable in series, of which, as at the date of this MD&A, only one common share has been issued.

Subsequent to the spin-out of the assets and liabilities of the Transferred Assets, Newco common shares will be distributed to the shareholders of Donnybrook, other than dissenting shareholders, on the basis of 0.025 of a Newco share for every Donnybrook share.

Amounts applicable to the Transferred Assets for certain revenues, expenses, assets and liabilities have been derived directly from the accounting records of Donnybrook, it has been necessary to allocate certain items in the manner described below.

The Transferred Assets consist of petroleum and natural gas interests in the Deep Basin area of west central Alberta in the following areas: Prairie Creek, Gold Creek, Ansell, Grand Prairie, Valhalla Creek and Leland Creek as well as in the Delia-Michichi area of central Alberta.

Changes in Accounting Policies

As of January 1, 2011, Donnybrook prepares its financial statements consistent with IFRS in accordance with IFRS 1 and IAS 34, as issued by the International Accounting Standards Board. Previously, Donnybrook's financial statements were prepared in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for carve-out financial statements (defined as Canadian Generally Accepted Accounting Principles "GAAP"). Unless otherwise noted, 2010 comparative information has been presented in accordance with IFRS.

The adoption of IFRS has not had an impact on Donnybrook's operations, strategic decisions, and cash flows. The most significant area of impact was the adoption of the IFRS for exploration and evaluation of resource properties and property and equipment accounting principles, and the related decommissioning liabilities on the transition. Further information on the IFRS impact is provided in the Accounting Policies and Estimates Section of this MD&A.

The reporting and the measurement currency is the Canadian Dollar. Where amounts are expressed on a barrel of oil equivalent ("BOE") basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel and sulphur volumes have been converted to oil equivalence at 0.6 long tons per barrel. The term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. References to oil in this discussion include crude oil and natural gas liquids ("NGLs"). NGLs include condensate, propane, butane and ethane. References to gas in this discussion include natural gas and sulphur.

Presentation of the Statements of Financial Position

For purposes of the Statements of Financial Position for the Transferred Assets, all assets and liabilities, except for future income taxes, have been derived directly from the accounting records of Donnybrook. Deferred income taxes are prepared on a legal entity basis and as such it is not possible to specifically identify only those activities that relate to the Transferred Assets. Management has separated the deferred income tax assets and liabilities directly attributable to the Transferred Assets on a reasonable basis based on best estimates for the purposes of the financial statements.

Presentation of the Statement of Comprehensive Income

The petroleum and natural gas revenues, petroleum and natural gas production expenses, depletion, depreciation, and accretion and impairment of petroleum and natural gas assets are specifically allocated to the Transferred Assets in Donnybrook's accounting records, and as such, the amounts included in the financial statements have been derived directly from Donnybrook's accounting records.

General and administrative and share-based compensation expenses have been derived directly from Donnybrook's accounting records for the costs attributable to the Transferred Assets based on management's best estimate.

Deferred income taxes are prepared on a legal entity basis and as such it is not possible to specifically identify only those activities that relate to the Transferred Assets. Management has estimated that there are no significant differences between the accounting and tax bases of assets and liabilities and therefore no deferred income tax arises.

Presentation of the Statements of Cash Flow

As discussed above, the cash flow impact of the Transferred Assets can be specifically identified and as such we have prepared the statements of cash flow to represent the annual change.

Forward-Looking Statements

Certain statements contained in this MD&A include statements which contain words such as "anticipate", "could", "should", "expect", "seek", "may", "intend", "likely", "will", "believe" and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about development, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this MD&A includes, but is not limited to: expected cash provided by continuing operations; future capital expenditures, including the amount and nature thereof; oil and natural gas prices and demand; expansion and other development trends of the oil and gas industry; business strategy and outlook; expansion and growth of our business and operations; and maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; credit risks; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive and are further discussed in the Donnybrook's Annual Information Form filed on SEDAR at www.sedar.com.

SECOND QUARTER 2011 FINANCIAL AND OPERATIONAL RESULTS

Petroleum and Natural Gas

The following information summarizes the petroleum and natural gas activities related to the Transferred Assets for the quarter ended June 30, 2011

Production Volumes and Pricing

	Three months ended	
	June 30, 2011	June 30, 2010
Total volumes		
Natural gas (mcf)	22,391	16,949
NGLs (bbl)	243	250
Crude oil (bbl)	21	148
Total production (boe)	3,996	3,222
Daily production averages		
Natural gas (mcf/d)	246	186
NGLs (bbl/d)	2.7	2.7
Crude oil (bbl/d)	0.2	1.6
Boe/d	44	35.4
Average prices		
Natural gas selling price (\$/mcf)	\$4.21	\$4.12
NGL selling price (\$/bbl)	\$80.44	\$94.98
Crude oil selling price (\$/bbl)	\$93.47	\$74.33

Increases in production and daily production averages over previous years were primarily due to the acquisition of Prairie Exploration Inc. ("Prairie") in May 2010.

Net Revenues

	Three months ended	
	June 30, 2011	June 30, 2010
Natural gas	\$94,236	\$147,780
NGLs	\$19,548	\$23,744
Crude oil	\$1,963	\$11,002
	\$115,747	\$182,526
Royalty expenses	(\$26,710)	(\$34,783)
Production and operating expenses	(\$22,529)	(\$35,149)

Operating Expenses

	Three months ended			
	June 30, 2011		June 30, 2010	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Net operating expense	\$22,529	\$5.64	\$35,149	\$10.90

General and Administrative Expenses

	Three months ended			
	June 30, 2011		June 30, 2010	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Gross G&A expense	\$64,675	\$16.18	\$12,428	\$3.85
Capitalized G&A	\$48,750	\$12.19	\$3,333	\$1.03
Net G&A expense	\$15,925	\$3.98	\$9,095	\$2.82

Increase in net revenues and expenses over previous years were primarily due to the acquisition of Prairie in May 2010.

Depletion and Depreciation

Depletion and depreciation expense for the second quarter in 2011 was \$48,284 (\$12.08/boe) compared to \$41,172 (\$12.77/boe) for the same period in 2010. The increase in the second quarter of 2011 compared to 2010 is due to additional well equipment and gathering systems.

Decommissioning Liabilities

As at June 30, 2011, Donnybrook has recorded decommissioning liabilities of \$31,885 in relation to the Transferred Assets compared to \$30,625 at December 31, 2010, for future abandonment and reclamation of the Transferred Assets. For the quarter ended June 30, 2011, the liability increased by \$1,784 as a result of re-measurement at the reporting period and a decrease in discount rates.

	Three months ended	
	June 30, 2011	June 30, 2010
Finance expense	\$1,783	\$1,296
\$/boe	\$0.45	\$0.40

Liquidity and Capital Resources

At June 30, 2011, the Transferred Assets had a working capital position of \$24,767 (December 31, 2010 - \$28,642).

Capital expenditures of \$1,393 (2010 - \$313,536) were incurred on the oil and natural gas assets with respect for the Transferred Assets for drill and casing, well equipment and gathering systems. Capital expenditures for the oil and natural gas assets are expected to be approximately \$750,000 for 2011.

Funds Flow from Operations and Funds Flow per BOE

	Three months ended			
	June 30, 2011		June 30, 2010	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Petroleum and natural gas revenue	\$115,747	\$28.97	\$182,526	\$56.64
Royalties	(\$26,710)	(\$6.68)	(\$34,783)	(\$10.79)
Operating and transportation	(\$22,529)	(\$5.64)	(\$35,149)	(\$10.91)
General and administrative expenses	(\$15,925)	(\$3.99)	(\$9,095)	(\$2.82)
Funds flow from operations	\$50,583	\$12.66	\$103,499	\$32.12

Increase in net revenues and expenses over previous years were primarily due to the acquisition of Prairie in May 2010.

Net Income and Funds Flow from Operations

	Three months ended			
	June 30, 2011		June 30, 2010	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Funds flow from operations	\$50,583	\$12.66	\$103,499	\$32.12
Less: Depreciation, depletion and amortization	(\$48,284)	(\$12.08)	(\$41,172)	(\$12.78)
Finance expense	(\$1,783)	(\$0.45)	(\$1,296)	(\$0.40)
Share-based compensation	(\$15,033)	(\$3.76)	(\$8,236)	(\$2.56)
Impairment loss on goodwill	-	-	(\$129,944)	(40.33)
Net income (loss)	(\$14,517)	(\$3.63)	(\$77,149)	(\$23.94)

Increase in net revenues and expenses over previous years were primarily due to the acquisition of Prairie in May 2010.

Capital Expenditures

The total capital expenditures for the three months ended June 30, 2011 with respect to the Transferred Assets are summarized as follows:

	Three months ended	
	June 30, 2011	June 30, 2010
Property and Equipment		
Land and property acquisitions	-	\$45,679
Geological and geophysical	-	\$19,137
Drilling and completions	-	\$208,552
Facilities and equipment	-	\$96,884
	-	\$370,352
Exploration and evaluation assets		
Land and property acquisitions	\$741,660	\$545,201
Geological and geophysical	\$48,750	\$18,871
	\$790,410	\$564,072
Total capital expenditures	\$790,410	\$934,424

Contractual Obligations

From time to time, Donnybrook enters into agreements to transport and market petroleum and natural gas production. In addition, Donnybrook has entered into agreements with third parties that provides employees with access to specialized computer software and information including production and reserves data, geological data, accounting systems and land management systems. As at June 30, 2011, Donnybrook does not have any contractual obligations related to the Transferred Assets.

Selected Quarterly Information

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Interim Financial Statements and the audited financial statements for the years ended December 31, 2010 and 2009:

Fiscal Quarter Ended	Net Revenue	Income (Loss)
June 30, 2011	\$89,037	(\$14,517)
March 31, 2011	\$91,771	(\$4,369)
December 31, 2010	\$95,445	(233,128)
September 30, 2010	\$64,892	(31,831)
June 30, 2010	\$147,743	(\$77,149)
March 31, 2010	\$67,770	(\$2,973)
December 31, 2009	\$58,210	(\$33,325)
September 30, 2009	\$44,032	(\$69,212)

2010 figures have been restated from previous amounts resulting from the application of IFRS. See “*Adoption of International Financial Reporting Standards*” section below. 2009 figures are presented in accordance with Canadian GAAP.

In the December 2010 quarter, net loss increased due to the recognition of impairment losses on petroleum and natural gas properties and goodwill on the acquisition of Prairie Exploration Inc.

Commencing Q2, Q3, and Q4, 2010, revenues increased due to the acquisition of Prairie Exploration Inc. in May 2010.

In July 2009, the Transferred Assets purchased certain producing properties in the Delia-Michichi area and commenced receiving revenues.

Reserves Data and Other Petroleum and Natural Gas Information

Our independently prepared reserves and assessment and evaluation of our petroleum and natural gas properties effective December 31, 2010 have been prepared in accordance with mandated National Instrument 51-101 *Standards of disclosure for Petroleum and Natural Gas Activities* (“NI 51-101”).

Related Party Transactions

The following is a summary of the related party transactions that occurred throughout the six months ended June 30, 2011 and 2010:

a) Trading Transactions

- i. paid or accrued \$nil (2010 - \$2,460) for rent to a company controlled by a director;
- ii. paid or accrued \$nil (2010 - \$500) for administrative fees to a company controlled by a director;
- iii. paid or accrued \$nil (2010 - \$1,333) for geological consulting fees capitalized to P&NG Properties to a company controlled by a director and officer; and
- iv. paid or accrued \$2,940 (2010 - \$490) for rent to a company controlled by a director, and an officer.

Accounts payable and accrued liabilities as at June 30, 2011 include \$nil (December 31, 2010 - \$nil) owing to related parties.

Financial Reporting Update

Adoption of International Financial Reporting Standards

As of January 1, 2011, Donnybrook prepares its interim financial statements and comparative information consistent with IFRS and in accordance with “IFRS 1” and “IAS 34”, as issued by the International Accounting Standards Board. Previously, Donnybrook’s financial statements were prepared in accordance with previous GAAP.

The Company’s IFRS accounting policies are provided in Note 16 to the Interim Financial Statements. In addition, Note 16 to the Interim Financial Statements presents reconciliations between the Transferred Asset’s 2010 previous GAAP results and 2010 IFRS results. The Transferred Asset’s presents reconciliations of equity as at January 1, 2010, June 30, 2010, and December 31, 2010, and reconciliations of total comprehensive income for the three months ended June 30, 2010 and for the year ended December 31, 2010.

Accounting Policy Changes

A summary of changes in accounting policies used by the Transferred Assets can be found in Note 4 to the Interim Financial Statements.

Business Risk

The reader is advised that the Transferred Assets continues to be subject to various types of business risks and uncertainties as described in the MD&A for the years ended December 31, 2010 and 2009.

Critical Accounting Estimates

The reader is advised that the critical accounting estimates, policies, and practices as described herein continue to be critical in determining the financial results related to the Transferred Assets.

The reader is cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. The following discussion outlines accounting policies and practices that are critical to determining the financial results related to the Transferred Assets.

Accounts Receivable

Accounts receivable are recorded at the estimated recoverable amount which involves the estimate of uncollectable accounts.

Petroleum and Natural Gas Reserves

Reserves and resources are used in the units of production calculation for depreciation, depletion and amortization and the impairment analysis which affect net income. There are numerous uncertainties inherent in estimating petroleum and natural gas reserves. Estimating reserves is very complex, requiring many judgments based on geological, geophysical, engineering and economic data. Changes in these judgments could have a material impact on the estimated reserves. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available and the economic environment changes.

Depreciation and Depletion

Depletion of petroleum and natural gas properties is provided using the unit-of-production method based on production volumes before royalties in relation to total estimated proved reserves as determined annually by independent engineers and determined in accordance with NI 51-101. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

The costs of acquiring and evaluating unproved properties are excluded from depletion calculations.

Recoverability of Asset Carrying Values

The Transferred Assets assesses its petroleum and natural gas properties, including exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, at least annually.

The assessment of any impairment of property and equipment is dependent upon estimates of recoverable amount that take into account factors such as reserves, economic and market conditions, timing of cash flows, the useful lives of assets and their related salvage values.

Decommissioning Obligations

Provisions for decommissioning obligations associated with the Transferred Asset's drilling operations are based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices, discover and analysis of site conditions and changes in clean up technology.

Share-Based Compensation

The fair value of share options granted is measured using the Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. The Transferred Asset's estimates volatility based on historical share price excluding specific time frames in which volatility of Donnybrook was affected by specific transactions that are not considered to be indicative of the Transferred Asset's expected share price volatility. The expected life of the options is based on historical experience and general option holder behavior. Dividends were not taken into the consideration as Donnybrook does not expect to pay dividends. Management also makes an estimate of the number of options that will forfeit and the rate is adjusted to reflect the actual number of options that actually vest.

Income Taxes

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly affect the amount of the deferred income tax asset or liability calculated at a point in time. These differences could materially impact earnings.

Legal, Environmental, Remediation and other Contingent Matters

The Transferred Assets reviews legal, environmental remediation and other contingent matters to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reasonably be estimated. When the loss is determined, it is charged to earnings. The Company's management monitors known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by the circumstances.

Non-GAAP Measures

In this document "Funds flow from operations", "Funds flow from operations – per BOE", "Net revenues", "Net G&A expense", "Net G&A expense – per BOE", "Total depletion, depreciation and accretion – per BOE", "Operating expense – per BOE", collectively the "Non-GAAP measures", are used and do not have any standardized meanings as prescribed by GAAP. They are used to assist management in measuring the Company's ability to finance capital programs and meet financial obligations. Funds flow from operations refers to cash flows from operating activities before net changes in operating working capital.

Non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with GAAP, or other measures of financial performance calculated in accordance with GAAP. The Non-GAAP measures are unlikely to be comparable to similar measures presented by other issuers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated September 23, 2011 and should be read in conjunction with the audited carve-out financial statements and accompanying notes of Donnybrook Energy Inc. – Deep Basin and Delia-Michichi Operations (the "Transferred Assets") as at and for the years ended December 31, 2010, 2009 and 2008 in relation to the Transferred Assets and the audited financial statements and accompanying notes of the Transferred Assets carved-out from Prairie Exploration Inc. as at May 31, 2010, September 30, 2009 and 2008 and for the eight months ended May 31, 2010 and for the years ended September 30, 2009 and 2008.

Basis of Presentation

Prairie Exploration Inc. ("Prairie") was acquired by Donnybrook Energy Inc. ("Donnybrook") on May 27, 2010 through a take-over bid for the common shares of Prairie that resulted in Prairie shareholders receiving 5.992 common shares of Donnybrook in exchange for each common share of Prairie. The acquisition resulted in Donnybrook issuing 20,000,000 common shares for 100% of the issued and outstanding common shares of Prairie. Subsequently, on November 1, 2010, Donnybrook amalgamated with Prairie under the *Business Combinations Act* (Alberta) to form a single entity and continue under the name "Donnybrook Energy Inc." A portion of the petroleum and natural gas assets that were acquired pursuant to the acquisition of Prairie form part of the Transferred Assets.

Donnybrook has incorporated a 100% wholly-owned subsidiary, Donnycreek Energy Inc. ("Newco"), which will be capitalized with the assets and liabilities of the Transferred Assets. In return, Donnybrook will receive 4,295,901 common shares of Newco (or up to 4,824,645 common shares of Newco assuming the exercise of all issued and outstanding options and warrants to purchase Donnybrook common shares) and a promissory note in the principal amount of \$2,188,342.90. The authorized capital of Newco consists of an unlimited number of common shares and preferred shares issuable in series, of which, as at the date of this MD&A, only one common share has been issued.

Subsequent to the spin-out of the assets and liabilities of the Transferred Assets, Newco common shares will be distributed to the shareholders of Donnybrook, other than dissenting shareholders, on the basis of 0.025 of a Newco share for every Donnybrook share.

Amounts applicable to the Transferred Assets for certain revenues, expenses, assets and liabilities have been derived directly from the accounting records of Donnybrook or Prairie, as applicable, it has been necessary to allocate certain items in the manner described below.

The Transferred Assets consist of petroleum and natural gas interests in the Deep Basin area of west central Alberta in the following areas: Prairie Creek, Gold Creek, Ansell Creek, Grand Prairie, Valhalla Creek and Leland Creek as well as in the Delia-Michichi area of eastern Alberta.

The financial data presented below has been prepared in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for carve-out financial statements (defined as Canadian Generally Accepted Accounting Principles "GAAP"). The financial information presented reflects the financial statements of Donnybrook or Prairie, as applicable, with respect to the Transferred Assets.

The reporting and the measurement currency is the Canadian Dollar. Where amounts are expressed on a barrel of oil equivalent ("BOE") basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel and sulphur volumes have been converted to oil equivalence at 0.6 long tons per barrel. The term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. References to oil in this discussion include crude oil and natural gas liquids ("NGLs"). NGLs include condensate, propane, butane and ethane. References to gas in this discussion include natural gas and sulphur.

Presentation of the Statements of Financial Position

For purposes of the Statements of Financial Position for the Transferred Assets, all assets and liabilities, except for future income taxes, have been derived directly from the accounting records of Donnybrook or Prairie, as applicable. Future

income taxes are prepared on a legal entity basis and as such it is not possible to specifically identify only those activities that relate to the Transferred Assets. Management has separated the future income tax assets and liabilities directly attributable to the Transferred Assets on a reasonable basis based on best estimates for the purposes of the financial statements.

Presentation of the Statement of Operations

The petroleum and natural gas revenues, petroleum and natural gas production expenses, foreign exchange loss (gain), depletion, depreciation, and accretion and impairment of petroleum and natural gas assets are specifically allocated to the Transferred Assets in Donnybrook's or Prairie's accounting records, as applicable, and as such, the amounts included in the financial statements have been derived directly from Donnybrook's or Prairie's accounting records, as applicable.

General and administrative and stock based compensation expenses have been derived directly from Donnybrook's or Prairie's accounting records, as applicable, for the costs attributable to the Transferred Assets.

Future income taxes are prepared on a legal entity basis and as such it is not possible to specifically identify only those activities that relate to the Transferred Assets. Management has estimated that there are no significant differences between the accounting and tax bases of assets and liabilities and therefore no future income tax arises.

Presentation of the Statements of Cash Flow

As discussed above, the cash flow amounts of the Transferred Assets can be specifically identified and as such we have prepared the statements of cash flow to represent the annual change.

Critical Accounting Estimates

Donnybrook's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

Capitalized costs relating to the exploration and development of petroleum and natural gas reserves, along with estimated future capital expenditures required in order to develop proved reserves, are depleted and depreciated on a unit-of-production basis using estimated proved reserves.

The carrying value of property and equipment is reviewed annually for impairment. Impairment occurs when the carrying value of the assets is not recoverable by the future undiscounted cash flows. The impairment loss is limited to the amount by which the carrying amount exceeds:

- i) the sum of the fair value of proved plus probable reserves; and
- ii) the costs of unproved properties that have not been subject to a separate impairment test and contain no probable reserves.

The cost recovery ceiling test is based on estimates of proved reserves, production rates, future oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

Liability recognition for asset retirement obligations associated with oil and gas well sites and facilities are determined using estimated costs discounted based on the estimated life of the asset using a credit adjusted risk free rate. These capitalized costs are amortized on a unit-of-production basis, consistent with depletion and depreciation. Over time, the liability is accreted up to the actual expected cash outlay to perform the abandonment and reclamation.

The determination of Donnybrook's or Prairie's income and other tax liabilities, as applicable, requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded on Donnybrook's or Prairie's financial statements, as applicable.

Forward-Looking Statements

Certain statements contained in this MD&A include statements which contain words such as “anticipate”, “could”, “should”, “expect”, “seek”, “may”, “intend”, “likely”, “will”, “believe” and similar expressions, statements relating to matters that are not historical facts, and such statements of our beliefs, intentions and expectations about development, results and events which will or may occur in the future, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this MD&A includes, but is not limited to: expected cash provided by continuing operations; future capital expenditures, including the amount and nature thereof; oil and natural gas prices and demand; expansion and other development trends of the oil and gas industry; business strategy and outlook; expansion and growth of our business and operations; and maintenance of existing customer, supplier and partner relationships; supply channels; accounting policies; credit risks; and other such matters.

All such forward-looking information is based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; the ability of oil and natural gas companies to raise capital; the effect of weather conditions on operations and facilities; the existence of operating risks; volatility of oil and natural gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by us; and other factors, many of which are beyond our control. The foregoing factors are not exhaustive and are further discussed in the Donnybrook’s Annual Information Form filed on SEDAR at www.sedar.com.

FOURTH QUARTER 2010 AND ANNUAL FINANCIAL AND OPERATIONAL RESULTS

Donnybrook incurred a loss of \$184,736 (2009 - \$94,953) with respect to the Transferred Assets, for the year ended December 31, 2010.

Petroleum and Natural Gas

The following information summarizes the petroleum and natural gas activities related to the Transferred Assets for the quarters and years ended December 31:

Production Volumes and Pricing

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
Total volumes				
Natural gas (mcf)	21,791	13,337	75,386	32,640
NGLs (bbl)	292	139	942	308
Crude oil (bbl)	90	33	310	126
Total production (boe)	4,014	2,395	13,816	5,874
Daily production averages				
Natural gas (mcf/d)	237	145	207	153
NGLs (bbl/d)	3.2	1.5	2.6	1.4
Crude oil (bbl/d)	1.0	0.4	0.8	0.6
Boe/d	43	26	38	27
Average prices				
Natural gas selling price (\$/mcf)	\$3.31	\$5.31	\$4.10	\$4.21
NGL selling price (\$/bbl)	\$55.31	\$51.46	\$55.28	\$45.58
Crude oil selling price (\$/bbl)	\$54.67	\$70.60	\$59.61	\$65.19

Increases in production and daily production averages over previous years were primarily due to the acquisition of Prairie Exploration Inc. in May 2010 and full year of assets acquired in June 2009.

Net Revenues

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
Natural gas	\$83,102	\$70,859	\$309,085	\$137,365
NGLs	\$18,692	\$7,154	\$52,078	\$14,040
Crude oil	\$6,430	\$2,330	\$18,481	\$8,215
	\$108,224	\$80,343	\$379,644	\$159,620
Royalty expenses	\$12,779	\$22,133	\$70,461	\$34,383
Production and operating expenses	\$26,884	\$15,725	\$77,001	\$41,336

Increases in revenues and expenses over previous years were primarily due to the acquisition of Prairie Exploration Inc. in May 2010 and full year of assets acquired in June 2009.

Operating Expenses

	Year ended December 31,		2009	
	2010	2009	2010	2009
	(\$)	(\$/boe)	(\$)	(\$/boe)
Net Operating expense	\$77,001	\$5.57	\$41,336	\$7.04

General and Administrative Expenses

	Year ended December 31,		2009	
	2010	2009	2010	2009
	(\$)	(\$/boe)	(\$)	(\$/boe)
Gross G&A expense	\$53,253	\$3.85	\$21,289	\$3.62
Capitalized G&A	(\$3,333)	(\$0.24)	-	-
Net G&A expense	\$49,920	\$3.61	\$21,289	\$3.62

A portion of the transferred assets acquired in June 2009, and the balance in May 2010 resulted in an increase in G&A expenses.

Depletion and Depreciation

	Year ended December 31,		2009	
	2010	2009	2010	2009
	(\$)	(\$/boe)	(\$)	(\$/boe)
Depletion expense	\$175,924	\$12.73	\$144,360	\$24.58
Amortization expense	\$10,932	\$0.79	-	-
Accretion expense	\$1,333	\$0.10	\$385	\$0.06
Total	\$188,189	\$13.62	\$144,745	\$24.64

In the year ended December 31, 2010, depletion, amortization and accretion (“DA&A”) expense increased to \$188,189 (\$13.62 per boe) as compared to \$144,745 (\$24.64 per boe) for the year ended December 31, 2009.

Liquidity and Capital Resources

At December 31, 2010, the Transferred Assets had a working capital position of \$28,642 (December 31, 2009 - \$39,977).

Capital expenditures of \$1,321,943 (2009 - \$988,281) were incurred on the oil and natural gas assets with respect to the Transferred Assets for land and property acquisition, geological and geophysical, drilling and completions, and facilities

and equipment expenditures. Capital expenditures for the oil and natural gas assets are expected to be approximately \$750,000 for 2011.

Funds Flow from Operations and Funds Flow per BOE

	Year ended December 31,			
	2010		2009	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Petroleum and natural gas revenue	\$379,644	\$27.48	\$159,620	\$27.17
Royalties	(\$70,461)	(\$5.10)	(\$34,383)	(\$5.85)
Operating and transportation	(\$77,001)	(\$5.57)	(\$41,336)	(\$7.04)
General and administrative expenses	(\$49,920)	(\$3.62)	(\$21,289)	(\$3.62)
Funds flow from operations	\$182,262	\$13.19	\$62,612	\$10.66

Increases in revenues and expenses over previous years were primarily due to the acquisition of Prairie Exploration Inc. in May 2010 and full year of assets acquired in June 2009.

Net Income and Funds Flow from Operations

	Year ended December 31,			
	2010		2009	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Funds flow from operations	\$182,262	\$13.19	\$62,612	\$10.66
Less: Depreciation, depletion and amortization	(\$188,189)	(\$13.62)	(\$144,745)	(\$24.64)
Less: Stock based compensation	(\$48,865)	(\$3.54)	(\$12,820)	(\$2.18)
Net income (loss)	(\$54,792)	(\$3.97)	(\$94,953)	(\$16.16)

In the year ended December 31, 2010, the Transferred Assets experienced a net loss from operating activities of \$54,792 compared to a net loss from operating activities of \$94,953 in the year ended December 31, 2009. The net loss from operating activities experienced in the year ended December 31, 2010 resulted primarily from lower natural gas prices, personnel costs, rent, accounting and audit fees.

Capital Expenditures

The total capital expenditures for 2010 and 2009 with respect to the Transferred Assets are summarized as follows:

	2010 (\$)	2009 (\$)
Land and property acquisitions	\$890,857	\$988,281
Geological and geophysical	\$88,694	-
Drilling and completions	\$235,274	-
Other facilities and equipment	\$107,118	-
Total capital expenditures	\$1,321,943	\$988,281

Contractual Obligations

From time to time, Donnybrook entered into agreements to transport and market petroleum and natural gas production. In addition, Donnybrook entered into agreements with third parties that provides employees with access to specialized computer software and information including production and reserves data, geological data, accounting systems and land management systems. As at December 31, 2010, Donnybrook does not have any contractual obligations related to the Transferred Assets.

Selected Annual Information

The following selected financial data has been prepared in accordance with Canadian GAAP and should be read in conjunction with the audited financial statements for the years ended December 31, 2010, 2009 and 2008 with respect to the Transferred Assets:

	Year ended December 31,		
	2010 (\$)	2009 (\$)	2008 (\$)
Financial Results			
Revenue	\$309,183	\$125,237	-
Net loss	(\$184,736)	(\$94,953)	-
Financial Position			
Working capital	\$28,642	\$39,977	-
Total assets	\$2,051,493	\$897,658	-
Contribution from Donnybrook Energy Inc.	\$2,285,621	\$978,466	-
Deficit	(\$279,689)	(\$94,953)	-

The above results reflect the acquisition of Prairie Exploration Inc. in May 2010 and full year of assets acquired in June 2009. Increase volumes offset lower commodity prices.

Selected Quarterly Information

The following selected financial data has been prepared in accordance with Canadian GAAP and should be read in conjunction with the audited financial statements for the years ended December 31, 2010 and 2009 with respect to the Transferred Assets:

Fiscal Quarter Ended	Net Revenue	Income (Loss)
December 31, 2010	\$95,445	(\$233,128)
September 30, 2010	\$64,892	(\$31,831)
June 30, 2010	\$147,743	(\$77,149)
March 31, 2010	\$67,700	(\$2,973)
December 31, 2009	\$58,210	(\$33,325)
September 30, 2009	\$44,032	(\$69,212)
June 30, 2009	-	-
March 31, 2009	-	-

In the December 2010 quarter, net loss increased due to the recognition of impairment losses on petroleum and natural gas properties and goodwill on the acquisition of Prairie Exploration Inc.

Commencing Q2, Q3, and Q4, 2010, revenues increased due to the acquisition of Prairie Exploration Inc. in May 2010.

In July 2009, Donnybrook purchased certain producing properties in the Delia-Michichi area and commenced generating revenues.

Reserves Data and Other Petroleum and Natural Gas Information

Our independently prepared reserves and assessment and evaluation of our petroleum and natural gas properties effective December 31, 2010 have been prepared in accordance with mandated National Instrument 51-101 *Standards of disclosure for Petroleum and Natural Gas Activities* ("NI 51-101").

Related Party Transactions

The following is a summary of the related party transactions that occurred throughout the year ended December 31, 2010:

- a) Trading Transactions
 - i. paid or accrued \$12,143 for rent to a company controlled by the Chairman (former CEO and President);
 - ii. paid or accrued \$1,333 for geological consulting fees capitalized to P&NG Properties to a company controlled by a director and Vice-President Business Development; and
 - iii. paid or accrued \$3,674 for rent to a company controlled by a director, and an officer.

Accounts payable and accrued liabilities as at December 31, 2010 include \$nil owing to related parties.

FOURTH QUARTER 2009 AND ANNUAL FINANCIAL AND OPERATIONAL RESULTS

Donnybrook incurred a loss of \$94,953 (2008 - \$nil) with respect to the Transferred Assets, for the year ended December 31, 2009.

Petroleum and Natural Gas

The following information summarizes the petroleum and natural gas activities related to the Transferred Assets for the quarters and years ended December 31:

Production Volumes and Pricing

	Three months ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
Total volumes				
Natural gas (mcf)	13,337	-	32,640	-
NGLs (bbl)	139	-	308	-
Crude oil (bbl)	33	-	126	-
Total production (boe)	2,395	-	5,874	-
Daily production averages				
Natural gas (mcf/d)	145	-	153	-
NGLs (bbl/d)	1.5	-	1.4	-
Crude oil (bbl/d)	0.4	-	0.6	-
Boe/d	26	-	27	-
Average prices				
Natural gas selling price (\$/mcf)	\$5.31	-	\$4.21	-
NGL selling price (\$/bbl)	\$51.46	-	\$45.58	-
Crude oil selling price (\$/bbl)	\$70.60	-	\$65.19	-

Net Revenues

	Three months ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
Natural gas	\$70,859	-	\$137,365	-
NGLs	\$7,154	-	\$14,040	-
Crude oil	\$2,330	-	\$8,215	-
	\$80,343	-	\$159,620	-
Royalty expenses	\$22,133	-	\$34,383	-
Production and operating expenses	\$15,725	-	\$41,336	-

Operating Expenses

	Year ended December 31,			
	2009		2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Net Operating expense	\$41,336	\$7.04	-	-

General and Administrative Expenses

	Year ended December 31,			
	2009		2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Gross G&A expense	\$21,289	\$3.62	-	-
Net G&A expense	\$21,289	\$3.62	-	-

Depletion and Depreciation

	Year ended December 31,			
	2009		2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Depletion expense	\$144,360	\$24.58	-	-
Accretion expense	\$385	\$0.06	-	-
Total	\$144,745	\$24.64	-	-

There was no activity in 2008 associated with the transferred assets as they were not acquired until June 2009 and May 2010.

Liquidity and Capital Resources

At December 31, 2009, the Transferred Assets had a working capital position of \$39,977 (December 31, 2008 - \$nil).

Capital expenditures of \$988,281 (2008 - \$nil) were incurred on the oil and natural gas assets with respect of the Transferred Assets.

Funds Flow from Operations and Funds Flow per BOE

	Year ended December 31,			
	2009		2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Petroleum and natural gas revenue	\$159,620	\$27.17	-	-
Royalties	(\$34,383)	(\$5.85)	-	-
Operating and transportation	(\$41,336)	(\$7.04)	-	-
General and administrative expenses	(\$21,289)	(\$3.62)	-	-
Funds flow from operations	\$62,612	\$10.66	-	-

Net Income and Funds Flow from Operations

	Year ended December 31,			
	2009		2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Funds flow from operations	\$62,612	\$10.66	-	-
Less: Depreciation, depletion and amortization	(\$144,745)	(\$24.64)	-	-
Less: Stock based compensation	(\$12,820)	(\$2.18)	-	-
Net income (loss)	(\$94,953)	(\$16.16)	-	-

In the year ended December 31, 2009, the Transferred Assets experienced a net loss from operating activities of \$94,953 compared to a net loss from operating activities of \$nil in the year ended December 31, 2008. The net loss from operating activities experienced in the year ended December 31, 2009 resulted primarily from lower natural gas prices, personnel costs, rent, accounting and audit fees. There was no loss or income associated with the Transferred Assets in 2008 as they were not acquired until June 2009 and May 2010.

Capital Expenditures

The total capital expenditures for 2009 and 2008 with respect to the Transferred Assets are summarized as follows:

	Year ended December 31,	
	2009 (\$)	2008 (\$)
Land and property acquisitions	\$988,281	-
Total capital expenditures	\$988,281	-

Contractual Obligations

From time to time, Donnybrook entered into agreements to transport and market petroleum and natural gas production. In addition, Donnybrook entered into agreements with third parties that provides employees with access to specialized computer software and information including production and reserves data, geological data, accounting systems and land management systems.

Selected Annual Information

The following selected financial data has been prepared in accordance with Canadian GAAP and should be read in conjunction with the audited financial statements for the years ended December 31, 2010, 2009 and 2008 with respect to the Transferred Assets:

	Year ended December 31,	
	2009 (\$)	2008 (\$)
Financial Results		
Net Revenues	\$125,237	-
Net loss	(\$94,953)	-
Financial Position		
Working capital	\$39,977	-
Total assets	\$897,658	-
Contribution from Donnybrook Energy Inc.	\$978,466	-
Deficit	(\$94,953)	-

Selected Quarterly Information

The following selected financial data has been prepared in accordance with Canadian GAAP and should be read in conjunction with the audited financial statements for the years ended December 31, 2009 and 2008 with respect to the Transferred Assets:

Fiscal Quarter Ended	Net Revenue	Income (Loss)
December 31, 2009	\$58,210	(\$33,325)
September 30, 2009	\$44,032	(\$69,212)
June 30, 2009	-	-
March 31, 2009	-	-
December 31, 2008	-	-
September 30, 2008	-	-
June 30, 2008	-	-
March 31, 2008	-	-

Reserves Data and Other Petroleum and Natural Gas Information

Our independently prepared reserves and assessment and evaluation of our petroleum and natural gas properties effective December 31, 2009 have been prepared in accordance with mandated National Instrument 51-101 *Standards of disclosure for Petroleum and Natural Gas Activities* ("NI 51-101").

Related Party Transactions

The following is a summary of the related party transactions that occurred throughout the year ended December 31, 2009:

a) Trading Transactions

- i. paid or accrued \$5,111 for rent to a company controlled by the Chairman (former CEO and President).

Accounts payable and accrued liabilities as at December 31, 2009 include \$nil owing to related parties.

PRAIRIE - FOURTH QUARTER 2009 AND ANNUAL FINANCIAL AND OPERATIONAL RESULTS

The Transferred Assets carved out from Prairie incurred a loss of \$21,457 (2008 – income of \$108,423) with respect to the Transferred Assets, for the year ended September 30, 2009.

Petroleum and Natural Gas

The following information summarizes the petroleum and natural gas activities related to the Transferred Assets for the quarters and years ended September 30:

Production Volumes and Pricing

	Three months ended September 30,		Year ended September 30,	
	2009	2008	2009	2008
Total volumes				
Natural gas (mcf)	10,619	5,676	46,756	29,208
NGLs (bbl)	99	30	438	114
Crude oil (bbl)	48	18	191	104
Total production (boe)	1,918	994	8,421	5,087
Daily production averages				
Natural gas (mcf/d)	115	62	128	96
NGLs (bbl/d)	1.1	0.3	1.2	0.4
Crude oil (bbl/d)	0.5	0.2	0.5	0.3
Boe/d	21	11	23	17
Average prices				
Natural gas selling price (\$/mcf)	\$2.88	\$4.79	\$4.95	\$10.17
NGL selling price (\$/bbl)	\$25.05	\$92.96	\$32.87	\$90.97
Crude oil selling price (\$/bbl)	\$63.06	\$111.00	\$39.88	\$109.28

Total production and daily production averages increased over previous years volumes while commodity prices decreased.

Net Revenues

	Three months ended September 30,		Year ended September 30,	
	2009	2008	2009	2008
Natural gas	\$30,575	\$27,189	\$231,474	\$297,087
NGLs	\$2,480	\$2,789	\$14,401	\$10,371
Crude oil	\$3,023	\$1,999	\$7,618	\$11,366
	\$36,078	\$31,977	\$253,493	\$318,824
Royalty expenses	\$7,850	\$1,504	\$68,560	\$59,895
Production and operating expenses	\$11,571	\$8,953	\$38,284	\$37,922

Revenues for the year ended September 30, 2009 compared to the previous year were lower due to reduced commodity prices despite increased production volumes. For the three months ended September 30, 2009 compared to September 30, 2008, revenues increased due to higher production volumes which helped offset lower commodity prices.

Operating Expenses

	Year ended September 30,		2008	
	2009			2008
	(\$)	(\$/boe)	(\$)	(\$/boe)
Net Operating expense	\$38,284	\$4.55	\$37,922	\$7.45

Net operating expenses remained stable while on a BOE basis were reduced due to increased production volumes.

General and Administrative Expenses

	Year ended September 30,		2008	
	2009			2008
	(\$)	(\$/boe)	(\$)	(\$/boe)
Gross G&A expense	\$33,933	\$4.03	\$33,247	\$6.54
Net G&A expense	\$33,933	\$4.03	\$33,247	\$6.54

G&A expenses remained stable while on a BOE basis were reduced due to increased production volumes.

Depletion and Depreciation

	Year ended September 30,		2008	
	2009			2008
	(\$)	(\$/boe)	(\$)	(\$/boe)
Depletion expense	\$98,514	\$11.70	\$58,315	\$11.46
Amortization expense	\$34,506	\$4.10	\$20,181	\$3.97
Accretion expense	\$1,111	\$0.13	\$674	\$0.13
Total	\$134,131	\$15.93	\$79,170	\$15.56

In the year ended December 31, 2009, depletion, amortization and accretion (“DA&A”) expense increased to \$134,131 (\$15.93 per boe) as compared to \$79,170 (\$15.56 per boe) for the year ended December 31, 2008.

Liquidity and Capital Resources

At September 30, 2009, the Transferred Assets had a working capital position of \$7,082 [September 30, 2008 – (\$28,866)].

Capital expenditures of \$nil (2008 - \$231,913) were incurred on the oil and natural gas assets with respect of the Transferred Assets.

Funds Flow from Operations and Funds Flow per BOE

	Year ended September 30,		2008	
	2009			2008
	(\$)	(\$/boe)	(\$)	(\$/boe)
Petroleum and natural gas revenue	\$253,493	\$30.10	\$318,824	\$62.67
Royalties	(\$68,560)	(\$8.14)	(\$59,895)	(\$11.77)
Operating and transportation	(\$38,284)	(\$4.55)	(\$37,922)	(\$7.45)
General and administrative expenses	(\$33,933)	(\$4.03)	(\$33,247)	(\$6.54)
Funds flow from operations	\$112,716	\$13.38	\$187,760	\$36.91

Funds flow from operations decreased due to lower commodity prices.

Net Income and Funds Flow from Operations

	Year ended September 30,			
	2009		2008	
	(\$)	(\$/boe)	(\$)	(\$/boe)
Funds flow from operations	\$112,716	\$13.38	\$187,760	\$36.91
Less: Depreciation, depletion and amortization	(\$134,131)	(\$15.93)	(\$79,170)	(\$15.56)
Impairment losses	(\$42)	-	(\$167)	(\$0.03)
Net income (loss)	(\$21,457)	(\$2.55)	\$108,423	\$21.32

Net income and funds flow from operations decreased due to lower commodity prices.

Capital Expenditures

The total capital expenditures for 2009 and 2008 with respect to the Transferred Assets by Prairie are summarized as follows:

	2009 (\$)	2008 (\$)
Drilling and completions	-	\$74,444
Other facilities and equipment	-	\$157,469
Total capital expenditures	-	\$231,913

Contractual Obligations

From time to time, Prairie entered into agreements to transport and market petroleum and natural gas production. In addition, Prairie entered into agreements with third parties that provides employees with access to specialized computer software and information including production and reserves data, geological data, accounting systems and land management systems.

Selected Annual Information

The following selected financial data has been prepared in accordance with Canadian GAAP and should be read in conjunction with the audited financial statements for the years ended September 30, 2009 and 2008 with respect to the Transferred Assets:

	Year ended September 30,	
	2009(\$)	2008(\$)
Financial Results		
Net Revenue	\$184,933	\$258,929
Net income (loss)	(\$21,457)	\$108,423
Financial Position		
Working capital	\$7,082	(\$28,866)
Total assets	\$485,579	\$598,602
Contribution from Prairie Exploration Inc.	\$370,647	\$448,034
Deficit	\$86,966	\$108,423

Lower revenues due to decreased commodity prices resulted in a net loss.

Selected Quarterly Information

The following selected financial data has been prepared in accordance with Canadian GAAP and should be read in conjunction with the audited financial statements of Prairie for the years ended September 30, 2009 and 2008 with respect to the Transferred Assets:

Fiscal Quarter Ended	Net Revenue	Income (Loss)
September 30, 2009	\$28,228	(\$24,958)
June 30, 2009	\$40,219	(\$9,856)
March 31, 2009	\$49,340	\$(2,982)
December 31, 2008	\$67,146	\$16,339
September 30, 2008	\$30,474	\$5,217
June 30, 2008	\$97,885	\$56,602
March 31, 2008	\$104,323	\$43,066
December 31, 2007	\$26,249	\$3,538

Net revenues received varied resulting from changes in production volumes and commodity prices received.

Reserves Data and Other Petroleum and Natural Gas Information

Our independently prepared reserves and assessment and evaluation of our petroleum and natural gas properties effective September 30, 2009 have been prepared in accordance with mandated National Instrument 51-101 *Standards of disclosure for Petroleum and Natural Gas Activities* (“NI 51-101”).

Business Risk

Donnybrook’s exploration and production activities are concentrated in the Western Canadian Sedimentary Basin, where activity is highly competitive and includes a variety of different sized companies ranging from smaller junior producers, intermediate and senior producer, to the much larger integrated petroleum companies. Donnybrook’s principal activity of petroleum and natural gas exploration and development is considered to be inherently risky. Donnybrook is subject to a number of risks which are also common to other organizations involved in the oil and gas industry. Such risks include finding and developing petroleum and natural gas reserves of economic costs, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, financial and liquidity risks and environmental and safety risks.

Some of the most significant risks being:

1. Substantial expenditures are required to explore for petroleum and natural gas reserves and there is no assurance that Donnybrook will discover economic reserves;
2. The junior resource market, where Donnybrook raises funds, is extremely volatile and there is no guarantee that Donnybrook will be able to raise funds as it requires them;
3. Although Donnybrook has taken steps to verify title to the petroleum and natural gas properties it has an interest in or is earning into, there is no guarantee that the property will not be subject to title disputes or undetected defects;
4. Donnybrook is subject to the laws and regulations relating to environmental matters, including provisions relating to reclamation, discharge of hazardous material and other matters. Donnybrook’s exploration and development activities are conducted by partners and/or operators who are in compliance with applicable environmental protection legislation. Donnybrook is not aware of any existing environmental problems related to its properties that may cause material liability to Donnybrook;
5. Under applicable regulatory requirements, Donnybrook will be required to identify and disclose any proved petroleum and natural gas reserves, estimated quantities of crude oil, natural gas and natural gas liquids. This geological and engineering data demonstrates with reasonable certainty the estimated quantities of crude oil, natural gas and natural gas liquids, which will be recoverable in future years from known reservoirs under existing economic and operating conditions. However, the process of estimating petroleum and natural gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir, and as a result, such estimates are inherently imprecise. Actual future production, oil and gas prices, revenues, taxes, development expenditures, operating

expenses and quantities of recoverable petroleum and natural gas reserves may vary substantially from the estimations from year to year. Any significant variance in the assumptions could materially affect the estimated quantities and present values of reserves. For example, a material drop in oil and gas prices, or a material increase in applicable taxes, will require management to reassess whether known reservoirs can continue to be reasonably judged as economically productive from one year to the next. In addition, the reserves may be subject to downward or upward revisions based upon production history, results of future exploration and development, prevailing oil and gas prices and other factors, many of which are beyond our control. Actual production, revenues, taxes, development expenditures and operating expenses with respect to the reserves will likely vary from the estimates presented herein, and such variances may be material; and

6. In general, production rates from petroleum and natural gas properties decline as reserves are depleted. The decline rates depend on reservoir characteristics and vary from steep declines to the relatively slow declines characteristic of long-lived fields in other regions. Should one or more of the above risks materialize or should our underlying assumptions prove incorrect, our actual results may materially differ from our current expectations.

In order to reduce exploration risk, Donnybrook employs highly qualified personnel, either directly as employees or indirectly when contracting for services, who have demonstrated the ability to generate quality proprietary geological and geophysical prospects. Our philosophy of focusing on a limited number of geographical areas allows us to develop a high level of technical and managerial expertise in each area. To control the cost and pace of development, we acquire high working interests in each prospect and operate wherever possible.

Donnybrook has retained an independent engineering firm that assists Donnybrook in evaluating recoverable amounts of petroleum and natural gas reserves. Values of recoverable reserves are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and government regulation. Such estimates may vary from actual results.

Donnybrook mitigates its risk related to producing hydrocarbons through the utilization of the most advanced technology and information systems. In addition, Donnybrook strives to operate the majority of its prospects, thereby maintaining operational control. Donnybrook does rely on its partners in jointly owned properties that Donnybrook does not operate.

Donnybrook is exposed to market risk to the extent that the demand for oil and gas produced by Donnybrook exists within Canada and the United States. External factors beyond Donnybrook's control may affect the marketability of oil and gas produced. These factors include commodity prices and variations in the Canada-United States currency exchange rate, which in turn respond to economic and political circumstances throughout the world. Oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are affected by North American supply and demand fundamentals.

Donnybrook may enter into commodity price and interest rate hedging strategies to add a degree of certainty to cash flow. As at December 31, 2010, Donnybrook has not entered into any derivative or hedging contracts.

Exploration and production for oil and gas is very capital intensive. As a result, Donnybrook relies on equity markets as a source of new capital. Funds from operations also provide Donnybrook with capital required to grow its business. Equity is subject to market conditions and availability may increase or decrease from time to time. Funds from operations also fluctuate with changing commodity prices.

Regulatory Risk

There can be no assurance that government royalties, income tax laws, environmental law and regulatory requirements relating to the oil and gas industry will not be changed in a manner which adversely affects Donnybrook or its shareholders. Although Donnybrook has no control over these regulatory risks, it continuously monitors changes in these areas by participating in industry organizations and conferences, exchanging information with third party experts and employing qualified individuals to assess the impact of such changes on Donnybrook's financial and operating results.

Safety and Environment

Oil and gas exploration and production can involve environmental risks such as pollution of the environment and destruction of natural habitat, as well as safety risks such as personal injury. Donnybrook conducts its operations with high standards in order to protect the environment and the general public. Donnybrook's insurance program is consistent with industry practice to protect against destruction of assets, well blowouts, pollution and other business interruptions. Donnybrook maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability and Operators Extra Expenses coverage. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations. Donnybrook has a Corporate Emergency Response Plan and Health, Environmental and Safety manuals and procedures in place.

Climate Change

World leaders gathered in Copenhagen in December 2009 to discuss climate policy. Even though consensus was not achieved, the message from the Copenhagen Accord was clear; greenhouse gases ("GHGs") and other air in order to deal effectively with climate change. GHG emissions can be measured as carbon dioxide equivalents ("CO₂E") and would consist of carbon dioxide, methane, nitrous oxide, hydro fluorocarbons, per fluorocarbons and sulphur hexafluoride.

The Federal Government of Canada has announced its intention to regulate GHG and other air pollutants. As these regulations are under development, Donnybrook is unable to predict the total impact of the potential regulations upon its business.

The Alberta Government has set targets for GHG emission reductions. Alberta Environment required all facilities that exceeded 100,000 tonnes of CO₂E to reduce their GHG emissions intensity by 12% versus established baseline emissions intensity. In order to comply with the Alberta regulations, companies can make operating improvements to its facilities, purchase carbon offsets or make a monetary contribution to the Alberta Climate change and Emissions Management Fund.

CHANGES IN ACCOUNTING POLICIES AND PRACTICES

Effective January 1, 2010, Donnybrook early adopted the following Canadian Institute of Chartered Accountants ("CICA Handbook") sections:

Section 1582: "Business Combinations" which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination to be measured at their fair values as of the date of acquisition. This new standard has been applied to the acquisition Prairie Exploration Inc.

Section 1601, "Consolidated Financial Statements" which replaces the previous consolidated financial statements standard. This section establishes the requirements for the preparation of consolidated financial statements. The adoption of this section does not impact Donnybrook's financial statements for this period.

Section 1602, "Non-controlling interests", which establishes the accounting for non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this section has no impact on Donnybrook's financial statements for the Transferred Assets for the years ended December 31, 2010 and 2009.

FINANCIAL REPORTING UPDATE

Adoption of International Financial Reporting Standards

As of January 1, 2011, Donnybrook prepares its interim financial statements and comparative information consistent with IFRS and in accordance with "IFRS 1" and "IAS 34", as issued by the IASB. Previously, Donnybrook's financial statements were prepared in accordance with Canadian GAAP.

Legal, Environmental, Remediation and other Contingent Matters

Donnybrook reviews legal, environmental remediation and other contingent matters to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reasonably be estimated. When the loss is determined, it is charged to earnings. Donnybrook's management monitors known and potential contingent matters and make appropriate provisions by charges to earnings when warranted by the circumstances.

Non-GAAP Measures

In this document "Funds flow from operations", "Funds flow from operations – per BOE", "Net revenues", "Net G&A expense", "Net G&A expense – per BOE", "Total depletion, depreciation and accretion – per BOE", "Operating expense – per BOE", collectively the "Non-GAAP measures", are used and do not have any standardized meanings as prescribed by GAAP. They are used to assist management in measuring the Company's ability to finance capital programs and meet financial obligations. Funds flow from operations refers to cash flows from operating activities before net changes in operating working capital.

Non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with GAAP, or other measures of financial performance calculated in accordance with GAAP. The Non-GAAP measures are unlikely to be comparable to similar measures presented by other issuers.

SCHEDULE E

FORM 51-101F2

REPORT ON RESERVES DATA

BY

INDEPENDENT QUALIFIED RESERVES

EVALUATOR OR AUDITOR

Report on Reserves Data

To the board of directors of Donnybrook Energy Inc. (the “Company”):

1. We have evaluated the Company’s reserves data in Delia/Michichi, Alberta as at December 31, 2010. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

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

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2010 and identifies the respective portions thereof that we have evaluated and reported on to the Company’s management / Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Donnybrook Energy Inc. Reserve Estimation and Economic Evaluation	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (\$M, before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
Fekete Associates Inc.	Reserves Evaluation December 31, 2010	Canada	-	\$1,559.13	-	\$1,559.13

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our report referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

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

Executed as to our report referred to above:

Fekete Associates Inc., Calgary, Alberta, Canada

Dated August 23, 2011.

Per: Signed by: "Gary D. Metcalfe"
Garry D. Metcalfe, P.Eng.
Vice-President, Evaluations

SCHEDULE F
FORM 51-101F3
REPORT OF
MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE

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

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

Report of Management and Directors
on Reserves Data and Other Information

Management of Donnybrook Energy Inc. (the “Company”) are responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data in Delia-Michichi, Alberta which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.

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

The board of directors of the Company has:

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

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

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

¹ For the convenience of readers, Appendix 1 to Companion Policy 51-I0ICP sets out the meanings of certain terms in sections 1 and 2 of this Form or in NI 51-101, Form 51 101F1, Form 51-101F2 or the Companion Policy.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

(signed) “*Malcolm F.W. Todd*”

Malcolm F.W. Todd
President and Chief Executive Officer

(signed) “*Robert H.O. Todd*”

Robert H.O. Todd
Chief Financial Officer

(signed) “*David Patterson*”

David Patterson
Director

(signed) “*Colin Watt*”

Colin Watt
Director

August 23, 2011

SCHEDULE G

Newco Audit Committee Charter

Mandate

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by Donnycreek Energy Inc. (the “**Company**”) to regulatory authorities and shareholders, the Company’s systems of internal controls regarding finance and accounting, and the Company’s auditing, accounting and financial reporting processes. Consistent with this function, the Audit Committee will encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Audit Committee’s primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company’s financial reporting and internal control systems and review the Company’s financial statements;
- review and appraise the performance of the Company’s external auditors; and
- provide an open avenue of communication among the Company’s auditors, financial and senior management and the Board of Directors.

Composition

The Audit Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would reasonably interfere with the exercise of his or her independent judgment as a member of the Audit Committee. At least one member of the Audit Committee shall have accounting or related financial management expertise. All members of the Audit Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee’s Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company’s financial statements. The members of the Audit Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders’ meeting.

Meetings

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Audit Committee shall:

Documents/Reports Review

- (a) Review and update this Charter annually.
- (b) Review the Company’s financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

- (c) Confirm that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.

External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Audit Committee as representatives of the shareholders of the Company.
- (b) Obtain annually, a formal written statement of the external auditors setting forth all relationships between the external auditors and the Company, consistent with the Independence Standards Board Standard 1.
- (c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- (d) Take, or recommend that the full Board of Directors, take appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board of Directors the selection and compensation and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- (g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- (h) Review with management and the external auditors the audit plan for the year end financial statements and intended template for such statements.
- (i) Review and pre approve all audit and audit related services and the fees and other compensation related thereto, and any non audit services, provided by the Company's external auditors. The pre approval requirement is waived with respect to the provision of non audit services if:
 - (i) the aggregate amount of all such non audit services provided to the Company constitutes not more than five percent of the total amount of fees paid by the Company to its external auditors during the fiscal year in which the non audit services are provided;
 - (ii) such services were not recognized by the Company at the time of the engagement to be non audit services; and
 - (iii) such services are promptly brought to the attention of the Audit Committee by the Company and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Audit Committee. Provided the pre approval of the non audit services is presented to the Audit Committee's first scheduled meeting following such approval, such authority may be delegated by the Audit Committee to one or more independent members of the Audit Committee.

Financial Reporting Processes

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

- (c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Other

Review any related party transactions.

APPENDIX F

NEWCO OPTION PLAN

DONNYCREEK ENERGY INC.

STOCK OPTION PLAN

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

As used herein, unless anything in the subject matter or context is inconsistent therewith, the following terms shall have the meanings set forth below:

“**Administrator**” means such director or other senior officer or employee of the Company as may be designated as Administrator by the Board from time to time;

“**Award Date**” means the date on which the Board grants and announces a particular Option;

“**Board**” means the board of directors of the Company;

“**Company**” means Donnycreek Energy Inc. and any subsidiary thereof, (within the meaning of the Securities Act), as the context may apply;

“**Consultant**” means an individual (or a company wholly owned by the individual) who: (i) provides ongoing consulting, technical, management or other services to the Company (excluding services provided in relation to a distribution of the Company’s securities); (ii) possesses technical, business or management expertise of value to the Company; (iii) provides the services under a written contract with the Company; (iv) spends a significant amount of time and attention to the business and affairs of the Company; and (v) has a relationship with the Company that enables the individual to be knowledgeable about the business and affairs of the Company;

“**Director**” means directors, senior officers and Management Company Employees of the Company;

“**Employee**” means: (i) an individual considered an employee under the Income Tax Act, Canada (i.e. for whom income tax and other deductions are made by the Company); (ii) an individual who works full time for the Company providing services normally provided by an employee of the Company but for whom income tax and other deductions are not made by the Company; and (iii) an individual who works for the Company on a continuing and regular basis for a minimum amount of time per week, but for whom income tax and other deductions are not made by the Company;

“**Exchange**” means the TSX Venture Exchange;

“**Exercise Notice**” means the notice respecting the exercise of an Option, in the form set out as Schedule B hereto, duly executed by the Option Holder;

“**Exercise Period**” means the period during which a particular Option may be exercised, being the period from and including the Award Date through to and including the Expiry Date;

“**Exercise Price**” means the price at which an Option may be exercised as determined in accordance with section 3.6;

“**Expiry Date**” means the date determined in accordance with section 3.3 and after which a particular Option cannot be exercised;

“**Insider**” means a Director, a director or senior officer of a company that is an Insider or subsidiary of the Company, or a person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Company;

“**Investor Relations Activities**” has the meaning ascribed thereto in the Exchange’s corporate finance manual;

“**Management Company Employee**” means an individual employed by a company providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a person engaged in Investor Relations Activities;

“**Option**” means an option to acquire Shares, awarded to a Director, Employee or Consultant pursuant to the Plan;

“**Option Certificate**” means the certificate, substantially in the form set out as Schedule A hereto, evidencing an Option;

“**Option Holder**” means a current or former Director, Employee or Consultant who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person;

“**Personal Representative**” means: (i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and (ii) in the case of an Option Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder;

“**Plan**” means this stock option plan;

“**Securities Act**” means the *Securities Act* (Alberta); and

“**Share**” or “**Shares**” means, as the case may be, one or more common shares without par value in the capital of the Company.

1.2 CHOICE OF LAW

The Plan is established under, and the provisions of the Plan shall be interpreted and construed solely in accordance with, the laws of the Province of Alberta.

1.3 HEADINGS

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

**ARTICLE 2
PURPOSE AND PARTICIPATION**

2.1 PURPOSE

The purpose of the Plan is to provide the Company with a Share related mechanism to attract, retain and motivate Directors, Employees and Consultants, to reward such of those persons by the grant of options under the Plan by the Board from time to time for their contributions toward the long term goals of the Company and to enable and encourage such persons to acquire Shares as long term investments.

2.2 PARTICIPATION

The Board shall, from time to time, in its sole discretion determine those Directors, Employees and Consultants, if any, to whom Options are to be awarded. If the Board elects to award an Option to a Director, the Board shall, in its sole discretion but subject to section 3.2, determine the number of Shares to be acquired on the exercise of such Option. If the Board elects to award an Option to an Employee or Consultant, the number of Shares to be acquired on the exercise of such Option shall be determined by the Board in its sole discretion, and in so doing the Board may take into account the following criteria:

- (a) the person's remuneration as at the Award Date in relation to the total remuneration payable by the Company to all of its Employees and Consultants as at the Award Date;
- (b) the length of time that the person has provided services to the Company; and
- (c) the nature and quality of work performed by the person.

2.3 NOTIFICATION OF AWARD

Following the approval by the Board of the awarding of an Option, the Administrator shall notify the Option Holder in writing of the award and shall enclose with such notice the Option Certificate representing the Option so awarded.

2.4 COPY OF PLAN

Each Option Holder, concurrently with the notice of the award of the Option, shall be provided with a copy of this Plan. A copy of any amendment to the Plan shall be promptly provided by the Administrator to each Option Holder.

2.5 LIMITATION

This Plan does not give any Option Holder who is a Director the right to serve or continue to serve as a Director, nor does it give any Option Holder who is an Employee or Consultant the right to be or to continue to be employed or engaged by the Company.

**ARTICLE 3
TERMS AND CONDITIONS OF OPTIONS**

3.1 BOARD TO ALLOT SHARES

The Shares to be issued to Option Holders upon the exercise of Options shall be allotted and authorized for issuance by the Board prior to the exercise thereof.

3.2 NUMBER OF SHARES

The maximum number of Shares issuable under the Plan shall not exceed 10% of the number of Shares of the Company issued and outstanding as of each Award Date, inclusive of all Shares presently reserved for issuance pursuant to previously granted stock options, unless shareholder approval is obtained in advance in accordance with section 6.5 hereof.

Options that have been cancelled or that have expired without being exercised in full shall continue to be issuable under the Plan.

3.3 TERM OF OPTION

Subject to section 3.5, the Expiry Date of an Option shall be the date so fixed by the Board at the time the particular Option is awarded, provided that such date shall not be later than the tenth anniversary of the Award Date of the Option.

3.4 LIMITATIONS

The total number of Options awarded to any one individual in any twelve month period shall not exceed 5% of the issued and outstanding Shares of the Company at the Award Date (unless the Company is at the time a Tier 1 issuer and has obtained disinterested shareholder approval).

The total number of Options awarded to any one Consultant for the Company shall not exceed 2% of the issued and outstanding Shares of the Company at the Award Date without consent being obtained from the Exchange.

The total number of Options awarded to all persons employed by the Company who perform Investor Relations Activities for the Company shall not exceed 2% of the issued and outstanding Shares of the Company, in any twelve month period, calculated at the Award Date without consent being obtained from the Exchange.

3.5 TERMINATION OF OPTION

An Option Holder may exercise an Option in whole or in part at any time or from time to time during the Exercise Period provided that, with respect to the exercise of part of an Option, the Board may at any time and from time to time fix limits, vesting requirements or restrictions in respect of which an Option Holder may exercise part of any Option held by him. Any Option or part thereof not exercised within the Exercise Period shall terminate and become null, void and of no effect as of 5:00 p.m. (Vancouver time) on the Expiry Date. The Expiry Date of an Option shall be the earlier of the date so fixed by the Board on the Award Date referred to in section 3.3 above, and the date established, if applicable, in subsections (a) to (c) below.

(a) Death

In the event that the Option Holder should die while he or she is still (i) a Director or Employee, (other than an Employee performing Investor Relations Activities) the Expiry Date shall be 12 months from the date of death of the Option Holder; or (ii) a Consultant, or an Employee performing Investor Relations Activities, the Expiry Date shall be one month from the date of death of the Option Holder.

(b) Ceasing to Hold Office

In the event that the Option Holder holds his or her Option as Director and such Option Holder ceases to be a Director of the Company other than by reason of death, the Expiry Date of the Option shall be the 90th day following the date the Option Holder ceases to be a Director of the Company unless the Option Holder continues to be engaged by the Company as an Employee or Consultant, in which case the Expiry Date shall remain unchanged. However, if the Option Holder ceases to be a Director of the Company as a result of:

- (i) ceasing to meet the qualifications set forth in section 105 of the *Business Corporations Act* (Alberta); or
- (ii) (ii) a special resolution having been passed by the members of the Company pursuant to sections 108 and 109 of the *Business Corporations Act* (Alberta),

then the Expiry Date shall be the date the Option Holder ceases to be a Director of the Company.

(c) Ceasing to be Employed

In the event that the Option Holder holds his or her Option as an Employee or Consultant of the Company (other than an Employee or Consultant performing Investor Relations Activities) and such Option Holder ceases to be an Employee or Consultant of the Company other than by reason of death, the Expiry Date of the Option shall be the 30th day following the date the Option Holder ceases to be an Employee or Consultant of the Company unless the Option Holder ceases to be such as a result of:

- (i) termination for cause; or
- (ii) an order of the Alberta Securities Commission, the Exchange, or any regulatory body having jurisdiction to so order,

in which case the Expiry Date shall be the date the Option Holder ceases to be an Employee or Consultant of the Company.

(d) Ceasing to Perform Investor Relations Activities

Notwithstanding the paragraph (c) immediately above, in the event that the Option Holder holds his or her Option as an Employee or Consultant of the Company who provides Investor Relations Activities on behalf of the Company, and such Option Holder ceases to be an Employee or Consultant of the Company other than by reason of death, the Expiry Date shall be the date the Option Holder ceases to be an Employee or Consultant of the Company.

3.6 EXERCISE PRICE

The Exercise Price shall be that price per Share, as determined by the Board in its sole discretion, and announced as of the Award Date, at which an Option Holder may purchase a Share upon the exercise of an Option, provided that it shall not be less than the closing price of the Company's Shares traded through the facilities of the Exchange (or, if the Shares are no longer listed for trading on the Exchange, then such

other exchange or quotation system on which the Shares are listed or quoted for trading) on the day preceding the Award Date, less any discount permitted by the Exchange, or such other price as may be required or permitted by the Exchange.

3.7 ASSIGNMENT OF OPTIONS

Options may not be assigned or transferred, and all Option Certificates will be so legended, provided however that the Personal Representatives of an Option Holder may, to the extent permitted by section 4.1, exercise the Option within the Exercise Period.

3.8 ADJUSTMENTS

If prior to the complete exercise of any Option the Shares are consolidated, subdivided, converted, exchanged or reclassified or in any way substituted for (collectively the “**Event**”), the Option, to the extent that it has not been exercised, shall be adjusted by the Board in accordance with such Event in the manner the Board deems appropriate. No fractional Shares shall be issued upon the exercise of the Options and accordingly, if as a result of the Event an Option Holder would become entitled to a fractional share, such Option Holder shall have the right to purchase only the next lowest whole number of shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded. Additionally, no lots of Shares in an amount less than 500 Shares shall be issued upon the exercise of the Options unless such amount of Shares represents the balance left to be exercised under the Options.

3.9 EXERCISE RESTRICTIONS

The Board may, at the time an Option is awarded or upon renegotiation of the same, attach restrictions relating to the exercise of the Option, including vesting provisions. Any such restrictions shall be recorded on the applicable Option Certificate.

Notwithstanding the above, Options issued to Consultants performing Investor Relations Activities must vest in stages over at least twelve months with not more than one quarter of the Options vesting in any three month period.

3.10 REPRESENTATIONS

For Options granted to Employees, Consultants or Management Company Employees, the Company will represent that the Option Holder is a bona fide Employee, Consultant or Management Company Employee, as the case may be.

ARTICLE 4 EXERCISE OF OPTION

4.1 EXERCISE OF OPTION

An Option may be exercised only by the Option Holder or his Personal Representative. An Option Holder or his Personal Representative may exercise an Option in whole or in part, subject to any applicable exercise restrictions, at any time or from time to time during the Exercise Period up to 5:00 p.m. (Vancouver time) on the Expiry Date by delivering to the Administrator an Exercise Notice, the applicable Option Certificate and a certified cheque or bank draft payable to the Company in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Option.

4.2 ISSUE OF SHARE CERTIFICATES

As soon as practicable following the receipt of the Exercise Notice, the Administrator shall cause to be delivered to the Option Holder a certificate for the Shares so purchased. If the number of Shares so purchased is less than the number of Shares subject to the Option Certificate surrendered, the Administrator shall forward a new Option Certificate to the Option Holder concurrently with delivery of the aforesaid share certificate for the balance of the Shares available under the Option.

4.3 CONDITION OF ISSUE

The issue of Shares by the Company pursuant to the exercise of an Option is subject to this Plan and compliance with the laws, rules and regulations of all regulatory bodies applicable to the issuance and distribution of such Shares and to the listing requirements of any stock exchange or exchanges on which the Shares may be listed. The Option Holder agrees to comply with all such laws, rules and regulations and agrees to furnish to the Company any information, report and/or undertakings required to comply with and to fully cooperate with the Company in complying with such laws, rules and regulations.

4.4 MONITORING OF TRADES

An Option Holder who performs Investor Relations Activities shall provide written notice to the Board of each of his trades of securities of the Company, within five business days of each trade.

4.5 WITHHOLDINGS

To the extent required under applicable law or regulation, the Company shall be entitled to take all reasonable and necessary steps, including the sale of any Shares issued upon the exercise of an Option (other than a redemption or purchase for cancellation), or obtain all reasonable or necessary indemnities, assurances or undertakings to satisfy any tax remittance obligations of the Company or any subsidiary to any taxing authorities arising in respect of the Option Holder's exercise of the Option granted or any other stock options heretofore granted by the Company to the Option Holder and the President of the Company be and is hereby appointed as the irrevocable attorney-in-fact for the Option Holder to take all such reasonable and necessary steps or Share sales. The Company does not accept responsibility for the price obtained on the sale of such Shares.

Option Holders (or their beneficiaries) shall be responsible for all taxes with respect to any Options under the Plan or any Option agreement, whether as a result of the grant or exercise of Options or otherwise. The Company makes no guarantee to any person regarding the tax treatment of Options or payments made under the Plan or any Option agreement and none of the Company, or any of its employees or representatives shall have any liability to the Option Holder with respect thereto.

ARTICLE 5 ADMINISTRATION

5.1 ADMINISTRATION

The Plan shall be administered by the Board, or an Administrator on the instructions of the Board or such committee of the Board formed in respect of matters relating to the Plan. The Board or such committee may make, amend and repeal at any time and from time to time such regulations not inconsistent with this Plan as it may deem necessary or advisable for the proper administration and operation of this Plan and

such regulations shall form part of this Plan. The Board may delegate to the Administrator or any Director, Employee or officer of the Company such administrative duties and powers as it may see fit.

5.2 INTERPRETATION

The interpretation by the Board or its authorized committee of any of the provisions of this Plan and any determination by it pursuant thereto shall be final and conclusive and shall not be subject to any dispute by any Option Holder. No member of the Board or any person acting pursuant to authority delegated by the Board hereunder shall be liable for any action or determination in connection with this Plan made or taken in good faith and each member of the Board and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Company.

ARTICLE 6 APPROVALS, AMENDMENTS AND TERMINATION

6.1 APPROVALS REQUIRED FOR PLAN

Prior to its implementation by the Company, this Plan is subject to the receipt of approval by the shareholders of the Company at a general meeting and approval of the Exchange.

6.2 PROSPECTIVE AMENDMENT

Subject to applicable regulatory approval, the Board may from time to time amend this Plan and the terms and conditions of any Option thereafter to be awarded and, without limiting the generality of the foregoing, may make such amendments for the purpose of meeting any changes in any relevant law, Exchange policy, rule or regulation applicable to this Plan, any Option or the Shares, or for any other purpose which may be permitted by all relevant laws, rules and regulations, provided always that any such amendment shall not alter the terms or conditions of any Option or impair any right of any Option Holder pursuant to any Option awarded prior to such amendment.

6.3 RETROACTIVE AMENDMENT

Subject to applicable regulatory approval, the Board may from time to time retroactively amend this Plan and may also, with the consent of the affected Option Holders, retroactively amend the terms and conditions of any Options which have been previously awarded.

6.4 EXCHANGE APPROVAL

With the consent of affected Option Holders, the Board may amend the terms of any outstanding Option so as to reduce the number of optioned Shares, increase the Exercise Price, or cancel an Option without Exchange approval. Any other amendment will be subject to receiving prior Exchange approval.

6.5 SHAREHOLDER APPROVAL

This Plan must be approved by the Company's shareholders annually, at a duly called meeting of the shareholders. Disinterested shareholder approval (as defined in Exchange policy) will be required for: (i) any reduction in the exercise price of Options granted to insiders, if the Option Holder is an insider of the Company at the time of the proposed amendment; and (ii) the situations where the Plan, together with all other outstanding options could result at any time in:

- (a) the number of shares reserved for issuance under stock options granted to insiders exceeding 10% of the Company's issued Shares;
- (b) the grant to insiders, within a 12 month period, of a number of options exceeding 10% of the Company's issued Shares; or
- (c) if the Company becomes a Tier 1 issuer on the Exchange, the issuance to any one Option Holder, within a 12 month period, of a number of Shares exceeding 5% of the Company's Shares.

6.6 TERMINATION

The Board may terminate this Plan at any time provided that such termination shall not alter the terms or conditions of any Option or impair any right of any Option Holder pursuant to any Option awarded prior to the date of such termination and notwithstanding such termination the Company, such Options and such Option Holders shall continue to be, governed by the provisions of this Plan.

6.7 AGREEMENT

The Company and every person to whom an Option is awarded hereunder shall be bound by and subject to the terms and conditions of this Plan.

END OF DOCUMENT

SCHEDULE A

OPTION CERTIFICATE

This certificate is issued pursuant to the provisions of the DONNYCREEK ENERGY INC. (the “Company”) Stock Option Plan (the “Plan”) and evidences that _____ (Name of Optionee) is the holder of an option (the “Option”) to purchase up to _____ (Number of Shares) common shares (the “Shares”) in the capital stock of the Company at a purchase price of \$ _____ per Share. Subject to the provisions of the Plan:

- (a) the Award Date of this Option is _____ (*insert date of grant*); and
- (b) the Expiry Date of this Option is _____ (*insert date of expiry*).

Additional Vesting or Other Restrictions: (*insert as applicable*)

The Shares to be issued on exercise of the Option are subject to a TSX Venture Exchange hold period until <four months+ a day>.

This Option may be exercised in accordance with its terms at any time and from time to time from and including the Award Date through to and including up to 5:00 p.m. (Vancouver time) on the Expiry Date, by delivering to the Company an Exercise Notice, in the form provided in the Plan, together with this certificate and a certified cheque or bank draft payable to the Company in an amount equal to the aggregate of the Exercise Price of the Shares in respect of which this Option is being exercised.

This certificate and the Option evidenced hereby is not assignable, transferable or negotiable and is subject to the detailed terms and conditions contained in the Plan. This certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Company shall prevail.

Signed this _____ day of _____, 20 _____.

DONNYCREEK ENERGY INC.

By its Authorized Signatory:

Name:
Title:

SCHEDULE B

EXERCISE NOTICE

To: The Administrator, Stock Option Plan
Donnycreek Energy Inc. (the “**Company**”)

The undersigned hereby irrevocably gives notice, pursuant to the Company’s Stock Option Plan (the “**Plan**”), of the exercise of the Option to acquire and hereby subscribes for (*cross out inapplicable item*):

- (a) all of the Shares; or
- (b) _____ of the Shares, which are the subject of the Option Certificate attached hereto.

Calculation of total Exercise Price:

- (i) number of Shares to be acquired on exercise: _____ Shares
 - (ii) multiplied by the Exercise Price per Share: \$ _____
- TOTAL EXERCISE PRICE, enclosed herewith: \$ _____

The undersigned tenders herewith a certified cheque or bank draft in an amount, equal to the total Exercise Price of the aforesaid Shares, as calculated above, and directs the Company to issue the share certificate evidencing said Shares in the name of the undersigned to be mailed to the undersigned at the following address:

DATED the _____ day of _____, 20 ____.

Signature of Option Holder

Name of Option Holder (please print)

APPENDIX G
ABCA DISSENT RIGHTS

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 by originating notice 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 originating notice, 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 examinations for discovery,
- (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, and
- (d) fixing the time at which a 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.

RSA 2000 cB-9 s191;2005 c40 s7

