



NOTICES OF ANNUAL GENERAL AND SPECIAL MEETINGS

and

NOTICE OF ORIGINATING APPLICATION

and

**JOINT MANAGEMENT INFORMATION CIRCULAR
AND PROXY STATEMENT**

with respect to, among other things, the proposed

BUSINESS COMBINATION

involving

TOUCHSTONE EXPLORATION INC.

and

PETROBANK ENERGY AND RESOURCES LTD.

March 28, 2014

These materials are important and require your immediate attention. They require shareholders of Touchstone Exploration Inc. and Petrobank Energy and Resources Ltd. to make important decisions. If you are in doubt as to how to make such decisions please contact your financial, legal, tax or other professional advisors. If you are a holder of common shares of Touchstone Exploration Inc. and have any questions or require more information with regard to voting your Touchstone common shares, please contact Touchstone's proxy solicitation and information agent, Kingsdale Shareholder Services, at its North American toll-free number 1-800-775-1986 or by email at contactus@kingsdaleshareholder.com.

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March 28, 2014

Dear Touchstone Shareholders:

You are invited to attend an annual general and special meeting (the "**Touchstone Meeting**") of holders ("**Touchstone Shareholders**") of common shares ("**Touchstone Shares**") of Touchstone Exploration Inc. ("**Touchstone**") to be held in the Strand/Tivoli Room located at the Metropolitan Conference Centre, 333 – 4th Avenue S.W., Calgary, Alberta, Canada at 9:00 a.m. (Calgary time) on April 28, 2014. At the Touchstone Meeting, Touchstone Shareholders will be asked to consider and, if thought advisable, approve (i) the continuance of Touchstone into the Province of Alberta (the "**Continuance**"), and (ii) a proposed plan of arrangement (the "**Arrangement**") involving Touchstone, Touchstone Shareholders and Petrobank Energy and Resources Ltd. ("**Petrobank**"). In addition to the Continuance and the Arrangement, Touchstone Shareholders will be asked to consider certain annual business as set forth herein. **If you cannot attend the Touchstone Meeting, please complete the enclosed form of proxy and submit it as soon as possible. Your vote is important to Touchstone and we strongly encourage you to attend the Touchstone Meeting or submit the enclosed form of proxy.**

Touchstone and Petrobank agreed to combine their respective businesses and entered into an arrangement agreement (the "**Arrangement Agreement**") dated March 6, 2014, which was approved by the respective boards of directors of Touchstone and Petrobank. The Arrangement Agreement provides for, among other things, the acquisition of all of the issued and outstanding Touchstone Shares by Petrobank. Holders of Touchstone Shares will receive 0.471 (or such other exchange ratio, as determined in accordance with the plan of arrangement) of a common share of Petrobank ("**Petrobank Shares**") for each Touchstone Share held (the "**Exchange Ratio**") pursuant to the Arrangement. Under the Arrangement, Petrobank will also assume all of the rights and obligations of Touchstone relating to the \$2,000,000 aggregate principal amount of 9.5% convertible senior unsecured debentures of Touchstone due June 30, 2016 (the "**Touchstone Debentures**"), issued pursuant to the debenture indenture governing the terms of the Touchstone Debentures (the "**Touchstone Debenture Indenture**"). The Touchstone Debentures will remain outstanding following completion of the Arrangement and the conversion price of the Touchstone Debentures will be adjusted pursuant to the terms of the Touchstone Debenture Indenture based on the Exchange Ratio. Following completion of the Arrangement, holders of Touchstone Debentures who subsequently wish to convert their Touchstone Debentures will be entitled to receive approximately 1,345,714 pre-consolidation Petrobank Shares. Under the Arrangement, Petrobank will also assume all of the rights and obligations of Touchstone relating to the share purchase warrants issued on June 29, 2011 to holders of the Touchstone Debentures (the "**Touchstone Debenture Warrants**") and to the share purchase warrants issued on June 29, 2012 to the lender under Touchstone's \$24.0 million credit facility (the "**Touchstone Credit Facility Warrants**", and together with the Touchstone Debenture Warrants, the "**Touchstone Warrants**"). The Touchstone Warrants will remain outstanding following completion of the Arrangement and the exercise price of the Touchstone Warrants and the number of Petrobank Shares issuable upon exercise of the Touchstone Warrants will be adjusted based on the Exchange Ratio. Following completion of the Arrangement, holders of Touchstone Warrants who subsequently wish to exercise their Touchstone Warrants will be entitled to receive approximately 4,992,600 pre-consolidation Petrobank Shares.

If you have any questions or require more information, please contact our proxy solicitation and information agent, Kingsdale Shareholder Services, by telephone at 1-800-775-1986 toll-free in North America or by email at contactus@kingsdaleshareholder.com.

Completion of the Arrangement will constitute a "change of control" under the terms of the Touchstone Debenture Indenture. As a result, within 30 days following the Arrangement, Petrobank will be required to provide a notice stating that there has been a change of control (the "**Change of Control Notice**") and make an offer in writing (the "**Change of Control Purchase Offer**") to purchase all of the outstanding

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Touchstone Debentures at a price of 100% of the principal amount thereof plus accrued and unpaid interest thereon and an amount equal to the interest that would have been paid on such Debentures for the period between the effective date of the Arrangement and the later of June 30, 2014 and the change of control purchase date, being the date that is 30 days after the date that the Change of Control Notice and the Change of Control Purchase Offer are delivered or mailed to holders of Touchstone Debentures ("**Touchstone Debentureholders**") in accordance with the terms of the Touchstone Debenture Indenture (the "**Change of Control Purchase Date**"). Should a Touchstone Debentureholder elect not to accept the repurchase offer, the Touchstone Debentures will remain outstanding until maturity subject to the terms of the Touchstone Debenture Indenture. Touchstone Debentureholders who convert their Touchstone Debentures following completion of the Arrangement will receive an adjusted number of Petrobank Shares, based on the Exchange Ratio.

Immediately following completion of the Arrangement, former Touchstone Shareholders are anticipated to own approximately 65,448,520 pre-consolidation Petrobank Shares, representing approximately 40% of the then issued and outstanding Petrobank Shares, and current holders of Petrobank Shares (the "**Petrobank Shareholders**") are anticipated to own approximately 97,559,773 pre-consolidation Petrobank Shares, representing approximately 60% of the then issued and outstanding Petrobank Shares, assuming none of the Touchstone Debentures are converted and none of the Touchstone Warrants or options to purchase Touchstone Shares are exercised prior to such time.

Assuming that there are no Touchstone Dissenting Shareholders and assuming full conversion of outstanding Touchstone Debentures and the exercise of all Touchstone Warrants prior to the Effective Time, there will be, immediately following the completion of the Arrangement, approximately 169,346,607 Petrobank Shares issued and outstanding. In such circumstances: (i) former Touchstone Shareholders will hold approximately 71,786,834 pre-consolidation Petrobank Shares, representing approximately 42% of the issued and outstanding Petrobank Shares; and (ii) holders of Petrobank Shares will hold Petrobank Shares representing approximately 58% of the issued and outstanding Petrobank Shares.

For the Continuance and the Arrangement to proceed, special resolutions approving each of the Continuance and the Arrangement must be approved by not less than 66⅔% of the votes cast by Touchstone Shareholders present in person or represented by proxy at the Touchstone Meeting. Completion of the Continuance is subject to the approval of the Touchstone Shareholders, the approval of the Registrar pursuant to the *Business Corporations Act* (British Columbia) and the approval of the Registrar pursuant to the *Business Corporations Act* (Alberta). Completion of the Arrangement is subject to, among other things, the approval by Touchstone Shareholders, the completion of the Continuance, the approval by Petrobank Shareholders of the issuance of Petrobank Shares under the Arrangement, the approval by the Court of Queen's Bench of Alberta, the approval of the Toronto Stock Exchange (the "**TSX**") and the TSX Venture Exchange, and the receipt of all necessary regulatory approvals and certain third party approvals.

The Petrobank Shareholders are not being asked to approve the Arrangement. Rather, Petrobank is required, pursuant to the rules of the TSX, to obtain Petrobank Shareholder approval of the issuance of the Petrobank Shares to Touchstone Shareholders under the Arrangement by a simple majority of the votes cast by Petrobank Shareholders present in person or represented by proxy at a meeting of Petrobank Shareholders (the "**Petrobank Meeting**").

If the requisite shareholder, court, stock exchange and regulatory approvals are obtained and if the other conditions to the Arrangement becoming effective are satisfied or waived, it is expected that the Arrangement will become effective on or about April 30, 2014.

Upon completion of the Arrangement, the combined company ("**New Touchstone**") will be led by the existing management team of Touchstone and a combination of the board of directors of Petrobank and Touchstone. Paul R. Baay, current Chief Executive Officer and Chairman of Touchstone will be appointed President, Chief Executive Officer and director of New Touchstone. John D. Wright, current Chairman and Chief Executive Officer of Petrobank, will be appointed Chairman of New Touchstone. Current Touchstone officers, Scott Budau, Chief Financial Officer, and James Shipka, Vice President

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Geoscience and Business Development, will be appointed to the positions of Chief Financial Officer and Vice President Geoscience and Business Development of New Touchstone, respectively. It is anticipated that Tom Valentine, a Partner at Norton Rose Fulbright Canada LLP and a current director of Touchstone, will be appointed Corporate Secretary of New Touchstone.

All of the directors and senior officers of Touchstone, holding an aggregate of less than 4% of the outstanding Touchstone Shares, entered into lock-up agreements with Petrobank pursuant to which they have agreed to vote in favour of the Continuance and the Arrangement at the Touchstone Meeting. Furthermore, all of the directors and senior officers of Petrobank, holding an aggregate of less than 7% of the outstanding Petrobank Shares, entered into lock-up agreements with Touchstone pursuant to which they have agreed to vote in favour of the issuance of Petrobank Shares pursuant to the Arrangement at the Petrobank Meeting.

The board of directors of Touchstone (the "Touchstone Board") has considered the Arrangement in detail, as well as other alternatives available to Touchstone, and, based upon the opinion of its financial advisor, among other things, (a) has determined that the Arrangement is in the best interests of Touchstone and is fair to the Touchstone Shareholders, (b) has approved the Arrangement and the entering into of the Arrangement Agreement, and (c) unanimously recommends that Touchstone Shareholders vote in favour of the Continuance and the Arrangement.

The accompanying joint management information circular and proxy statement (the "**Circular**") contains a detailed description of the Continuance, the Arrangement and the matters to be considered at the Touchstone Meeting and the Petrobank Meeting, as well as detailed information regarding Touchstone and Petrobank and certain pro forma financial information regarding Petrobank after giving effect to the Arrangement. It also includes certain risk factors relating to the completion of the Arrangement and the potential consequences of a Touchstone Shareholder exchanging such holder's Touchstone Shares for Petrobank Shares in connection with the Arrangement. Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisors.

Your vote is important regardless of how many Touchstone Shares you own. To ensure that your Touchstone Shares are represented at the meeting, registered holders are asked to return the accompanying form of proxy, properly completed and signed, prior to 9:00 a.m. (Calgary time) on April 24, 2014 or, if the Touchstone Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before the beginning of any adjournment(s) or postponement(s) of the Touchstone Meeting. Touchstone Shareholders may also vote through the internet and if you do vote through the internet, you may also appoint another person to be your proxyholder. Please go to www.investorvote.com and follow the instructions. See "*General Proxy Matters – Touchstone*" in the Circular.

If you are a non-registered holder of Touchstone Shares and have received these materials from your broker or another intermediary, please complete and return the form of Voting Instruction Form or other authorization form provided to you by your broker or intermediary in accordance with the instructions provided. Failure to do so may result in your Touchstone Shares not being eligible to be voted at the Touchstone Meeting. See "*Information for Beneficial Holders*" in the Circular.

If you have any questions or require more information, please contact our proxy solicitation and information agent, Kingsdale Shareholder Services, by telephone at 1-800-775-1986 toll-free in North America or by email at contactus@kingsdaleshareholder.com.

On behalf of the Touchstone Board, I would like to express our gratitude for the support our shareholders have demonstrated with respect to our decision to move forward with the proposed Continuance and Arrangement. We would also like to thank Touchstone employees for their hard work and their support for the proposed Continuance and Arrangement. We look forward to seeing you at the Touchstone Meeting.

If Touchstone Shareholders have any questions or need assistance completing their proxy or Voting Instruction Form, please call Kingsdale Shareholder Services at 1-800-775-1986 or email contactus@kingsdaleshareholder.com.

Yours very truly,

(signed) "*Paul R. Baay*"

Paul R. Baay

Chairman and Chief Executive Officer

Touchstone Exploration Inc.



PETROBANK

STRENGTH IN OUR RESOURCES

March 28, 2014

Dear Petrobank Shareholders:

You are invited to attend an annual general and special meeting (the "**Petrobank Meeting**") of holders ("**Petrobank Shareholders**") of common shares ("**Petrobank Shares**") of Petrobank Energy and Resources Ltd. ("**Petrobank**") to be held in the Strand/Tivoli Room located at the Metropolitan Conference Centre, 333 – 4th Avenue S.W., Calgary, Alberta, Canada at 10:00 a.m. (Calgary time) on April 28, 2014. At the Petrobank Meeting, Petrobank Shareholders will be asked to consider and vote upon (i) the issuance of Petrobank Shares (the "**Petrobank Share Issuance Resolution**") in connection with a proposed plan of arrangement (the "**Arrangement**") involving Touchstone Exploration Inc. ("**Touchstone**"), shareholders of Touchstone ("**Touchstone Shareholders**") and Petrobank, (ii) the election of certain directors nominated by each of Petrobank and Touchstone, as specified in the Arrangement Agreement, to Petrobank's board of directors (the "**Petrobank Board**"), conditional on the Arrangement becoming effective (the "**Petrobank Board Resolution**"), (iii) the change of Petrobank's name, conditional upon the Arrangement becoming effective, to "Touchstone Exploration Inc." (the "**Petrobank Name Change Resolution**"), and (iv) the consolidation of Petrobank Shares on a 2 to 1 basis, conditional upon the Arrangement becoming effective (the "**Petrobank Consolidation Resolution**" and together with the Petrobank Share Issuance Resolution, the Petrobank Board Resolution and the Petrobank Name Change Resolution, collectively referred to as the "**Petrobank Shareholder Resolutions**"). In addition, at the Petrobank Meeting, Petrobank Shareholders will be asked to consider those matters further described in the accompanying Notice of Annual General and Special Meeting of the Petrobank Shareholders.

Petrobank and Touchstone agreed to combine their respective businesses and entered into an arrangement agreement (the "**Arrangement Agreement**") dated March 6, 2014, which was approved by the respective boards of directors of Petrobank and Touchstone. The Arrangement Agreement provides for, among other things, the acquisition of all of the issued and outstanding common shares of Touchstone ("**Touchstone Shares**") by Petrobank. Touchstone Shareholders will receive 0.471 (or such other exchange ratio, as determined in accordance with the plan of arrangement) of a Petrobank Share for each Touchstone Share held pursuant to the Arrangement (the "**Exchange Ratio**"). Under the Arrangement, Petrobank will also assume all of the rights and obligations of Touchstone relating to: (i) the \$2,000,000 aggregate principal amount of 9.5% convertible senior unsecured debentures due June 30, 2016 (the "**Touchstone Debentures**"); (ii) the 1,000,000 share purchase warrants entitling the holders thereof to acquire one Touchstone Share per warrant held at an exercise price of \$0.75 expiring June 29, 2016 (the "**Touchstone Debenture Warrants**"), the exercise price of which and the number of Petrobank Shares issuable upon exercise of such Touchstone Debenture Warrants will be adjusted pursuant to the warrant certificate governing the Touchstone Debenture Warrants based on the Exchange Ratio; and (iii) the 9,600,000 share purchase warrants entitling the holders thereof to acquire one Touchstone Share per warrant held at an exercise price of \$0.55 expiring June 29, 2015 (the "**Touchstone Credit Facility Warrants**", collectively with the Touchstone Debenture Warrants, the "**Touchstone Warrants**"), the exercise price of which and the number of Petrobank Shares issuable upon exercise of such Touchstone Credit Facility Warrants will be adjusted pursuant to the terms of the warrant indenture and warrant certificate governing the Touchstone Credit Facility Warrants based on the Exchange Ratio. Following completion of the Arrangement, holders of Touchstone Debentures who subsequently wish to convert their Touchstone Debentures will be entitled to receive approximately 1,345,714 pre-consolidation Petrobank Shares, and holders of Touchstone Warrants who subsequently wish to exercise their Touchstone Warrants will be entitled to receive approximately 4,992,600 pre-consolidation Petrobank Shares.

If you have any questions, please feel free to contact Peter Cheung, Vice President Finance and Chief Financial Officer of Petrobank at 403-750-4400.

Immediately following completion of the Arrangement, former Touchstone Shareholders are anticipated to own approximately 65,448,520 pre-consolidation Petrobank Shares, representing approximately 40% of the then issued and outstanding Petrobank Shares, and current holders of Petrobank Shares are anticipated to own approximately 97,559,773 pre-consolidation Petrobank Shares, representing approximately 60% of the then issued and outstanding Petrobank Shares, assuming none of the Touchstone Debentures are converted and none of the Touchstone Warrants or options to purchase Touchstone Shares are exercised prior to such time.

Assuming that there are no dissenting Touchstone Shareholders and assuming full conversion of outstanding Touchstone Debentures and the exercise of all Touchstone Warrants prior to the Effective Time, there will be, immediately following the completion of the Arrangement, approximately 169,346,607 Petrobank Shares issued and outstanding. In such circumstances: (i) former Touchstone Shareholders will hold approximately 71,786,834 pre-consolidation Petrobank Shares, representing approximately 42% of the issued and outstanding Petrobank Shares; and (ii) holders of Petrobank Shares will hold Petrobank Shares representing approximately 58% of the issued and outstanding Petrobank Shares.

Petrobank Shareholders are not required to approve the Arrangement itself. However, Petrobank is required, pursuant to the rules of the Toronto Stock Exchange (the "**TSX**"), to obtain Petrobank Shareholder approval of the Petrobank Share Issuance Resolution. Completion of the Arrangement is subject to, among other things, (i) the approval by Petrobank Shareholders of the Petrobank Share Issuance Resolution, (ii) the approval by Petrobank Shareholders of the Petrobank Board Resolution, (iii) the approval of the Arrangement at the annual and special meeting of Touchstone Shareholders (the "**Touchstone Meeting**"), (iv) the approval of the continuance of Touchstone from the Province of British Columbia to the Province of Alberta at the Touchstone Meeting (the "**Touchstone Continuance**"), (v) the approval of the Court of Queen's Bench of Alberta, (vi) the approval of the TSX and the TSX Venture Exchange, and (vii) receipt of all other necessary approvals and third party approvals. The Petrobank Share Issuance Resolution and Petrobank Board Resolution must be approved by a majority of the votes cast by the Petrobank Shareholders present in person or represented by proxy at the Petrobank Meeting. If the Petrobank Share Issuance Resolution is not approved at the Petrobank Meeting, the Arrangement will not be completed.

If the requisite shareholder and other approvals are obtained and the other conditions to the Arrangement becoming effective are satisfied or waived, it is expected that the Arrangement will become effective on or about April 30, 2014.

All of the directors and executive officers of Petrobank entered into lock-up agreements with Touchstone pursuant to which they have agreed to vote in favour of the Petrobank Shareholder Resolutions. Furthermore, all of the directors and executive officers of Touchstone entered into lock-up agreements with Petrobank pursuant to which they have agreed to vote in favour of the Arrangement and the Touchstone Continuance at the Touchstone Meeting.

Based upon, among other things, the opinion of its financial advisor, FirstEnergy Capital Corp., the Petrobank Board unanimously determined that the Arrangement is in the best interests of Petrobank and is fair to the Petrobank Shareholders, unanimously approved the Arrangement and the entering into of the Arrangement Agreement and unanimously recommends Petrobank Shareholders vote in favour of each of the Petrobank Shareholder Resolutions.

Upon completion of the Arrangement, the combined company ("**New Touchstone**") will be led by the existing management team of Touchstone and a combination of the board of directors of Petrobank and Touchstone. Paul R. Baay, current Chief Executive Officer and Chairman of Touchstone will be appointed President, Chief Executive Officer and director of New Touchstone. John D. Wright, current Chairman and Chief Executive Officer of Petrobank, will be appointed Chairman of New Touchstone. Current Touchstone officers, Scott Budau, Chief Financial Officer, and James Shipka, Vice President Geoscience and Business Development, will be appointed to the positions of Chief Financial Officer and Vice President Geoscience and Business Development of New Touchstone, respectively. It is anticipated

that Tom Valentine, a Partner at Norton Rose Fulbright Canada LLP and a current director of Touchstone, will be appointed Corporate Secretary of New Touchstone.

The accompanying joint management information circular and proxy statement (the "**Circular**") contains a detailed description of the Arrangement and the matters to be considered at the Petrobank Meeting and the Touchstone Meeting, as well as detailed information regarding Petrobank and Touchstone and certain pro forma financial information regarding Petrobank after giving effect to the Arrangement. It also includes certain risk factors relating to the completion of the Arrangement and the other transactions described in the Circular. Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisors. Please complete and deliver the enclosed applicable form of proxy in order to ensure your representation at the Petrobank Meeting.

Your vote is important regardless of how many Petrobank Shares you own. To ensure that your Petrobank Shares are represented at the meeting, registered holders are asked to return the accompanying form of proxy, properly completed and signed, prior to 10:00 a.m. (Calgary time) on April 24, 2014 or, if the Petrobank Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before the beginning of any adjournment(s) or postponement(s) of the Petrobank Meeting. You may also vote through the internet and if you vote through the internet, you may also appoint another person to be your proxyholder. Please go to www.investorvote.com and follow the instructions. See "*General Proxy Matters – Petrobank*" in the Circular.

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

On behalf of the Petrobank Board, I would like to express our gratitude for the support our shareholders have demonstrated with respect to our decision to move forward with the proposed business combination with Touchstone. I would also like to thank Petrobank's employees and directors for their commitment to our values, which include a focus on innovatively creating long-term shareholder value, acting as shareholders and always in the best interests of our shareholders, and always acting with honesty and integrity. We look forward to seeing you at the Petrobank Meeting.

Yours very truly,

(signed) "*John D. Wright*"

John D. Wright

Chairman and Chief Executive Officer

Petrobank Energy and Resources Ltd.

TOUCHSTONE EXPLORATION INC.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF TOUCHSTONE SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general and special meeting (the "**Touchstone Meeting**") of the holders ("**Touchstone Shareholders**") of common shares ("**Touchstone Shares**") of Touchstone Exploration Inc. ("**Touchstone**") will be held on April 28, 2014 in the Strand/Tivoli Room located at the Metropolitan Conference Centre, 333 – 4th Avenue S.W., Calgary, Alberta, Canada at 9:00 a.m. (Calgary time) for the following purposes:

1. to consider, and, if deemed advisable, to approve, with or without variation, a special resolution (the "**Touchstone Continuance Resolution**"), the full text of which is set forth in Appendix A to the accompanying joint management information circular and proxy statement dated March 28, 2014 (the "**Circular**"), to approve the making of an application to the registrar of companies under the *Business Corporations Act* (British Columbia) (the "**BCBCA**") to continue Touchstone out the jurisdiction of British Columbia pursuant to section 308 of the BCBCA, and making the application to the registrar of corporations under the *Business Corporations Act* (Alberta) (the "**ABCA**") to the continue Touchstone into the jurisdiction of Alberta pursuant to section 188 of ABCA, as more particularly described in the Circular;
2. to consider, pursuant to an interim order (the "**Interim Order**") of the Court of Queen's Bench of Alberta dated March 26, 2014, and, if deemed advisable, to approve, with or without variation, a special resolution (the "**Touchstone Arrangement Resolution**"), the full text of which is set forth in Appendix B to the Circular, to approve a plan of arrangement (the "**Plan of Arrangement**") under section 193 of the ABCA involving Touchstone, Touchstone Shareholders and Petrobank Energy and Resources Ltd. ("**Petrobank**"), whereby, among other things, Touchstone Shareholders will receive 0.471 (or such other exchange ratio as determined in accordance with the plan of arrangement) of a common share of Petrobank for each Touchstone Share held (the "**Arrangement**"), as more particularly described in the Circular;
3. to receive the financial statements as at the year-ended September 30, 2013 and the report of the auditor thereon, as more particularly described in Appendix L of the Circular;
4. to elect the directors of Touchstone for the ensuing year pursuant to section 122 of the BCBCA, as more particularly described in Appendix L of the Circular;
5. to appoint Ernst & Young LLP the auditors of Touchstone for the ensuing year pursuant to section 204 of the BCBCA and to authorize the directors to fix the remuneration to be paid to the auditors, as more particularly described in Appendix L of the Circular;
6. to consider, and, if deemed advisable, to approve, with or without variation, an ordinary resolution to confirm the renewal of Touchstone's existing 2010 stock option incentive plan, as more particularly described in Appendix L of the Circular; and
7. to transact such further and other business as may properly be brought before the Touchstone Meeting or any adjournment(s) or postponement(s) thereof.

Specific details of the matters to be put before the Touchstone Meeting are set forth in the Circular.

The board of directors of Touchstone unanimously recommends that Touchstone Shareholders vote in favour of:

- ✓ **the Touchstone Continuance Resolution;**
- ✓ **the Touchstone Arrangement Resolution;**

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- ✓ **the election of the director nominees;**
- ✓ **the appointment of Ernst & Young LLP as auditors; and**
- ✓ **the approval of the 2010 stock option incentive plan.**

It is a condition to the completion of the Arrangement that the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution be approved at the Touchstone Meeting.

The full text of the Plan of Arrangement implementing the Arrangement is attached as Appendix D to the Circular. The Plan of Arrangement is Schedule A to the arrangement agreement dated March 6, 2014 between Touchstone and Petrobank, which is attached as Appendix C to the Circular. The Interim Order is attached as Appendix E to the Circular.

Each Touchstone Share entitled to be voted at the Touchstone Meeting will entitle the holder to one vote at the Touchstone Meeting. The Touchstone Continuance Resolution and the Touchstone Arrangement Resolution must each be approved by at least 66⅔% of the votes cast by Touchstone Shareholders present in person or represented by proxy at the Touchstone Meeting.

In accordance with the Interim Order and applicable legislation, Touchstone has prepared a list of the registered holders of Touchstone Shares as of the close of business on March 25, 2014 (the "**Touchstone Record Date**"). At the Touchstone Meeting, a Touchstone Shareholder whose name appears on this list is entitled to vote the Touchstone Shares shown opposite the Touchstone Shareholder's name on the list.

Registered Touchstone Shareholders may attend the Touchstone Meeting in person or may be represented by proxy. If you are a registered Touchstone Shareholder and are unable to attend the Touchstone Meeting in person, please exercise your right to vote by dating, signing and returning the accompanying form of proxy to Computershare Investor Services Inc., Touchstone's transfer agent. To be valid, completed proxy forms must be dated, completed, signed and deposited with Touchstone's transfer agent, Computershare Investor Services Inc., (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, (ii) or by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, (iii) by facsimile to 1-866-249-7775, or (iv) by telephone, toll-free in North America at 1-866-732-8683, or at 312-588-4290 outside of North America. You may also vote through the internet and if you do vote through the internet, you may also appoint another person to be your proxyholder. Please go to www.investorvote.com and follow the instructions. You will require your 15-digit control number found on your proxy form. Your proxy or voting instructions must be received in each case no later than 9:00 a.m. (Calgary time) on April 24, 2014 or, if the Touchstone Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before the beginning of any adjournment(s) or postponement(s) of the Touchstone Meeting. If you are unable to attend the Touchstone Meeting, we encourage you to complete the enclosed form of proxy as soon as possible. If a Touchstone Shareholder receives more than one form of proxy because such holder owns Touchstone Shares registered in different names or addresses, each form of proxy should be completed and returned. The Chairman of the Touchstone Meeting shall have the discretion to waive or extend the proxy deadline without notice.

A proxyholder has discretion under the accompanying form of proxy in respect of amendments or variations to matters identified in this Notice and with respect to other matters that may properly come before the Touchstone Meeting, or any adjournment(s) or postponement(s) thereof. As of the date hereof, management of Touchstone knows of no amendments, variations or other matters to come before the Touchstone Meeting other than the matters set forth in this Notice.

If Touchstone Shareholders have any questions or need assistance completing their proxy or Voting Instruction Form, please call Kingsdale Shareholder Services at 1-800-775-1986 or email contactus@kingsdaleshareholder.com.

It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote in favour of the Touchstone Continuance Resolution, Touchstone Arrangement Resolution, the election of the director nominees, the appointment of the auditors and the approval of the 2010 stock option incentive plan.

In accordance with section 309 of the BCBCA, registered Touchstone Shareholders have the right to dissent to the continuance of Touchstone into Alberta, and if the continuance becomes effective, to be paid the fair value of their Touchstone Shares, in accordance with the provisions of Part 8, Division 2 of the BCBCA. A Touchstone Shareholder's right to dissent to the continuance is more particularly described in the Circular and in the text of Part 8, Division 2 of the BCBCA, which is set forth in Appendix F to the Circular.

Pursuant to the Interim Order, registered holders of Touchstone Shares have been granted the right to dissent with respect to the Touchstone Arrangement Resolution and, if the Arrangement becomes effective, to be paid the fair value of their Touchstone Shares in accordance with the provisions of section 191 of the ABCA, as modified by the Interim Order. A Touchstone Shareholder's right to dissent to the Arrangement is more particularly described in the Circular, and in the Interim Order and in the text of section 191 of the ABCA, which are set forth in Appendices E and G, respectively, to the accompanying Circular.

To exercise dissent rights, a registered dissenting Touchstone Shareholder must send to Touchstone, c/o Norton Rose Fulbright Canada LLP, Suite 3700, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2, Attention: Craig Hoskins, a written objection to the Touchstone Continuance Resolution at least two (2) days before the date on which the Touchstone Continuance Resolution is to be voted upon, and/or a written objection to the Touchstone Arrangement Resolution, which must be received by 4:00 p.m. (Calgary time) on April 21, 2014 or the last business day immediately preceding the date of any adjournment(s) or postponement(s) of the Touchstone Meeting.

Failure to strictly comply with the requirements set forth in Part 8, Division 2 of the BCBCA with respect to the Continuance or section 191 of the ABCA, as modified by the Interim Order, with respect to the Arrangement, may result in the loss of any right of dissent. Persons who are beneficial owners of Touchstone Shares registered in the name of a broker, dealer, bank, trust company or other nominee who wish to dissent should be aware that only the registered holders of such Touchstone Shares are entitled to dissent. Accordingly, a beneficial owner of Touchstone Shares desiring to exercise the right of dissent must make arrangements for the Touchstone Shares beneficially owned by such holder to be registered in the holder's name prior to the time the written objection to the Touchstone Continuance Resolution or the Touchstone Arrangement Resolution is required to be received by Touchstone or, alternatively, make arrangements for the registered Touchstone Shareholder of such Touchstone Shares to dissent on behalf of the beneficial holder. It is strongly suggested that any Touchstone Shareholders wishing to dissent seek independent legal advice, as the failure to comply strictly with the provisions of applicable provisions of the BCBCA or the ABCA, as modified by the Interim Order, as applicable, may prejudice such shareholder's right to dissent.

Dated at Calgary, Alberta, this 28th day of March, 2014.

**BY ORDER OF THE BOARD OF DIRECTORS OF
TOUCHSTONE EXPLORATION INC.**

(signed) "*Paul R. Baay*"
Paul R. Baay
Chairman and Chief Executive Officer
Touchstone Exploration Inc.

If Touchstone Shareholders have any questions or need assistance completing their proxy or Voting Instruction Form, please call Kingsdale Shareholder Services at 1-800-775-1986 or email contactus@kingsdaleshareholder.com.

PETROBANK ENERGY AND RESOURCES LTD.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF PETROBANK SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general and special meeting (the "**Petrobank Meeting**") of the holders ("**Petrobank Shareholders**") of common shares ("**Petrobank Shares**") of Petrobank Energy and Resources Ltd. ("**Petrobank**") will be held on April 28, 2014 in the Strand/Tivoli Room located at the Metropolitan Conference Centre, 333 – 4th Avenue S.W., Calgary, Alberta, Canada at 10:00 a.m. (Calgary time) for the following purposes:

1. to receive and consider Petrobank's financial statements for the year ended December 31, 2013, together with the report of the auditors thereon;
2. to appoint KPMG LLP the auditors of Petrobank for the ensuing year and authorize the directors to fix their remuneration;
3. to consider, and if deemed advisable, to approve, with or without variation, an ordinary resolution, approving the issuance of up to 72,500,000 Petrobank Shares pursuant to a plan of arrangement under section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**") involving Touchstone Exploration Inc. ("**Touchstone**"), holders of common shares of Touchstone, and Petrobank (the "**Petrobank Share Issuance Resolution**") all in accordance with the terms of an arrangement agreement dated March 6, 2014 between Petrobank and Touchstone (the "**Arrangement Agreement**"), as more particularly described in the accompanying joint management information circular and proxy statement dated March 28, 2014 (the "**Circular**");
4. to elect directors to hold office until the next annual meeting of Petrobank Shareholders, which, if the Arrangement becomes effective, shall consist of nominees of both Petrobank and Touchstone, as contemplated in the Arrangement Agreement and if the Arrangement does not become effective, shall consist of nominees that are existing directors of Petrobank (the "**Petrobank Board Resolution**");
5. to consider, and if deemed advisable, to approve a special resolution, contingent on the Arrangement becoming effective, amending Petrobank's articles to change the name of Petrobank to "Touchstone Exploration Inc." ("**New Touchstone**"), as more particularly described in the Circular (the "**Petrobank Name Change Resolution**");
6. to consider, and if deemed advisable, to approve a special resolution, contingent on the Arrangement becoming effective, to consolidate Petrobank Shares on a 2 to 1 basis, as more particularly described in the Circular (the "**Petrobank Consolidation Resolution**"); and
7. to transact such further and other business as may properly be brought before the Petrobank Meeting or any adjournment(s) or postponement(s) thereof.

Specific details of the matters to be put before the Petrobank Meeting are set forth in the Circular.

The board of directors of Petrobank (the "Petrobank Board") unanimously recommends that Petrobank Shareholders vote in favour of the Petrobank Share Issuance Resolution, the Petrobank Name Change Resolution, the Petrobank Consolidation Resolution and the Petrobank Board Resolution (collectively, the "Petrobank Shareholder Resolutions").

If the Petrobank Share Issuance Resolution is not approved by the Petrobank Shareholders at the Petrobank Meeting, the Arrangement cannot be completed. The Arrangement is not conditional on the approval of any of the other items described in this Notice of Annual General and Special Meeting, other than the Petrobank Board Resolution, but that condition can be waived at the discretion of the parties to the Arrangement Agreement.

Each Petrobank Share entitled to be voted in respect of the Petrobank Shareholder Resolutions will entitle the holder to one vote at the Petrobank Meeting. The Petrobank Share Issuance Resolution and the Petrobank Board Resolution must be approved by a majority of the votes cast by the Petrobank Shareholders present in person or represented by proxy at the Petrobank Meeting. The Petrobank Name Change Resolution and the Petrobank Consolidation Resolution are special resolutions and must be approved by 66⅔% of the votes cast on the resolution by Petrobank Shareholders present in person or represented by proxy at the Petrobank Meeting.

The record date (the "**Petrobank Record Date**") for determination of Petrobank Shareholders entitled to receive notice of and to vote at the Petrobank Meeting is the close of business on March 25, 2014. Only Petrobank Shareholders whose names have been entered in the register of holders of Petrobank Shares, on the close of business on the Petrobank Record Date, will be entitled to receive notice of and to vote at the Petrobank Meeting, provided that, to the extent that a Petrobank Shareholder transfers the ownership of any Petrobank Shares after the Petrobank Record Date and the transferee of those Petrobank Shares establishes ownership of such Petrobank Shares and demands, not later than two (2) days before the Petrobank Meeting, to be included in the list of Petrobank Shareholders eligible to vote at the Petrobank Meeting, such transferee will be entitled to vote those Petrobank Shares at the Petrobank Meeting.

Registered Petrobank Shareholders may attend the Petrobank Meeting in person or may be represented by proxy. Petrobank Shareholders who are unable to attend the Petrobank Meeting or any adjournment(s) or postponement(s) thereof in person are requested to date, sign and return the accompanying applicable form of proxy for use at the Petrobank Meeting or any adjournment(s) or postponement(s) thereof. To be valid, completed proxy forms must be dated, completed, signed and deposited with Petrobank's transfer agent, Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, (ii) by hand delivery to the same address, (iii) by facsimile to (416) 263-9524 or 1-866-249-7775, or (iv) by telephone, toll-free in North America at 1-866-732-8683, or at 312-588-4290 outside of North America. You may also vote through the internet and if you vote through the internet, you may also appoint another person to be your proxyholder. Please go to www.investorvote.com and follow the instructions. You will require your 15-digit control number found on your proxy form. Your proxy or voting instructions must be received in each case no later than 10:00 a.m. (Calgary time) on April 24, 2014 or, if the Petrobank Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before the beginning of any adjournment(s) or postponement(s) of the Petrobank Meeting. If a Petrobank Shareholder receives more than one form of proxy because such holder owns Petrobank Shares registered in different names or addresses, each form of proxy should be completed and returned. The Chairman of the Petrobank Meeting shall have the discretion to waive or extend the proxy deadline without notice.

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

It is the intention of the persons named in the enclosed applicable form of proxy, if not expressly directed to the contrary in such form of proxy, to vote in favour of the Petrobank Shareholder Resolutions.

Dated at Calgary, Alberta, this 28th day of March, 2014.

**BY ORDER OF THE BOARD OF DIRECTORS OF
PETROBANK ENERGY AND RESOURCES LTD.**

(signed) "*John D. Wright*"
John D. Wright
Chairman and Chief Executive Officer
Petrobank Energy and Resources Ltd.

FREQUENTLY ASKED QUESTIONS ABOUT THE ARRANGEMENT AND THE MEETINGS

The following are some questions that you, as a shareholder, may have relating to the Meetings and answers to those questions. These questions and answers do not provide all of the information relating to the Meetings or the matters to be considered at the Meetings and are qualified in their entirety by the more detailed information contained elsewhere in this Circular. You are urged to read this Circular in its entirety before making a decision related to your shares.

Terms used herein but not otherwise defined are defined in the accompanying Circular.

Q: What am I voting on?

A: Touchstone shareholders are being asked to vote on:

- (i) a special resolution approving the continuance of Touchstone (the "**Touchstone Continuance**") from the jurisdiction of British Columbia pursuant to the BCBCA and into the jurisdiction of Alberta pursuant to the ABCA;
- (ii) a special resolution approving a plan of arrangement under section 193 of the ABCA involving Touchstone, Touchstone shareholders and Petrobank ("**the Arrangement**");
- (iii) the election of directors of Touchstone for the ensuing year;
- (iv) the appointment of auditors for the ensuing year; and
- (v) the approval of the 2010 stock option incentive plan (the "**Touchstone Option Plan**").

Petrobank shareholders are being asked to vote on:

- (i) approving the issuance of up to 72,500,000 Petrobank shares to the Touchstone shareholders pursuant to the Arrangement (the "**Petrobank Share Issuance Resolution**");
- (ii) the election of directors for the ensuing year, which, if the Arrangement becomes effective, shall consist of nominees of both Petrobank and Touchstone, as contemplated in the arrangement agreement and if the Arrangement does not become effective, shall consist of nominees that are existing directors of Petrobank (the "**Petrobank Board Resolution**");
- (iii) a special resolution, contingent on the Arrangement becoming effective, amending Petrobank's articles to change the name of Petrobank to 'Touchstone Exploration Inc.' ("**New Touchstone**") (the "**Petrobank Name Change Resolution**");
- (iv) a special resolution, contingent on the Arrangement becoming effective, to consolidate Petrobank shares on a 2 to 1 basis (the "**Petrobank Consolidation Resolution**"); and
- (v) the appointment of auditors for the ensuing year.

Q: What are some of the benefits of the Arrangement?

A: Both Petrobank and Touchstone believe that the Arrangement will provide significant benefits to their shareholders. New Touchstone is expected to:

If Touchstone Shareholders have any questions or need assistance completing their proxy or Voting Instruction Form, please call Kingsdale Shareholder Services at 1-800-775-1986 or email contactus@kingsdaleshareholder.com.

- be positioned to substantially grow production and cash flow from operations through an expanded and internally funded capital program focused on low-risk drilling and reactivation opportunities in established fields;
- generate attractive after-tax operating cash flows from operations while maintaining a focus on technology to improve oil recovery and economic returns;
- benefit from an experienced board of directors and technology-focused management team with a proven track record of building value;
- become one of the most active independent on-shore oil producers in Trinidad with assets focused in several large, high quality reservoirs with significant original oil in place and an extensive inventory of low risk development opportunities;
- have Canadian heavy oil assets focused in two concentrated areas in Alberta and Saskatchewan with significant resource potential;
- realize efficiencies in corporate overhead costs through consolidation and optimization of operations;
- provide significant financial flexibility and improved cost of capital with the ability to grow production organically and through further strategic acquisitions; and
- provide shareholders with enhanced liquidity.

Q: When and where are the Meetings taking place?

A: The Touchstone Meeting will be held in the Strand/Tivoli Room at the Metropolitan Conference Centre, 333 – 4th Avenue S.W., Calgary, Alberta, Canada at 9:00 a.m. (Calgary time) on April 28, 2014.

The Petrobank Meeting will be held in the Strand/Tivoli Room at the Metropolitan Conference Centre, 333 – 4th Avenue S.W., Calgary, Alberta, Canada at 10:00 a.m. (Calgary time) on April 28, 2014.

Q: Who is soliciting my proxy?

A: Touchstone is soliciting proxies by mail, personal interviews, telephone and other means of communication and by directors, officers and employees of Touchstone. Touchstone has retained Kingsdale Shareholder Services ("**Kingsdale**") to provide a variety of services related to the meeting, including the solicitation of proxies. If you have questions, you may contact Kingsdale by: (i) telephone, toll-free in North America at 1-800-775-1986 or at 416-867-2272 outside of North America; (ii) facsimile, toll-free in North America, to 1-866-545-5580 or to 416-867-2272 outside of North America; (iii) mail to The Exchange Tower, 130 King Street West, Suite 2950, P.O. Box 361, Toronto, Ontario M5X 1E2; or (iv) email to contactus@kingsdaleshareholder.com. The cost of solicitation will be borne by Touchstone.

Petrobank is soliciting proxies by mail, personal interviews, telephone and other means of communication and by directors, officers and employees of Petrobank.

Q: Who can attend the Meetings?

A: Only Touchstone shareholders of record as of March 25, 2014 or their duly appointed proxyholders are able to attend the Touchstone Meeting.

If Touchstone Shareholders have any questions or need assistance completing their proxy or Voting Instruction Form, please call Kingsdale Shareholder Services at 1-800-775-1986 or email contactus@kingsdaleshareholder.com.

Only Petrobank shareholders of record as of March 25, 2014 or their duly appointed proxyholders are able to attend the Petrobank Meeting.

Q: How many shares are entitled to vote?

A: There were 138,956,517 Touchstone shares and 97,559,773 Petrobank shares issued and outstanding as of March 25, 2014, the record date of each of the Touchstone Meeting and the Petrobank Meeting.

Q: What votes are required at the Touchstone Meeting to approve the resolutions?

A: The special resolutions approving each of the Touchstone Continuance and the Arrangement must be approved by not less than 66⅔% of the votes cast by Touchstone shareholders present in person or represented by proxy at the Touchstone Meeting. The election of directors, appointment of the auditors and approval of the Touchstone Option Plan must be approved by a majority of the votes cast by Touchstone shareholders present in person or represented by proxy at the Touchstone Meeting.

Q: What votes are required at the Petrobank Meeting to approve the resolutions?

A: The Petrobank Share Issuance Resolution, election of directors and appointment of the auditors must be approved by a majority of votes cast by Petrobank shareholders present in person or represented by proxy at the Petrobank Meeting. The Petrobank Name Change Resolution and the Petrobank Consolidation Resolution are special resolutions and must be approved by 66⅔% of the votes cast by Petrobank shareholders present in person or represented by proxy at the Petrobank Meeting.

Q: How do I vote?

A: Registered shareholders of Touchstone and Petrobank can vote in the following ways:

- **By Mail:** by completing and returning your form of proxy by mail to: Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1;
- **Telephone:** 1-866-732-8683 (toll-free, registered shareholders) or 312-588-4290 (outside Canada and the United States);
- **Internet:** www.investorvote.com;
- **Facsimile:** 1-866-249-7775 (toll-free, within Canada and the United States only) or 416-263-9524 (outside Canada and the United States); or
- **In Person:** by registering with a representative of Computershare before the start of the Touchstone Meeting.

There are two kinds of beneficial shareholders – those who object to the issuers of securities they own knowing their identity (called "**OBOs**" for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing their identity (called "**NOBOs**" for Non-Objecting Beneficial Owners).

Canadian beneficial shareholders (NOBOs and OBOs) of Touchstone and Petrobank can vote in the following ways:

- **Telephone:** 1-800-474-7493 (English) or 1-800-474-7501 (French);

If Touchstone Shareholders have any questions or need assistance completing their proxy or Voting Instruction Form, please call Kingsdale Shareholder Services at 1-800-775-1986 or email contactus@kingsdaleshareholder.com.

- **Facsimile:** 905-507-7793 or 1-866-623-5305; or
- **Internet:** www.proxyvote.com.

US beneficial shareholders (NOBOs and OBOs) of Touchstone and Petrobank can vote in the following ways:

- **Telephone:** 1-800-454-8683; or
- **Internet:** www.proxyvote.com.

Q: What if I return my proxy but do not mark it to show how I wish to vote?

A: If either the Touchstone or Petrobank proxy is signed and dated and returned without specifying your choice, your shares will be voted in accordance with the recommendations of the Touchstone Board or the Petrobank Board, as the case may be.

Q: When is the cut-off time for delivery of proxies?

A: In order for the votes of Touchstone shareholders to be counted at the respective meeting, proxies must be received by 9:00 a.m. (Calgary time) April 24, 2014, or if the Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before the beginning of any adjournment or postponement of the Touchstone Meeting.

A: In order for the votes of Petrobank shareholders to be counted at the respective meeting, proxies must be received by 10:00 a.m. (Calgary time) April 24, 2014, or if the Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before the beginning of any adjournment or postponement of the Petrobank Meeting.

Q: What are the recommendations of the directors of Touchstone and Petrobank on the Arrangement?

A: The Touchstone Board unanimously recommends that Touchstone Shareholders vote in favour of the Touchstone Continuance, the Arrangement, and all annual meeting matters.

The Petrobank Board unanimously recommends that Petrobank Shareholders vote in favour of each of the Petrobank Shareholder Resolutions, and all annual meeting matters.

Q: Why are the boards of Touchstone and Petrobank making these recommendations?

A: Both the Touchstone Board and the Petrobank Board believe that their respective shareholders will benefit from the growth opportunities associated with New Touchstone, which is anticipated to be a larger, stronger and more diverse company than either Touchstone or Petrobank on their own.

Q: In addition to the approval of shareholders, are there any other approvals required for the Arrangement?

A: Yes, the Arrangement requires the approval of the Court and also is subject to the receipt of certain stock exchange and regulatory approvals.

If Touchstone Shareholders have any questions or need assistance completing their proxy or Voting Instruction Form, please call Kingsdale Shareholder Services at 1-800-775-1986 or email contactus@kingsdaleshareholder.com.

Q: Do I need to send in my share certificates?

A: No, you are not required to send the certificates representing your shares to validly cast your vote at either the Touchstone Meeting or the Petrobank Meeting. However, we encourage registered Touchstone Shareholders and registered Petrobank Shareholders to complete, sign, date and return the Touchstone Letter of Transmittal or the Petrobank Letter of Transmittal, as applicable, together with their share certificate(s) to assist in arranging for the prompt exchange of their Touchstone Shares and Petrobank Shares if the Arrangement is completed and the Petrobank Consolidation and the change of Petrobank's name are effected.

Q: How will I know when the Arrangement will be implemented?

A: The Arrangement will be completed upon satisfaction or waiver of all of the conditions. Assuming that all of the conditions to the Arrangement are satisfied, Touchstone and Petrobank expect the Arrangement to become effective on or about April 30, 2014. At that time, New Touchstone will publicly announce that the conditions are satisfied or waived and that the Arrangement has been implemented.

Q: Are there risks I should consider when deciding how to vote my shares?

A: Shareholders of both Touchstone and Petrobank should consider a number of risk factors when determining how to vote their shares. These risk factors are discussed herein and/or in certain sections of documents publicly filed, which sections are incorporated herein by reference. See "*Pro Forma Information of Petrobank After Giving Effect to the Arrangement – Risk Factors*" in this Circular.

Q: Am I entitled to dissent rights?

A: Registered shareholders of Touchstone have the right to dissent with respect to the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution. To exercise dissent rights, a registered dissenting Touchstone Shareholder must send to Touchstone, c/o Norton Rose Fulbright Canada LLP, Suite 3700, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2, Attention: Craig Hoskins, a written objection to the Touchstone Continuance Resolution at least two (2) days before the date on which the Touchstone Continuance Resolution is to be voted upon, and/or a written objection to the Touchstone Arrangement Resolution, which must be received by 4:00 p.m. (Calgary time) on April 21, 2014 or the last business day immediately preceding the date of any adjournment(s) or postponement(s) of the Touchstone Meeting.

Petrobank Shareholders are not entitled to dissent rights with respect to any of the Petrobank Shareholder Resolutions.

NOTICE OF ORIGINATING APPLICATION

IN THE COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL DISTRICT OF CALGARY

**IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*,
R.S.A. 2000, c. B-9 AS AMENDED
AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
TOUCHSTONE EXPLORATION INC.,
THE HOLDERS OF COMMON SHARES OF TOUCHSTONE EXPLORATION INC.
AND
PETROBANK ENERGY AND RESOURCES LTD.**

NOTICE OF ORIGINATING APPLICATION

NOTICE IS HEREBY GIVEN that an application (the "**Application**") has been filed with the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "**Court**") on behalf of Touchstone Exploration Inc. ("**Touchstone**") with respect to a proposed arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), involving Touchstone, the holders of common shares of Touchstone ("**Touchstone Shareholders**") and Petrobank Energy and Resources Ltd. ("**Petrobank**"), which Arrangement is described in greater detail in the joint management information circular and proxy statement of Touchstone and Petrobank dated March 28, 2014 (the "**Information Circular**"), accompanying this Notice of Originating Application.

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

- (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the Touchstone Shareholders and other affected persons, both from a substantive and procedural perspective;
- (b) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement under the ABCA, become effective under the ABCA in accordance with its terms and will be binding on each of the parties on and after the Effective Date;
- (c) an Order approving the Arrangement pursuant to the provisions of Section 193 of the ABCA; and
- (d) such other and further orders, declarations and directions as the Court may deem reasonable and necessary.

AND NOTICE IS HEREBY GIVEN that the Court has been advised that its order approving the Arrangement, if granted, will constitute the basis for an exemption from the registration requirements of the United States *Securities Act of 1933*, as amended, as provided by Section 3(a)(10) thereof, with respect to the securities to be issued pursuant to the Arrangement.

AND NOTICE IS FURTHER GIVEN that the Application is directed to be heard at the Calgary Courts Centre, 601 - 5th Street S.W., Calgary, Alberta, T2P 5P7, on April 30, 2014 at 2:00 p.m. (Calgary time) or as soon thereafter as counsel may be heard. Any Touchstone Shareholder or any other interested party desiring to appear and make submissions at the Application, may appear at the time of the hearing in person or by counsel for that purpose. **Any Touchstone Shareholder or any other interested party desiring to appear at the hearing is required to file with the Court, and serve upon Touchstone, on or before 12:00 p.m. (Calgary time) on April 25, 2014, a notice of intention to appear, including an address for service in the Province of Alberta (or, alternatively, a facsimile number for service by**

facsimile), and indicating whether such Touchstone 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 on Touchstone is to be effected by delivery to the solicitors for Touchstone at the address below.

AND NOTICE IS FURTHER GIVEN that, at the hearing, Touchstone Shareholders and other interested parties will be entitled to make representations as to, and the Court will be requested to consider, the fairness and reasonableness of the Arrangement. If you do not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve the Arrangement subject to such terms and conditions as the Court shall deem fit, without any further notice.

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

AND NOTICE IS FURTHER GIVEN that the Court, by an order dated March 26, 2014 (the "**Interim Order**"), has given directions as to the calling and holding of the special meeting of Touchstone Shareholders for the purpose of such holders voting upon the special resolution to approve the Arrangement and certain other business, all as more particularly described in the Information Circular, and has directed that registered Touchstone Shareholders shall have the right to dissent with respect to the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by the 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 Touchstone Shareholder or other interested party requesting the same from the solicitors for Touchstone upon written request delivered to such solicitors as follows:

Norton Rose Fulbright Canada LLP
Suite 3700, 400 – 3rd Avenue S.W.
Calgary, Alberta T2P 4H2
Attention: Steven H. Leidl and Allison Kuntz

DATED at the City of Calgary, in the Province of Alberta, this 28th day of March, 2014.

**BY ORDER OF THE BOARD OF DIRECTORS OF
TOUCHSTONE EXPLORATION INC.**

(signed) "*Paul R. Baay*"

Paul R. Baay
Chairman and Chief Executive Officer

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Circular including the Summary and Appendices.

"1933 Act" means the United States *Securities Act of 1933*, including the rules and regulations promulgated thereunder, as amended from time to time;

"1934 Act" means the United States *Securities Exchange Act of 1934*, including the rules and regulations promulgated thereunder, as amended from time to time;

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

"Acquisition Proposal" means, with respect to Petrobank or Touchstone, as the case may be, any inquiry or the making of any offer or proposal to such Party or its securityholders from any Person or Persons "acting jointly or in concert" (within the meaning of MI 62-104), whether or not subject to due diligence or other conditions or whether or not in writing, prior to the termination of the Arrangement Agreement or consummation of the Arrangement Agreement, as applicable, which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions):

- (i) any direct or indirect sale, issuance or acquisition of shares or other equity interests (or securities convertible into or exercisable for such shares or interests) in such Party representing 20% or more of the issued and outstanding voting securities in such Party or rights or interests therein or thereto;
- (ii) any direct or indirect acquisition or purchase (or any lease, joint venture, acquisition of a royalty interest, farm-in, farm-out, development agreement, long-term supply agreement or other arrangement having the same economic effect as an acquisition or purchase) of assets of such Party representing 20% or more of the consolidated assets of such Party;
- (iii) an amalgamation, arrangement, merger, business combination, consolidation or other similar transaction involving such Party;
- (iv) a take-over bid, tender offer, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or other similar transaction involving such Party or any of its subsidiaries; or
- (v) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to the Other Party under the Arrangement Agreement or the Arrangement;

except that: (x) the Petrobank Opportunity as defined and described in the Petrobank Disclosure Letter shall not constitute an Acquisition Proposal for Petrobank; (y) the Touchstone Disposition as defined and described in the Touchstone Disclosure Letter shall not constitute an Acquisition Proposal for Touchstone; and (z) for the purpose of the definition of "Superior Proposal" the references in the definition of "Acquisition Proposal" to "20% or more of the issued and outstanding voting securities" shall be deemed to be references to "50% or more of the issued and outstanding voting securities", and the references to "20% or more of the consolidated assets" shall be deemed to be references to "all or substantially all of the consolidated assets";

"affiliate" has the meaning set forth in the Securities Act;

"Applicable Canadian Securities Laws" means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder, as such may be amended from time to time prior to the Effective Date;

"Applicable Laws", in the context that refers to one or more Persons, means any domestic or foreign, federal, state, provincial or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority, and any terms and conditions of any grant of approval, permission, authority or license of any Governmental Authority, that is binding upon or applicable to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or persons or its or their business, undertaking, property or securities;

"Archon" means Archon Technologies Ltd., a wholly-owned subsidiary of Petrobank, incorporated under the laws of the Province of Alberta;

"Arrangement" means the arrangement involving Touchstone, the Touchstone Shareholders and Petrobank pursuant to section 193 of the ABCA, as set forth in the Plan of Arrangement;

"Arrangement Agreement" means the arrangement agreement between Touchstone and Petrobank dated March 6, 2014, providing for, among other things, the Plan of Arrangement and all amendments thereto, a copy of which is attached as Appendix C to this Circular;

"Articles of Amendment" means the articles of amendment of Petrobank giving effect to the Petrobank Consolidation;

"Articles of Arrangement" means the articles of arrangement of Touchstone 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 granted, giving effect to the Arrangement;

"Articles of Continuance" means the articles of continuance of Touchstone to be filed under the ABCA to effect a continuance out of the jurisdiction of the BCBCA and into the jurisdiction of the ABCA;

"BCBCA" means the *Business Corporations Act* (British Columbia), S.B.C. 2002, c. 57, including the regulations promulgated thereunder, as amended from time to time;

"Beneficial Holders" means Shareholders who do not hold their Shares in their own name;

"Broadridge" means Broadridge Financial Solutions, Inc.;

"Business Day" means a day other than a Saturday, Sunday or other day when banks in the City of Calgary, Alberta, are not generally open for business;

"Certificate" means the certificate or other confirmation of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;

"Certificate of Continuance" means the certificate or other confirmation of filing to be issued by the Registrar pursuant to subsection 188(4) of the ABCA giving effect to the Touchstone Continuance;

"Change of Control Notice" has the meaning ascribed thereto in the section entitled "*Effect of the Arrangement – General – Touchstone Debentures*";

"Change of Control Purchase Date" has the meaning ascribed thereto in the section entitled "*Effect of the Arrangement – General – Touchstone Debentures*";

"Change of Control Purchase Offer" has the meaning ascribed thereto in the section entitled *"Effect of the Arrangement – General – Touchstone Debentures"*;

"Circular" means this joint management information circular and proxy statement dated March 28, 2014, together with all Appendices hereto, distributed to the Touchstone Shareholders and Petrobank Shareholders, respectively, in connection with the Touchstone Meeting and Petrobank Meeting, as the case may be;

"Confidentiality Agreement" means the confidentiality agreements dated January 10, 2014 and January 13, 2014, respectively, between Touchstone and Petrobank and captioned "Confidentiality Agreement with Petrobank Energy & Resources Ltd." and "Confidentiality Agreement with Touchstone Exploration Inc.";

"Control Shares" has the meaning ascribed thereto in the section entitled *"Procedure for the Arrangement to Become Effective – Securities Law Matters – United States"*;

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

"CRA" means the Canada Revenue Agency;

"Depository" means Computershare Investor Services Inc. or such other Person that may be appointed by and at the expense of Petrobank for the purpose of receiving deposits of certificates formerly representing Touchstone Shares;

"Dissent Rights" means the rights of dissent granted in favour of registered Touchstone Shareholders in respect of: (i) the Arrangement as described in the Plan of Arrangement, and as amended by the Interim Order; and (ii) the Touchstone Continuance as required by the BCBCA;

"Effective Date" means the effective date of the Arrangement, being the date shown on the Certificate;

"Effective Time" means the time that the Articles of Arrangement are filed with the Registrar on the Effective Date and the Arrangement becomes effective;

"Exchange Ratio" means either: (i) 0.2355, if the Articles of Amendment giving effect to the Petrobank Consolidation Resolution shall have been filed prior to the Effective Time; or (ii) 0.471, if the Articles of Amendment giving effect to the Petrobank Consolidation Resolution shall have not been filed prior to the Effective Time;

"Exchanges" means the TSX and the TSXV;

"Final Order" means the order of the Court approving the Arrangement to be granted pursuant to subsection 193(9) of the ABCA in respect of Touchstone Shareholders, Touchstone and Petrobank, as such order may be affirmed, amended or modified by the Court (with the consent of both Touchstone and Petrobank, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that such amendment is acceptable to both Touchstone and Petrobank, each acting reasonably) on appeal;

"FirstEnergy" means FirstEnergy Capital Corp., financial advisors to Petrobank;

"GAAP" means accounting principles generally accepted in Canada applicable to public companies at the relevant time;

"Governmental Authority" means any:

- (i) national, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau ministry or agency, domestic or foreign;
- (ii) any subdivision, agent, commission, board or authority of any of the foregoing;
- (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; and
- (iv) any stock exchange, including the TSX and the TSXV;

and together, any two or more Governmental Authority are **Governmental Authorities**;

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

"Mailing Date" means the date that this Circular is mailed by Computershare Investor Services Inc.;

"Material Adverse Change" or **"Material Adverse Effect"** means, with respect to Touchstone or Petrobank, as the case may be, any fact or state of facts, circumstance, change, effect, occurrence or event that individually or in the aggregate is, or would reasonably be expected to be, material and adverse to the condition (financial or otherwise), business, operations, properties, licenses, affairs, assets, liabilities (contingent or otherwise), capitalization, production, results of operations or cash flows of Touchstone or Petrobank and their respective subsidiaries, taken as a whole, as the case may be, other than any such change, effect, occurrence or event relating to or resulting from:

- (i) conditions affecting the oil and gas industry generally in jurisdictions in which Touchstone or Petrobank, as the case may be, carries on business, and not specifically relating to Touchstone or Petrobank, as the case may be, including changes in royalties, Applicable Laws or taxes;
- (ii) general economic, financial, currency exchange, securities or commodity prices in Canada or elsewhere;
- (iii) in the case of Touchstone, any matter that has been publicly disclosed by Touchstone in the Touchstone Public Record or has been communicated in writing to Petrobank, in each case prior to the date of this Agreement, and in the case of Petrobank, any matter that has been publicly disclosed by Petrobank in the Petrobank Public Record or has been communicated in writing to Touchstone, in each case prior to the date of this Agreement; except in each case to the extent of any changes, effects, facts or state of facts, circumstances, occurrences or events that arise after the date hereof;
- (iv) in the case of Touchstone, relating to a change in the market trading price or trading volume of the Touchstone Shares, and in the case of Petrobank, relating to a change in the market price or trading volume of the Petrobank Shares:
 - (A) as a direct result of the Arrangement Agreement and the Arrangement or the announcement thereof; or

- (B) as a result of a change, effect, event of occurrence excluded from the definition of Material Adverse Effect under sections 1.1(kk)(i) or 1.1(kk)(ii) of the Arrangement Agreement; or
- (v) in the case of Touchstone, any matter expressly permitted by the Touchstone Disclosure Letter or the Arrangement Agreement or consented to in writing by Petrobank after the date hereof, and in the case of Petrobank, any matter expressly permitted by the Petrobank Disclosure Letter or the Arrangement Agreement or consented to in writing by Touchstone after the date hereof, or, in all cases, occurring as a direct result hereof;

provided, however that the change or effect referred to in section 1.1(kk)(i) or 1.1(kk)(ii) of the Arrangement Agreement does not primarily relate only to (or have the effect of primarily relating only to) Touchstone or Petrobank, as the case may be, or disproportionately affects either Touchstone or Petrobank and their respective subsidiaries, taken as a whole, as the case may be, compared to other entities of similar size operating in the oil and gas industry, in which case, the relevant exclusion from this definition of Material Adverse Change or Material Adverse Effect referred to above shall not be applicable;

"Meetings" means, collectively, the Touchstone Meeting and the Petrobank Meeting and any adjournment(s) or postponement(s) thereof, and **"Meeting"** means, as applicable, the Touchstone Meeting or the Petrobank Meeting;

"MI 62-104" means Multilateral Instrument 62-104 — *Take Over Bids and Issuer Bids*;

"New Touchstone" means Petrobank Energy and Resources Ltd. upon the effectiveness of the Arrangement;

"Other Party" means: (i) with respect to Petrobank, Touchstone; and (ii) with respect to Touchstone, Petrobank;

"Outside Date" means May 30, 2014 or such other date as the Parties may agree;

"Parties" means, collectively, Petrobank and Touchstone; and **"Party"** means any one of them;

"Person" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;

"Petrobank" means Petrobank Energy and Resources Ltd., a corporation existing under the ABCA;

"Petrobank 2013 AGM Circular" means the information circular of Petrobank dated April 17, 2013 in connection with the annual meeting of Petrobank Shareholders held on May 22, 2013;

"Petrobank AIF" means the annual information form of Petrobank dated March 26, 2014 for the year ended December 31, 2013;

"Petrobank Annual Financial Statements" means the audited consolidated financial statements of Petrobank, together with the notes thereto and the auditors' reports thereon as at and for the years ended December 31, 2013 and 2012;

"Petrobank Annual MD&A" means management's discussion and analysis of the financial and operating results of Petrobank for the year ended December 31, 2013;

"Petrobank Board" means the board of directors of Petrobank, as it may be comprised from time to time, including any duly constituted and acting committee thereof;

"Petrobank Board Resolution" means the ordinary resolution of the Petrobank Shareholders to authorize and approve, conditional upon the Arrangement becoming effective, the election of each of the Touchstone Nominees and of each of the Petrobank Nominees to the Petrobank Board;

"Petrobank Consolidation" means the consolidation of the Petrobank Shares on a 2 to 1 basis;

"Petrobank Consolidation Resolution" means the special resolution of the Petrobank Shareholders to authorize and approve, conditional upon the Arrangement becoming effective, the Petrobank Consolidation;

"Petrobank Damages Event" has the meaning ascribed thereto in the section entitled "*Effect of the Arrangement – The Arrangement Agreement – Damages Payable by Touchstone*";

"Petrobank Disclosure Letter" means the disclosure letter dated March 6, 2014 from Petrobank to Touchstone as may be amended or supplemented by agreement between Petrobank and Touchstone prior to the Effective Time;

"Petrobank Fairness Opinion" means the written opinion of FirstEnergy that, as of March 6, 2014, the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Petrobank Shareholders;

"Petrobank Incentive Shares" means the 613,750 incentive shares outstanding, which can be exercised to purchase 613,750 Petrobank Shares for \$0.05 per Petrobank Share;

"Petrobank Letter of Transmittal" means the letter of transmittal provided to registered Petrobank Shareholders together with this Circular pursuant to which such holders are required to deliver certificates representing their Petrobank Shares in order to receive the Petrobank Shares issuable to them pursuant to the Petrobank Consolidation;

"Petrobank Management" means senior management of Petrobank;

"Petrobank MCR" means the material change report of Petrobank dated March 13, 2014 regarding the Arrangement;

"Petrobank Meeting" means the annual general and special meeting of the Petrobank Shareholders, including any adjournment(s) or postponement(s) thereof, to be held to consider, and if deemed advisable, approve the Petrobank Shareholder Resolutions;

"Petrobank Name Change Resolution" means the special resolution of the Petrobank Shareholders to authorize and approve, conditional upon the Arrangement becoming effective, the change of name of Petrobank to "Touchstone Exploration Inc." (or such other name as may be agreed upon by Petrobank and Touchstone);

"Petrobank Nominees" means each of Kenneth R. McKinnon, Corey C. Ruttan, Dr. Harrie Vredenburg and John D. Wright;

"Petrobank Options" means the outstanding stock options of Petrobank, whether or not vested, entitling the holders thereof to acquire Petrobank Shares;

"Petrobank Public Record" means all information filed by or on behalf of Petrobank after December 31, 2012 with the Securities Authorities, in compliance, or intended compliance, with any Applicable Canadian Securities Laws;

"Petrobank Record Date" means March 25, 2014;

"Petrobank Share Issuance Resolution" means the ordinary resolution of the Petrobank Shareholders to authorize and approve the issuance by Petrobank of the Petrobank Shares to the Touchstone Shareholders pursuant to the Arrangement;

"Petrobank Shareholder Resolutions" means each of the Petrobank Consolidation Resolution, the Petrobank Name Change Resolution, the Petrobank Board Resolution and the Petrobank Share Issuance Resolution;

"Petrobank Shareholders" means the holders of Petrobank Shares from time to time;

"Petrobank Shares" means the common shares in the capital of Petrobank;

"Petrobank Support Agreements" means the lock-up agreements pursuant to which the Petrobank Supporting Shareholders, in their capacities as holders of Petrobank Shares, have agreed to vote the Petrobank Shares held by them in favour of the Petrobank Shareholder Resolutions and to otherwise support the Arrangement;

"Petrobank Supporting Shareholders" means each of the directors and officers of Petrobank;

"Petrobank Termination Fee" has the meaning ascribed thereto in the section entitled "*Effect of the Arrangement – The Arrangement Agreement – Damages Payable by Touchstone*";

"Plan" or **"Plan of Arrangement"** means the plan of arrangement under the ABCA substantially in the form attached as Appendix D to the Circular, as such plan of arrangement may be amended or supplemented from time to time in accordance with the terms of the Arrangement Agreement and the plan of arrangement;

"Registrar" means the Registrar of Corporations or the Deputy Registrar of Corporations appointed pursuant to section 263 of the ABCA;

"Restricted Shares" has the meaning ascribed thereto in the section entitled "*Procedure for the Arrangement to Become Effective – Securities Law Matters – United States*";

"Scotia Waterous" means Scotia Waterous Inc., financial advisors to Touchstone;

"SEC" means the United States Securities and Exchange Commission;

"Securities Act" means the *Securities Act*, R.S.A. 2000, c. S-4, as amended;

"Securities Authorities" means, collectively, the securities commissions or similar securities regulatory authorities in each of the provinces or territories of Canada;

"Shareholders" means, collectively, Touchstone Shareholders and/or Petrobank Shareholders;

"Shares" means Touchstone Shares and/or Petrobank Shares, as the context may require;

"subsidiary" has the meaning set forth in the Securities Act;

"Superior Proposal" means an unsolicited written *bona fide* Acquisition Proposal made after the date of the Arrangement Agreement from a Person (in the case of Touchstone, other than Petrobank and in the case of Petrobank, other than Touchstone):

- (i) that is not subject to a financing condition and the funds or other consideration necessary for the consummation of the Acquisition Proposal are, or are reasonably likely to be, available, as demonstrated to the satisfaction of the Petrobank Board or Touchstone

Board, as applicable, acting in good faith (after receiving advice from its financial advisor and outside legal counsel);

- (ii) that the Petrobank Board or the Touchstone Board, as applicable, determines in good faith (after receiving advice from its financial advisor and outside legal counsel) is capable of being completed without undue delay, taking into account all financial, legal regulatory and other aspects of such proposal and the Person making such proposal;
- (iii) that did not result from or involve a breach of section 3.5 of the Arrangement Agreement (*Covenants Regarding Non-Solicitation*);
- (iv) that is not subject to any due diligence or access condition; and
- (v) in respect of which the Petrobank Board or the Touchstone Board, as applicable, has determined in good faith (after the receipt of advice from its legal counsel with respect to (A) and its financial advisors with respect to (B), in each case as reflected in the minutes of the Petrobank Board or the Touchstone Board, as applicable) that: (A) recommending such Acquisition Proposal to the Petrobank Shareholders or the Touchstone Shareholders, as applicable, is necessary in discharge of its fiduciary duties; and (B) such Acquisition Proposal, taking into account all of the terms and conditions thereof, if consummated in accordance with its terms, would result in a transaction more favourable to the Petrobank Shareholders or the Touchstone Shareholders, as applicable, from a financial point of view than the transactions contemplated by the Arrangement Agreement (including in each case after taking into account any modifications to the Arrangement Agreement proposed by Petrobank as contemplated by section 3.5(d) of the Arrangement Agreement);

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

"THAI®" means Petrobank's patented Toe-to-Heel-Air-Injection in-situ heavy oil recovery technology, which combines a vertical air injection well with a horizontal production well, indirectly owned by Petrobank through Archon;

"Touchstone" means Touchstone Exploration Inc., a corporation existing under the BCBCA;

"Touchstone 2013 AGM Circular" means the information circular of Touchstone dated March 25, 2013 in connection with the annual meeting of Touchstone Shareholders held on April 24, 2013;

"Touchstone 51-101F1" means Touchstone's statement of reserve data and other oil and gas information dated January 27, 2014;

"Touchstone AIF" means the annual information form of Touchstone dated February 27, 2014 for the year ended September 30, 2013;

"Touchstone Annual Financial Statements" means the audited consolidated financial statements of Touchstone, together with the notes thereto and the auditors' reports thereon as at and for the years ended September 30, 2013 and 2012;

"Touchstone Annual MD&A" means management's discussion and analysis of the financial and operating results of Touchstone for the year ended September 30, 2013;

"Touchstone Arrangement Resolution" means the special resolution in respect of the Arrangement to be considered at the Touchstone Meeting, the full text of which is set forth in Appendix B to this Circular;

"Touchstone Board" means the board of directors of Touchstone as may be constituted from time to time;

"Touchstone Continuance" means the continuance of Touchstone from the province of British Columbia to the province of Alberta pursuant to section 309 of the BCBCA and section 188 of the ABCA, such continuance to occur prior to the Arrangement;

"Touchstone Continuance Resolution" means the special resolution of the Touchstone Shareholders in respect of the Touchstone Continuance to be considered at the Touchstone Meeting;

"Touchstone Credit Facility Warrantholders" means the holders of Touchstone Credit Facility Warrants;

"Touchstone Credit Facility" means the \$24.0 million credit facility of Touchstone existing pursuant to the Credit Agreement dated as of May 29, 2012, between Touchstone, as borrower, and the Touchstone Lender;

"Touchstone Credit Facility Warrants" means share purchase warrants issued on June 29, 2012 to a lender of Touchstone (the **"Touchstone Lender"**) under the Touchstone Credit Facility entitling the holders thereof to acquire one Touchstone Share for each of such warrants at an exercise price of \$0.55 until June 29, 2016, of which 9,600,000 remain outstanding;

"Touchstone Damages Event" has the meaning ascribed thereto in the section entitled *"Effect of the Arrangement – The Arrangement Agreement – Damages Payable by Petrobank"*;

"Touchstone Debenture Indenture" means the trust indenture dated June 29, 2011 between Touchstone and the Touchstone Debenture Trustee governing the terms and conditions of the Touchstone Debentures;

"Touchstone Debenture Trustee" means Computershare Trust Company of Canada;

"Touchstone Debenture Warrants" means share purchase warrants issued on June 29, 2011 to holders of the Touchstone Debentures entitling the holders thereof to acquire one Touchstone Share per warrant held at an exercise price of \$0.75 until June 29, 2014, of which 1,000,000 remain outstanding;

"Touchstone Debenture Warrantholders" means the holders of Touchstone Debenture Warrants;

"Touchstone Debentureholders" means the holders of the Touchstone Debentures;

"Touchstone Debentures" means Touchstone's \$2,000,000 aggregate principal amount of 9.5% convertible senior unsecured debentures due June 30, 2016 issued pursuant to the Touchstone Debenture Indenture;

"Touchstone Disclosure Letter" means the disclosure letter dated March 6, 2014 from Touchstone to Petrobank as may be amended or supplemented by agreement between Touchstone and Petrobank prior to the Effective Time;

"Touchstone Dissenting Shareholder" means a registered Touchstone Shareholder who,

- (a) in connection with the Touchstone Arrangement Resolution, has duly and validly exercised the right to dissent pursuant to section 191 of the ABCA in strict compliance with the provisions thereof, as modified by the Interim Order, and thereby becomes entitled to receive the fair value of his or her Touchstone Shares in cash determined as of the close of business on the day before the adoption of the Touchstone Arrangement Resolution and has not withdrawn or been deemed to have withdrawn such exercise of dissent rights, but only in respect of Touchstone Shares in respect of which dissent rights are validly exercised by such holder, or

- (b) in connection with the Touchstone Continuance Resolution, has duly and validly exercised the right to dissent pursuant to section 309 of the BCBCA in strict compliance with the provisions thereof, and thereby becomes entitled to receive the fair value of his or her Touchstone Shares in cash determined as of the close of business on the day before the adoption of the Touchstone Continuance Resolution and has not withdrawn or been deemed to have withdrawn such exercise of dissent rights, but only in respect of Touchstone Shares in respect of which dissent rights are validly exercised by such holder;

"Touchstone Fairness Opinion" means the written opinion of Scotia Waterous, dated March 6, 2014, delivered to the Touchstone Board in connection with the Arrangement, a copy of which is attached as Appendix I to this Circular;

"Touchstone Interim Financial Statements" means the unaudited consolidated financial statements of Touchstone, together with the notes thereto, as at and for the three months ended December 31, 2013 and 2012;

"Touchstone Interim MD&A" means management's discussion and analysis of the financial and operating results of Touchstone for the three months ended December 31, 2013;

"Touchstone Lender" has the meaning ascribed thereto in the definition of Touchstone Credit Facility Warrants;

"Touchstone Letter of Transmittal" means the letter of transmittal provided to registered Touchstone Shareholders together with this Circular pursuant to which such holders are required to deliver certificates representing their Touchstone Shares in order to receive the Petrobank Shares issuable to them pursuant to the Arrangement;

"Touchstone MCRs" means the material change reports of Touchstone: dated February 4, 2014, regarding the resignation of a director and officer; dated February 4, 2014, regarding Touchstone's annual financial statements; and dated March 13, 2014 regarding the Arrangement;

"Touchstone Meeting" means the annual and special meeting of Touchstone Shareholders (including any adjournment(s) or postponement(s) thereof permitted under the Arrangement Agreement) that is to be convened to consider and, if deemed advisable, to approve the Touchstone Continuance Resolution, the Touchstone Arrangement Resolution and, to consider and, if deemed advisable, to approve such general meeting matters as are discussed in Appendix L;

"Touchstone Nominees" means each of Paul R. Baay, Trevor Mitzel and R. Gregg Smith;

"Touchstone Option Plan" means the 2010 stock option incentive plan approved and confirmed by Touchstone Shareholders;

"Touchstone Optionholders" means holders of Touchstone Options;

"Touchstone Options" means the options granted under the Touchstone Option Plan;

"Touchstone Public Record" means all information filed by or on behalf of Touchstone after December 31, 2012 with the Securities Authorities, in compliance, or intended compliance, with any Applicable Canadian Securities Laws;

"Touchstone Record Date" means March 25, 2014;

"Touchstone Shareholders" means the holders from time to time of Touchstone Shares;

"Touchstone Shares" means the common shares in the capital of Touchstone;

"Touchstone Supplemental Debenture Indenture" means the supplemental debenture indenture to be entered into as of the Effective Date among Touchstone, Petrobank and the Touchstone Debenture Trustee pursuant to which Petrobank assumes, in accordance with the Plan of Arrangement, all of the covenants and obligations of Touchstone under the Touchstone Debenture Indenture in respect of the Touchstone Debentures, which supplemental indenture shall provide for, among other things, the Conversion Price (as defined in the Touchstone Debenture Indenture) for each Petrobank Share to be issued upon conversion of the Touchstone Debentures shall be equal to the Conversion Price divided by the Exchange Ratio;

"Touchstone Supplemental Warrant Indenture" means the supplemental warrant indenture to be entered into as of the Effective Date among Touchstone, Petrobank and the warrant trustee of the Touchstone Debenture Warrants pursuant to which Petrobank will assume all rights and obligations of Touchstone relating to the Touchstone Debenture Warrants and the rights of the Touchstone Debenture Warranholders on exercise of the Touchstone Debenture Warrants shall be modified such that each Touchstone Debenture Warranholder shall be entitled upon exercise of each Touchstone Debenture Warrant held by such Touchstone Debenture Warranholder at an exercise price equal to the exercise price of such Touchstone Debenture Warrant immediately prior to the Effective Time divided by the Exchange Ratio to receive a number of Petrobank Shares equal to the number of Touchstone Shares purchasable on the exercise of such Touchstone Debenture Warrant immediately prior to the Effective Time multiplied by the Exchange Ratio, all in accordance with the terms of the Touchstone Warrant Indenture dated as of June 29, 2011, and each warrant certificate issued thereunder, establishing and setting forth, among other things, the terms of the Touchstone Debenture Warrants;

"Touchstone Support Agreements" means the lock-up agreements between Petrobank and each of the Touchstone Supporting Shareholders pursuant to which the Touchstone Supporting Shareholders agreed to vote the Touchstone Shares held by them in favour of the Touchstone Arrangement Resolution and the Touchstone Continuance Resolution and to otherwise support the Arrangement;

"Touchstone Supporting Shareholders" means each of the directors and officers of Touchstone;

"Touchstone Termination Fee" has the meaning ascribed thereto in the section entitled "*The Effect of the Arrangement – The Arrangement Agreement – Damages Payable by Petrobank*";

"Touchstone Warrant Certificate" means the certificate evidencing the Touchstone Warrants held by a Touchstone Warranholder;

"Touchstone Warrant Indenture" means the trust indenture dated June 29, 2011 between Touchstone and Computershare Trust Company of Canada, as warrant agent, governing the terms and conditions of the Touchstone Debenture Warrants;

"Touchstone Warrants" means, collectively, the Touchstone Debenture Warrants and the Touchstone Credit Facility Warrants;

"Touchstone Warranholders" means holders of Touchstone Warrants;

"Trinidad" means the Republic of Trinidad and Tobago;

"TSX" means the Toronto Stock Exchange;

"TSXV" means the TSX Venture Exchange;

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

"Voting Instruction Form" or **"VIF"** means the voting instruction form provided by Broadridge to Beneficial Holders; and

"Western Canadian Sedimentary Basin" means the vast sedimentary basin underlying Western Canada that is the source of most of Western Canada's current oil and gas production.

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

CONVENTIONS

Certain terms used herein are defined in the "*Glossary of Terms*". Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars. All financial information herein has been presented in Canadian dollars in accordance with GAAP.

ABBREVIATIONS AND EQUIVALENCIES

The following are abbreviations and definitions of terms used in this Circular and in the documents incorporated by reference herein.

bbbl	barrel
bbls	barrels
bpd	barrels per day
Mbpd	thousands of barrels per day
MMcf/d	million cubic feet per day
NGL	natural gas liquids

Other

boe	barrel of oil equivalent of natural gas on the basis of 1 boe for 6 mcf of natural gas
boe/d	barrel of oil equivalent per day
Mboe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent
Mcfe	thousand cubic feet equivalent
MMcfe	million cubic feet equivalent
\$000s or M\$	thousands of dollars
MM	millions

The terms "boe" and "Mcfe" may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas per barrel of oil (6 Mcf: 1 bbl) and an Mcfe conversion rate of one barrel of oil per six thousand cubic feet of natural gas (1 bbl: 6 Mcf) are each based on an energy equivalency conversion method primarily applicable at the burner tip and do not represent a value equivalency at the wellhead.

In this Circular and the documents incorporated by reference, Petrobank has disclosed estimated volumes of "contingent resources". "Resources" are oil and gas volumes that are estimated to have originally existed in the earth's crust as naturally occurring accumulations but are not capable of being classified as "reserves". "Contingent resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but that are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies at Petrobank's Dawson Property (as defined in the Petrobank AIF) and on the Luseland Lands (as defined in the Petrobank AIF) include current uncertainties around the specific scope and timing of the development of the projects; lack of regulatory approvals; uncertainty regarding marketing plans for production from the subject area; and need for improved estimation of project costs. Contingent resources do not constitute, and should not be confused with, reserves. There is no certainty that it will be commercially viable to produce any portion of the contingent resources on the Luseland or Dawson lands.

CONVERSIONS

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

To Convert From	To	Multiply By
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	bbls	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621

JOINT MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and Petrobank or Touchstone, as applicable, or their respective agents have sent these materials directly to you, your name, address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, Petrobank or Touchstone, as applicable (and not the intermediary holding on your behalf) have assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Introduction

This Circular is furnished in connection with the solicitation of proxies by the management of Touchstone and Petrobank for use at the Touchstone Meeting and the Petrobank Meeting, respectively, and at any adjournment(s) or postponement(s) thereof. No person has been authorized to give any information or make any representation in connection with the Arrangement and the issuance of Petrobank Shares in connection with the Arrangement, or other matters to be considered at the Touchstone Meeting or the Petrobank Meeting, other than those contained in this Circular, and if given or made, any such information or representation must not be relied upon as having been authorized.

This Circular does not constitute an offer to sell or a solicitation of an offer to purchase any securities or the solicitation of a proxy by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or a proxy solicitation. Neither the delivery of this Circular nor any distribution of the securities referred to in this Circular will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date as that such information is given in this Circular.

The information concerning Petrobank contained in this Circular has been provided by Petrobank. Although Touchstone has no knowledge that would indicate that any of such information is untrue or incomplete, Touchstone does not assume any responsibility for the accuracy or completeness of such information or the failure by Petrobank to disclose events that may have occurred or may affect the completeness or accuracy of such information but that are unknown to Touchstone.

The information concerning Touchstone contained in this Circular has been provided by Touchstone. Although Petrobank has no knowledge that would indicate that any of such information is untrue or incomplete, Petrobank does not assume any responsibility for the accuracy or completeness of such information or the failure by Touchstone to disclose events that may have occurred or may affect the completeness or accuracy of such information but that are unknown to Petrobank.

All summaries of, and references to, the Arrangement Agreement and the Arrangement or the Plan of Arrangement in this Circular are qualified in their entirety by reference to the complete text of the Arrangement Agreement and the Plan of Arrangement, copies of which are attached as Appendix C and Appendix D, respectively, to this Circular. **You are urged to carefully read the full text of the Arrangement Agreement and the Plan of Arrangement.**

All capitalized terms used in this Circular (excluding the Appendices hereto unless stated otherwise) but not otherwise defined herein have the meanings set forth herein under "*Glossary of Terms*". Information contained in this Circular is given as of March 28, 2014, unless otherwise specifically stated. Details of the Arrangement are set forth under the heading "*The Arrangement*". For details of the matters to be considered by the Touchstone Shareholders and the Petrobank Shareholders, see "*Matters to be Considered at the Touchstone Meeting*" and "*Matters to be Considered at the Petrobank Meeting*", respectively.

Supplemental Disclosure – Non-GAAP Measures

This Circular and certain documents incorporated by reference herein make reference to certain non-GAAP financial measures to assist in assessing Touchstone's financial performance. Some of these non-GAAP measures include references to funds flow from operations, funds flow from operations per share, total debt, operating netback and funds flow netback. Non-GAAP financial measures do not have standard meanings prescribed by International Financial Reporting Standards ("**IFRS**") and are therefore unlikely to be comparable to similar measures presented by other issuers. Such non-GAAP financial measures should not be considered as an alternative to, or more meaningful than, net income, cash flow from operating activities and other measures of financial performance as determined in accordance with IFRS as an indicator of performance. For additional information regarding these non-GAAP measures, see the Touchstone Annual MD&A and the Touchstone Interim MD&A, both of which are incorporated by reference herein.

Information For United States Shareholders

The Petrobank Shares issuable to Touchstone Shareholders in exchange for their Touchstone Shares pursuant to the Arrangement have not been and will not be registered under the 1933 Act, and will be issued in reliance upon the exemption from the registration requirements of the 1933 Act set forth in section 3(a)(10) thereof. Section 3(a)(10) of the 1933 Act exempts the issuance of any securities issued in exchange for one or more *bona fide* outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction as fair to the recipients of the securities, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and of which such persons have received timely notice. The solicitation of proxies for the Touchstone Meeting and the Petrobank Meeting by means of this Circular is not subject to the requirements of section 14(a) of the 1934 Act. Accordingly, the solicitations and transactions contemplated in this Circular are being made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Touchstone 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 1933 Act and proxy statements under the 1934 Act.

The Petrobank Shares issuable to Touchstone Shareholders pursuant to the Arrangement will be, following completion of the Arrangement, freely tradable under the 1933 Act, except for (i) any shares ("**Restricted Shares**") received in the Arrangement by persons who are "affiliates" of Petrobank on the Effective Date or who were "affiliates" of Petrobank within 90 days before the Effective Date and (ii) any shares ("**Control Shares**") that after the Effective Date are held by persons who are then (or were within the preceding 90 days) "affiliates" of Petrobank. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally

include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such Petrobank Shares that are Restricted Shares or Control Shares may be subject to the registration requirements of the 1933 Act, absent an exemption or exclusion therefrom. See "*Procedure for the Arrangement to Become Effective – Securities Law Matters – United States*".

Information concerning assets and operations of Petrobank and Touchstone contained or incorporated by reference herein has been prepared in accordance with Canadian standards and is not comparable in all respects to similar information for United States companies. The financial statements of Touchstone and Petrobank included or incorporated by reference, as applicable, in this Circular have been prepared in accordance with IFRS and, except as described below, are subject to Canadian auditing and auditor independence standards, which differ from United States generally accepted accounting principles and auditing and auditor independence standards in certain material respects and thus are not directly comparable to financial statements of United States companies.

Touchstone Shareholders subject to United States federal taxation are advised to consult their tax advisors to determine the particular tax consequences to them of participating in the Arrangement and the ownership and disposition of Petrobank Shares acquired pursuant to the Arrangement.

The enforcement by Petrobank Shareholders and Touchstone Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that both Petrobank and Touchstone are organized under the laws of Alberta, Canada, that some or all of their officers and directors are residents of countries other than the United States, that the experts named in this Circular are residents of countries other than the United States and that all or a substantial portion of the assets of Petrobank, Touchstone and such persons are located outside the United States. As a result, it may be difficult or impossible for Petrobank Shareholders or Touchstone Shareholders in the United States to effect service of process within the United States upon Petrobank and Touchstone and their directors or officers and such experts, 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, Petrobank Shareholders and Touchstone Shareholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

No broker, dealer, salesperson or other person has been authorized to give any information or make any representation other than those contained in this Circular and, if given or made, such information or representation must not be relied upon as having been authorized by Petrobank or Touchstone.

THE PETROBANK SHARES ISSUABLE TO TOUCHSTONE SHAREHOLDERS PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE, NOR HAS THE SEC 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 OFFENCE.

Currency

Except as otherwise indicated, all dollar amounts indicated in this Circular are expressed in Canadian dollars. The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for the U.S. dollar, expressed in Canadian dollars per U.S. dollar, based on the data published by the Bank of Canada.

	Year Ended December 31			Nine Months Ended September 30	
	2013	2012	2011	2013	2012
Rate at end of Period	\$1.0636	\$0.9949	\$1.0170	\$1.0285	\$0.9837
Average rate during Period	\$1.0299	\$0.9996	\$0.9891	\$1.0235	\$1.0023
High during Period	\$1.0697	\$1.0418	\$1.0604	\$1.0576	\$1.0418
Low during Period	\$0.9839	\$0.9710	\$0.9449	\$0.9839	\$0.9710

On March 28, 2014, the Bank of Canada noon rate for the conversion of U.S. dollars into Canadian dollars was U.S.\$1.00 = CDN\$1.1064

FORWARD-LOOKING INFORMATION

This Circular and the documents incorporated by reference herein contain certain forward-looking information and forward-looking statements (collectively referred to as "forward-looking statements") within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "predict", "project", "should", "target", "will", or similar words suggesting future outcomes or language suggesting an outlook. In particular, this Circular and the documents incorporated by reference herein contain forward-looking statements pertaining to the following:

- the anticipated tax treatment of the Arrangement for Touchstone Shareholders;
- the anticipated closing date of the Arrangement;
- the anticipated benefits of the Arrangement to New Touchstone and the Shareholders of Petrobank and Touchstone;
- the impact of Canadian and Trinidadian governmental regulation on Touchstone, Petrobank and New Touchstone;
- the repayment of any outstanding indebtedness under the Touchstone Credit Facility;
- changes in oil, natural gas and natural gas liquids prices and the impact of such changes on cash flow after financial derivative instruments;
- the level of capital expenditures;
- currency, exchange and interest rates;
- the performance characteristics of Touchstone's and Petrobank's respective businesses;
- the nature of contractual arrangements with third parties in respect of Touchstone's and Petrobank's businesses;
- expectations regarding Touchstone's and Petrobank's ability to raise capital and carry out growth plans;
- future general, operating and administrative expenses of Touchstone and Petrobank;
- competitive conditions; and
- the exercise of dissent rights by registered Touchstone Shareholders with regards to the Touchstone Continuance or the Arrangement.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to Petrobank, Touchstone and their respective Shareholders. Forward-looking statements are provided for the purpose of providing information about Petrobank's and Touchstone's management's current expectations and plans relating to the future. Reliance on such information may not be appropriate for other purposes, such as making investment decisions.

Forward-looking statements are based on Petrobank's and Touchstone's current beliefs as well as assumptions made by, and information currently available to, Petrobank and Touchstone, as applicable, concerning, among other things, matters relating to the Arrangement, the timely receipt of required government, third party and Court approvals and the satisfaction of other closing conditions in all material respects in accordance with the terms of the Arrangement Agreement, Petrobank's anticipated financial performance, the success of Petrobank's and Touchstone's operations, prevailing commodity prices and exchange rates, future operating costs of Petrobank's and Touchstone's assets, prevailing regulatory, tax and environmental laws and regulations, stock market volatility and market valuations and that there will be no significant events occurring outside of the normal course of business of Petrobank or Touchstone, as applicable. Although the management of Petrobank and Touchstone consider these assumptions to be reasonable based on information currently available, they may prove to be incorrect. See "*Forward-Looking Statements*" in the Petrobank AIF and the Petrobank Annual MD&A and "*Forward-Looking Statements*" in the Touchstone AIF and the Touchstone Annual MD&A.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific), some of which are beyond the control of Petrobank and Touchstone and risks that forward-looking statements will not be achieved. These factors include, but are not limited to, failure to complete the Arrangement in all material respects in accordance with the Arrangement Agreement or at all, unforeseen difficulties in integrating the assets of Touchstone into Petrobank's operations, the regulatory environment and decisions, financial risks, substantial capital requirements, bank financing, prices, markets and marketing, uninsurable risks, management of growth, the impact of environmental events, unanticipated operating events, competition for, among other things, capital reserves and skilled personnel, reliance on key alliances and agreements, third party performance of obligations under contractual arrangements, conflicts of interest, variations in exchange rates and hedging and uncertainty in global financial markets. See "*Forward-Looking Statements*" in the Petrobank AIF and the Petrobank Annual MD&A and "*Forward-Looking Statements*" in the Touchstone AIF and the Touchstone Annual MD&A.

Shareholders are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, Shareholders are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Shareholders are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by Petrobank or Touchstone that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Furthermore, the forward-looking statements contained in this Circular and the documents incorporated by reference herein are made as of the date of such documents, and neither Petrobank nor Touchstone undertakes any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this Circular and the documents incorporated by reference herein are expressly qualified by this cautionary statement.

INFORMATION FOR BENEFICIAL HOLDERS

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of such Shareholders do not hold Shares in their own name but instead hold their Shares through brokers, financial institutions or other nominees. Shareholders who do not hold their Shares in their own name (referred to in this Circular as "**Beneficial Holders**") should note that only proxies deposited by Shareholders whose names appear on the records of the applicable registrar and transfer agent for Touchstone or Petrobank, as applicable, as the registered holders of Shares can be recognized and acted upon at the Touchstone Meeting or Petrobank Meeting, as applicable. If Shares are listed in an account statement provided to a Shareholder by a broker, then, in almost all cases, those Shares will not be registered in a holder's name on the records of Touchstone or Petrobank. Such Shares will more likely be registered in the name of the holder's broker or an agent of the broker. In Canada, the vast majority of such Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., or CDS, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon instructions of the Beneficial Holder. Without specific instructions, brokers/nominees are prohibited from voting Shares for their clients. **Beneficial Holders should therefore ensure that instructions regarding the voting of their Shares are properly communicated to the appropriate person or that the Shares are duly registered in their name well in advance of the applicable Meeting.**

Applicable regulatory policies require intermediaries/brokers to seek voting instructions from Beneficial Holders in advance of shareholder meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Holders in order to ensure that their Shares are voted at the applicable Meeting. Often, the form of proxy supplied to a Beneficial Holder by its broker is identical to that provided to a registered shareholder. However, its purpose is limited to instructing the registered shareholder on how to vote on behalf of the Beneficial Holder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a scannable Voting Instruction Form in lieu of the applicable form of proxy. The Beneficial Holder is requested to complete and return the Voting Instruction Form by mail or facsimile. Alternatively, the Beneficial Holder can call a toll-free telephone number or access the internet to vote the Shares held by the Beneficial Holder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the applicable Meeting. **A Beneficial Holder receiving a form of proxy or Voting Instruction Form from their broker or other intermediary (or an agent or nominee of such broker or other intermediary) cannot use that form to vote Shares directly at the applicable Meeting. Voting instructions must be communicated to the broker, intermediary, agent or nominee (in accordance with the instructions provided by it or on its behalf) well in advance of the applicable Meeting in order to have the Shares to which such instructions relate voted at the applicable Meeting.**

If you are a Beneficial Holder and wish to vote in person at the applicable Meeting, please contact your broker or agent well in advance of the applicable Meeting to determine how you can do so.

Although a Beneficial Holder may not be recognized directly at the applicable Meeting for the purpose of voting Shares registered in the name of its broker or other intermediary, a Beneficial Holder may vote those Shares as a proxyholder for the registered Shareholder. To do this, a Beneficial Holder should enter such Beneficial Holder's own name in the blank space on the applicable form of proxy provided to the Beneficial Holder and return the document to such Beneficial Holder's 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 applicable Meeting.

Touchstone Shareholders who do not hold their Touchstone Shares in their own name should also instruct their broker or other intermediary to complete the Touchstone Letter of Transmittal regarding the Arrangement with respect to such holder's Touchstone Shares in order to receive the Petrobank Shares issuable pursuant to the Arrangement in exchange for such holder's Touchstone Shares.

Petrobank Shareholders who do not hold their Petrobank Shares in their own name should also instruct their broker or other intermediary to complete the Petrobank Letter of Transmittal regarding the Petrobank Consolidation and change of Petrobank's name with respect to such holder's Petrobank Shares in order to receive the post-Petrobank Consolidation Petrobank Shares issuable in exchange for such holder's Petrobank Shares.

SUMMARY

This Summary is qualified in its entirety by the more detailed information appearing elsewhere in this Circular, including the Appendices hereto. Terms with initial capital letters in this Summary are defined in the Glossary of Terms or as set out elsewhere in this Circular.

The Touchstone Meeting

The Touchstone Meeting will be held at 9:00 a.m. (Calgary time) on April 28, 2014, in the Strand/Tivoli Room located at the Metropolitan Conference Centre, 333 – 4th Avenue S.W., Calgary, Alberta, for the purposes set forth in the accompanying applicable notice of meeting. The business of the Touchstone Meeting will be to consider and vote upon the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution, as well as all other annual meeting matters. See "*The Continuance*", "*The Arrangement*", "*Matters to be Considered at the Touchstone Meeting*" and Appendix L – "*Information Concerning Touchstone Exploration Inc. and Annual Meeting Matters*".

The Petrobank Meeting

The Petrobank Meeting will be held at 10:00 a.m. (Calgary time) on April 28, 2014, in the Strand/Tivoli Room located at the Metropolitan Conference Centre, 333 – 4th Avenue S.W., Calgary, Alberta, for the purposes set forth in the accompanying applicable notice of meeting. The business of the Petrobank Meeting will be to consider and vote upon the Petrobank Shareholder Resolutions, as well as all other annual meeting matters. See "*The Arrangement*", "*Matters to be Considered at the Petrobank Meeting*" and Appendix M – "*Information Concerning Petrobank Energy and Resources Ltd. and Annual Meeting Matters*".

Touchstone Exploration Inc.

Touchstone is an oil and gas company incorporated under the BCBCA, whose primary business is the acquisition, exploration and development of prospective oil and gas properties in Trinidad and the Caribbean region.

Touchstone is a reporting issuer under the securities laws of the provinces of British Columbia, Alberta, Saskatchewan and Ontario. The Touchstone Shares are listed and posted for trading on the TSXV under the symbol "TAB".

Pursuant to the Arrangement, all of the Touchstone Shares will be acquired by Petrobank. Under the Arrangement Agreement, Petrobank will assume all of the rights and obligations of Touchstone relating to the Touchstone Warrants, and will also assume all covenants and obligations of Touchstone relating to the Touchstone Debentures. The conversion price of the Touchstone Debentures and the exercise price and the number of shares issuable upon exercise of the Touchstone Warrants will be adjusted pursuant to the terms of the Touchstone Debenture Indenture, the Touchstone Warrant Indenture and the Touchstone Warrant Certificate, as applicable, based on the Exchange Ratio.

Following completion of the Arrangement, it is anticipated that the Touchstone Shares will be delisted from the TSXV.

The head and principal office of Touchstone is located at Suite 200, 209 – 8th Avenue S.W., Calgary, Alberta, T2P 1B8 and its registered office is located at Suite 1810, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M3.

Petrobank Energy and Resources Ltd.

Petrobank is a Calgary-based oil and natural gas exploration, production and technology company with operations in western Canada, incorporated under the ABCA.

Petrobank is a reporting issuer or the equivalent in each of the provinces of Canada. The Petrobank Shares are listed and posted for trading on the TSX under the symbol "PBG".

The head, principal and registered office of Petrobank is located at Suite 1100, 332 – 6th Avenue S.W., Calgary, Alberta, T2P 0B2.

The Continuance of Touchstone from British Columbia into Alberta

The Touchstone Board believes that it is in Touchstone's best interests to continue into Alberta (a) to effect the Arrangement pursuant to the ABCA, and (b) because Touchstone's anticipated future business endeavours are expected to be managed out of its Calgary office. Touchstone Shareholders will be asked to consider and, if deemed advisable, to approve the Touchstone Continuance Resolution in this regard. **Accordingly, the Touchstone Board unanimously recommends that Touchstone Shareholders vote in favour of the Touchstone Continuance Resolution.** In the event that the Touchstone Continuance Resolution is not approved at the Touchstone Meeting, the Arrangement will not proceed in its present form, or at all. See "*The Continuance*" and Appendix A to this Circular for the full text of the Touchstone Continuance Resolution.

Background to the Arrangement

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

Attributes of the Arrangement

Both Petrobank and Touchstone believe that the Arrangement will provide significant benefits to their Shareholders, and New Touchstone is expected to:

- be positioned to substantially grow production and cash flow from operations through an expanded and internally funded capital program focused on low-risk drilling and reactivation opportunities in established fields;
- generate attractive after-tax operating cash flows from operations while maintaining a focus on technology to improve oil recovery and economic returns;
- benefit from an experienced board of directors and technology-focused management team with a proven track record of building value;
- become one of the most active independent on-shore oil producers in Trinidad with assets focused in several large, high quality reservoirs with significant original oil in place and an extensive inventory of low risk development opportunities;
- have Canadian heavy oil assets focused in two concentrated areas in Alberta and Saskatchewan with significant resource potential;
- realize efficiencies in corporate overhead costs through consolidation and optimization of operations;
- provide enhanced financial flexibility and improved cost of capital with the ability to grow production organically and through further strategic acquisitions; and
- provide Shareholders with enhanced liquidity.

Reasons for the Arrangement

Touchstone

Following receipt of the advice and assistance of the financial advisors and legal counsel, the Touchstone Board carefully evaluated the terms of the proposed Arrangement, and at a meeting of the Touchstone Board held on March 5, 2014, the Touchstone Board (a) determined that (i) the Arrangement and the entering into of the Arrangement Agreement are in the best interests of Touchstone; and (ii) the Arrangement is fair to Touchstone Shareholders; (b) approved the Arrangement and the entering into of the Arrangement Agreement; and (c) unanimously recommends that Touchstone Shareholders vote in favour of the Arrangement. In reaching these determinations and making these approvals the Touchstone Board considered, among other things, the following factors and potential benefits and risks of the Arrangement:

- the increased market capitalization will provide enhanced liquidity to Touchstone Shareholders and will improve Touchstone's access to capital and cost of capital;
- New Touchstone will become one of the most active independent on-shore oil producers in Trinidad;
- New Touchstone will benefit from an experienced board of directors;
- the Arrangement will result in the New Touchstone continuing to be listed on the TSX;
- Touchstone Shareholders will continue to participate in the growth opportunities associated with Touchstone's historic business and Petrobank's business, as the combined corporation is anticipated to be a stronger, more diversified and more efficient company;
- Scotia Waterous provided its written opinion, the full text of which can be found at Appendix I to this Circular, that, as of March 6, 2014, and subject to certain assumptions, qualifications and limitations, the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Touchstone Shareholders. See "*The Arrangement – Touchstone Fairness Opinion*";
- a Touchstone Shareholder will generally not realize a capital gain (or a capital loss) upon the exchange of Touchstone Shares for Petrobank Shares pursuant to the Arrangement, as described in more detail under "*Certain Canadian Federal Income Tax Considerations*";
- under the Arrangement Agreement, until the time that the Touchstone Arrangement Resolution is approved, the Touchstone Board retains the ability to consider and respond to Superior Proposals on the specific terms and conditions set forth in the Arrangement Agreement;
- at least 66⅔% of the votes cast by Touchstone Shareholders at the Touchstone Meeting are required to approve the Touchstone Arrangement Resolution;
- the Touchstone Shareholders have the ability to exercise their Dissent Rights; and
- the Arrangement requires approval by the Court.

The information and factors described above and considered by the Touchstone Board in reaching its determinations and making its approvals are not intended to be exhaustive but include material factors considered by the Touchstone Board. In view of the wide variety of factors considered in connection with its evaluation of the Arrangement and the complexity of these matters, the Touchstone Board did not find it useful to, and did not attempt to, quantify, rank or otherwise assign relative weights to these factors. In

addition, individual members of the Touchstone Board may have given different weight to different factors.

Petrobank

In reaching the determinations and making such approvals as described in "*The Arrangement – Background to the Arrangement – Petrobank*", the Petrobank Board considered, among other things (including those matters described under "*The Arrangement – Attributes of the Arrangement*"), the following factors and potential benefits and risks of the Arrangement:

- Petrobank Shareholders will benefit from the growth opportunities associated with the combined company, which is anticipated to be a larger, stronger and more diverse company than Petrobank as it currently exists;
- Petrobank Shareholders will be provided with exposure to a large resource base with significant development potential through application of Western Canadian Sedimentary Basin production technologies;
- New Touchstone is expected to substantially grow production and cash flow through an expanded and internally funded capital program focused on low-risk drilling and reactivation opportunities in established fields;
- New Touchstone is expected to generate attractive after-tax operating cash flows while maintaining a focus on technology to improve oil recovery and economic returns;
- New Touchstone will benefit from an experienced board of directors and technology-focused management team with a proven track record of building value;
- Petrobank Shareholders will continue to have exposure to Petrobank's Canadian heavy oil assets focused in two concentrated areas in Alberta and Saskatchewan with significant resource potential;
- New Touchstone is expected to realize efficiencies in corporate overhead costs through consolidation and optimization of operations;
- New Touchstone is expected to be well capitalized, which will provide significant financial flexibility and improved cost of capital with the ability to grow production organically and through further strategic acquisitions
- the increased market capitalization will provide enhanced liquidity to Petrobank Shareholders and will improve Petrobank's access to capital and cost of capital;
- FirstEnergy provided its written opinion, the full text of which can be found at Appendix J to this Circular, that, as of March 6, 2014, and based upon and subject to the various assumptions, explanations, qualifications and limitations set forth in its opinion, the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Petrobank Shareholders. See "*The Arrangement – Petrobank Fairness Opinion*"; and
- a majority of the votes cast by Petrobank Shareholders at the Petrobank Meeting are required to approve the Petrobank Share Issuance Resolution and the Petrobank Board Resolution. If the Petrobank Share Issuance Resolution is not approved, the Arrangement cannot proceed as proposed. Approval of the Petrobank Board Resolution is a mutual condition precedent for the benefit of both Parties to the Arrangement Agreement, which condition may be waived by the Parties in their discretion.

The information and factors described above and considered by the Petrobank Board in reaching its determinations and making its approvals are not intended to be exhaustive but include material factors considered by the Petrobank Board. In view of the wide variety of factors considered in connection with its evaluation of the Arrangement and the complexity of these matters, the Petrobank Board did not find it useful to, and did not attempt to, quantify, rank or otherwise assign relative weights to these factors. In addition, individual members of the Petrobank Board may have given different weight to different factors.

The Arrangement

On March 6, 2014, Touchstone and Petrobank agreed to combine their respective businesses and entered into the Arrangement Agreement, a copy of which is attached as Appendix C to this Circular. Pursuant to the Arrangement, Touchstone Shareholders (excluding Touchstone Dissenting Shareholders) will receive 0.471 (or such other exchange ratio determined in accordance with the Plan) of a Petrobank Share in exchange for each Touchstone Share held. See "*Procedure for the Arrangement to Become Effective – Procedure for Exchange of Touchstone Share Certificates*". As at March 27, 2014, there are 97,559,773 Petrobank Shares and 138,956,517 Touchstone Shares outstanding (each on a non-diluted basis).

Effect of the Arrangement

The following is a summary only of the Plan of Arrangement and reference should be made to the full text of the Arrangement Agreement and the Plan of Arrangement set forth in Appendix C and Appendix D, respectively, to this Circular. Capitalized terms used in this section of the "Summary" shall have the meaning ascribed thereto in the Arrangement Agreement.

The Arrangement involves a number of steps, including each of the events set out below, which will occur and be deemed to occur in the following order commencing at the Effective Time, without any further act or formality, except as otherwise expressly provided in the Plan of Arrangement:

- (a) each of the Touchstone Shares held by Touchstone Dissenting Shareholders shall, as of the Effective Time, be deemed to have been transferred to Touchstone (free and clear of all liens, claims and encumbrances) and cancelled and such Touchstone Dissenting Shareholders shall cease to have any rights as Touchstone Shareholders other than the right to be paid the fair value of their Touchstone Shares in accordance with the Dissent Rights; and
- (b) the Touchstone Shares held by Touchstone Shareholders shall be transferred to Petrobank (other than those held by Touchstone Dissenting Shareholders) and shall be deemed to be transferred by the holder thereof without any further action on its part (free and clear of all liens, claims and encumbrances) in exchange for Petrobank Shares on the basis of 0.471 (or such other exchange ratio determined in accordance with the Plan) of a Petrobank Share for each Touchstone Share so transferred.

Immediately following completion of the Arrangement, former Touchstone Shareholders are anticipated to own approximately 65,448,520 pre-consolidation Petrobank Shares, representing approximately 40% of the then issued and outstanding Petrobank Shares, and Petrobank Shareholders are anticipated to own approximately 97,559,773 pre-consolidation Petrobank Shares, representing approximately 60% of the then issued and outstanding Petrobank Shares, assuming none of the Touchstone Debentures are converted and none of the Touchstone Warrants or options to purchase Touchstone Shares are exercised prior to such time.

Assuming that there are no Touchstone Dissenting Shareholders and assuming full conversion of outstanding Touchstone Debentures and the exercise of all Touchstone Warrants prior to the Effective Time, there will be, immediately following the completion of the Arrangement, approximately 169,346,607 Petrobank Shares issued and outstanding. In such circumstances: (i) former Touchstone Shareholders

will hold approximately 71,786,834 pre-consolidation Petrobank Shares, representing approximately 42% of the issued and outstanding Petrobank Shares; and (ii) holders of Petrobank Shares will hold Petrobank Shares representing approximately 58% of the issued and outstanding Petrobank Shares.

Completion of the Arrangement is subject to a number of conditions including, among other things, the approval of the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution by Touchstone Shareholders, the approval of the Petrobank Share Issuance Resolution and the Petrobank Board Resolution by Petrobank Shareholders, the receipt of all necessary government, stock exchange and third party approvals and the granting of the Final Order. However, approval of the Petrobank Board Resolution is a mutual condition precedent for the benefit of both Parties to the Arrangement Agreement, which condition may be waived by the Parties in their discretion. Petrobank and Touchstone expect the Effective Date to occur on or as soon as practicable after April 30, 2014. See "*Procedure for the Arrangement to Become Effective*" and "*Timing*".

No fractional Petrobank Shares will be issued pursuant to the Arrangement and, in lieu thereof, each previous registered holder of Touchstone Shares otherwise entitled to a fractional interest in a Petrobank Share will receive the nearest whole number of Petrobank Shares (with fractions equal to or greater than 0.5 being rounded up).

Effect of the Arrangement on Touchstone Debentureholders

As of March 27, 2014, Touchstone had outstanding approximately \$2.0 million aggregate principal amount of Touchstone Debentures. The Touchstone Debentures are due on June 30, 2016 and bear interest at a rate of 9.5% per annum, payable semi-annually in arrears on June 30 and December 31 in each year.

At the closing of the Arrangement, Petrobank will assume all covenants and obligations of Touchstone in respect of the Touchstone Debentures and will enter into a supplemental debenture indenture with Computershare Trust Company of Canada, as debenture trustee. The approval of the Touchstone Debentureholders is not required for the Arrangement and Touchstone Debentureholders are not entitled to vote in respect of the Touchstone Arrangement Resolution.

Provided the Arrangement is completed, in accordance with the Touchstone Debenture Indenture, the current conversion price under the Touchstone Debenture Indenture will be adjusted such that Touchstone Debentureholders will thereafter be entitled to receive Petrobank Shares, rather than Touchstone Shares, on the basis of 0.471 (or such other exchange ratio determined in accordance with the Plan) of a Petrobank Share in lieu of each Touchstone Share that they were previously entitled to receive on conversion of the Touchstone Debentures. All other terms and conditions of the Touchstone Debenture Indenture will continue to apply. As a result, following completion of the Arrangement, Touchstone Debentureholders who subsequently wish to convert their Touchstone Debentures will be entitled to receive approximately 1,345,714 Petrobank Shares.

Completion of the Arrangement will constitute a "change of control" under the terms of the Touchstone Debenture Indenture. As a result, within 30 days following the Arrangement, Petrobank will be required to provide a Change of Control Notice and make a Change of Control Purchase Offer to purchase all of the outstanding Touchstone Debentures at a price of 100% of the principal amount thereof plus accrued and unpaid interest thereon and an amount equal to the interest that would have been paid on such Touchstone Debentures for the period between the Effective Date and the later of June 30, 2014 and the Change of Control Purchase Date. If the Touchstone Debentures remain outstanding, Petrobank intends to comply with the "change of control" provisions under the Touchstone Debenture Indenture.

Effect of the Arrangement on Touchstone Warrant holders

As of March 27, 2014, Touchstone had approximately 1,000,000 outstanding Touchstone Debenture Warrants entitling the holders thereof to acquire one Touchstone Share for each of such Touchstone Debenture Warrant at an exercise price of \$0.75 until June 29, 2014.

As of March 27, 2014, Touchstone also had approximately 9,600,000 outstanding Touchstone Credit Facility Warrants entitling the holders thereof to acquire one Touchstone Share for each of such Touchstone Credit Facility Warrant at an exercise price of \$0.55 until June 29, 2016.

At the closing of the Arrangement, Petrobank will assume all rights and obligations in respect of the Touchstone Warrants and will enter into a supplemental warrant indenture with Computershare Trust Company of Canada, as warrant agent, with respect to the Touchstone Debenture Warrants. The approval of the Touchstone Warrantholders is not required for the Arrangement.

Provided the Arrangement is completed, Touchstone Warrantholders will thereafter be entitled to receive Petrobank Shares, rather than Touchstone Shares, on the basis of 0.471 (or such other exchange ratio determined in accordance with the Plan) of a Petrobank Share in lieu of each Touchstone Share that they were previously entitled to receive on exercise of the Touchstone Warrants. The exercise price of the Touchstone Warrants and the number of Petrobank Shares issuable upon exercise of the Touchstone Warrants will be adjusted based on the Exchange Ratio. All other terms and conditions of the Touchstone Warrant Indenture and the Touchstone Warrant Certificate will continue to apply to the Touchstone Warrants, as applicable. Following completion of the Arrangement, holders of Touchstone Warrants who subsequently wish to exercise their Touchstone Warrants will be entitled to receive approximately 4,992,600 pre-consolidation Petrobank Shares.

Effect of the Arrangement on the Touchstone Stock Options

As of March 27, 2014, there were approximately 9,967,084 Touchstone Options outstanding.

Pursuant to the terms of the Touchstone Option Plan, the Touchstone Board resolved to fully accelerate the vesting and to permit the exercise of all such Touchstone Options prior to the Effective Date of the Arrangement, and to terminate such Touchstone Options as of the Effective Time.

In accordance with the Arrangement Agreement, Touchstone will use all commercially reasonable efforts to encourage and facilitate any Touchstone Optionholder who, as of the Mailing Date, holds any Touchstone Option that is "in the money" to agree to cancel any such Touchstone Option prior to the Effective Time for a cash payment equal to the product of: (i) the closing price of the Touchstone Shares on the TSXV on the last trading day prior to the Mailing Date less the exercise price of such Touchstone Option; and (ii) the number of Touchstone Shares that are covered by each such Touchstone Option. Based on the closing price of the Touchstone Shares on the TSXV on March 27, 2014, no Touchstone Option is "in the money" as at March 27, 2014.

At the Effective Time, no Touchstone Options will be outstanding.

Effect of the Arrangement on the Touchstone Credit Facility

As of March 27, 2014, there was \$21.6 million owing under the Touchstone Credit Facility.

In accordance with the terms of the Touchstone Credit Facility, Touchstone will require the Touchstone Lender's consent to the Arrangement. New Touchstone intends for the Touchstone Credit Facility to continue as an obligation of Touchstone following the completion of the Arrangement.

The Touchstone Fairness Opinion

The Touchstone Board retained Scotia Waterous, to provide, among other things, financial advisory and related services in evaluating various strategic alternatives, including the Arrangement and asked Scotia Waterous to prepare and deliver an opinion as to whether the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Touchstone Shareholders. Scotia Waterous has delivered its written opinion that, as of March 6, 2014, subject to the scope of review, assumptions and limitations set forth therein, that the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Touchstone Shareholders. **The full text of the written Touchstone Fairness Opinion, which sets**

forth, among other things, assumptions made, information reviewed, matters considered and limitations on the scope of review undertaken by Scotia Waterous in rendering its opinion, is attached as Appendix I to this Circular. Touchstone Shareholders are urged to read the Touchstone Fairness Opinion in its entirety. The summary of the Touchstone Fairness Opinion in this Circular is qualified in its entirety by reference to the full text of the Touchstone Fairness Opinion as set out in Appendix I.

The Touchstone Fairness Opinion is not a recommendation to any Touchstone Shareholder as to how to vote or act on any matter relating to the Arrangement. The Touchstone Board urges the Touchstone Shareholders to read the Touchstone Fairness Opinion carefully and in its entirety. See "*The Arrangement – Touchstone Fairness Opinion*".

Recommendation of the Touchstone Board

The Touchstone Board (i) has determined that the Arrangement is in the best interests of Touchstone and is fair to the Touchstone Shareholders, (ii) approved the Arrangement and the entering into of the Arrangement Agreement, and (iii) unanimously recommends that Touchstone Shareholders vote in favour of the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution. See "*The Arrangement – Recommendation of the Touchstone Board*".

The Petrobank Fairness Opinion

The Petrobank Board retained FirstEnergy as its financial advisor to provide, among other things, the Petrobank Board with FirstEnergy's opinion as to the fairness, from a financial point of view, to the Petrobank Shareholders, of the consideration to be paid by Petrobank pursuant to the Arrangement. In connection with this mandate, FirstEnergy has prepared the Petrobank Fairness Opinion. The Petrobank Fairness Opinion states that, as of March 6, 2014, the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Petrobank Shareholders. **The Petrobank Fairness Opinion is subject to the assumptions and limitations contained therein and should be read in its entirety. See "*The Arrangement – Petrobank Fairness Opinion*" and Appendix J.**

The Petrobank Fairness Opinion is not a recommendation to any Petrobank Shareholder as to how to vote or act on any matter relating to the Arrangement. The Petrobank Board urges the Petrobank Shareholders to read the Petrobank Fairness Opinion carefully in its entirety.

Recommendation of the Petrobank Board

The Petrobank Board (i) unanimously determined that the Arrangement is in the best interests of Petrobank and is fair to the Petrobank Shareholders, (ii) unanimously approved the Arrangement and the entering into of the Arrangement Agreement, and (iii) unanimously recommends that Petrobank Shareholders vote in favour of each of the Petrobank Shareholder Resolutions. See "*The Arrangement – Recommendation of the Petrobank Board*".

Arrangement Agreement

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

The Arrangement Agreement provides that, upon the occurrence of certain termination events, either of the Parties may be required to pay the other Party a termination fee of \$1.0 million or in certain circumstances, up to \$1.0 million for the reimbursement for all reasonable third party costs and expenses. See "*Effect of the Arrangement – The Arrangement Agreement – Damages Payable by Touchstone*" and "*Effect of the Arrangement – The Arrangement Agreement – Damages Payable by Petrobank*".

This Circular contains a summary of certain provisions of the Arrangement Agreement and is qualified in its entirety by the full text of the Arrangement Agreement, a copy of which is attached as Appendix C to this Circular. See "*Effect of the Arrangement – The Arrangement Agreement*".

Touchstone Support Agreements

The Touchstone Supporting Shareholders, which includes all of the directors and officers of Touchstone, holding an aggregate of 5,280,212 Touchstone Shares (representing less than 4% of the outstanding Touchstone Shares) and an aggregate of 5,950,000 Touchstone Options, entered into Touchstone Support Agreements with Petrobank pursuant to which they agreed, among other things, to vote the Touchstone Shares and Touchstone Options beneficially owned or controlled or directed by them, directly or indirectly, at the Touchstone Meeting, in favour of the Touchstone Continuance and the Arrangement and all matters related thereto.

Petrobank Support Agreements

On March 6, 2014, the Petrobank Supporting Shareholders, which includes all of the directors and officers of Petrobank, holding an aggregate of 6,153,001 Petrobank Shares (representing less than 7% of the outstanding Petrobank Shares), an aggregate of 1,740,000 Petrobank Options and an aggregate of 310,000 Petrobank Incentive Shares, entered into the Petrobank Support Agreements with Touchstone pursuant to which they agreed, among other things, to vote the Petrobank Shares, Petrobank Options and Petrobank Incentive Shares beneficially owned or controlled or directed by them, directly or indirectly, at the Petrobank Meeting in favour of the Arrangement and the Petrobank Shareholder Resolutions and all matters related thereto.

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 Touchstone Continuance Resolution must be approved by the Touchstone Shareholders at the Touchstone Meeting;
- (b) the Touchstone Arrangement Resolution must be approved by the Touchstone Shareholders at the Touchstone Meeting in the manner set forth in the Interim Order;
- (c) the Petrobank Share Issuance Resolution must be approved by the Petrobank Shareholders at the Petrobank Meeting;
- (d) the Petrobank Board Resolution must be approved by the Petrobank Shareholders at the Petrobank Meeting, or if such approval is not obtained, this mutual condition to completion of the Arrangement be waived by both Touchstone and Petrobank;
- (e) the Articles of Continuance must be filed with the Registrar and a Certificate of Continuance must be issued by the Registrar;
- (f) the Court must grant the Final Order approving the Arrangement;
- (g) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate Party; and
- (h) the Final Order, the Articles of Arrangement and related documents in the form prescribed by the ABCA must be filed with the Registrar.

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

Touchstone Shareholder Approval

The Touchstone Continuance Resolution must be approved by at least 66⅔% of the votes cast by the Touchstone Shareholders present in person or represented by proxy at the Touchstone Meeting. Additionally, pursuant to the terms of the Interim Order, the Touchstone Arrangement Resolution must, subject to further order of the Court, be approved by at least 66⅔% of the votes cast by the Touchstone Shareholders present in person or represented by proxy at the Touchstone Meeting. See "*Procedure for the Arrangement to Become Effective – Shareholder Approvals*" and "*Matters to be Considered at the Touchstone Meeting*".

Petrobank Shareholder Approval

The Petrobank Share Issuance Resolution and the Petrobank Board Resolution, which are ordinary resolutions, must be approved by a majority of the votes cast by the Petrobank Shareholders present in person or represented by proxy at the Petrobank Meeting to pass each resolution. If the Petrobank Share Issuance Resolution is not approved by Petrobank Shareholders, the Arrangement cannot be completed. In addition, Petrobank Shareholders will be asked to approve the Petrobank Name Change Resolution and the Petrobank Consolidation Resolution, both special resolutions but neither of which must be approved to effect the Arrangement. However, approval of the Petrobank Board Resolution is a mutual condition precedent for the benefit of both Parties to the Arrangement Agreement, but such condition may be waived by the Parties in their discretion. See "*Procedure for the Arrangement to Become Effective – Shareholder Approvals*" and "*Matters to be Considered at the Petrobank Meeting*".

Court Approval

On March 26, 2014, Touchstone obtained the Interim Order providing for the calling and holding of the Touchstone Meeting and other procedural matters. The Interim Order is attached as Appendix E to this Circular.

The Arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, if the Touchstone Continuance Resolution and Touchstone Arrangement Resolution, and the Petrobank Share Issuance Resolution are approved at the Touchstone Meeting and the Petrobank Meeting, as applicable, Touchstone will make an application to the Court for the Final Order at the Calgary Courts Centre, 601 – 5th Street, S.W., Calgary, Alberta, Canada, on April 30, 2014 at 2:00 p.m. (Calgary time) or as soon thereafter as counsel may be heard. The Notice of Originating Application for the Final Order accompanies this Circular. At the application, the Court will be requested to consider the fairness of the Arrangement. See "*Procedure for the Arrangement to Become Effective – Court Approval*".

The Petrobank Shares issuable to Touchstone Shareholders in exchange for their Touchstone Shares pursuant to the Arrangement have not been and will not be registered under the 1933 Act, in reliance upon the exemption from the registration requirements of the 1933 Act provided by section 3(a)(10) thereof. The Court has been advised that the Final Order, if granted after a hearing upon the fairness of the terms and conditions of the Arrangement, will constitute the basis for an exemption from the registration requirements of the 1933 Act, pursuant to section 3(a)(10) thereof, with respect to the issuance of the Petrobank Shares issuable to Touchstone Shareholders pursuant to the Arrangement.

Regulatory Approvals

The Arrangement Agreement provides that receipt of all required government and third party approvals, including, those from Trinidad and receipt of conditional approval of the TSX for listing of the Petrobank Shares issuable pursuant to the Arrangement, is a condition precedent to the Arrangement becoming effective. See "*Effect of the Arrangement*".

Stock Exchange Listings

Touchstone is a reporting issuer under the securities laws of the provinces of British Columbia, Alberta, Saskatchewan and Ontario. The Touchstone Shares are listed and posted for trading on the TSXV under the symbol "TAB".

On March 6, 2014, the last trading day that the Touchstone Shares traded prior to announcement of the Arrangement, the closing price of the Touchstone Shares on the TSXV was \$0.195. On March 27, 2014, the closing price of the Touchstone Shares on the TSXV was \$0.185.

Petrobank is a reporting issuer or the equivalent in each of the provinces of Canada. The Petrobank Shares are listed and posted for trading on the TSX under the symbol "PBG".

On March 6, 2014, the last trading day that the Petrobank Shares traded prior to announcement of the Arrangement, the closing price of the Petrobank Shares on the TSX was \$0.375. On March 27, 2014, the closing price of the Petrobank Shares on the TSX was \$0.38.

It is anticipated that the Touchstone Shares will be delisted from the TSXV following completion of the Arrangement. For information with respect to the trading history of the Petrobank Shares and Touchstone Shares, see Appendix L – "*Information Concerning Touchstone Exploration Inc. and Annual Meeting Matters – Price Range and Trading Volumes*" and Appendix M – "*Information Concerning Petrobank Energy and Resources Ltd. and Annual Meeting Matters – Price Range and Trading Volumes*", as applicable.

It is a condition to the completion of the Arrangement that the TSX shall have conditionally approved the listing of the Petrobank Shares to be issued to Touchstone Shareholders pursuant to the Arrangement. The TSX has conditionally approved the listing of the Petrobank Shares to be issued to Touchstone Shareholders pursuant to the Arrangement and the listing of the Petrobank Shares issuable on conversion of the Touchstone Debentures and Touchstone Warrants following the Effective Date on the TSX. Listing is subject to Petrobank fulfilling all of the listing requirements of the TSX.

Securities Law Matters

Petrobank Shares to be issued under the Arrangement to Touchstone Shareholders will be issued in reliance on exemptions from prospectus requirements of Applicable Canadian Securities Laws. The Petrobank Shares will generally be freely tradable (other than as a result of any control block restrictions which may arise by virtue of the ownership thereof) under Applicable Canadian Securities Laws. See "*Procedure for the Arrangement to Become Effective – Securities Law Matters – Canada*".

The Petrobank Shares issuable to Touchstone Shareholders pursuant to the Arrangement will be, following completion of the Arrangement, freely tradable under the 1933 Act, except for (i) any Shares received in the Arrangement by persons who are "affiliates" of Petrobank on the Effective Date or who were "affiliates" of Petrobank within 90 days before the Effective Date and (ii) any Shares that after the Effective Date are held by persons who are then (or were within the preceding 90 days) "affiliates" of Petrobank. Any resale of such Petrobank Shares will be subject to the registration requirements of the 1933 Act, absent an exemption or exclusion therefrom. See "*Procedure for the Arrangement to Become Effective – Securities Law Matters – United States*".

Procedure for Exchange of Touchstone Share Certificates

A copy of the Touchstone Letter of Transmittal is enclosed with this Circular. To receive the Petrobank Shares issuable pursuant to the Arrangement, the enclosed Touchstone Letter of Transmittal must be duly completed, executed and returned with the certificate(s) representing Touchstone Shares, and any other documentation as provided in the Touchstone Letter of Transmittal, to the office of the

Depository specified in the Touchstone Letter of Transmittal. Additional copies of the Touchstone Letter of Transmittal will also be available by contacting the Depository at 1-800-564-6253.

Touchstone Shareholders whose Touchstone Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to deposit their Touchstone Shares. See "*Procedure for the Arrangement to Become Effective – Procedure for Exchange of Touchstone Share Certificates*".

Procedure for Exchange of Petrobank Share Certificates

A copy of the Petrobank Letter of Transmittal is enclosed with this Circular. To receive the Petrobank Shares issuable pursuant to the Petrobank Consolidation, the enclosed Petrobank Letter of Transmittal must be duly completed, executed and returned with the certificate(s) representing Petrobank Shares, and any other documentation as provided in the Petrobank Letter of Transmittal, to the offices of the Depository specified in the Petrobank Letter of Transmittal. Additional copies of the Petrobank Letter of Transmittal will also be available by contacting the Depository at 1-800-564-6253.

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

Dissent Rights

The Arrangement Agreement provides that, unless otherwise waived by Touchstone and Petrobank, it is a condition to the completion of the Arrangement that Touchstone Shareholders representing not more than 5% (in the aggregate) of the Touchstone Shares then outstanding shall have validly exercised, and not withdrawn, Dissent Rights in respect of the Touchstone Continuance and the Arrangement as of the Effective Date. See "*Dissent Rights*".

Dissent Rights with respect to the Touchstone Continuance

A registered Touchstone Shareholder who wishes to dissent with respect to the Touchstone Continuance Resolution must deliver written notice of dissent to the Touchstone Continuance Resolution to Touchstone c/o Norton Rose Fulbright Canada LLP, Suite 3700, 400 – 3rd Avenue SW, Calgary, Alberta, T2P 4H2, Attention: Craig Hoskins, at least two (2) days before the date on which the Touchstone Continuance Resolution is to be voted upon and such notice of dissent must strictly comply with the requirements of section 242 of the BCBCA.

In the event the Touchstone Continuance becomes effective, each registered Touchstone Shareholder who properly dissents and becomes a Touchstone Dissenting Shareholder will be entitled to be paid the fair value of the Touchstone Shares in respect of which such holder dissents in accordance with section 245 of the BCBCA. A Touchstone Shareholder who votes for the Touchstone Continuance Resolution shall not be entitled to dissent with respect to the Touchstone Continuance. A Touchstone Dissenting Shareholder may dissent only with respect to all of the Touchstone Shares held by such Touchstone Dissenting Shareholder or on behalf of any one beneficial owner and registered in the name of the Touchstone Dissenting Shareholder. See Appendix F – "*Part 8, Division 2 of the BCBCA*".

The statutory provisions covering the right to dissent are technical and complex. Failure to strictly comply with such requirements set forth in Part 8, Division 2 of the BCBCA, may result in the loss of any right to dissent. **Persons who are beneficial owners of Touchstone Shares registered in the name of a broker, dealer, bank, trust company or other nominee who wish to dissent should be aware that only the registered holder is entitled to dissent.** Accordingly, a beneficial owner of Touchstone Shares desiring to exercise Dissent Rights must make arrangements for such beneficially owned Touchstone Shares to be registered in such holder's name prior to the time the written objection to the Touchstone Continuance Resolution is required to be received by Touchstone, or alternatively, make

arrangements for the registered holder of such Touchstone Shares to dissent on such holder's behalf. See "*Dissent Rights*" and Appendix F – "*Part 8, Division 2 of the BCBCA*".

Dissent Rights with respect to the Arrangement

Pursuant to the Interim Order, registered Touchstone Shareholders have the right to dissent with respect to the Touchstone Arrangement Resolution by providing a written objection to the Touchstone Arrangement Resolution to Touchstone, c/o Norton Rose Fulbright Canada LLP, Suite 3700, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2, Attention: Craig Hoskins by 4:00 p.m. (Calgary time) on April 21, 2014 or the last Business Day immediately preceding the date of any adjournment(s) or postponement(s) of the Touchstone Meeting.

In the event the Arrangement becomes effective, each registered Touchstone Shareholder who properly dissents and becomes a Touchstone Dissenting Shareholder will be entitled to be paid the fair value of the Touchstone Shares in respect of which such holder dissents in accordance with section 191 of the ABCA, as modified by the Interim Order. A registered Touchstone Shareholder who votes for the Arrangement shall not be entitled to dissent. A Touchstone Dissenting Shareholder may dissent only with respect to all of the Touchstone Shares held by such Touchstone Dissenting Shareholder. See Appendices E and G for a copy of the Interim Order and the provisions of section 191 of the ABCA, respectively.

The statutory provisions covering the right to dissent are technical and complex. Failure to strictly comply with such requirements set forth in section 191 of the ABCA, as modified by the Interim Order, may result in the loss of any right to dissent. **Persons who are beneficial owners of Touchstone Shares registered in the name of a broker, dealer, bank, trust company or other nominee who wish to dissent should be aware that only the registered holder is entitled to dissent.** Accordingly, a beneficial owner of Touchstone Shares desiring to exercise Dissent Rights must make arrangements for such beneficially owned Touchstone Shares to be registered in such holder's name prior to the time the written objection to the Touchstone Arrangement Resolution is required to be received by Touchstone, or alternatively, make arrangements for the registered holder of such Touchstone Shares to dissent on such holder's behalf. Pursuant to section 191 of the ABCA, a registered Touchstone Shareholder is only entitled to dissent with respect to all of the Touchstone Shares held by such Touchstone Dissenting Shareholder or on behalf of any one beneficial owner and registered in the name of the Touchstone Dissenting Shareholder. See "*Dissent Rights*" and Appendix G.

Summary of Canadian Federal Income Tax Considerations

Generally, a Touchstone Shareholder will not realize a capital gain (or a capital loss) upon the exchange of Touchstone Shares for Petrobank Shares under the Arrangement.

This Circular contains a summary of the principal Canadian federal income tax considerations applicable to certain Touchstone Shareholders in respect of the Arrangement and the above comments are qualified in their entirety by reference to such summary. For more information, see "*Certain Canadian Federal Income Tax Considerations*".

Other Tax Considerations

This Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations. Touchstone Shareholders who are resident in jurisdictions other than Canada should consult their own tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning Petrobank Shares after the Arrangement. All Touchstone Shareholders should consult their tax advisors regarding the provincial, state, local and territorial tax consequences of the Arrangement and of holding Petrobank Shares.

Timing

Subject to all conditions precedent to the Arrangement as set forth in the Arrangement Agreement being satisfied or waived by the appropriate Party, the Arrangement will become effective upon the filing with the Registrar of a copy of the Final Order and the Articles of Arrangement. If the Touchstone Meeting and the Petrobank Meeting are held and the Touchstone Continuance Resolution, the Touchstone Arrangement Resolution and the Petrobank Share Issuance Resolution are approved by the requisite majorities at the Touchstone Meeting and the Petrobank Meeting, as applicable, and the Touchstone Continuance is completed, Touchstone will apply to the Court for the Final Order approving the Arrangement on April 30, 2014. If the Final Order is obtained in form and substance satisfactory to Petrobank and Touchstone and all other conditions set forth in the Arrangement Agreement are satisfied or waived, Petrobank and Touchstone expect the Effective Date will be on or about April 30, 2014. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be delayed, however, for a number of reasons, including a delay in receiving required approvals or an objection before the Court at the hearing of the application for the Final Order.

Selected Unaudited Pro Forma Financial Information for Petrobank

The Circular contains certain unaudited pro forma financial information for Petrobank after giving effect to the Arrangement for the year ended December 31, 2013.

These tables should be read in conjunction with the unaudited pro forma consolidated financial statements of Petrobank for the year ended December 31, 2013, including the notes thereto, attached as Appendix K to this Circular. Reference should also be made to: (a) the Petrobank Annual Financial Statements; (b) the Touchstone Annual Financial Statements; and (c) the Touchstone Interim Financial Statements, each of which are incorporated by reference herein. See "*Pro Forma Information of Petrobank After Giving Effect to the Arrangement*".

Risk Factors

Touchstone Shareholders voting in favour of the Touchstone Continuance Resolution and Touchstone Arrangement Resolution and Petrobank Shareholders voting in favour of the Petrobank Shareholder Resolutions, will be choosing to combine the businesses of Touchstone and Petrobank and, in the case of Touchstone Shareholders, to invest in Petrobank Shares. The completion of the Arrangement and investment in Petrobank Shares involves risks.

An investment in Petrobank Shares is subject to certain risks, which are generally associated with an investment in shares of an oil and gas exploration and production corporation. **The following is a list of certain additional risk factors associated with the Arrangement and the investment in Petrobank Shares that Touchstone Shareholders and Petrobank Shareholders should carefully consider before approving the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution and the Petrobank Shareholder Resolutions, as applicable:**

- Touchstone and Petrobank may not realize the anticipated benefits of the Arrangement;
- risks related to the integration of Touchstone's and Petrobank's existing businesses, including that Touchstone Shareholders and Petrobank Shareholders (as well as the respective creditors) will be exposed to additional business risks not previously applicable to their investments;
- risks relating to the income tax consequences of the Arrangement and the taxation of the combined entity;
- Shareholders may suffer additional dilution;
- failure to realize anticipated benefits of acquisitions and dispositions;

- general economic conditions in Canada, Trinidad and globally;
- industry conditions, including commodity price volatilities and other factors that may affect the marketability of oil, natural gas and natural gas liquids;
- liabilities inherent in an oil and gas exploration and production business;
- governmental regulation of Touchstone's and Petrobank's businesses, including environmental regulation;
- variation in foreign exchange rates and interest rates;
- failure to obtain governmental and other third party consents and approvals, when required;
- stock market volatility and market valuations;
- competition for, among other things, capital and skilled personnel; and
- the inability to obtain required consents, permits or approvals to the Arrangement, including Shareholder, Court, stock exchange or regulatory approvals.

The risk factors listed above are an abbreviated list of risk factors summarized elsewhere in this Circular, the Petrobank AIF, the Petrobank Annual MD&A, the Touchstone AIF, the Touchstone Annual MD&A and the Touchstone Interim MD&A, each of which are incorporated herein by reference. See "*Pro Forma Information of Petrobank After Giving Effect to the Arrangement – Risk Factors*". Touchstone Shareholders and Petrobank Shareholders should carefully consider all such risk factors.

THE CONTINUANCE

Continuance of Touchstone from British Columbia to Alberta

Subject to Touchstone Shareholder approval, prior to the completion of the Arrangement, Touchstone will continue from the jurisdiction of British Columbia into the jurisdiction of Alberta and be registered as an Alberta corporation. The Touchstone Board believes that it is in the best interests of Touchstone to continue into Alberta (a) to effect the Arrangement pursuant to the ABCA, and (b) because Touchstone's anticipated future business endeavours are expected to be managed out of its Calgary office.

At the Touchstone Meeting, Touchstone Shareholders will be asked to consider and, if deemed advisable, approve the Touchstone Continuance Resolution authorizing the Touchstone Continuance, the full text of which is set out in Appendix A. In order to become effective, the Touchstone Continuance must be approved by at least 66 $\frac{2}{3}$ % of all votes cast with respect to the Touchstone Continuance Resolution by Touchstone Shareholders, present in person or by proxy at the Touchstone Meeting. **If the Touchstone Continuance Resolution is not approved at the Touchstone Meeting, the Arrangement will not proceed in its present form, or at all.**

The BCBCA and ABCA permit Touchstone to continue under the ABCA with the authority of a special resolution, the consent of the British Columbia Registrar of Companies and upon complying with certain procedures and filing certain forms. A registered Touchstone Shareholder has the right to dissent to the Touchstone Continuance Resolution. See "*—Comparison of Shareholder Rights – Rights of Dissent and Appraisal*" below for a description of the right of dissent under the BCBCA in connection with the proposed Touchstone Continuance. Upon the Touchstone Continuance, Touchstone will be treated as if it has been incorporated under the ABCA.

If the Touchstone Shareholders approve the Touchstone Continuance, the Articles of Continuance will be filed with the Registrar subsequent to the Touchstone Meeting but prior to the filing of the Articles of Arrangement.

The Touchstone Board may determine not to proceed with the Touchstone Continuance at any time before or after the holding of the Touchstone Meeting but prior to the issuance of a Certificate of Continuance, without further action on the part of Touchstone Shareholders.

Continuance under the ABCA will not affect the application to Touchstone of the securities laws, regulations, rules and policies that presently apply. There will, however, be some changes to the rights of Touchstone Shareholders under corporate law. These are summarized below under the heading "*—Comparison of Shareholder Rights*".

The Touchstone Board unanimously recommends that Touchstone Shareholders vote in favour of the Touchstone Continuance Resolution.

Articles of Continuance and By-laws

The proposed articles of continuance (the "**Articles of Continuance**") to be filed under the ABCA to effect a continuance out of the jurisdiction of British Columbia and into the jurisdiction of Alberta are attached as Appendix H to this Circular, together with its proposed by-laws. The proposed Articles of Continuance and by-laws will become Touchstone's new charter documents.

As of the effective date of the Touchstone Continuance, Touchstone's legal domicile will be the Province of Alberta, and Touchstone will no longer be subject to the provisions of the BCBCA.

By operation of law under the Province of Alberta, as of the effective date of the Touchstone Continuance, all of the assets, property, rights, liabilities and obligations of Touchstone immediately prior

to the Touchstone Continuance will continue to be the assets, property, rights, liabilities and obligations of Touchstone after the Touchstone Continuance.

Changes to By-laws

If the Touchstone Continuance Resolution is approved at the Touchstone Meeting and the Touchstone Continuance becomes effective, Touchstone will adopt by-laws in order to better govern its administration. The Touchstone Board believes it to be in the best interests of Touchstone to adopt a standard set of by-laws similar to those used by public companies organized under the ABCA. The Touchstone Board has conditionally approved such new general by-law, (the "**New By-law**") attached as Appendix H to this Circular, which will come into effect upon the completion of the Touchstone Continuance.

The following is a comparison of the material differences that exist between the New By-law and the current Touchstone articles (the "**Touchstone BC Articles**"). **This is not an exhaustive list of the differences that exist and Touchstone Shareholders are urged to read and understand the New By-law attached as Appendix H to this Circular.**

Provisions covered by the ABCA and other Applicable Laws

Many provisions found in the Touchstone BC Articles are not included in the New By-law because many provisions are duplicative of the provisions already included in the ABCA. Adopting these provisions as part of the New By-law would result in the New By-law being largely redundant and unnecessarily long. Further, if any of the sections in the ABCA were reproduced in the New By-law and were subsequently amended, inconsistencies would result between the New By-law and the ABCA. Among some of the provisions in the Touchstone BC Articles that are already provided for in the ABCA include, but are not limited to, the amendment of articles, the issue of shares, a corporation's right to purchase or redeem its own shares, share certificates, annual general meetings of shareholders, declaration of dividends and the election of directors.

Quorum for Meeting of Shareholders

Pursuant to Touchstone's BC Articles, a quorum for the transaction of business at a meeting of shareholders is one person present in person or by proxy. The New By-law will include a requirement so that the quorum at any meeting of Touchstone Shareholders shall be at least two persons present in person, each being a Touchstone Shareholder entitled to vote or a duly appointed proxy or representative for an absent Touchstone Shareholder so entitled, and representing in the aggregate not less than five percent (5%) of the outstanding Touchstone Shares.

Shares and Share Transfer

The Touchstone BC Articles contain provisions dealing with the transfer of Touchstone Shares. In Alberta, restrictions on share transfer (if any) are dealt with in a corporation's articles.

Provisions not applicable to Public Companies

Various provisions of the Touchstone BC Articles were only applicable in the event Touchstone was a private company, and are therefore no longer applicable and are not included in the New By-law.

If the Arrangement is completed, Touchstone Shareholders will become shareholders of Petrobank and will be governed by the articles and by-laws of Petrobank. For all intents and purposes, the New By-law will only be the by-laws if the Touchstone Continuance Resolution is approved but the Arrangement is not completed.

Comparison of Shareholder Rights

If the Touchstone Continuance is approved and completed, Touchstone will be governed by the ABCA instead of the BCBCA. While the rights of shareholders under the ABCA are broadly similar to those under the BCBCA, there are a number of variations in detail. The following is a summary of certain similarities and differences between the ABCA and the BCBCA on matters pertaining to shareholder rights. This summary is not exhaustive and is of a general nature only. It is not intended to be, and should not be construed to be, legal advice to Touchstone Shareholders, and, accordingly, Touchstone Shareholders should consult their own legal advisors with respect to the corporate law consequences of the Touchstone Continuance.

Ability to Set Necessary Levels of Shareholder Consent

BCBCA: a company, in its articles, can establish levels for various shareholder approvals (other than those prescribed by the BCBCA). The percentage of votes required for a special resolution, referred to as a "special majority", can be specified in the articles and may be no less than two-thirds ($\frac{2}{3}$) and no more than three-quarters ($\frac{3}{4}$) of the votes cast.

ABCA: there is no flexibility on shareholder approvals, which are either ordinary resolutions passed by a majority of the votes cast or, where prescribed by the ABCA, are special resolutions passed by not less than two-thirds ($\frac{2}{3}$) of the votes cast.

Sale of Assets

BCBCA: the directors of a company may dispose of all or substantially all of the business or undertakings of the company (a) if it is in the ordinary course of the company's business, or (b) with shareholder approval authorized by a special resolution. A special resolution requires approval by a "special majority", which is specified in a company's articles, and is at least two-thirds ($\frac{2}{3}$) and not more than three-quarters ($\frac{3}{4}$) of the votes cast by those shareholders voting in person or by proxy at a meeting of the shareholders. The Touchstone BC Articles prescribe a "special majority" to be two-thirds ($\frac{2}{3}$) of the votes cast on a resolution. Touchstone could effect the sale of all or substantially all of its assets if a "special majority" of two-thirds ($\frac{2}{3}$) of shareholders vote in favour of the sale.

ABCA: requires the approval of the holders of two-thirds ($\frac{2}{3}$) of the shares of a company represented at a duly called meeting to approve a sale, lease or exchange of all or substantially all of the company's property. Each share of the company carries the right to vote in respect of a sale, lease or exchange of all or substantially all of the property of a company whether or not the share otherwise carries the right to vote. Holders of shares of a class or series can vote separately only if that class or series is affected by the sale, lease or exchange in a manner different from the shares of another class or series.

Amendments to the Charter Documents of a Company

BCBCA: changes to a company's articles will be effected by the type of resolution specified by the BCBCA, or, if not specified by the BCBCA, then the type of resolution specified in the articles of the company which, for many changes, including change of name or alterations to the articles, could provide for approval solely by a resolution of the directors. In the absence of specific guidance by the BCBCA or the articles, most corporate alterations will require a special resolution. Changes to the special rights and restrictions attached to issued shares requires, in addition to any resolution provided for by the articles, consent by a special resolution of the holders of the class or series of shares affected. A proposed amalgamation or continuance of a company out of the jurisdiction requires a special resolution as described above.

ABCA: substantive changes to the charter documents of a company require a resolution passed by not less than two-thirds ($\frac{2}{3}$) of the votes cast by the shareholders voting on the resolution authorizing the change. Where certain specified rights of the holders of a class of shares are affected differently by the change than the rights of the holders of other classes of shares, a resolution passed by not less than two-

thirds ($\frac{2}{3}$) of the votes cast by the holders of all of the shares of a company, whether or not they carry the right to vote, and a special resolution of each class, or series, as the case may be, even if such class or series is not otherwise entitled to vote is required to approve the change. A resolution to amalgamate an ABCA company requires a special resolution passed by the holders of each class of shares or series of shares, whether or not such shares otherwise carry the right to vote, if such class or series of shares are affected differently.

Rights of Dissent and Appraisal

BCBCA: registered shareholders who dissent on certain actions being taken by a company may exercise a right of dissent and require the company to purchase the shares held by such shareholder at the fair value of such shares. The dissent right is applicable where the company proposes to pass: (a) a resolution to alter the articles to change restrictions on the company's powers or on the business it is permitted to carry on; (b) a resolution to adopt an amalgamation agreement; (c) a resolution to approve an amalgamation into a foreign jurisdiction; (d) a resolution to approve an arrangement, the terms of which arrangement permit dissent; (e) a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertakings; (f) a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia; and (g) any other resolution, if dissent is authorized by the resolution, or where any court order permits dissent.

ABCA: provides that registered shareholders who dissent on certain actions being taken by a company may exercise a right of dissent and require the company to purchase the shares held by such shareholders at the fair value of such shares. This dissent right is available where a company proposes to: (a) amend its articles to add, change or remove any provision restricting or constraining the issue or transfer of any class of shares; (b) amend its articles to add, change or remove any restrictions on business or businesses that the company may carry on; (c) amend its articles to add or remove an express statement establishing the unlimited liability of shareholders; (d) enter into certain statutory amalgamations; (e) continue out of the jurisdiction; and (f) sell, lease or exchange all or substantially all of its property.

Oppression Remedies

BCBCA: a shareholder, including a beneficial owner of a share of a company, or any other person whom the court considers to be an appropriate person to make an application, has the right to apply to court on the grounds that: (a) the affairs of the company are being or have been conducted, or that the powers of the directors are being or have been exercised, in a manner oppressive to one or more of the shareholders, including the applicant; or (b) some act of the company has been done or is threatened, or that some resolution of the shareholders or of the shareholders holding shares of a class or series of shares has been passed or is proposed, that is unfairly prejudicial to one or more of the shareholders, including the applicant. On such an application, the court may make such order as it sees fit including an order to prohibit any act proposed by the company.

ABCA: a shareholder, former shareholder, director, former director, officer, former officer or a creditor of a company or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to seek an oppression remedy, may apply to a court for an order to rectify the matters complained of where in respect of a company or any of its affiliates any act or omission of a company or its affiliates effects a result, the business or affairs of a company or its affiliates are or have been carried on or conducted in a manner, or the powers of the directors of the company or any of its affiliates are or have been exercised in a manner, that is oppressive or unfairly prejudicial to, or that unfairly disregards the interest of, any security holder, creditor, director or officer.

Shareholder Derivative Actions

BCBCA: a shareholder, including a beneficial shareholder or a director of a company may, with leave of the court, prosecute a legal proceeding in the name and on behalf of the company to enforce a right, duty or obligation owed to the company that could be enforced by the company itself or to obtain damages for

any breach of such a right, duty or obligation. An applicant may also, with leave of the court, defend a legal proceeding brought against a company.

ABCA: a broader right to bring a derivative action is contained in the ABCA and this right extends to a shareholder, former shareholder, director, former director, officer, former officer or a creditor of a company or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to make an application to court to bring a derivative action. In addition, the ABCA permits derivative actions to be commenced or intervened in the name and on behalf of a company or any of its subsidiaries.

Requisition of Meetings

BCBCA: provides that one or more shareholders of a company holding not less than five percent (5%) of the issued voting shares of the company may give notice to the directors requiring them to call and hold a general meeting which meeting must be held within four months. If the directors do not call a meeting within 21 days of receiving the requisition, the requisitioning shareholders, or any one or more requisitioning shareholders holding in the aggregate more than two and one-half percent (2.5%) of the issued voting shares of the company, may call the meeting.

ABCA: permits the holders of not less than five percent (5%) of the issued shares that carry the right to vote at a meeting to require the directors to call and hold a meeting of the shareholders of the company for the purposes stated in such holders' requisition. If the directors do not call a meeting within 21 days of receiving the requisition, any shareholder who signed the requisition may call the meeting.

Place of Meetings

BCBCA: requires all meetings of shareholders to be held in British Columbia unless (a) the company's articles provide for a location outside the province, (b) the location is approved by the type of resolution required by the articles for such purpose or, if no type of resolution is specified in the articles, by ordinary resolution of the shareholders, or (c) approved in writing by the British Columbia Registrar of Companies before the meeting is held.

ABCA: provides that a meeting of shareholders may be held outside Alberta where the articles so provide or where all shareholders entitled to vote at such a meeting so agree.

Directors

BCBCA: provides no residency requirements for directors of a company incorporated under the BCBCA. The BCBCA provides that a public company must have at least three (3) directors. A director may be removed by a special resolution or, if the articles otherwise provide that a director may be removed by a resolution of the shareholders passed by less than a special majority or may be removed by some other method, by the resolution or method specified.

ABCA: at least one-quarter ($\frac{1}{4}$) of directors of a company incorporated under the ABCA must be resident Canadians. The ABCA provides that a distributing company must have not less than three directors, at least two of whom are not officers or employees. Under the ABCA, a director may be removed by an ordinary resolution of the shareholders.

Quorum

BCBCA: the quorum is the quorum established by the articles or if no quorum is established, it is two shareholders entitled to vote at the meeting whether present in person or represented by proxy.

ABCA: unless the bylaws otherwise provide, a quorum of shareholders is present at a meeting of shareholders, irrespective of the number of persons actually present at the meeting, if the holder or holders of a majority of the shares entitled to vote at the meeting are present in person or represented by

proxy. If a company has only one shareholder, or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting.

Dividends

BCBCA: a company may pay dividends to its shareholders by shares, warrants or money, unless the company is insolvent or the payment of the dividends would render the company insolvent.

ABCA: a company may not pay dividends if the company is, or would after the payment be, unable to pay its liabilities as they become due, or the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

Further Information

For further information regarding the similarities and differences between the BCBCA and the ABCA, Touchstone Shareholders should consult their legal advisors and refer to the statutes, copies of which will be available at Touchstone's registered office, during normal business hours up to and including the date of the Touchstone Meeting.

THE ARRANGEMENT

Background to the Arrangement

Petrobank

The Petrobank Board and senior management of Petrobank have regularly discussed opportunities to better realize the potential of Petrobank's asset portfolio and expertise, as well as Petrobank's overall position in the industry. In that regard, Petrobank continuously considers the possibility of strategic transactions with various industry participants. On November 12, 2013, Petrobank announced an updated corporate strategy which included various activities to conserve its working capital, enhance the value of its assets through non-THAI® production methodologies, and the pursuit of corporate and/or asset acquisition opportunities.

Petrobank first retained FirstEnergy as its financial advisor on September 25, 2013 to evaluate a business combination between Petrobank and a public heavy oil exploration and development company. On December 16, 2013, Petrobank and FirstEnergy agreed to expand FirstEnergy's engagement to include the analysis of a broader number of potential merger, acquisition and other transactions. Petrobank and FirstEnergy pursued and evaluated several potential transaction candidates.

In early January 2014, Mr. Wright and Mr. Baay met to discuss general business matters which included a potential transaction between Petrobank and Touchstone.

Commencing thereafter, certain executive officers of Petrobank, together with its financial advisor, FirstEnergy, began to explore the possibility of pursuing a business combination of Petrobank and Touchstone based upon publicly available information regarding Touchstone. Petrobank entered into a Confidentiality Agreement with Touchstone dated January 10, 2014 and Touchstone entered into a reciprocal Confidentiality Agreement with Petrobank dated January 13, 2014. In the subsequent weeks, Petrobank continued its evaluation and assessment of a possible business combination with Touchstone which included management and technical presentations delivered by both companies and an analysis of potential benefits of a transaction with Touchstone in comparison to other opportunities that had been evaluated.

At a meeting of the Petrobank Board on February 6, 2014, senior management ("**Petrobank Management**") provided an update on its strategic review process, including its detailed assessment of Touchstone and its recommendation to pursue a potential strategic transaction with Touchstone. Petrobank Management's presentation was supplemented by a presentation by FirstEnergy

representatives with respect to Touchstone and other potential transactions available to Petrobank. The Petrobank Board held a detailed discussion with respect to Petrobank's overall position in the energy industry and the advisability of entering into a combination transaction with Touchstone and authorized Petrobank Management to further pursue the business combination with Touchstone.

Following this meeting, Petrobank and Touchstone held several discussions and negotiated the terms of a non-binding letter of intent with respect to the transaction, which was finalized and executed on February 14, 2014.

Following the execution of the letter of intent, each of Petrobank and Touchstone and their respective financial advisors and legal counsel commenced confirmatory due diligence, which included extensive due diligence of the Other Party and its assets, including with respect to potential synergies, capital structure, operations, environmental, financial, accounting, tax, human resources and corporate matters. Each Party also undertook a site visit to the other company's primary operations.

Drafting of the Arrangement Agreement commenced in the third week of February, 2014. Negotiations on the terms of the Arrangement Agreement continued until it was finalized on March 6, 2014.

The Petrobank Board met on March 6, 2014 to review and consider the detailed confirmatory due diligence conducted by Petrobank Management, FirstEnergy and legal counsel, specific transaction terms that had been negotiated, the merits of Petrobank entering into such a transaction and the proposed final terms of the Arrangement Agreement that resulted from the negotiations with Touchstone. At this meeting, FirstEnergy delivered its verbal opinion that, as of March 6, 2014, and based upon and subject to the various assumptions, explanations, qualifications and limitations set forth in its opinion, the consideration to be paid pursuant to the Arrangement is fair, from a financial point of view, to the Petrobank Shareholders. FirstEnergy subsequently delivered its written opinion addressed to the Petrobank Board, which is contained in Appendix J to this Circular, that as of March 6, 2014, the consideration to be offered to Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Petrobank Shareholders. The Petrobank Board reviewed the negotiation process with management and discussed the proposed final terms of the Arrangement Agreement and the verbal fairness opinion of FirstEnergy. After the Petrobank Board considered, among other things, the terms of the Arrangement Agreement, the verbal fairness opinion of FirstEnergy and the impact of the proposed transaction on the various stakeholders of Petrobank, the Petrobank Board unanimously: (a) determined that the Arrangement was in the best interests of Petrobank and was fair to the Petrobank Shareholders; (b) approved the Arrangement and the entering into of the Arrangement Agreement; and (c) resolved to recommend that Petrobank Shareholders vote in favour of each of the Petrobank Shareholder Resolutions.

Touchstone and Petrobank signed the Arrangement Agreement late on March 6, 2014. Furthermore, the Touchstone Supporting Shareholders delivered the Touchstone Support Agreements to Petrobank and Petrobank delivered the Petrobank Support Agreements to Touchstone. Touchstone and Petrobank issued a joint press release announcing the Arrangement after the markets had closed on March 6, 2014.

On March 26, 2014 the Petrobank Board met and considered this Circular and various other matters relating to the proposed Arrangement and the Petrobank Meeting. At this meeting, the directors unanimously resolved to approve the contents of this Circular, the mailing of the Circular to the Petrobank Shareholders, various other matters relating to the proposed Arrangement and the Petrobank Meeting and confirmed its recommendation that Petrobank Shareholders vote in favour of each of the Petrobank Shareholder Resolutions.

Reasons for the Arrangement – Petrobank

In reaching the above-described determinations and making such approvals the Petrobank Board considered, among other things (including those matters described under "*Attributes of the Arrangement*"), the following factors, potential benefits and risks of the Arrangement:

- Petrobank Shareholders will benefit from the growth opportunities associated with the combined entity, which is anticipated to be a larger, stronger and more diverse company than Petrobank as it currently exists;
- Petrobank Shareholders will be provided with exposure to a large resource base with significant development potential through application of Western Canadian Sedimentary Basin production technologies;
- New Touchstone is expected to substantially grow production and cash flow through an expanded and internally funded capital program focused on low-risk drilling and reactivation opportunities in established fields;
- New Touchstone is expected to generate attractive after-tax operating cash flows while maintaining a focus on technology to improve oil recovery and economic returns;
- New Touchstone will benefit from an experienced board of directors and technology-focused management team with a proven track record of building value;
- Petrobank Shareholders will continue to have exposure to Petrobank's Canadian heavy oil assets focused in two concentrated areas in Alberta and Saskatchewan with significant resource potential;
- New Touchstone is expected to realize efficiencies in corporate overhead costs through consolidation and optimization of operations;
- New Touchstone is expected to be well capitalized, which will provide significant financial flexibility and improved cost of capital with the ability to grow production organically and through further strategic acquisitions;
- the increased market capitalization will provide enhanced liquidity to Petrobank Shareholders and will improve Petrobank's access to capital and cost of capital;
- FirstEnergy provided its written opinion, the full text of which can be found at Appendix J to this Circular, that, as of March 6, 2014, and based upon and subject to the various assumptions, explanations, qualifications and limitations set forth in its opinion, the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Petrobank Shareholders. See "*Petrobank Fairness Opinion*"; and
- a majority of the votes cast by Petrobank Shareholders at the Petrobank Meeting are required to approve the Petrobank Share Issuance Resolution and the Petrobank Board Resolution. If the Petrobank Share Issuance Resolution is not approved, the Arrangement cannot proceed as proposed. Approval of the Petrobank Board Resolution is a mutual condition precedent for the benefit of both Parties to the Arrangement Agreement, which condition may be waived by the Parties in their discretion.

The information and factors described above and considered by the Petrobank Board in reaching its determinations and making its approvals are not intended to be exhaustive but include material factors considered by the Petrobank Board. In view of the wide variety of factors considered in connection with its evaluation of the Arrangement and the complexity of these matters, the Petrobank Board did not find it useful to, and did not attempt to, quantify, rank or otherwise assign relative weights to these factors. In addition, individual members of the Petrobank Board may have given different weight to different factors.

Background to the Arrangement

Touchstone

Since 2010, Touchstone has regularly investigated strategic opportunities to acquire complimentary assets with the goal of maximizing shareholder value and increasing Touchstone's opportunity to grow through increased revenue from production. Touchstone's approach was to evaluate opportunities which presented a combination of high oil weighted prospects with a large volume of original oil in place and with low risk opportunities to increase recovery factors, all in stable regulatory and political environments. This strategy saw Touchstone complete four successful acquisitions in three years and enabled Touchstone to grow production in Trinidad from 130 boe/d in 2010 to over 1,700 boe/d as of the date hereof.

In 2013 Touchstone focused on exploring geographically diverse opportunities which would still provide complementary production, assets, and/or capital, and as such it evaluated a variety of opportunities in North, South, and Latin America. This process saw Touchstone enter into a number of confidentiality agreements and perform due diligence reviews of several potential opportunities. In late 2013 the Government of Trinidad outlined a reform of the tax code which would ultimately provide for increased tax savings from increased capital investment. As a result of this reform Touchstone investigated the option of raising capital in the financial markets while Touchstone prioritized exploring business opportunities with complementary assets and sufficient available capital to accelerate capital investment in Trinidad.

In early 2014, Touchstone met with Petrobank to discuss the possibility of a strategic combination which would benefit both companies, specifically improve Touchstone's balance sheet, provide increased working capital for future operations and afford shareholders of both companies the opportunity to increase value. Further, Petrobank's strong balance sheet, combined with access to significant undeveloped oil resources at Kerrobert and Dawson presented an excellent opportunity for Touchstone Shareholders.

On February 13, 2014, Touchstone engaged Scotia Waterous to act as Touchstone's financial advisor. On February 14, 2014, Touchstone and Petrobank entered into a non-binding letter of intent. On February 16, 2014, Norton Rose Fulbright Canada LLP provided the Touchstone Board with a summary of its legal duties and responsibilities in relation to considering the proposed combination of Petrobank and Touchstone and potential alternative strategic courses of action.

Over the last week of February and first week of March, 2014, each of Petrobank and Touchstone and their respective legal counsel conducted a review of confidential non-public information of the other, to the extent permitted by Applicable Law and the terms of applicable confidentiality agreements with third parties with a view to negotiating the terms of a business combination.

Each Party's review included due diligence of the Other Party and its assets, including with respect to potential synergies, capital structure, operations, environmental, financial, accounting, tax, human resources, and corporate matters. The Parties also reviewed in-depth the implications of the preferred structure of the Arrangement. Negotiations of the terms of the Arrangement Agreement also commenced in the third week of February, 2014.

Subsequent discussions were held by management of Touchstone and Petrobank, with the support of their respective financial and legal advisors, in connection with the possible financial parameters, terms and structure of a business combination. The Touchstone Board was kept apprised on the status of the negotiations of the terms of the Arrangement Agreement and Plan of Arrangement as they progressed.

The Touchstone Board met on March 5, 2014 to review and consider the specific transaction terms that had been negotiated, the merits to Touchstone and the Touchstone Shareholders of entering into the proposed transaction and the proposed Arrangement Agreement and Plan of Arrangement that resulted from the negotiations with Petrobank. Scotia Waterous provided its opinion to the Touchstone Board that,

as of the date of their opinion and subject to and based on customary assumptions, qualifications and limitations, the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Touchstone Shareholders. Scotia Waterous subsequently delivered its written opinion dated March 6, 2014 addressed to the Touchstone Board, which is contained in Appendix I to this Circular. Norton Rose Fulbright Canada LLP presented the material terms of the proposed Arrangement Agreement and Plan of Arrangement to the Touchstone Board, advised the Touchstone Board on the resolution of the final matters under negotiation and its fiduciary duties and responsibilities with respect to the proposed transaction. The Board was presented a summary of the due diligence work that had been completed. The Touchstone Board reviewed the negotiation process with management, discussed the proposed final terms of the Arrangement Agreement and the fairness opinion of Scotia Waterous. After the Touchstone Board considered, among other things, the review of alternative courses of action that had been conducted, the terms of the Arrangement Agreement, the fairness opinion of Scotia Waterous and the impact of the proposed transaction on the various stakeholders of Touchstone, the Touchstone Board resolved to authorize Touchstone to enter into the Arrangement Agreement, subject to the Petrobank Board meeting to approve the Arrangement Agreement on substantially the same terms as approved by the Petrobank Board. The Touchstone Board voted in favour of such resolution (Mr. Durfy was absent from the meeting, but has subsequently confirmed his approval). Following a meeting of the Petrobank Board on March 6, 2014, Touchstone and Petrobank signed the Arrangement Agreement late on March 6, 2014. Furthermore, Touchstone Supporting Shareholders have delivered the Touchstone Support Agreements to Petrobank and the Petrobank Supporting Shareholders delivered the Petrobank Support Agreements to Touchstone. Touchstone and Petrobank issued a joint press release announcing the Arrangement on the evening of March 6, 2014, after close of markets.

On March 28, 2014 the Touchstone Board of Directors unanimously resolved to approve the contents of this Circular, the mailing of the Circular to the Touchstone Shareholders and various other matters relating to the proposed Arrangement and the Touchstone Meeting and unanimously confirmed its recommendation that Touchstone Shareholders vote in favour of the Touchstone Arrangement Resolution.

Reasons for the Arrangement – Touchstone

Following receipt of the advice and assistance of the financial advisors and legal counsel, the Touchstone Board carefully evaluated the terms of the proposed Arrangement, and at a meeting of the Touchstone Board held on March 5, 2014, the Touchstone Board (a) determined that (i) the Arrangement and the entering into of the Arrangement Agreement was in the best interests of Touchstone; and (ii) the Arrangement was fair to Touchstone Shareholders; (b) approved the Arrangement and the entering into of the Arrangement Agreement; and (c) recommended that Touchstone Shareholders vote in favour of the Arrangement. In reaching these determinations and making these approvals the Touchstone Board considered, among other things, the following factors and potential benefits and risks of the Arrangement:

- the increased market capitalization will provide enhanced liquidity to Touchstone Shareholders and will improve Touchstone's access to capital and cost of capital;
- New Touchstone will become one of the most active independent on-shore oil producers in Trinidad;
- New Touchstone will benefit from an experienced board of directors;
- the Arrangement will result in New Touchstone continuing to be listed on the TSX;
- Touchstone Shareholders will continue to participate in the growth opportunities associated with Touchstone's historic business and Petrobank's business, as the combined corporation is anticipated to be a stronger, more diversified and more efficient company;

- Scotia Waterous provided its written opinion, the full text of which can be found at Appendix I to this Circular, that, as of March 6, 2014, and subject to certain assumptions, qualifications and limitations, the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Touchstone Shareholders. See "*Touchstone Fairness Opinion*";
- a Touchstone Shareholder will generally not realize a capital gain (or a capital loss) upon the exchange of Touchstone Shares for Petrobank Shares pursuant to the Arrangement, as described in more detail under "*Certain Canadian Federal Income Tax Considerations*";
- under the Arrangement Agreement, until the time that the Touchstone Arrangement Resolution is approved, the Touchstone Board retains the ability to consider and respond to Superior Proposals on the specific terms and conditions set forth in the Arrangement Agreement;
- at least 66⅔% of the votes cast by Touchstone Shareholders at the Touchstone Meeting are required to approve the Touchstone Arrangement Resolution;
- the Touchstone Shareholders have the ability to exercise their Dissent Rights; and
- the Arrangement requires approval by the Court.

The information and factors described above and considered by the Touchstone Board in reaching its determinations and making its approvals are not intended to be exhaustive but include material factors considered by the Touchstone Board. In view of the wide variety of factors considered in connection with its evaluation of the Arrangement and the complexity of these matters, the Touchstone Board did not find it useful to, and did not attempt to, quantify, rank or otherwise assign relative weights to these factors. In addition, individual members of the Touchstone Board may have given different weight to different factors.

Attributes of the Arrangement

Both Petrobank and Touchstone believe that the Arrangement will provide significant benefits to Shareholders, and New Touchstone is expected to:

- be positioned to substantially grow production and cash flow from operations through an expanded and internally funded capital program focused on low-risk drilling and reactivation opportunities in established fields;
- generate attractive after-tax operating cash flows from operations while maintaining a focus on technology to improve oil recovery and economic returns;
- benefit from an experienced board of directors and technology-focused management team with a proven track record of building value;
- become one of the most active independent on-shore oil producers in Trinidad with assets focused in several large, high quality reservoirs with significant original oil in place and an extensive inventory of low risk development opportunities;
- have Canadian heavy oil assets focused in two concentrated areas in Alberta and Saskatchewan with significant resource potential;
- realize efficiencies in corporate overhead costs through consolidation and optimization of operations;

- provide enhanced financial flexibility and improved cost of capital with the ability to grow production organically and through further strategic acquisitions; and
- provide Shareholders with enhanced liquidity.

Touchstone Fairness Opinion

The Touchstone Board formally retained Scotia Waterous on February 13, 2014, to provide, among other things, financial advisory and related services in evaluating various strategic alternatives, including the Arrangement and asked Scotia Waterous to prepare and deliver an opinion as to whether the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Touchstone Shareholders. Scotia Waterous has delivered its opinion that, as of March 6, 2014, subject to the scope of review, assumptions and limitations set forth therein, that the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Touchstone Shareholders. See Appendix I – "*Touchstone Fairness Opinion*".

The full text of the written Touchstone Fairness Opinion, which sets forth, among other things, assumptions made, information reviewed, matters considered and limitations on the scope of review undertaken by Scotia Waterous in rendering its opinion, is attached as Appendix I to this Circular. Touchstone Shareholders are urged to read the Touchstone Fairness Opinion in its entirety. The summary of the Touchstone Fairness Opinion in this Circular is qualified in its entirety by reference to the full text of the Touchstone Fairness Opinion as set out in Appendix I.

The Touchstone Fairness Opinion is not a recommendation to any Touchstone Shareholder as to how to vote or act on any matter relating to the Arrangement. The Touchstone Board urges the Touchstone Shareholders to read the Touchstone Fairness Opinion carefully and in its entirety.

Neither Scotia Waterous nor any of its affiliates or associates is an insider, associate or affiliate (as such terms are defined in the Securities Act) of Touchstone or Petrobank or any of their respective associates or affiliates. Neither Scotia Waterous nor any of its affiliates or associates is acting as an advisor to Touchstone in connection with any matter, other than acting as a financial advisor to Touchstone.

In consideration for its services, Touchstone agreed to pay fees to Scotia Waterous (including fees that are contingent on the completion of the Arrangement), to reimburse Scotia Waterous for reasonable out-of-pocket expenses and to indemnify Scotia Waterous in respect of certain liabilities as may be incurred by it in connection with its arrangement.

The Touchstone Board concurs with the views of Scotia Waterous and such views were an important consideration in the Touchstone Board's decision to proceed with the Arrangement.

Recommendation of the Touchstone Board

At a meeting of the Touchstone Board held on March 5, 2014 prior to entering into the Arrangement Agreement, the Touchstone Board considered the business combination with Petrobank on the terms and conditions as provided in the Arrangement Agreement as well as the verbal opinion from Scotia Waterous stating that the consideration to be received by the Touchstone Shareholders, pursuant to the Arrangement is fair, from a financial point of view, to the Touchstone Shareholders. **The Touchstone Board (i) has determined that the Arrangement is in the best interests of Touchstone and is fair to the Touchstone Shareholders, (ii) approved the Arrangement and the entering into of the Arrangement Agreement, and (iii) unanimously recommends that Touchstone Shareholders vote in favour of the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution.** In coming to its conclusion and recommendations the Touchstone Board considered, among others, the following factors:

- (a) the purpose and benefits of the Arrangement as outlined elsewhere in this Circular including under "*—Reasons for the Arrangement – Touchstone*" and "*—Attributes of the Arrangement*" above;
- (b) information concerning the financial condition, results of operations, business plans and prospects of Touchstone, and the resulting potential for the enhancement of the business efficiency, management effectiveness and financial results of the combined entity;
- (c) the alternatives available to Touchstone; and
- (d) the advice and assistance of Scotia Waterous in evaluating the Arrangement. See Appendix I – "*Touchstone Fairness Opinion*".

The foregoing discussion of the information and factors considered and given weight by the Touchstone Board is not intended to be exhaustive. In addition, in reaching the determination to approve and recommend the Arrangement Agreement, the Touchstone Board did not assign any relative or specific weights to the foregoing factors which were considered, and individual directors may have given differing weights to different factors.

The Touchstone Board realized that there are risks associated with the Arrangement, including that some of the potential benefits set forth above may not be realized or that there may be significant costs associated with realizing such benefits. The Touchstone Board believes that the factors in favour of the Arrangement outweigh the risks and potential disadvantages, although there can be no assurance in this regard. See "*Pro Forma Information of Petrobank After Giving Effect to the Arrangement – Risk Factors*".

Petrobank Fairness Opinion

Petrobank formally retained FirstEnergy on September 25, 2013, to, among other things, evaluate a potential transaction involving Petrobank and a public heavy oil exploration and development company. On December 16, 2013, Petrobank and FirstEnergy agreed to expand FirstEnergy's engagement to include the analysis of a broader number of potential merger, acquisition and other transaction candidates, which led to Petrobank asking FirstEnergy to prepare and deliver an opinion as to whether the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Petrobank Shareholders.

Neither FirstEnergy nor any of its affiliates or associates is an insider, associate or affiliate (as such terms are defined in the Securities Act) of Petrobank or Touchstone or any of their respective associates or affiliates. FirstEnergy is currently not acting as an advisor to Touchstone or Petrobank or any of their respective associates or affiliates in connection with any other matter, other than acting as financial advisor to Petrobank.

In consideration for its services, Petrobank agreed to pay fees to FirstEnergy (including fees that are contingent on the completion of the Arrangement), to reimburse FirstEnergy for reasonable out-of-pocket expenses and to indemnify FirstEnergy in respect of certain liabilities as may be incurred by it in connection with its arrangement.

FirstEnergy has provided the Petrobank Board with the Petrobank Fairness Opinion, which states that, as of March 6, 2014, the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Petrobank Shareholders. **The Petrobank Fairness Opinion is subject to the assumptions and limitations contained therein and should be read in its entirety.** See Appendix J – "*Petrobank Fairness Opinion*".

The Petrobank Board concurs with the views of FirstEnergy and such views were an important consideration in the Petrobank Board's decision to proceed with the Arrangement.

Recommendation of the Petrobank Board

At a meeting of the Petrobank Board held on March 6, 2014 prior to entering into the Arrangement Agreement, the Petrobank Board considered the business combination with Touchstone on the terms and conditions as provided in the Arrangement Agreement as well as the verbal opinion from FirstEnergy stating that the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Petrobank Shareholders. **Based upon, among other things, the opinion of FirstEnergy, the Petrobank Board (i) unanimously determined that the Arrangement is in the best interests of Petrobank and is fair to the Petrobank Shareholders, (ii) unanimously approved the Arrangement and the entering into of the Arrangement Agreement, and (iii) unanimously recommends Petrobank Shareholders vote in favour of each of the Petrobank Shareholder Resolutions.** In coming to its conclusion and recommendations the Petrobank Board considered, among others, the following factors:

- (a) the purpose and benefits of the Arrangement as outlined elsewhere in this Circular. See "*Reasons for the Arrangement – Petrobank*" and "*Attributes of the Arrangement*" above;
- (b) information concerning the financial condition, results of operations, business plans and prospects of Petrobank, and the resulting potential for the enhancement of the business efficiency, management effectiveness and financial results of the combined entity;
- (c) the alternatives available to Petrobank; and
- (d) the advice and assistance of FirstEnergy in evaluating the Arrangement. See Appendix J – "*Petrobank Fairness Opinion*".

The foregoing discussion of the information and factors considered and given weight by the Petrobank Board is not intended to be exhaustive. In addition, in reaching the determination to approve and recommend the Arrangement Agreement, the Petrobank Board did not assign any relative or specific weights to the foregoing factors that were considered, and individual directors may have given differing weights to different factors.

The Petrobank Board realized that there are risks associated with the Arrangement, including that some of the potential benefits set forth above may not be realized or that there may be significant costs associated with realizing such benefits. The Petrobank Board believes that the factors in favour of the Arrangement outweigh the risks and potential disadvantages, although there can be no assurance in this regard. See "*Pro Forma Information of Petrobank After Giving Effect to the Arrangement – Risk Factors*".

EFFECT OF THE ARRANGEMENT

General

Touchstone Shares

The Arrangement will result in the issuance of 0.471 (or such other exchange ratio determined in accordance with the Plan) of a Petrobank Share in exchange for each Touchstone Share to the former holders of Touchstone Shares (excluding Touchstone Dissenting Shareholders). See "*Certain Canadian Federal Income Tax Considerations*".

Pursuant to the Arrangement, Touchstone Shareholders (excluding Touchstone Dissenting Shareholders) will receive 0.471 (or such other exchange ratio determined in accordance with the Plan) of a Petrobank Share for each Touchstone Share held. As at March 27, 2014, there are 97,559,773 Petrobank Shares and 138,956,517 Touchstone Shares outstanding, each on a non-diluted basis. Upon the completion of the Arrangement, Touchstone will become a wholly-owned subsidiary of Petrobank and Petrobank, or New Touchstone, will continue the operations of Petrobank and Touchstone on a combined basis.

Assuming that there are no Touchstone Dissenting Shareholders and assuming no conversions of outstanding Touchstone Debentures nor the exercise of Touchstone Warrants or Touchstone Options prior to the Effective Time, there will be, immediately following the completion of the Arrangement, approximately 163,008,293 Petrobank Shares issued and outstanding. In such circumstances: (i) former Touchstone Shareholders will hold approximately 65,448,520 pre-consolidation Petrobank Shares immediately following completion of the Arrangement, representing approximately 40% of the then issued and outstanding Petrobank Shares; and (ii) holders of Petrobank Shares immediately prior to the completion of the Arrangement will hold Petrobank Shares representing approximately 60% of the then issued and outstanding Petrobank Shares.

Assuming that there are no Touchstone Dissenting Shareholders and assuming full conversion of outstanding Touchstone Debentures and the exercise of all Touchstone Warrants prior to the Effective Time, there will be, immediately following the completion of the Arrangement, approximately 169,346,607 Petrobank Shares issued and outstanding. In such circumstances: (i) former Touchstone Shareholders will hold approximately 71,786,834 pre-consolidation Petrobank Shares, representing approximately 42% of the issued and outstanding Petrobank Shares; and (ii) holders of Petrobank Shares will hold Petrobank Shares representing approximately 58% of the issued and outstanding Petrobank Shares.

Touchstone Debentures

As of March 27, 2014, Touchstone had outstanding approximately \$2.0 million aggregate principal amount of Touchstone Debentures. The Touchstone Debentures are due on June 30, 2016 and bear interest at a rate of 9.5% per annum, payable semi-annually in arrears on June 30 and December 31 in each year.

At the closing of the Arrangement, Petrobank will assume all covenants and obligations of Touchstone in respect of the Touchstone Debentures and will enter into a supplemental debenture indenture with Computershare Trust Company of Canada, as debenture trustee. The approval of the Touchstone Debentureholders is not required for the Arrangement and Touchstone Debentureholders are not entitled to vote in respect of the Touchstone Arrangement Resolution.

Provided the Arrangement is completed, in accordance with the Touchstone Debenture Indenture, the current conversion price under the Touchstone Debenture Indenture will be adjusted such that Touchstone Debentureholders will thereafter be entitled to receive Petrobank Shares, rather than Touchstone Shares, on the basis of 0.471 (or such other exchange ratio determined in accordance with the Plan) of a Petrobank Share in lieu of each Touchstone Share that they were previously entitled to receive, on conversion of the Touchstone Debentures. All other terms and conditions of the Touchstone Debenture Indenture will continue to apply. As a result, following completion of the Arrangement, Touchstone Debentureholders who subsequently wish to convert their Touchstone Debentures will be entitled to receive approximately 1,345,714 Petrobank Shares.

Completion of the Arrangement will constitute a "change of control" under the terms of the Touchstone Debenture Indenture. As a result, within 30 days following the Arrangement, Petrobank will be required to provide a notice stating that there has been a change of control (the "**Change of Control Notice**") and make an offer in writing (the "**Change of Control Purchase Offer**") to purchase all of the outstanding Touchstone Debentures at a price of 100% of the principal amount thereof plus accrued and unpaid interest thereon and an amount equal to the interest that would have been paid on such Touchstone Debentures for the period between the Effective Date and the later of June 30, 2014 and the Change of Control Purchase Date, being the date that is 30 days after the date that the Change of Control Notice and the Change of Control Purchase Offer are delivered or mailed to Debentureholders, in accordance with the terms of the Touchstone Debenture Indenture. If the Touchstone Debentures remain outstanding, Petrobank intends to comply with the "change of control" provisions under the Touchstone Debenture Indenture.

Touchstone Warrants

As of March 27, 2014, Touchstone had approximately 1,000,000 Touchstone Debenture Warrants outstanding and approximately 9,600,000 Touchstone Credit Facility Warrants outstanding.

At the closing of the Arrangement, Petrobank will assume all rights and obligations of Touchstone in respect of the Touchstone Warrants and will enter into a supplemental warrant indenture with Computershare Trust Company of Canada, as warrant agent, with respect to the Touchstone Debenture Warrants. The approval of the Touchstone Warrantholders is not required for the Arrangement.

Provided the Arrangement is completed, Touchstone Warrantholders will thereafter be entitled to receive Petrobank Shares, rather than Touchstone Shares, on the basis of 0.471 (or such other exchange ratio determined in accordance with the Plan) of a Petrobank Share in lieu of each Touchstone Share that they were previously entitled to receive on exercise of the Touchstone Warrants. The exercise price of the Touchstone Warrants and the number of Petrobank Shares issuable upon exercise of the Touchstone Warrants will be adjusted based on the Exchange Ratio. All other terms and conditions of the Touchstone Warrant Indenture and the Touchstone Warrant Certificate will continue to apply to the Touchstone Warrants, as applicable. As a result, following completion of the Arrangement, holders of Touchstone Warrants who subsequently wish to exercise their Touchstone Warrants will be entitled to receive approximately 4,992,600 pre-consolidation Petrobank Shares.

Touchstone Stock Options

As of March 27, 2014, there were approximately 9,967,084 Touchstone Options outstanding.

Pursuant to the terms of the Touchstone Option Plan the Touchstone Board resolved to fully accelerate the vesting and to permit the exercise of all such Touchstone Options prior to the Effective Date of the Arrangement, and to terminate such Touchstone Options as of the Effective Time.

In accordance with the Arrangement Agreement, Touchstone will use all commercially reasonable efforts to encourage and facilitate any Touchstone Optionholder who, as of the date that this Circular is mailed to the Touchstone Shareholders (the "**Mailing Date**"), holds any Touchstone Option that is "in the money" to agree to cancel any such Touchstone Option prior to the Effective Time for a cash payment equal to the product of: (i) the closing price of the Touchstone Shares on the TSXV on the last trading day prior to the Mailing Date less the exercise price of such Touchstone Option; and (ii) the number of Touchstone Shares that are covered by each such Touchstone Option. Based on the closing price of the Touchstone Shares on the TSXV on March 27, 2014, no Touchstone Option is "in the money" as at March 27, 2014.

At the Effective Time, no Touchstone Options will be outstanding.

Touchstone Credit Facility

As of March 27, 2014, there was \$21.6 million owing under the Touchstone Credit Facility.

In accordance with the terms of the Touchstone Credit Facility, Touchstone will require the Touchstone Lender's consent to the Arrangement. New Touchstone intends for the Touchstone Credit Facility to continue as an obligation of Touchstone following the completion of the Arrangement.

Details of the Arrangement

The following is a summary only of the Plan of Arrangement and reference should be made to the full text of the Arrangement Agreement and the Plan of Arrangement set forth in Appendix C and Appendix D, respectively, to this Circular. Capitalized terms used in this section of the Circular and not otherwise defined shall have the meaning ascribed thereto in the Arrangement Agreement.

Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality, except as otherwise expressly provided in the Plan of Arrangement:

- (a) the Touchstone Shares held by Touchstone Dissenting Shareholders who have validly exercised the rights of dissent provided to them under the Interim Order shall, as of the Effective Time, be deemed to have been transferred to Touchstone (free and clear of all liens, claims and encumbrances) and cancelled and, as of the Effective Time, such Touchstone Dissenting Shareholders shall cease to have any rights as Touchstone Shareholders, other than the right to be paid the fair value of their Touchstone Shares as Touchstone Dissenting Shareholders;
- (b) each issued and outstanding Touchstone Share (other than those held by Touchstone Dissenting Shareholders) shall be transferred to Petrobank (free and clear of all liens, claims and encumbrances) in exchange for 0.471 (or such other exchange ratio as is determined in accordance with the Plan of Arrangement) of a duly authorized, fully-paid and non-assessable Petrobank Share and Petrobank shall be deemed to be the legal and beneficial owner of such transferred Touchstone Share (free and clear of any liens, claims or encumbrances), and upon such exchange:
 - (i) the holders of such Touchstone Shares shall cease to be the holders of Touchstone Shares and the names of such holders shall be removed from the register of holders of Touchstone Shares; and
 - (ii) Petrobank shall become the holder of the Touchstone Shares so exchanged and shall be added to the register of holders of Touchstone Shares as the registered holder of such Shares;
- (c) Petrobank will assume all rights and obligations of Touchstone relating to the Touchstone Credit Facility Warrants and the rights of the Touchstone Credit Facility Warrantheolders upon exercise thereof. The Touchstone Credit Facility Warrants, and each certificate representing such, shall be modified such that each Touchstone Credit Facility Warrantheolder shall be entitled, upon exercise of each Touchstone Credit Facility Warrant, at an exercise price equal to the exercise price of such Touchstone Credit Facility Warrant immediately prior to the Effective Time divided by the Exchange Ratio to receive a number of Petrobank Shares equal to the number of Touchstone Shares purchasable on the exercise of such Touchstone Credit Facility Warrant immediately prior to the Effective Time multiplied by the Exchange Ratio, all in accordance with the terms of the Touchstone Warrant Certificate dated as of June 29, 2012 setting forth the terms of the Touchstone Credit Facility Warrants;
- (d) the Touchstone Supplemental Warrant Indenture shall become effective; and
- (e) Petrobank shall assume all covenants and obligations of Touchstone under the Touchstone Debenture Indenture in respect of the Touchstone Debentures such that the Touchstone Debentures will be valid and binding obligations of Petrobank entitling the holders thereof, as against Petrobank, to all rights of the Touchstone Debentureholders under the Touchstone Debenture Indenture, and in connection therewith Petrobank shall enter into the Touchstone Supplemental Debenture Indenture with Computershare Trust Company of Canada in its capacity as debenture trustee, in accordance with the Touchstone Debenture Indenture.

No certificates representing fractional Petrobank Shares will be issued pursuant to the Arrangement and, in lieu thereof, each previous registered holder of Touchstone Shares otherwise entitled to a fractional interest in a Petrobank Share will receive the nearest whole number of Petrobank Shares (with fractions greater than or equal to 0.5 being rounded up to the nearest whole number and where such fractional

interest is less than 0.5, rounded down to the nearest whole number). In calculating such fractional interests, all Touchstone Shares registered in the name of or beneficially held by such Touchstone Shareholder or their nominee will be aggregated.

The respective obligations of Petrobank and Touchstone to complete the transactions contemplated by the Arrangement are subject to a number of conditions that must be satisfied in order for the Arrangement to become effective. Upon all of the conditions being fulfilled or waived, Touchstone, with the cooperation and assistance of Petrobank, is required to file a copy of the Final Order and the Articles of Arrangement with the Registrar in order to give effect to the Arrangement.

The Arrangement Agreement

General

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

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

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

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

The Arrangement Agreement contains certain customary representations and warranties of each of Touchstone and Petrobank relating to, among other things, their respective organization, capitalization, operations, compliance with laws and regulations and other matters, including their authority to enter into the Arrangement Agreement and to consummate the Arrangement. For the complete text of the applicable provisions, see sections 4.1 and 4.2 of the Arrangement Agreement.

In addition, pursuant to the Arrangement Agreement, each of the Parties has covenanted, among other things, until the earlier of the completion of the Arrangement or the termination of the Arrangement Agreement, to maintain their respective businesses and refrain from taking certain actions outside the ordinary course. For the complete text of the applicable provisions, see sections 3.1, 3.2 and 3.3 of the Arrangement Agreement.

Mutual Conditions

The respective obligations of Petrobank and Touchstone to complete the Arrangement are subject to the satisfaction of the following conditions, which are for the mutual benefit of Petrobank and Touchstone and may be waived, in whole or in part, by the mutual consent of the Parties at any time, without prejudice to their right to rely on any other of such conditions:

- (a) the Interim Order will have been granted by April 1, 2014 in form and substance satisfactory to each of Petrobank and Touchstone, acting reasonably, and such order will not have been set aside or modified in a manner unacceptable to Petrobank and Touchstone, each acting reasonably, on appeal or otherwise;

- (b) the holders of Touchstone Shares representing not more than 5.0% (in the aggregate) of the Touchstone Shares then outstanding will have validly exercised, and not withdrawn, Dissent Rights;
- (c) each of the Petrobank Share Issuance Resolution and the Petrobank Board Resolution will have been passed by the Petrobank Shareholders at the Petrobank Meeting by the Outside Date;
- (d) the Touchstone Continuance Resolution will have been passed by the Touchstone Shareholders at the Touchstone Meeting by the Outside Date;
- (e) the Touchstone Arrangement Resolution will have been passed by the Touchstone Shareholders in accordance with the Interim Order by the Outside Date;
- (f) the Articles of Continuance to be filed by the Outside Date with the Registrar in accordance with the Touchstone Continuance Resolution will be in form and substance satisfactory to each of Petrobank and Touchstone, acting reasonably and such articles will be filed with the Registrar and the Touchstone Continuance will be completed;
- (g) the Final Order will have been granted by the Outside Date in form and substance satisfactory to Petrobank and Touchstone, acting reasonably and such order will not have been set aside or modified in a manner unacceptable to Petrobank and Touchstone, acting reasonably, on appeal or otherwise;
- (h) the Articles of Arrangement to be filed by the Outside Date with the Registrar in accordance with the Arrangement will be in form and substance satisfactory to each of Petrobank and Touchstone, acting reasonably;
- (i) Petrobank and Touchstone will have obtained all consents, waivers, permissions and approvals necessary to complete the Arrangement by or from relevant third parties and Governmental Authorities, including, but not limited to, any and all consents, waivers, permissions and approvals resulting from a change of control or otherwise as set forth in the Touchstone Disclosure Letter, on terms and conditions satisfactory to Petrobank and Touchstone, acting reasonably, including conditional listing approval for the listing on the TSX of the Petrobank Shares to be issued or to be made issuable pursuant to the Arrangement (including the Petrobank Shares issuable pursuant to the terms of the Touchstone Debentures and Touchstone Warrants to be assumed by Petrobank pursuant to the Arrangement) and including the consent of the Touchstone Lender under the Touchstone Credit Facility;
- (j) the Effective Date will be on or before the Outside Date;
- (k) any applicable domestic and foreign statutory and regulatory waiting periods applicable to the transactions contemplated by the Arrangement, will have expired or have been terminated and no unresolved material objection or opposition will have been filed, initiated or made during any applicable statutory or regulatory period; and
- (l) there will be no action taken under any existing Applicable Law, or any statute, rule, regulation or order that is enacted, enforced, promulgated or issued by any Governmental Authority, that:
 - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated in or by the Arrangement Agreement; or

- (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated in or by the Arrangement Agreement.

If any of the foregoing conditions are not satisfied or waived on or before the Outside Date, then a Party may terminate the Arrangement Agreement (save and except for the provisions respecting privacy issues therein, which will survive such termination and remain in full force and effect) by written notice to the Other Party in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of such terminating Party's breach of the Arrangement Agreement.

Conditions to the Obligations of Petrobank

The obligation of Petrobank to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, is subject to the following conditions:

- (a) the representations and warranties made by Touchstone in the Arrangement Agreement will be true and correct (for representations and warranties qualified as to materiality, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which will be determined as of that specified date) and Touchstone will have provided to Petrobank a certificate of two senior officers certifying such accuracy on the Effective Date, provided that Touchstone will be entitled to cure any breach of a representation and warranty within five Business Days after receipt of written notice thereof from Petrobank (except that no cure period will be provided for a breach which by its nature cannot be cured and, in no event, will any cure period extend beyond the Outside Date);
- (b) Touchstone will have complied in all material respects with its covenants in the Arrangement Agreement, and Touchstone will have provided to Petrobank a certificate of two senior officers certifying compliance with such covenants; provided that Touchstone will be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from Petrobank (except that no cure period will be provided for a breach which by its nature cannot be cured and, in no event, will any cure period extend beyond the Outside Date);
- (c) no act, action, suit, proceeding, objection or opposition will have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private Person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) will have been proposed, enacted, promulgated, amended or applied, which in the sole judgement of Petrobank, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Touchstone or would materially impede the ability of the Parties to complete the Arrangement;
- (d) no Material Adverse Change with respect to Touchstone will have occurred after the date of the Arrangement Agreement and prior to the Effective Time;
- (e) Touchstone will have furnished Petrobank with: (i) certified copies of the resolutions duly passed by the Touchstone Board approving the Arrangement Agreement and the consummation of the transactions contemplated therein; and (ii) certified copies of the resolution of Touchstone Shareholders, duly passed at the Touchstone Meeting, approving the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution;

- (f) immediately prior to the Effective Time: (i) the aggregate number of Touchstone Shares issued and outstanding will not exceed 162,380,744; (ii) there will be no Touchstone Options or Touchstone Warrants or other shares or other securities in the capital of Touchstone outstanding other than the Touchstone Debentures; and (iii) no Person will have any agreement or option or any right or privilege (whether by law, pre-emptive right, by contract or otherwise) capable of becoming an agreement or option for the purchase, subscription, allotment or issuance of any unissued Touchstone Shares or other equity interests in Touchstone; and
- (g) executed resignations and mutual releases, in form satisfactory to Petrobank, acting reasonably, will have been received by Petrobank from all of the directors of Touchstone (effective as of the Effective Time).

The foregoing conditions are for the exclusive benefit of Petrobank and may be asserted by Petrobank regardless of the circumstances or may be waived in writing by Petrobank in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights that Petrobank may have. If any of the foregoing conditions are not satisfied or waived, Petrobank may, in addition to any other remedies it may have at law or equity, terminate the Arrangement Agreement (save and except for the provisions regarding damages and other arrangements and privacy issues therein, which will survive such termination and remain in full force and effect) provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, Petrobank has delivered a written notice to Touchstone, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which Petrobank is asserting as the basis for the non-fulfillment of the applicable conditions precedent.

Conditions to the Obligations of Touchstone

The obligation of Touchstone to complete the Arrangement and to take the other actions required to be taken by Touchstone at the Effective Date is subject to the satisfaction or waiver of the following conditions:

- (a) the representations and warranties made by Petrobank in the Arrangement Agreement will be true and correct (for representations and warranties qualified as to materiality, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which will be determined as of that specified date), and Petrobank will have provided to Touchstone a certificate of two senior officers or authorized signatories certifying such accuracy on the Effective Date, provided that Petrobank will be entitled to cure any breach of a representation and warranty within five Business Days after receipt of written notice thereof from Touchstone (except that no cure period will be provided for a breach which by its nature cannot be cured and, in no event, will any cure period extend beyond the Outside Date);
- (b) Petrobank will have complied in all material respects with its covenants in the Arrangement Agreement, and Petrobank will have provided to Touchstone a certificate of two senior officers certifying compliance with such covenants; provided that Petrobank will be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from Touchstone (except that no cure period will be provided for a breach which by its nature cannot be cured and, in no event, will any cure period extend beyond the Outside Date);
- (c) no act, action, suit, proceeding, objection or opposition will have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or

not having the force of law) will have been proposed, enacted, promulgated, amended or applied, which in the sole judgement of Touchstone, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Petrobank or would materially impede the ability of the Parties to complete the Arrangement;

- (d) no Material Adverse Change with respect to Petrobank will have occurred after the date of the Arrangement Agreement and prior to the Effective Time;
- (e) Petrobank will have furnished Touchstone with: (i) certified copies of the resolutions duly passed by the Petrobank Board approving the Arrangement Agreement and the consummation of the transactions contemplated therein; and (ii) certified copies of the resolutions of Petrobank Shareholders, duly passed at the Petrobank Meeting, approving the Petrobank Share Issuance Resolution and the Petrobank Board Resolution;
- (f) Petrobank will have deposited or caused to be deposited in escrow with the Depository under the Arrangement the Petrobank Shares to be issued pursuant to the Arrangement; and
- (g) immediately prior to the Effective Time: (i) the aggregate number of fully diluted Petrobank Shares issued and outstanding (after giving effect to the exercise of outstanding Petrobank Options and outstanding Petrobank Incentive Shares, but not including any Touchstone Warrants which have become obligations of Petrobank as a result of the Arrangement in accordance with their terms) will not exceed 100,824,773.

The foregoing conditions are for the exclusive benefit of Touchstone and may be asserted by Touchstone regardless of the circumstances or may be waived by Touchstone in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Touchstone may have. If any of the foregoing conditions are not satisfied or waived, Touchstone may, in addition to any other remedies it may have at law or equity, terminate the Arrangement Agreement (save and except for the provisions regarding damages and other arrangements and privacy issues therein, which will survive such termination and remain in full force and effect), provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, Touchstone has delivered a written notice to Petrobank, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which Touchstone is asserting as the basis for the non-fulfillment of the applicable conditions precedent.

Covenants of Petrobank and Touchstone Regarding Non-Solicitation; Right to Accept a Superior Proposal

Under the Arrangement Agreement, the Parties have agreed to certain non-solicitation covenants as follows:

- (a) each Party will immediately cease and cause to be terminated all existing discussions and negotiations (including, without limitation, through any advisors or other parties on its behalf), with any third parties conducted before the date of the Arrangement Agreement with respect to any proposal that constitutes, or may reasonably be expected to constitute or lead to an Acquisition Proposal. Each Party represents and warrants that it has not waived any standstill provisions contained in a confidentiality agreement or otherwise for any Person. Each Party will as soon as possible request and exercise all rights it has to require the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with such Party relating to an Acquisition Proposal and will use all reasonable commercial efforts to ensure that such requests are honoured;

- (b) neither Party will, directly or indirectly, do or authorize or permit any of its officers, directors or employees or any financial advisor, expert or other representative retained by it (each a "**Representative**") to do, any of the following:
- (i) solicit, assist, initiate, encourage or in any way facilitate any Acquisition Proposal or inquiries, proposals or offers regarding an Acquisition Proposal;
 - (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other Person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
 - (iii) waive, modify or release any third party from or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive modify or release any third party from or otherwise forbear in respect of, any rights or other benefits under confidentiality information agreements, including any "standstill provisions" thereunder; or
 - (iv) accept, recommend, approve, agree to, endorse, or propose publicly to accept, recommend, approve, agree to, or endorse any Acquisition Proposal or agreement in respect thereto;

provided, however, that notwithstanding any other provision in the Arrangement Agreement, each Party and its officers, directors and advisers may:

- (v) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of the Arrangement Agreement, by such Party or any of its Representatives) seeks to initiate such discussions or negotiations that does not result from a breach of any covenants of Petrobank and Touchstone regarding non-solicitation and, subject to execution of a confidentiality and standstill agreement substantially similar to the Confidentiality Agreements (provided that such confidentiality agreement will provide for disclosure thereof (along with all information provided thereunder) to the Other Party as set out below), may furnish to such third party information concerning such Party and its business, properties and assets, in each case if, and only to the extent that:
 - (A) the third party has first made a written *bona fide* Acquisition Proposal which is a Superior Proposal; and
 - (B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, such Party provides prompt notice to the Other Party to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such third party together with a copy of the confidentiality and standstill agreement referenced above and, if not previously provided to the Other Party, copies of all information provided to such third party concurrently with the provision of such information to such third party, and provided further that such Party will notify the Other Party orally and in writing of any inquiries, offers or proposals with respect to a Superior Proposal (which written notice will include a copy of any such proposal (and any amendments or supplements thereto), the identity of the Person making it, if not previously provided to the Other Party, copies of all information provided to such Party and all other

information reasonably requested by the Other Party), within 24 hours of the receipt thereof, will keep the Other Party informed of the status and details of any such inquiry, offer or proposal and answer the Other Party's questions with respect thereto; and

- (vi) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, the board of directors of such Party will have concluded in good faith, after considering all proposals to adjust the terms and conditions of the Arrangement Agreement as contemplated in paragraph (d) below and after receiving the advice of outside counsel as reflected in minutes of the board of directors of such Party, that the taking of such action is necessary for the board of directors of such Party in discharge of its fiduciary duties under Applicable Laws and such Party complies with its obligations set forth in paragraph (d) below and, in the case of Touchstone, terminates the Arrangement Agreement in accordance with paragraph (d) under the heading "*—Termination*" below and concurrently therewith pays the Petrobank Termination Fee to Petrobank and, in the case of Petrobank, terminates the Arrangement Agreement in accordance with paragraph (f) under the heading "*—Termination*" below and concurrently therewith pays the Touchstone Termination Fee to Touchstone;
- (c) each Party will promptly (and in any event within 24 hours) notify the Other Party (at first orally and then in writing) of any Acquisition Proposal (or any amendment thereto) or any request for non-public information relating to such Party or its assets, or any amendments to the foregoing. Such notice will include a copy of any written Acquisition Proposal (and any amendment thereto) which has been received or, if no written Acquisition Proposal has been received, a description of the material terms and conditions of, and the identity of the Person making any inquiry, proposal, offer or request. Such Party will also provide such further details of the Acquisition Proposal or any amendment thereto as the Other Party may reasonably request. Such Party will keep the Other Party promptly and fully informed of the status, including any change to material terms, of any Acquisition Proposal or any amendment thereto, will respond promptly to all inquiries by the Other Party with respect thereto, and will provide the Other Party with copies of all correspondence and other written material sent or provided to such Party by any Person in connection with such inquiry, proposal, offer or request or sent or provided by such Party to any Person in connection with such inquiry, proposal, offer or request;
- (d) each Party will give the Other Party, orally and in writing, at least two Business Days advance notice of any decision by the board of directors of such Party to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, will set out the reasonable determination of such board of directors, in consultation with its financial advisors, of the financial value of the consideration offered by such third party to the Shareholders of such Party under such Superior Proposal, which notice will confirm that such board of directors has determined that such Acquisition Proposal constitutes a Superior Proposal, will identify the third party making the Superior Proposal and provide a copy thereof and any amendments thereto. During the two Business Days period commencing on the day of delivery of such notice, the Party delivering such notice agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and will not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during the two Business Days period such Party will, and will cause its financial and legal advisors to, negotiate in good faith with the Other Party and its financial and legal advisors to make such adjustments in the terms and conditions of the Arrangement Agreement and the Arrangement as would enable the Other Party to proceed with the Arrangement as amended rather than the Superior Proposal. In the event the Other Party proposes to

amend the Arrangement Agreement and the Arrangement such that the Superior Proposal ceases to be a Superior Proposal and so advises the board of the Party receiving the Acquisition Proposal prior to the expiry of such two Business Days period, the board of directors of the Party receiving the Acquisition Proposal will not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and will not withdraw, redefine, modify or change its recommendation in respect of the Arrangement and the Parties will enter into an amended version of the Arrangement Agreement reflecting such proposed amendments;

- (e) if required by the Other Party, the Party receiving the Acquisition Proposal will, subsequent to the two Business Days period contemplated in paragraph (d) immediately above (and in no case during such period) reaffirm its recommendation of the Arrangement by press release promptly in the event that: (i) any Acquisition Proposal which is publicly announced is determined not to be a Superior Proposal; or (ii) the Parties have entered into an amended agreement pursuant to paragraph (d) immediately above which results in any Acquisition Proposal made to Touchstone not being a Superior Proposal;
- (f) each Party agrees that all information that may be provided to it by the Other Party with respect to any Acquisition Proposal pursuant to the provisions of the Arrangement Agreement respecting non-solicitation covenants will be treated as if it were "**Evaluation Material**" as that term is defined in the Confidentiality Agreements and will not be disclosed or used except in accordance with the provisions of the Confidentiality Agreements or in order to enforce its rights under the Arrangement Agreement in legal proceedings;
- (g) each Party will ensure that its representatives are aware of the foregoing provisions of the Arrangement Agreement respecting non-solicitation covenants and will be responsible for any breach of such covenants by any of them; and
- (h) nothing in the Arrangement Agreement will prevent the boards of directors of either Party from complying with MI 62-104 and similar provisions under Applicable Canadian Securities Laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its securityholders in respect of an Acquisition Proposal.

Damages Payable by Touchstone

Pursuant to the Arrangement Agreement, if at any time after the execution of the Arrangement Agreement and prior to its termination:

- (a) other than as a direct result of and in direct response to a material breach or non-performance by Petrobank of any of its covenants, agreements, representations and warranties in the Arrangement Agreement which would permit Touchstone to terminate the Arrangement Agreement pursuant to the provisions of the Arrangement agreement addressing termination and summarized under the heading "*—Termination*" below, the Touchstone Board fails to recommend that holders of Touchstone Shares vote in favour of the Arrangement or withdraws, amends, changes or qualifies, or proposes publicly to withdraw, amend, change or qualify, in any manner adverse to Petrobank, any of its recommendations or determinations pursuant to the enumerated recommendations of the Touchstone Board in the Arrangement Agreement;
- (b) the Touchstone Board has failed to publicly reaffirm any of its recommendations or determinations pursuant to the enumerated recommendations of the Touchstone Board in the Arrangement Agreement in accordance with paragraph (e) under the heading "*—Covenants of Petrobank and Touchstone Regarding Non-Solicitation*" above or within two

Business Days of any written request to do so by Petrobank (or, in the event that the Touchstone Meeting to approve the Arrangement is scheduled to occur within such two Business Day period, prior to the scheduled date of such meeting);

- (c) prior to the date of the Touchstone Meeting, a *bona fide* Acquisition Proposal is publicly announced, proposed, offered or made to the Touchstone Shareholders or to Touchstone and the Touchstone Shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval, and such Acquisition Proposal, an amended version thereof or any other Acquisition Proposal relating to Touchstone is consummated within 12 months of the date the first Acquisition Proposal is publicly announced, proposed, offered or made;
- (d) Touchstone or the Touchstone Board or any committee of the Touchstone Board accepts, recommends, approves or enters into a definitive agreement to implement a Superior Proposal;
- (e) Touchstone is in non-compliance with any of its covenants made in the Arrangement Agreement where, other than in the case of the covenants summarized under the heading "*—Covenants of Petrobank and Touchstone Regarding Non-Solicitation*" above, such non-compliance individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or Material Adverse Effect on, Touchstone or, in any case, materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Touchstone fails to cure such breach within five Business Days after receipt of written notice thereof from Petrobank (except that no cure period will be provided for a breach which by its nature cannot be cured and, in no event, will any cure period extend beyond the Outside Date); or
- (f) Touchstone is in breach of any representation or warranty made in the Arrangement Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or have a Material Adverse Effect on, Touchstone or, materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Touchstone fails to cure such breach within five Business Days after receipt of written notice thereof from Petrobank (except that no cure period will be provided for a breach which by its nature cannot be cured and, in no event, will any cure period extend beyond the Outside Date);

(each of the above being a "**Petrobank Damages Event**"), then in the event of the termination of the Arrangement Agreement pursuant to the provisions summarized under the heading "*—Termination*" below, Touchstone will pay to Petrobank (or to whom Petrobank may direct in writing) \$1.0 million (the "**Petrobank Termination Fee**") as liquidated damages in immediately available funds to an account designated by Petrobank within one Business Day after the first to occur of the events described above. Following a Petrobank Damages Event, but prior to payment of the Petrobank Termination Fee, Touchstone will be deemed to hold such payment in trust for Petrobank.

Damages Payable by Petrobank

Pursuant to the Arrangement Agreement, if at any time after the execution of the Arrangement Agreement and prior to its termination:

- (a) other than as a direct result of and in direct response to a material breach or non-performance by Touchstone of any of its covenants, agreements, representations and warranties in the Arrangement Agreement which would permit Petrobank to terminate the Arrangement Agreement pursuant to the provisions under the heading "*—Termination*" below, the Petrobank Board fails to recommend that holders of Petrobank Shares vote in favour of the Petrobank Shareholder Resolutions or withdraws, amends, changes or qualifies, or proposes publicly to withdraw, amend, change or qualify, in any manner

adverse to Touchstone, any of its recommendations or determinations pursuant to the enumerated recommendations of the Petrobank Board in the Arrangement Agreement;

- (b) the Petrobank Board will have failed to publicly reaffirm any of its recommendations or determinations pursuant to the enumerated recommendations of the Petrobank Board in the Arrangement Agreement in accordance with paragraph (e) under the heading "*—Covenants of Petrobank and Touchstone Regarding Non-Solicitation*" above or within two Business Days of any written request to do so by Touchstone (or, in the event that the Petrobank Meeting to approve the Petrobank Shareholder Resolutions is scheduled to occur within such two Business Day period, prior to the scheduled date of such meeting);
- (c) prior to the date of the Petrobank Meeting, a *bona fide* Acquisition Proposal is publicly announced, proposed, offered or made to the Petrobank Shareholders or to Petrobank and the Petrobank Shareholders do not approve the Petrobank Shareholder Resolutions or the Arrangement is not submitted for their approval, and such Acquisition Proposal, an amended version thereof or any other Acquisition Proposal relating to Petrobank is consummated within 12 months of the date the first Acquisition Proposal is publicly announced, proposed, offered or made;
- (d) Petrobank or the Petrobank Board or any committee of the Petrobank Board accepts, recommends, approves or enters into a definitive agreement to implement a Superior Proposal;
- (e) Petrobank is in non-compliance with any of its covenants made in the Arrangement Agreement where, other than in the case of the covenants summarized under the heading "*—Covenants of Petrobank and Touchstone Regarding Non-Solicitation*" above, such non-compliance individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or Material Adverse Effect on, Petrobank or, in any case, materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Petrobank fails to cure such breach within five Business Days after receipt of written notice thereof from Petrobank (except that no cure period will be provided for a breach which by its nature cannot be cured and, in no event, will any cure period extend beyond the Outside Date); or
- (f) Petrobank is in breach of any representation or warranty made in the Arrangement Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or have a Material Adverse Effect on, Petrobank or, materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Petrobank fails to cure such breach within five Business Days after receipt of written notice thereof from Touchstone (except that no cure period will be provided for a breach which by its nature cannot be cured and, in no event, will any cure period extend beyond the Outside Date);

(each of the above being a "**Touchstone Damages Event**"), then in the event of the termination of the Arrangement Agreement pursuant to the provisions summarized under the heading "*—Termination*" below, Petrobank will pay to Touchstone (or to whom Touchstone may direct in writing) \$1.0 million (the "**Touchstone Termination Fee**") as liquidated damages in immediately available funds to an account designated by Touchstone within one Business Day after the first to occur of the events described above. Following a Touchstone Damages Event, but prior to payment of the Touchstone Termination Fee, Petrobank will be deemed to hold such payment in trust for Touchstone.

Termination

Petrobank and Touchstone have agreed that the Arrangement Agreement may be terminated at any time prior to the Effective Date:

- (a) by mutual written consent of Petrobank and Touchstone;
- (b) as provided for in the Arrangement Agreement, in the event of a breach of the provisions with respect to mutual conditions precedent, additional conditions to obligations of Petrobank and additional conditions to obligations of Touchstone;
- (c) by Petrobank upon the occurrence of a Petrobank Damages Event;
- (d) by Touchstone upon the occurrence of a Petrobank Damages Event as summarized in paragraph (d) under the heading "*—Damages Payable by Touchstone*" above (in accordance with paragraph (b)(iv)), under the heading "*—Covenants of Petrobank and Touchstone Regarding Non-Solicitation*" above and provided Touchstone has complied with its obligations as summarized in paragraph (d) under the heading "*—Covenants of Petrobank and Touchstone Regarding Non-Solicitation*" above) and the payment by Touchstone to Petrobank of the amount required under the heading "*—Damages Payable by Touchstone*" above;
- (e) by Touchstone upon the occurrence of a Touchstone Damages Event;
- (f) by Petrobank upon the occurrence of a Touchstone Damages Event as summarized in paragraph (d) under the heading "*—Damages Payable by Petrobank*" above (in accordance with paragraph (b)(vi) under the heading "*—Covenants of Petrobank and Touchstone Regarding Non-Solicitation*" above and provided Petrobank has complied with its obligations as summarized in paragraph (d) under the heading "*—Covenants of Petrobank and Touchstone Regarding Non-Solicitation*" above) and the payment by Petrobank to Touchstone of the amount required under the heading "*—Damages Payable by Petrobank*" above.

Under the provisions of the Arrangement Agreement, in the event of the termination of the Arrangement Agreement in the circumstances set out above, the Arrangement Agreement will become void and no Party will have any liability or further obligation to the Other Party thereunder except with respect to the provisions of the Arrangement Agreement regarding the Parties' agreement as to damages and other arrangements and privacy issues and each Party's obligations under the Confidentiality Agreements, which will survive such termination, and provided that neither the termination of the Arrangement Agreement nor anything contained in this paragraph will relieve any Party from any liability for any fraud or wilful breach by it of the Arrangement Agreement prior to the date of such termination.

Liquidated Damages

Petrobank and Touchstone each acknowledge and agree that payment of the respective termination fee set out under the headings "*—Damages Payable by Touchstone*" and "*—Damages Payable by Petrobank*", respectively, to the other, as applicable, are payments of liquidated damages which are a genuine pre-estimate of the damages the Party entitled to such damages will suffer or incur as a result of the event(s) giving rise to such damages and resultant termination of the Arrangement Agreement are not penalties and are the sole monetary remedy of the Party receiving such payment; provided, however that such limitation will not apply in the event of fraud or wilful breach of the Arrangement Agreement by a Party, as applicable. Each Party waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. Nothing therein will preclude either Party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements of the other as set forth in the Arrangement Agreement or otherwise to obtain specific performance of any of such acts, covenants or agreements, without the necessity of posting bond or security in connection therewith.

Touchstone Support Agreements

All of the directors and officers of Touchstone (the "**Touchstone Supporting Shareholders**"), holding an aggregate of 5,280,212 Touchstone Shares (representing less than 4% of the outstanding Touchstone Shares) and an aggregate of 5,950,000 Touchstone Options entered into the Touchstone Support Agreements with Petrobank pursuant to which they agreed, among other things, to vote the Touchstone Shares and Touchstone Options (the "**Subject Securities**") beneficially owned or controlled or directed by them, directly or indirectly, at a meeting of Touchstone Shareholders, in favour of the Touchstone Continuance and the Arrangement and all matters related thereto.

Pursuant to the Touchstone Support Agreements, each Touchstone Supporting Shareholder agrees, among other things, to vote all of the Touchstone Supporting Shareholder's Subject Securities in favour of the Touchstone Arrangement Resolution and Touchstone Continuance Resolution to be put before the Touchstone Shareholders at the Touchstone Meeting and to vote, or cause to be voted, all of the Touchstone Supporting Shareholder's Subject Securities against any proposed action by any person whatsoever which could prevent or delay the completion of the Arrangement or the Touchstone Continuance and the transactions contemplated by the Arrangement Agreement. In addition, each Touchstone Supporting Shareholder has agreed:

- (a) not to solicit, initiate or encourage inquiries, submissions, proposals or offers from any other person relating to, or participate in any negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with or assist or participate in or facilitate or encourage any effort or attempt with respect to any Acquisition Proposal, any action which is inconsistent with the successful completion of the Touchstone Continuance or Arrangement, or except as expressly provided by the terms of the Touchstone Support Agreements, the direct or indirect acquisition or disposition of all or any of the Subject Securities (and whereby the Touchstone Supporting Shareholder will promptly notify Petrobank of any inquiry, submission, proposal or offer received by, any information requested from, or any negotiations sought to be initiated or continued with, the Touchstone Supporting Shareholder with respect to an Acquisition Proposal, and to otherwise comply with the covenants regarding non-solicitation of the Arrangement Agreement having regard to the Touchstone Supporting Shareholder's position as a representative of Touchstone, if applicable); and
- (b) not to exercise any Dissent Rights or similar rights of appraisal with respect to the Subject Securities which might be available to the Touchstone Supporting Shareholder in connection with the Arrangement.

The Touchstone Support Agreements may be terminated on the earlier of: (a) the Effective Time; (b) the date the Arrangement Agreement is terminated; or (c) the Outside Date (as amended from time to time in connection with any amendment to the Arrangement Agreement).

Petrobank Support Agreements

On March 6, 2014, all of the directors and officers of Petrobank (the "**Petrobank Supporting Shareholders**"), holding an aggregate of 6,153,001 Petrobank Shares (representing less than 7% of the outstanding Petrobank Shares), an aggregate of 1,740,000 Petrobank Options and an aggregate of 310,000 Petrobank Incentive Shares entered into the Petrobank Support Agreements with Touchstone pursuant to which they agreed, among other things, to vote the Petrobank Shares, Petrobank Options and Petrobank Incentive Shares (the "**Subject Securities**") beneficially owned or controlled or directed by them, directly or indirectly, at a meeting of Petrobank Shareholders, in favour of the Arrangement and the Petrobank Shareholder Resolutions and all matters related thereto.

Pursuant to the Petrobank Support Agreements, each Petrobank Supporting Shareholder agrees, among other things, to vote all of the Petrobank Supporting Shareholder's Subject Securities in favour of the Petrobank Shareholder Resolutions to be put before the Petrobank Shareholders at the Petrobank

Meeting and to vote, or cause to be voted, all of the Petrobank Supporting Shareholder's Subject Securities against any proposed action by any person whatsoever which could prevent or delay the completion of the Arrangement and the transactions contemplated by the Arrangement Agreement. In addition, each Petrobank Supporting Shareholder has agreed not to solicit, initiate or encourage inquiries, submissions, proposals or offers from any other person relating to, or participate in any negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with or assist or participate in or facilitate or encourage any effort or attempt with respect to any Acquisition Proposal, any action which is inconsistent with the successful completion of the Arrangement, or except as expressly provided by the terms of the Petrobank Support Agreements, the direct or indirect acquisition or disposition of all or any of the Subject Securities (and whereby the Petrobank Supporting Shareholder will promptly notify Touchstone of any inquiry, submission, proposal or offer received by, any information requested from, or any negotiations sought to be initiated or continued with, the Petrobank Supporting Shareholder with respect to an Acquisition Proposal, and to otherwise comply with the covenants regarding non-solicitation of the Arrangement Agreement having regard to the Petrobank Supporting Shareholder's position as a representative of Petrobank, if applicable).

The Petrobank Support Agreements may be terminated on the earlier of: (a) the Effective Time; (b) the date the Arrangement Agreement is terminated; or (c) the Outside Date (as amended from time to time in connection with any amendment to the Arrangement Agreement).

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 Touchstone Continuance must be approved by the Touchstone Shareholders at the Touchstone Meeting;
- (b) the Arrangement must be approved by the Touchstone Shareholders at the Touchstone Meeting in the manner set forth in the Interim Order;
- (c) the Petrobank Share Issuance Resolution must be approved by the Petrobank Shareholders at the Petrobank Meeting;
- (d) the Petrobank Board Resolution must be approved by the Petrobank Shareholders at the Petrobank Meeting, or if such approval is not obtained, this mutual condition to completion of the Arrangement be waived by both Touchstone and Petrobank;
- (e) the Articles of Continuance must be filed with the Registrar and a Certificate of Continuance must be issued by the Registrar;
- (f) the Court must grant the Final Order approving the Arrangement;
- (g) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate Party; and
- (h) the Final Order, the Articles of Arrangement and related documents, in the form prescribed by the ABCA, must be filed with the Registrar.

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

Upon the conditions precedent set forth in the Arrangement Agreement being fulfilled or waived, Touchstone intends to file a copy of the Final Order and the Articles of Arrangement with the Registrar under the ABCA, together with such other materials as may be required by the Registrar, in order to give effect to the Arrangement.

Shareholder Approvals

Touchstone Shareholder Approval

The Touchstone Continuance Resolution must be approved by 66⅔% of the votes cast by the Touchstone Shareholders present in person or represented by proxy at the Touchstone Meeting, and pursuant to the terms of the Interim Order, the Touchstone Arrangement Resolution must, subject to further order of the Court, be approved by at least 66⅔% of the votes cast by the Touchstone Shareholders present in person or represented by proxy at the Touchstone Meeting.

It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxy in favour of the Touchstone Continuance Resolution, as set forth in Appendix A to the Circular, and in favour of the Touchstone Arrangement Resolution, as set forth in Appendix B to this Circular.

Notwithstanding the foregoing, the Touchstone Continuance Resolution proposed for consideration by the Touchstone Shareholders authorizes the Touchstone Board, without further notice to or approval of such Touchstone Shareholders, to abandon the application for continuance into Alberta at any time prior to the Effective Time. See Appendix A to this Circular for the full text of the Touchstone Continuance Resolution.

Notwithstanding the foregoing, the Touchstone Arrangement Resolution proposed for consideration by the Touchstone Shareholders authorizes the Touchstone Board, without further notice to or approval of such Touchstone Shareholders, subject to the terms of the Arrangement Agreement and the Interim Order, to amend the Arrangement Agreement or the Plan of Arrangement, to decide not to proceed with the Arrangement and to revoke the Touchstone Arrangement Resolution at any time prior to the Effective Time. See Appendix B to this Circular for the full text of the Touchstone Arrangement Resolution.

Petrobank Shareholder Approval

The Petrobank Share Issuance Resolution and the Petrobank Board Resolution, which are ordinary resolutions, must be approved by a majority of the votes cast by the Petrobank Shareholders present in person or represented by proxy at the Petrobank Meeting. If the Petrobank Share Issuance Resolution is not approved by Petrobank Shareholders, the Arrangement cannot be completed. In addition, Petrobank Shareholders will be asked to approve the Petrobank Name Change Resolution and the Petrobank Consolidation Resolution, both of which are special resolutions but neither of which must be approved to effect the Arrangement. However, approval of the Petrobank Board Resolution is a mutual condition precedent for the benefit of both parties to the Arrangement Agreement. If the Petrobank Board Resolution is not passed, and if either or both of Touchstone and Petrobank elect to not waive such condition, then the Arrangement will not proceed in the manner contemplated herein. See "*Matters to be Considered at the Petrobank Meeting*".

It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxy in favour of the Petrobank Shareholder Resolutions. See "*Matters to be Considered at the Petrobank Meeting*".

Court Approval

Interim Order

On March 26, 2014, Touchstone obtained the Interim Order providing for the calling and holding of the Touchstone Meeting and other procedural matters. The Interim Order is attached as Appendix E to this Circular.

Final Order

The Arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, if the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution, and the Petrobank Share Issuance Resolution and the Petrobank Board Resolution are approved at the Touchstone Meeting and the Petrobank Meeting, as applicable, Touchstone will make an application to the Court for the Final Order at the Calgary Courts Centre, 601 – 5th Street, S.W., Calgary, Alberta, Canada, on April 30, 2014 at 2:00 p.m. (Calgary time) or as soon thereafter as counsel may be heard. The Notice of Originating Application for the Final Order accompanies this Circular. At the application the Court will be requested to consider the fairness of the Arrangement.

Any Touchstone Shareholder, or other interested party desiring to support or oppose the Application with respect to the Arrangement, may appear at the hearing in person or by counsel for that purpose, subject to filing with the Court and serving on Touchstone on or before 12:00 p.m. (Calgary time) on April 26, 2014, a notice of intention to appear setting out their address for service and indicating whether they intend 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 on Touchstone is required to be effected by service upon the solicitors for Touchstone: Norton Rose Fulbright Canada LLP, Suite 3700, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2, Attention: Craig Hoskins.

The Petrobank Shares issuable to Touchstone Shareholders in exchange for their Touchstone Shares pursuant to the Arrangement have not been and will not be registered under the 1933 Act, in reliance upon the exemption from the registration requirements of the 1933 Act provided by section 3(a)(10) thereof. The Court has been advised that the Final Order, if granted after a hearing upon the fairness of the terms and conditions of the Arrangement, will constitute the basis for an exemption from the registration requirements of the 1933 Act, pursuant to section 3(a)(10) thereof, with respect to the issuance of the Petrobank Shares issuable to Touchstone Shareholders pursuant to the Arrangement.

Touchstone has been advised by its counsel that the Court has broad discretion under the ABCA when making orders with respect to the Arrangement and that the Court, in hearing the application for the Final Order, will consider, among other things, the fairness of the Arrangement to the Touchstone Shareholders and any other interested party as the Court determines appropriate. 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 may determine appropriate. Either Petrobank or Touchstone may, subject to the terms of the Arrangement Agreement, determine not to proceed with the Arrangement in the event that any amendment ordered by the Court is not satisfactory to such Party.

Regulatory Approvals

The Arrangement Agreement provides that receipt of all required governmental and third party approvals including, those from Trinidad, and receipt of conditional approval of the TSX for listing of the Petrobank Shares issuable pursuant to the Arrangement, is a condition precedent to the Arrangement becoming effective. See "*Effect of the Arrangement*".

Stock Exchange Listings

Touchstone is a reporting issuer under the securities laws of the provinces of British Columbia, Alberta, Saskatchewan and Ontario. The Touchstone Shares are listed and posted for trading on the TSXV under the symbol "TAB".

On March 6, 2014, the last trading day that the Touchstone Shares traded prior to announcement of the Arrangement, the closing price of the Touchstone Shares on the TSXV was \$0.195. On March 27, 2014, the closing price of the Touchstone Shares on the TSXV was \$0.185.

Petrobank is a reporting issuer or the equivalent in each of the provinces of Canada. The Petrobank Shares are listed and posted for trading on the TSX under the symbol "PBG".

On March 6, 2014, the last trading day that the Petrobank Shares traded prior to announcement of the Arrangement, the closing price of the Petrobank Shares on the TSX was \$0.375. On March 27, 2014, the closing price of the Petrobank Shares on the TSX was \$0.38.

It is anticipated that the Touchstone Shares will be delisted from the TSXV following completion of the Arrangement. For information with respect to the trading history of the Petrobank Shares and Touchstone Shares, see Appendix L – "*Information Concerning Touchstone Exploration Inc. and Annual Meeting Matters – Price Range and Trading Volumes*" in and Appendix M – "*Information Concerning Petrobank Energy and Resources Ltd. and Annual Meeting Matters – Price Range and Trading Volumes*", as applicable.

It is a condition to the completion of the Arrangement that the TSX shall have conditionally approved the listing of the Petrobank Shares to be issued to Touchstone Shareholders pursuant to the Arrangement. The TSX has conditionally approved the listing of the Petrobank Shares to be issued to Touchstone Shareholders pursuant to the Arrangement and the listing of the Petrobank Shares issuable on conversion of the Touchstone Debentures and Touchstone Warrants following the Effective Date on the TSX. Listing is subject to Petrobank fulfilling all of the listing requirements of the TSX.

Securities Law Matters

Canada

MI 61-101

Each of Touchstone and Petrobank is subject to the provisions of Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). MI 61-101 is intended to regulate insider bids, issuer bids, business combinations and related party transactions to ensure equality of treatment among securityholders, generally by requiring enhanced disclosure, minority securityholder approval, and, in certain instances, independent valuations and approval and oversight of certain transactions by a special committee of independent directors.

As previously described in this Circular, all Touchstone Shares will be exchanged for Petrobank Shares under the terms of the Plan of Arrangement. Unless certain exceptions apply, the Arrangement may be considered a "business combination" in respect of Touchstone pursuant to MI 61-101 since the interest of a holder of a Touchstone Share may be terminated without the holder's consent. Accordingly, unless no related party of Touchstone is entitled to receive a "collateral benefit" (as defined in MI 61-101) in connection with the Arrangement, the transaction would be considered a "business combination" and subject to minority approval requirements.

If "minority approval" is required, MI 61-101 would require that, in addition to the approval of the Touchstone Arrangement Resolution by not less than 66% of the votes cast by the Touchstone Shareholders present in person or represented by proxy, the Arrangement would also require the

approval of a simple majority of the votes cast by Touchstone Shareholders, excluding votes cast in respect of Touchstone Shares held by "related parties" who receive a "collateral benefit" (as such terms are defined in MI 61-101) as a consequence of the transaction.

As disclosed in the Circular, certain current officers of Touchstone will continue as executive officers of New Touchstone upon completion of the Arrangement. Touchstone has considered whether their employment and the associated benefits to be received by the Touchstone officers as officers of New Touchstone would constitute a "collateral benefit" for purposes of MI 61-101 such that the Arrangement would therefore constitute a "business combination" under MI 61-101.

Touchstone has determined that neither the employment nor the associated benefits is a "collateral benefit" for the purposes of MI 61-101 since their employment and associated benefits will be identical in all material respects to their current terms of employment and any increase in the associated benefits will be benefits generally provided to executive officers of Petrobank.

Accordingly, the Arrangement is not considered to be a "business combination" in respect of Touchstone, and as a result, no "minority approval" is required for the Touchstone Arrangement Resolution. In addition, since the Arrangement does not constitute a business combination, no formal valuation is required for the Arrangement under MI 61-101.

United States

The Petrobank Shares issuable to Touchstone Shareholders in exchange for their Touchstone Shares pursuant to the Arrangement have not been and will not be registered under the 1933 Act, and will be issued in reliance upon the exemption from the registration requirements of the 1933 Act set forth in section 3(a)(10) thereof. Section 3(a)(10) of the 1933 Act exempts the issuance of any securities issued in exchange for one or more *bona fide* outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction as fair to the recipients of the securities, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and of which such persons have received timely notice. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered and to grant such approval. The Court granted the Interim Order on March 26, 2014 and, subject to the approval of the Arrangement by Touchstone Shareholders and satisfaction of certain other conditions, a hearing on the Arrangement will be held on April 30, 2014 by the Court. See "*Court Approval*" above.

The Petrobank Shares issuable to Touchstone Shareholders pursuant to the Arrangement will be, following completion of the Arrangement, freely tradable under the 1933 Act, except for (i) any shares ("**Restricted Shares**") received in the Arrangement by persons who are "affiliates" of Petrobank on the Effective Date or who were "affiliates" of Petrobank within 90 days before the Effective Date and (ii) any shares ("**Control Shares**") that after the Effective Date are held by persons who are then (or were within the preceding 90 days) "affiliates" of Petrobank. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of such Petrobank Shares that are Restricted Shares or Control Shares will be subject to the registration requirements of the 1933 Act, absent an exemption or exclusion therefrom. Subject to certain limitations, persons holding Restricted Shares or Control Shares may generally resell those Petrobank Shares outside the United States without registration under the 1933 Act pursuant to Regulation S under the 1933 Act. If available, such persons may also resell such Petrobank Shares pursuant to Rule 144 under the 1933 Act.

Rule 144

In general, under Rule 144, persons who hold Restricted Shares and who are not affiliates of Petrobank (and have not been affiliates within three months) can sell those shares without restriction (whereupon they will cease to be Restricted Shares): (a) if at the time of sale, the holder has held such Restricted Shares for at least one year or (b) if at the time of sale (and within the 90 days preceding the sale), Petrobank is subject to the reporting requirements of the 1934 Act (and has complied with such reporting requirements for the preceding twelve months or such lesser period as Petrobank was subject to those reporting requirements), and the holder has held such Restricted Shares for at least six months. Petrobank is not currently, and has not agreed to become, subject to the reporting requirements of the 1934 Act.

Persons who at the time of sale are "affiliates" of Petrobank (or were affiliates within 90 days prior to the sale) can sell Restricted Shares or Control Shares (whereupon they will cease to be Restricted Shares or Control Shares) if, during any three-month period, the aggregate number of such shares sold does not exceed the greater of one percent of the then outstanding shares of such class or, if such shares are listed on a United States securities exchange (such as the New York Stock Exchange or NASDAQ Stock Market), the average reported weekly trading volume of such shares during the four calendar week period preceding the filing of a notice of sale with the SEC, subject to specified restrictions on manner of sale, filing requirements, aggregation rules and the availability of current public information about Petrobank and subject, in the case of Restricted Shares, to satisfying the same respective holding periods provided above in the case of non-affiliates. Petrobank Shares are not currently listed on a United States securities exchange, and Petrobank has not agreed to such a listing in the future.

Regulation S

In general, under Rule 904 of Regulation S, certain persons who hold Restricted Shares or Control Shares may sell their Petrobank Shares outside the United States in an "offshore transaction" if neither the seller, an affiliate nor any person acting on its behalf engages in "directed selling efforts" in the United States. For purposes of Regulation S, "directed selling efforts" means, except for certain narrow permitted activities specified in Regulation S, "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered". Also, under Regulation S, subject to certain exceptions contained in Regulation S, an "offshore transaction" is a transaction in which the offer of the applicable securities is not made to a person in the United States or any person acting on its behalf, and either (a) at the time the buy order is originated, the buyer is outside the United States or the seller reasonably believes that the buyer is outside of the United States or (b) the transaction is executed in, on or through the facilities of a designated offshore securities market (which would include a sale on the TSX) and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States. Such resales under Rule 904 of Regulation S are not permitted by any person deemed to be a distributor or any person who is an affiliate (other than any officer or director of Petrobank who is an affiliate solely by virtue of holding such position). In sales by officers or directors of Petrobank in reliance on Rule 904, no selling concession, fee or other remuneration can be paid in connection with the sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. Certain additional restrictions, set forth in Regulation S, may be applicable.

The foregoing discussion is only a general overview and summary of certain requirements of United States federal securities laws that may be applicable to the resale of Petrobank Shares received upon completion of the Arrangement. **All holders of such securities are urged to consult with their counsel to ensure that the resale of their securities complies with applicable securities legislation.**

Procedure for Exchange of Touchstone Share Certificates

A copy of the Touchstone Letter of Transmittal is enclosed with this Circular. To receive the Petrobank Shares issuable pursuant to the Arrangement, the enclosed Touchstone Letter of Transmittal must be duly completed, executed and returned with the certificate(s) representing Touchstone Shares

and any other documentation as provided in the Touchstone Letter of Transmittal, to the office of the Depository specified in the Touchstone Letter of Transmittal. In the event that the Arrangement is not completed, such certificates will be promptly returned. Touchstone Shareholders who hold their Touchstone Shares in a direct registration advice ("**DRS Advice**"), must complete, execute and return the Letter of Transmittal, clearly identifying himself, herself or itself as holding Touchstone Shares in a DRS Advice, and any other documentation as provided in the Touchstone Letter of Transmittal, to the office of the Depository specified in the Touchstone Letter of Transmittal. Upon surrender to the Depository of a duly completed and executed Touchstone Letter of Transmittal, the certificate(s) representing Touchstone Shares and any other documentation as provided in the Touchstone Letter of Transmittal, and receipt of a treasury direction for the issuance of the Petrobank Shares and written notice from Petrobank that the Arrangement has become effective, the Depository shall (subject to any withholdings, if applicable) arrange for the delivery of Petrobank Shares to which the holders of such Touchstone certificates are entitled pursuant to the Arrangement. Additional copies of the Touchstone Letter of Transmittal are available by contacting the Depository at 1-800-564-6253.

Touchstone Shareholders whose Touchstone Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to deposit their Touchstone Shares. Touchstone Shareholders are encouraged to deliver a duly completed and executed Touchstone Letter of Transmittal together with the relevant share certificate(s) to the Depository as soon as possible.

If a Touchstone Letter of Transmittal or other required document has been improperly completed or signed, or the certificate(s) representing Touchstone Shares accompanying a Touchstone Letter of Transmittal are not in proper form for deposit to the Arrangement, or some other irregularity in connection with a deposit exists, the Depository will make reasonable efforts to contact such holder of Touchstone Shares to cause such irregularity to be corrected.

Touchstone and Petrobank reserve the right to permit the procedure for the exchange of Touchstone Shares pursuant to the Arrangement to be completed other than that as set out above.

From and after the Effective Time, certificates formally representing Touchstone Shares shall represent only the right to receive Petrobank Shares to which the holders are entitled pursuant to the Arrangement.

The use of mail to transmit certificates representing Touchstone Shares and the Touchstone Letter of Transmittal is at each Touchstone Shareholder's option and risk. Touchstone recommends that such certificates and documents be delivered by hand to the Depository and a receipt therefore be obtained or, if mailed, by registered mail with return receipt being used and that appropriate insurance be obtained.

If a share certificate has been lost or destroyed, the Touchstone Letter of Transmittal should be completed as fully as possible and forwarded, together with a letter describing the loss, to the Depository. The Depository will provide replacement instructions. The replacement certificate must be received by the Depository prior to issuing the Petrobank Shares.

Any certificate that immediately prior to the Effective Time represented outstanding Touchstone Shares that has not been validly deposited with all other documents as required pursuant to the Arrangement on or before the last Business Day prior to the third anniversary of the Effective Date shall cease to represent a claim or interest of any kind or nature, including a claim for dividends or other distributions, against Petrobank by a former Touchstone Shareholder. In such circumstances, upon receipt of written instructions from Petrobank, any such Petrobank Shares will be deemed to be surrendered to Petrobank and any dividends or distributions in respect of such Petrobank Shares held by the Depository will be returned to Petrobank.

In the event that the Arrangement does not proceed, all certificates representing Touchstone Shares deposited with a related Touchstone Letter of Transmittal will be returned to Touchstone Shareholders at the name and address specified in the Touchstone Letter of Transmittal by first class mail or, if no name

or address is specified, at such name and such address as is shown on the register maintained by Touchstone.

INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Touchstone

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

All of the executive officers of Touchstone, namely, Mr. Paul R. Baay, Chairman and Chief Executive Officer, Mr. Scott Budau, Chief Financial Officer, and Mr. James Shipka, Vice President, Geoscience and Business Development, has a written employment agreement with Touchstone that outline, among other things, the terms and conditions applicable in the event of a "change of control" of Touchstone and associated termination of employment. However, each of Messrs. Baay, Budau and Shipka will be joining the executive team of New Touchstone and as a result, the Arrangement will not initially trigger any change of control payments.

Messrs. Paul R. Baay, Trevor Mitzel and R. Gregg Smith, current directors of Touchstone, are expected to be appointed as directors of Petrobank after completion of the Arrangement. It is anticipated that Tom Valentine, a Partner at Norton Rose Fulbright Canada LLP and a current director of Touchstone, will be appointed Corporate Secretary of New Touchstone.

As at the date hereof, the directors and officers of Touchstone and their associates and affiliates, as a group, beneficially owned, or controlled or directed, less than 4% of the outstanding Touchstone Shares (on a non-diluted basis) and less than 1% of the outstanding Petrobank Shares (on a non-diluted basis). Of all the directors and officers of Touchstone, only Mr. R. Gregg Smith holds Petrobank securities, being 222,661 Petrobank Shares.

Immediately after giving effect to the Arrangement, it is anticipated that the current directors and officers of Touchstone and their associates and affiliates, as a group, would beneficially own, or control or direct, directly or indirectly, less than 2% of the then outstanding Petrobank Shares on a non-diluted basis.

The directors and executive officers of Touchstone have indicated their intention to vote their Touchstone Shares in favour of the Touchstone Arrangement Resolution and the Touchstone Continuance Resolution and have entered into the Touchstone Support Agreements with Petrobank agreeing to do so. See "*Effect of the Arrangement – Touchstone Support Agreements*".

Touchstone has retained Scotia Waterous to be the financial advisor to Touchstone with respect to the Arrangement. Scotia Waterous has received or will receive fees from Touchstone for services rendered.

Petrobank

Except as described below, to the knowledge of Petrobank, the directors and executive officers of Petrobank have no material interest in the Arrangement or the Petrobank Shareholder Resolutions that differs from the interests of Petrobank Shareholders generally. As at the date hereof, the current directors and executive officers of Petrobank and their associates and affiliates, as a group, beneficially owned, or controlled or directed, directly or indirectly, less than 7% of the outstanding Petrobank Shares on a non-diluted basis.

In addition, other than Mr. John D. Wright, who currently holds 131,000 Touchstone Shares as at the date hereof, no Touchstone Shares or Touchstone Debentures are beneficially owned, or controlled or directed, directly or indirectly, by any of the directors and executive officers of Petrobank or their associates and affiliates.

LEGAL DEVELOPMENTS

Section 193 of the ABCA provides that, where it is impracticable for a corporation to effect an arrangement under any other provision of the ABCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. Pursuant to this section of the ABCA, such an application will be made by Touchstone for approval of the Arrangement. There have been a number of judicial decisions considering this section and its application; however, there have not been, to the knowledge of Touchstone, any recent significant decisions which would apply in this instance.

Touchstone Shareholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement.

DISSENT RIGHTS

The following description of the right to dissent and appraisal to which registered Touchstone Shareholders are entitled is not a comprehensive statement of the procedures to be followed by a Touchstone Dissenting Shareholder who seeks payment of the fair value of such Touchstone Dissenting Shareholder's Touchstone Shares and is qualified in its entirety by the reference to the full text of the Interim Order, Plan of Arrangement, the text of section 191 of the ABCA and the text of Part 8, Division 2 of the BCBCA, which are attached to this Circular as Appendix E, Appendix D, Appendix G, and Appendix F, respectively. A Touchstone Dissenting Shareholder who intends to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of the BCBCA for the Touchstone Continuance and with the provisions of the ABCA, as modified by the Interim Order, for the Arrangement. Failure to strictly adhere to the procedures established therein may result in the loss of all rights thereunder.

Accordingly, each Touchstone Dissenting Shareholder who might desire to exercise Dissent Rights should consult their own legal advisor.

In respect of Dissent Rights with respect to the Arrangement, 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.

Dissent Rights with Respect to the Continuance

Pursuant to section 309 of the BCBCA, any registered Touchstone Shareholder may send a notice of dissent to Touchstone in accordance with Division 2 of Part 8 (sections 237 to 247) of the BCBCA. Pursuant to section 245 of the BCBCA, any registered Touchstone Shareholder who dissents from the Touchstone Continuance Resolution in compliance with sections 237 to 247 of the BCBCA will be entitled to be paid by Touchstone the fair value of the Touchstone Shares held by such Touchstone Dissenting Shareholder determined as at the point in time immediately before the passing of the Touchstone Continuance Resolution. A Touchstone Dissenting Shareholder must dissent with respect to all of the Touchstone Shares, registered in the Touchstone Dissenting Shareholder's name, of which the Touchstone Dissenting Shareholder is the beneficial owner. **Persons who are beneficial owners of Touchstone Shares registered in the name of a broker, dealer, bank, trust company or other nominee who wish to dissent should be aware that only the registered holder is entitled to dissent.** In addition, in accordance with the restrictions set out in sections 237 to 247 of the BCBCA, no Touchstone Shareholder who has voted in favour of the Touchstone Continuance Resolution will be entitled to exercise Dissent Rights with respect to the Touchstone Continuance.

The filing of a notice of dissent deprives a Touchstone Dissenting Shareholder of the right to vote at the Touchstone Meeting, except if such Touchstone Dissenting Shareholder ceases to be a Touchstone Dissenting Shareholder in accordance with the Dissent Rights. For greater certainty, a Touchstone Shareholder who wishes to exercise Dissent Rights may not vote in favour of the Touchstone Continuance. A registered Touchstone Shareholder who wishes to dissent with respect to the Touchstone Continuance Resolution must deliver written notice of dissent to the Touchstone Continuance Resolution to Touchstone c/o Norton Rose Fulbright Canada LLP, Suite 3700, 400 – 3rd Avenue SW, Calgary, Alberta, T2P 4H2, Attention: Craig Hoskins, at least two (2) days before the date on which the Touchstone Continuance Resolution is to be voted upon and such notice of dissent must strictly comply with the requirements of section 242 of the BCBCA.

In particular, the written notice of dissent must set out the number of Touchstone Shares in respect of which the notice of dissent is to be sent and:

- if such Touchstone Shares constitute all of the Touchstone Shares of which the Touchstone Shareholder is the registered and beneficial owner, a statement to that effect;
- if such Touchstone Shares constitute all of the Touchstone Shares of which the Touchstone Shareholder is both the registered and beneficial owner but if the Touchstone Shareholder owns additional Touchstone Shares beneficially, a statement to that effect and the names of the registered shareholders, the number of Touchstone Shares held by such registered owners and a statement that written notices of dissent are being or have been sent with respect to such shares; or
- if the dissent rights are being exercised by a registered owner who is not the beneficial owner of such Touchstone Shares, a statement to that effect and the name and address of the beneficial owner and a statement that the registered owner is dissenting with respect to all Touchstone Shares of the beneficial owner registered in such registered owner's name.

Touchstone is required promptly after the later of: (a) the date on which Touchstone forms the intention to proceed with the Touchstone Continuance; and (b) the date on which the written notice of dissent was received, to notify each Touchstone Dissenting Shareholder of its intention to act on the Touchstone Continuance.

Upon receipt of such notification, each Touchstone Dissenting Shareholder is then required, if the Touchstone Dissenting Shareholder wishes to proceed with the dissent, within one (1) month after the date of such notice to send to Touchstone: (a) a written statement that the Touchstone Dissenting Shareholder requires Touchstone to purchase all of its Touchstone Shares; (b) the certificates representing such Touchstone Shares; and (c) if the Touchstone Continuance Dissent Rights are being exercised by the Touchstone Dissenting Shareholder on behalf of a beneficial owner who is not the Touchstone Dissenting Shareholder, a statement signed by the beneficial owner which sets out whether the beneficial owner is the beneficial owner of other Touchstone Shares, and if so: (i) the names of the registered owners of such Touchstone Shares; (ii) the number of such Touchstone Shares; and (iii) that dissent is being exercised in respect of such Touchstone Shares. A Touchstone Shareholder who fails to send Touchstone, within the required time frame, the written statements described above and the certificates representing the Touchstone Shares in respect of which the Touchstone Dissenting Shareholder dissents, forfeits the Touchstone Shareholder's right to dissent.

On sending the required documentation to Touchstone, the fair value for a Touchstone Dissenting Shareholder's Touchstone Shares will be determined as follows:

- if Touchstone and a Touchstone Dissenting Shareholder agree on the fair value of the Touchstone Shares, then Touchstone must promptly pay that amount to the Touchstone Dissenting Shareholder or promptly send notice to the Touchstone Dissenting Shareholder that

Touchstone is lawfully unable to pay the Touchstone Dissenting Shareholders for their Touchstone Shares; or

- if a Touchstone Dissenting Shareholder and Touchstone are unable to agree on a fair value, the Touchstone Dissenting Shareholder may apply to the Supreme Court of British Columbia to determine the fair value of the Touchstone Shares, and Touchstone must pay to the Touchstone Dissenting Shareholder the fair value determined by such Court or promptly send notice to the Touchstone Dissenting Shareholder that Touchstone is lawfully unable to pay the Touchstone Dissenting Shareholders for their Touchstone Shares.

Touchstone will be lawfully unable to pay the Touchstone Dissenting Shareholder the fair value of their Touchstone Shares if Touchstone is insolvent or would be rendered insolvent by making the payment to the Touchstone Dissenting Shareholder. In such event, Touchstone Dissenting Shareholders will have 30 days to elect to either: (a) withdraw their dissent, or (b) retain their status as a claimant and be paid as soon as Touchstone is lawfully able to do so or, in a liquidation, be ranked subordinate to its creditors but in priority to its shareholders. If the Touchstone Continuance is not implemented for any reason, Touchstone Dissenting Shareholders will not be entitled to be paid the fair value for their Touchstone Shares and the Touchstone Dissenting Shareholders will be entitled to the return of any share certificates delivered to Touchstone in connection with the exercise of the Dissent Rights.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by a Touchstone Dissenting Shareholder who seeks payment of the fair value of their Touchstone Shares. Division 2 of Part 8 of the BCBCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. Accordingly, each Touchstone 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 F to this Circular and consult their own legal advisor.

Dissent Rights with Respect to the Arrangement

Subject to certain tests as described below, pursuant to the Interim Order, Touchstone Dissenting Shareholders are entitled, in addition to any other right such Touchstone Dissenting Shareholder may have, to dissent and to be paid by Touchstone the fair value of the Touchstone Shares held by such Touchstone Dissenting Shareholder in respect of which such Touchstone Dissenting Shareholder dissents, determined as of the close of business on the last Business Day before the day on which the Touchstone Arrangement Resolution from which such Touchstone Dissenting Shareholder's dissent was adopted. **A Touchstone Dissenting Shareholder may dissent only with respect to all of the Touchstone Shares held by such Touchstone Dissenting Shareholder or on behalf of any one beneficial owner and registered in the Touchstone Dissenting Shareholder's name. Only registered Touchstone Shareholders may dissent. Persons who are beneficial owners of Touchstone Shares registered in the name of a broker, dealer, bank, trust company or other nominee who wish to dissent, should be aware that they may only do so through the registered owner of such Touchstone Shares or by making arrangements for the Touchstone Shares owned by that holder to be registered in their name prior to the time the written objection to the Touchstone Arrangement Resolution is required to be received by Touchstone. A registered Touchstone Shareholder, such as a broker, who holds Touchstone Shares as nominee for beneficial holders, some of whom wish to dissent, must exercise the Dissent Rights on behalf of such beneficial owners with respect to all of the Touchstone Shares held for such beneficial owners. In such case, the demand for dissent should set forth the number of Touchstone Shares covered by it.**

Touchstone Dissenting Shareholders must provide a written objection to the Touchstone Arrangement Resolution to Touchstone c/o Norton Rose Fulbright Canada LLP, Suite 3700, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2, Attention: Craig Hoskins, by 4:00 p.m. on April 21, 2014 or the last Business Day immediately preceding the date of any adjournment(s) or postponement(s) of the Touchstone Meeting. No Touchstone Shareholder who has voted in

favour of the Touchstone Arrangement Resolution shall be entitled to dissent with respect to the Arrangement.

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

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

A Touchstone Dissenting Shareholder will not be 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 Touchstone Shares of all Touchstone Dissenting Shareholders who are parties to the application, giving judgment in that amount against Touchstone and in favour of each of those Touchstone Dissenting Shareholders, and fixing the time within which Touchstone must pay the amount payable to each Touchstone Dissenting Shareholder calculated from the date on which the Touchstone Dissenting Shareholder ceases to have any rights as a Touchstone Shareholder, until the date of payment.

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

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

All Touchstone Shares held by Touchstone Dissenting Shareholders who exercise their Dissent Rights will, if the holders do not otherwise withdraw such holder's written objection, be deemed to be transferred to Touchstone under the Arrangement, and cancelled in exchange for the fair value thereof or will, if such

Touchstone Dissenting Shareholders ultimately are not so entitled to be paid the fair value thereof, be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting holder of Touchstone Shares, and such Touchstone Shares will be deemed to be exchanged into Petrobank Shares on the same basis as all other Touchstone Shareholders pursuant to the Arrangement.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by Touchstone Dissenting Shareholders who seek payment of the fair value of their Touchstone Shares. Part 8, Division 2 of the BCBCA and section 191 of the ABCA, other than as amended by the Interim Order, require adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. **Accordingly, Touchstone Dissenting Shareholders who might desire to exercise the right to dissent and appraisal with respect to the Touchstone Continuance should carefully consider and comply with the provisions of Part 8, Division 2 of the BCBCA, the full text of which is set out in Appendix F to this Circular, and with respect to the Arrangement should carefully consider and comply with the provisions of section 191 of the ABCA, the full text of which is set out in Appendix G to this Circular, and consult their own legal advisor.**

Unless otherwise waived, it is a condition to the completion of the Arrangement that, Touchstone Shareholders representing not more than 5% in the aggregate of the Touchstone Shares then outstanding shall have validly exercised, and not withdrawn, Dissent Rights in respect of the Touchstone Continuance and the Arrangement as of the Effective Date.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Norton Rose Fulbright Canada LLP, counsel to Touchstone, and Blake, Cassels & Graydon LLP, counsel to Petrobank, the following summary describes the principal Canadian federal income tax considerations arising in connection with the Arrangement generally applicable to beneficial owners of Touchstone Shares who, at all relevant times, for purposes of the Tax Act: (i) deal at arm's length with Touchstone and Petrobank; (ii) are not affiliated with Touchstone or Petrobank; and (iii) hold their Touchstone Shares and will hold any Petrobank Shares received in exchange for Touchstone Shares under the Arrangement, as capital property ("**Holders**", and each a "**Holder**").

Touchstone Shares and Petrobank Shares will generally be considered to be capital property to a Holder unless such Touchstone Shares and/or Petrobank Shares are held by the Holder in the course of carrying on a business or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders resident in Canada may be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act to treat their Touchstone Shares, and every other "Canadian security" (as defined in the Tax Act) owned by such Holder, as capital property in the taxation year in which the election is made and in all subsequent taxation years. Holders who do not hold their Touchstone Shares, or any Petrobank Shares received in exchange for Touchstone Shares under the Arrangement, as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Holder: (i) that is a "specified financial institution" for the purposes of the Tax Act; (ii) that is a "financial institution" for the purposes of the mark-to-market rules in the Tax Act; (iii) an interest in which is a "tax shelter investment" for the purposes of the Tax Act; (iv) whose "functional currency" for the purposes of the Tax Act is the currency of a country other than Canada; (v) that is exempt from tax under the Tax Act; or (vi) that has entered into, or will enter into, a "derivative forward agreement" with respect to Touchstone Shares and/or Petrobank Shares. Such Holders should consult their own tax advisors with respect to the Arrangement.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act 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 administrative policies and assessing practices of the CRA published in writing and publicly available as of the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted

in their current form, 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, governmental or judicial action, or changes in the administrative policies and assessing practices of the CRA, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any Holder are made. Consequently, Holders should consult their own tax advisors for advice with respect to the tax consequences to them of the Arrangement, having regard to their particular circumstances.

Residents of Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act, is, or is deemed to be, resident in Canada (a "**Resident Holder**").

Exchange of Touchstone Shares

A Resident Holder that exchanges Touchstone Shares for Petrobank Shares pursuant to the Arrangement will not recognize a capital gain (or a capital loss) on such exchange, unless such Resident Holder chooses to recognize a capital gain (or a capital loss), as described below.

A Resident Holder that does not choose to recognize a capital gain (or a capital loss) on the exchange of Touchstone Shares for Petrobank Shares, will be deemed to have disposed of the Touchstone Shares for proceeds of disposition equal to the Resident Holder's adjusted cost base of those Touchstone Shares, determined immediately before the Effective Time, and the Resident Holder will be deemed to have acquired the Petrobank Shares at an aggregate cost equal to such adjusted cost base of the Touchstone Shares. Such cost generally will be averaged with the adjusted cost base of any other Petrobank Shares held at that time by the Resident Holder as capital property for purposes of determining the adjusted cost base of each such Petrobank Share to the Resident Holder.

A Resident Holder may choose to recognize a capital gain (or a capital loss) on the exchange of Touchstone Shares for Petrobank Shares by including such capital gain (or capital loss) in computing its income for the taxation year for purposes of the Tax Act. In such circumstances, the Resident Holder will recognize a capital gain (or a capital loss) equal to the amount, if any, by which the fair market value of the Petrobank Shares received, net of any reasonable costs associated with the exchange, exceeds (or is less than) the adjusted cost base of the Touchstone Shares to the Resident Holder, determined immediately before the Effective Time. For a description of the tax treatment of capital gains and capital losses, see "*Holding and Disposing of Petrobank Shares – Taxation of Capital Gains and Capital Losses*" below. The cost of a Petrobank Share acquired on the exchange will be equal to the fair market value thereof. Such cost generally will be averaged with the adjusted cost base of any other Petrobank Shares held at that time by the Resident Holder as capital property for purposes of determining the adjusted cost base of each such Petrobank Share to the Resident Holder.

Dissenting Resident Holders

A Resident Holder that exercises Dissent Rights in respect of the Arrangement (a "**Dissenting Resident Holder**") will be deemed to have transferred such Dissenting Resident Holder's Touchstone Shares to Touchstone, and will be entitled to receive a payment from Touchstone equal to the fair value of the Dissenting Resident Holder's Touchstone Shares.

A Dissenting Resident Holder will generally be deemed to have received a taxable dividend from Touchstone equal to the amount, if any, by which the payment received by the Dissenting Resident Holder from Touchstone for the Touchstone Shares (other than any amount in respect of interest

awarded by the Court) exceeds the paid-up capital of such Touchstone Shares as computed for the purposes of the Tax Act. The Canadian federal income tax treatment of any such deemed dividend will generally be the same as described below under "*Holding and Disposing of Petrobank Shares – Dividends on Petrobank Shares*". In certain cases all or part of a deemed dividend received by a Dissenting Resident Holder that is a corporation may be treated as proceeds of disposition, and not as a deemed dividend, in respect of the Touchstone Shares. Resident Holders that are corporations should consult their own tax advisors for advice with respect to the potential application of these provisions.

A Dissenting Resident Holder will also generally be considered to have disposed of its Touchstone Shares for proceeds of disposition equal to the amount received by the Dissenting Resident Holder from Touchstone less the amount of any deemed dividend referred to above (other than any deemed dividends which are treated as proceeds of disposition) and any interest awarded by a Court. As a result, Dissenting Resident Holders will generally realize a capital gain (or a capital loss) to the extent such proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Touchstone Shares to the Dissenting Resident Holder and any reasonable costs of disposition. The Canadian federal income tax treatment of capital gains and capital losses is discussed below under "*Holding and Disposing of Petrobank Shares – Taxation of Capital Gains and Capital Losses*".

Any interest awarded by a Court to a Dissenting Resident Holder will be included in such Dissenting Resident Holder's income for the purposes of the Tax Act.

Holding and Disposing of Petrobank Shares

The Petrobank Consolidation

Where the Petrobank Consolidation occurs following the time at which the Arrangement becomes effective, any Petrobank Shares received by a Resident Holder in exchange for Touchstone Shares will be consolidated pursuant to the Petrobank Consolidation on the basis of 1 post-consolidation Petrobank Share for every 2 pre-consolidation Petrobank Shares. This consolidation will not give rise to a disposition of Petrobank Shares for purposes of the Tax Act and Resident Holders will not realize a capital gain or a capital loss upon the consolidation of their Petrobank Shares.

No tax consequences will arise to a Resident Holder where the Petrobank Consolidation occurs prior to the time at which the Arrangement becomes effective.

Dividends on Petrobank Shares

Dividends received or deemed to be received by a Resident Holder on Petrobank Shares received in exchange for Touchstone Shares will be included in computing such Resident Holder's income for the purposes of the Tax Act for the taxation year in which the dividends are received.

Dividends received or deemed to be received on Petrobank Shares by a Resident Holder who is an individual will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends validly designated by Petrobank as "eligible dividends" in accordance with the provisions of the Tax Act. There can be no assurance that any dividend paid or deemed to be paid by Petrobank will be designated as an "eligible dividend". Taxable dividends received or deemed to be received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

In the case of a Resident Holder that is a corporation, dividends received or deemed to be received on Petrobank Shares will generally be deductible in computing such Resident Holder's taxable income. A Resident Holder that is a "private corporation", as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will

generally be liable to pay a refundable tax of 33 $\frac{1}{3}$ % under Part IV of the Tax Act on dividends received (or deemed to be received) on Petrobank Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income. A Resident Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" for purposes of the Tax Act may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the Tax Act), including any dividends that are not deductible in computing taxable income.

Dispositions

A disposition or deemed disposition of a Petrobank Share by a Resident Holder (other than in a tax deferred transaction) will generally result in the Resident Holder realizing a capital gain (or a capital loss) to the extent that the proceeds of disposition received, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the Petrobank Share immediately before the disposition. For a description of the tax treatment of capital gains and capital losses, see "*Holding and Disposing of Petrobank Shares – Taxation of Capital Gains and Capital Losses*" below.

Taxation of Capital Gains and Capital Losses

Generally, one-half of a capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income for the year and one-half of a capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year (subject to and in accordance with rules contained in the Tax Act). Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

If the Resident Holder is a corporation, the amount of any capital loss otherwise realized on a disposition or deemed disposition of a share may be reduced by the amount of any dividends received or deemed to have been received by it on such share (and, in certain circumstances a share exchanged for such share) to the extent and under circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns a share or where a trust or partnership of which a corporation is a beneficiary or member is a member of a partnership or a beneficiary of a trust that owns any such share. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the Tax Act), including any taxable capital gains.

Eligibility for Investment

Provided the Petrobank Shares continue to be listed on the TSX, or that Petrobank continues to qualify as a public corporation for purposes of the Tax Act, the Petrobank Shares will, at the time of issuance under the Arrangement, be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan, registered education savings plan, registered disability savings plan or tax-free savings account ("**TFSA**").

Notwithstanding that the Petrobank Shares may be qualified investments for a trust governed by a RRSP, RRIF or a TFSA, the annuitant under a RRSP or RRIF or the holder of a TFSA will be subject to a penalty tax if such Petrobank Shares are a "prohibited investment" for the RRSP, RRIF or TFSA for purposes of the Tax Act. The Petrobank Shares will generally not be a "prohibited investment" for trusts governed by a TFSA, RRSP, or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as

applicable, (i) does not deal at arm's length with Petrobank for purposes of the Tax Act, or (ii) has a "significant interest" as defined in the Tax Act in Petrobank.

Holders who intend to hold Petrobank Shares in a RRSP, RRIF or TFSA should consult their own tax advisers regarding whether the Petrobank Shares will be a prohibited investment in their particular circumstances.

Non-Residents of Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention, is not, and is not deemed to be, resident in Canada, does not and will not use or hold, and is not deemed to use or hold, Touchstone Shares or Petrobank Shares (including Petrobank Shares received in exchange for Touchstone Shares under the Arrangement) in the course of, or in connection with, a business carried on in Canada and is not an insurer who carries on an insurance business in Canada and elsewhere (a "**Non-Resident Holder**").

Exchange of Touchstone Shares

A Non-Resident Holder that exchanges Touchstone Shares for Petrobank Shares pursuant to the Arrangement will not be subject to tax under the Tax Act as a result of the exchange unless the Touchstone Shares are "taxable Canadian property" to the Non-Resident Holder at the Effective Time, and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

Provided the Touchstone Shares are listed on a designated stock exchange (which includes the TSXV) on the Effective Date, Touchstone Shares will generally not constitute taxable Canadian property of a Non-Resident Holder unless at any time during the 60-month period immediately preceding the Effective Date: (a) 25% or more of the issued shares of any class or series of the capital stock of Touchstone were owned by one or any combination of (i) the Non-Resident Holder, (ii) persons not dealing at arm's length with the Non-Resident Holder, or (iii) pursuant to Proposed Amendments, partnerships in which the Non-Resident Holder or a person not dealing at arm's length with the Non-Resident Holder held a membership interest directly or indirectly through one or more partnerships; and (b) more than 50% of the fair market value of the Touchstone Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties, timber resource properties or an option in respect of, an interest in, or for civil law a right in, any such property, whether or not such property exists. Notwithstanding the foregoing, Touchstone Shares could be deemed to be taxable Canadian property of a Non-Resident Holder in certain circumstances set out in the Tax Act.

Petrobank Shares that would not otherwise constitute taxable Canadian property of a Non-Resident Holder will be deemed to constitute taxable Canadian property for a period of 60 months where they are received by a Non-Resident Holder in exchange for Touchstone Shares that constituted "taxable Canadian property" of the Non-Resident Holder immediately prior to the exchange.

Non-Resident Holders whose Touchstone Shares may constitute taxable Canadian property should consult their own tax advisors.

Dissenting Non-Resident Holders

A Non-Resident Holder that holds Touchstone Shares and validly exercises Dissent Rights in respect of the Arrangement (a "**Dissenting Non-Resident Holder**") will be deemed to have transferred such Dissenting Non-Resident Holder's Touchstone Shares to Touchstone and will be entitled to receive a payment from Touchstone of an amount equal to the fair value of the Dissenting Non-Resident Holder's Touchstone Shares.

A Dissenting Non-Resident Holder will generally be deemed to have received a taxable dividend from Touchstone equal to the amount, if any, by which the payment received by the Dissenting Non-Resident Holder from Touchstone for the Touchstone Shares (other than any amount in respect of interest awarded by the Court) exceeds the paid-up capital of such Touchstone Shares as computed for the purposes of the Tax Act and to realize a capital gain (or a capital loss) as described above under the heading "*Residents of Canada – Dissenting Resident Holders*". The Canadian federal income tax treatment of any such deemed dividend is generally the same as described below under "*—Holding and Disposing of Petrobank Shares – Dividends on Petrobank Shares*".

A Dissenting Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain, or be able to deduct the allowable portion of any capital loss, realized on the disposition of a Touchstone Share upon the exercise of Dissent Rights unless the Touchstone Shares constitute "taxable Canadian property" (as defined in the Tax Act) of the Dissenting Non-Resident Holder at the time of the disposition and, in respect of capital gains, the Dissenting Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention. See above under "*—Exchange of Touchstone Shares*" for a discussion as to whether Touchstone Shares will constitute taxable Canadian property of a Dissenting Non-Resident Holder. Where Touchstone Shares constitute taxable Canadian property of the Dissenting Non-Resident Holder and the Dissenting Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention, any capital gain (or capital loss) realized on the disposition of a Touchstone Share upon the exercise of Dissent Rights, will generally be subject to the same Canadian federal income tax consequences discussed above applicable to a Resident Holder under "*Residents of Canada – Holding and Disposing of Petrobank Shares – Taxation of Capital Gains and Capital Losses*".

A Dissenting Non-Resident Holder will generally not be subject to Canadian withholding tax on any amount of interest that is awarded by the Court.

Non-Resident Holders who are considering exercising their Dissent Rights or whose Touchstone Shares constitute taxable Canadian property should consult their own tax advisors for advice regarding their particular circumstances.

Holding and Disposing of Petrobank Shares

The Petrobank Consolidation

Where the Petrobank Consolidation occurs following the time at which the Arrangement becomes effective, any Petrobank Shares received by a Non-Resident Holder in exchange for Touchstone Shares will be consolidated pursuant to the Petrobank Consolidation on the basis of 1 post-consolidation Petrobank Share for every 2 pre-consolidation Petrobank Shares. This consolidation will not give rise to a disposition of Petrobank Shares for purposes of the Tax Act and Non-Resident Holders will not realize a capital gain or a capital loss upon the consolidation of their Petrobank Shares.

No tax consequences will arise to a Non-Resident Holder where the Petrobank Consolidation occurs prior to the time at which the Arrangement becomes effective.

Dividends on Petrobank Shares

Dividends paid or credited, or deemed under the Tax Act to be paid or credited on Petrobank Shares to a Non-Resident Holder will generally be subject to Canadian withholding tax at the rate of 25%, unless the rate is reduced under the provisions of an income tax treaty or convention between Canada and the country where the Non-Resident Holder is resident. Where the Non-Resident Holder is a resident of the United States for the purposes of, and who is entitled to benefits under, the *Canada-United States Income Tax Convention, (1980)* and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

Dispositions of Petrobank Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain and will not be able to deduct the allowable portion of any capital loss realized on a disposition of Petrobank Shares unless the Petrobank Shares constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of the disposition and, in respect of capital gains, the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

Provided the Petrobank Shares are listed on a designated stock exchange (which includes the TSX), Petrobank Shares will generally not constitute taxable Canadian property of a Non-Resident Holder unless at any time during the 60-month period immediately preceding a disposition of such shares: (a) 25% or more of the issued shares of any class or series of the capital stock of Petrobank were owned by one or any combination of (i) the Non-Resident Holder, (ii) persons not dealing at arm's length with the Non-Resident Holder, or (iii) pursuant to Proposed Amendments, partnerships in which the Non-Resident Holder or a person not dealing at arm's length with the Non-Resident Holder held a membership interest directly or indirectly through one or more partnerships; and (b) more than 50% of the fair market value of the Petrobank Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties, timber resource properties or an option in respect of, an interest in, or for civil law a right in, any such property, whether or not such property exists. Petrobank Shares could be deemed to be taxable Canadian property of a Non-Resident Holder in certain circumstances set out in the Tax Act, including where such Petrobank Shares were received by the Non-Resident Holder in exchange for Touchstone Shares that constituted taxable Canadian property of the Non-Resident Holder immediately prior to the exchange.

Where Petrobank Shares constitute "taxable Canadian property" of a Non-Resident Holder and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention, a capital gain (or a capital loss) realized on the disposition or deemed disposition of a Petrobank Share, will generally be subject to the same Canadian federal income tax consequences discussed above applicable to a Resident Holder under "*Residents of Canada – Holding and Disposing of Petrobank Shares – Taxation of Capital Gains and Capital Losses*".

OTHER TAX CONSIDERATIONS

This Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations. Touchstone Shareholders who are resident in jurisdictions other than Canada should consult their own tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning Petrobank Shares after the Arrangement. All Touchstone Shareholders should consult their tax advisors regarding the provincial, state, local and territorial tax consequences of the Arrangement and of holding Petrobank Shares.

TIMING

If the Touchstone Meeting and the Petrobank Meeting are held as scheduled and are not adjourned, and the Touchstone Continuance Resolution, the Touchstone Arrangement Resolution and the Petrobank Share Issuance Resolution are approved by the requisite majorities at the Touchstone Meeting and the Petrobank Meeting, as applicable, and the Touchstone Continuance is completed, Touchstone will apply for the Final Order approving the Arrangement on April 30, 2014. If the Final Order is obtained in form and substance satisfactory to Touchstone and Petrobank and all other conditions set forth in the Arrangement Agreement are satisfied or waived, Touchstone and Petrobank expect the Effective Date will be on or about April 30, 2014. It is not possible, however, to state with certainty when the Effective Date will occur.

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

Touchstone's and Petrobank's objective is to have the Effective Date occur on or as soon as practicable after April 30, 2014. The Effective Date could be delayed, however, for a number of reasons, including a delay in receiving required approvals or an objection before the Court at the hearing of the application for the Final Order.

PRO FORMA INFORMATION OF PETROBANK AFTER GIVING EFFECT TO THE ARRANGEMENT

General

The Arrangement will result in the acquisition of all of the Touchstone Shares by Petrobank. Touchstone Shareholders (excluding Touchstone Dissenting Shareholders) will receive 0.471 of a Petrobank Share for each Touchstone Share held. Following the completion of the Arrangement, **Touchstone will become a wholly-owned subsidiary of Petrobank and Petrobank will continue the operations of Petrobank and Touchstone on a combined basis.**

The following sets forth certain information relating to Petrobank and Touchstone, together with pro forma information of Petrobank after giving effect to the Arrangement and certain other adjustments. Additional information concerning each of Petrobank and Touchstone is set forth elsewhere in this Circular. See Appendix L – "*Information Concerning Touchstone Exploration Inc. and Annual Meeting Matters*" and Appendix M – "*Information Concerning Petrobank Energy and Resources Ltd. and Annual Meeting Matters*".

Officers and Directors of Petrobank

Officers

Upon completion of the Arrangement, Petrobank will be led by current Touchstone Chairman and Chief Executive Officer, Paul R. Baay, who will be appointed by the Petrobank Board, as it exists at that time, to act as President and Chief Executive Officer. The remainder of the senior executive team will be comprised of: Scott Budau, Chief Financial Officer, and James Shipka, Vice President Geoscience and Business Development. It is anticipated that Tom Valentine, a Partner at Norton Rose Fulbright Canada LLP and a current director of Touchstone, will be appointed Corporate Secretary of New Touchstone.

Directors

Provided that the Petrobank Board Resolution is approved at the Petrobank Meeting, the post-Arrangement Petrobank Board will consist of seven members, being four of the current Petrobank directors (Kenneth R. McKinnon, Corey C. Ruttan, Dr. Harrie Vredenburg and John D. Wright) and three new Touchstone Nominees (Paul R. Baay, Trevor Mitzel and R. Gregg Smith). John D. Wright will continue in his capacity as Chairman of the Petrobank Board. See "*Matters to be Considered at the Petrobank Meeting*".

Nominees For Election To The Board Of Directors

The following table sets out: (i) the name of each of the persons proposed to be nominated for election as a director; (ii) the principal occupations and offices presently held by him and for the previous five years; (iii) the period during which he has served as a director of Petrobank; and (iv) the number of voting shares of Petrobank that he has advised are beneficially owned by him, directly or indirectly, or over which control or direction is exercised by him, as of March 27, 2014.

Name of Nominee, Location of Residence and Position	Number of Shares Beneficially Owned or Controlled	Director Since	Present and Principal Occupation For Previous Five Years
Kenneth R. McKinnon ⁽¹⁾⁽³⁾ Alberta, Canada Director	277,827	March 14, 2000	Mr. McKinnon has been a director of Petrobank since March 2000, a director of Petrominerales from May 2006 until it was acquired in November 2013, a director of Lightstream since October 2009 and appointed Lightstream Chairman in May 2011, and a director of Alvo Petro Energy Ltd. since November 2013. Mr. McKinnon was appointed lead independent director on October 29, 2012. Mr. McKinnon has held the position of Vice President Legal and General Counsel of Critical Mass Inc., a website design company since March 2000. Mr. McKinnon has served on the Board of Governors of the University of Calgary since September 2008, as Vice-Chair of its Governance and Human Resources Committee from June 2010 – August 2012, Vice-Chair of its Finance and Property Committee since August 2013 and Chair of its Budget Committee since August 2012, and as a director and Chairman of the Governance and Compensation Committee of Alberta Innovates – Technology Futures since January 2010. Mr. McKinnon holds an ICD.D designation as a certified corporate director.
Corey C. Ruttan ⁽²⁾ Alberta, Canada Director	467,560	April 23, 2010	Mr. Ruttan has been the President and Chief Executive Officer of Alvo Petro Energy Ltd. since November 2013. Prior to that Mr. Ruttan was President and Chief Executive Officer of Petrominerales Ltd. from May 2010 to November 2013. Mr. Ruttan was the Executive Vice President, Chief Financial Officer of PetroBakken from July 2009 to May 2010, Senior Vice President Finance and Chief Financial Officer of Petrobank from November 2008 to May 2010 and Vice President Finance and Chief Financial Officer of Petrominerales Ltd. from May 2006 to May 2010. He served as Vice President Finance and Chief Financial Officer of Petrobank from May 2007 to November 2008, Vice President Finance of Petrobank from May 2006 to May 2007 and Director of Corporate Finance and Investor Relations of Petrobank from July 2003 to May 2006.
Dr. Harrie Vredenburg ⁽¹⁾⁽³⁾⁽⁴⁾ Alberta, Canada Director	77,256	May 2, 2006	Dr. Vredenburg is Professor of Strategy and Suncor Energy Chair in Strategy and Sustainability at the Haskayne School of Business at the University of Calgary, where he has been on faculty since 1989 prior to which he taught at McGill University. In 2010 he added the role of Academic Director of the Global Energy Executive MBA, a degree offered jointly by the University of Calgary and IHS Cambridge Energy Research Associates. He also holds an appointment as an International Research Fellow at Oxford University's Said Business School (UK). He is a director of Kainji Resources Ltd and Teric Power Ltd. both private companies. Dr. Vredenburg holds an ICD.D designation as a certified corporate director and has been a director of the Company since May 2, 2006.

Name of Nominee, Location of Residence and Position	Number of Shares Beneficially Owned or Controlled	Director Since	Present and Principal Occupation For Previous Five Years
John D. Wright ⁽²⁾ Alberta, Canada Chief Executive Officer, Chairman and Director	4,088,016	March 14, 2000	Mr. Wright has been President and Chief Executive Officer and a director of Petrobank since March 2000 and was appointed Chairman of the Board of Directors on October 29, 2012. Mr. Wright is also the President and Chief Executive Officer of Lightstream Resources Ltd. and Chairman of the Board of Alvopetro Energy Ltd. He is a director of Hawk Exploration Ltd. and Spyglass Resources Corp. Previously, Mr. Wright was President and Chief Executive Officer of Pacalta Resources from May 1996 to June 1999; Executive Vice President and Chief Operating Officer of Morgan Hydrocarbons from December 1993 to April 1996; and Vice President Production of Morgan Hydrocarbons from 1989 to 1993. In the not for profit sector, John is Chairman of the Canadian Association – World Petroleum Council and, founder of Fundación Nan Paz in Ecuador. John is also a member of APEGGA, the CFA Institute and YPO/WPO. John holds a B.Sc. in Petroleum Engineering from the University of Alberta (1981) and a Charter Financial Analyst (CFA) designation (1988).
Paul R. Baay Alberta, Canada	Nil	n/a	Mr. Baay has been Chairman of the Board and Chief Executive Officer of Touchstone since 2010. Mr. Baay was Managing Director of Abacus Energy, part of Abacus Private Equity from 2007 through 2010 and was a senior officer of True Energy Inc. from 2000 through 2007. Mr. Baay holds an ICD.D designation as a certified corporate director.
Trevor Mitzel Alberta, Canada	Nil	n/a	Mr. Mitzel has been Chief Financial Officer of Big Country Energy Services LP since 2005.
R. Gregg Smith Alberta, Canada	222,661	n/a	Mr. Smith was Senior Vice-President and Chief Operating Officer of PetroBakken Energy Ltd. from 2009 to 2012. Prior to that he was Senior Vice-President and Chief Operating Officer for the Canadian business unit of Petrobank from 2003 through 2009. Mr. Smith is a director of Passport Energy Ltd.

Notes:

1. Member of the Petrobank Audit Committee.
2. Member of the Petrobank Reserves Committee.
3. Member of the Petrobank Compensation Committee.
4. Member of the Petrobank Nominating Committee.

The information as to voting securities beneficially owned, directly or indirectly, is based upon information furnished to Petrobank by the nominees.

Cease Trade Orders

Except as disclosed herein, to the knowledge of management of Petrobank, no proposed director of New Touchstone is, or within the ten (10) years before the date of this Circular has been, a director, chief executive officer or chief financial officer of any other issuer that:

- (a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under Canadian securities legislation that lasted for a period of more than thirty (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 order or an order that denied the relevant issuer access to any exemption under securities legislation that lasted for a period of more than thirty (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 the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer.

John D. Wright

Until September 2011, Mr. John D. Wright was a director of Canadian Energy Exploration Inc. ("**CEE**") (formerly TALON International Energy, Ltd.), a reporting issuer listed on the TSXV. A cease trade order (the "**ASC Order**") was issued on May 7, 2008 against CEE by the Alberta Securities Commission ("**ASC**") for the delayed filing of CEE's audited annual financial statements and Management's Discussion and Analysis for the year ended December 31, 2007 ("**Annual Filings**"). The Annual Filings were filed by CEE on SEDAR on May 8, 2008. As a result of the ASC Order, the TSXV suspended trading in CEE's shares on May 7, 2008. In addition, on June 4, 2009 the British Columbia Securities Commission ("**BCSC**") issued a cease trade order (the "**BCSC Order**") against CEE for the failure of CEE to file its audited annual financial statements and Management's Discussion and Analysis for the year ended December 31, 2008 and its unaudited interim financial statements and Management's Discussion and Analysis for the three months ended March 31, 2009.

CEE made application to the ASC and BCSC for revocation of the ASC Order and BCSC Order. The ASC and BCSC have issued revocation orders dated October 14, 2009 and November 30, 2009, respectively, granting full revocation of compliance-related cease trade orders issued by the ASC and the BCSC in respect of CEE.

Bankruptcies and Insolvencies

To the knowledge of management of Touchstone and of Petrobank, no proposed director of New Touchstone:

- (a) is at the date of this Circular, or has been within the ten (10) years before the date of this Circular, a director or executive officer of any company 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 ten (10) years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Penalties and Sanctions

Except as disclosed below, to the knowledge of management of Touchstone and of Petrobank, no proposed director of New Touchstone has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with the Canadian securities regulatory authority; or

- (b) been subject to 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.

Corey C. Ruttan

Mr. Corey C. Ruttan entered into a settlement agreement with the ASC on May 3, 2002 in respect of an insider trading violation relating to a May 17, 2000 trade. Mr. Ruttan cooperated completely in resolving the matter with the regulators. The settlement resulted in Mr. Ruttan paying an administrative penalty of \$10,000, representing a return of profits, and the costs of the proceeding in the amount of \$3,925. For a period of one year, Mr. Ruttan agreed to cease trading in securities and to not act as a director or officer of a public company. These restrictions expired on May 3, 2003. Mr. Ruttan is a Chartered Accountant in good standing.

Selected Unaudited Pro Forma Financial Information

The following tables set out certain unaudited pro forma financial information for Petrobank after giving effect to the Arrangement for the year ended December 31, 2013.

The following tables should be read in conjunction with the audited pro forma consolidated financial statements of Petrobank for the year ended December 31, 2013, including the notes thereto, attached as Appendix K to this Circular. Reference should also be made to: (a) the Petrobank Annual Financial Statements; (b) the Touchstone Annual Financial Statements; and (c) the Touchstone Interim Financial Statements, each of which is incorporated by reference herein.

The unaudited pro forma consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of: (i) the financial results that would have occurred had the Arrangement actually occurred at the times contemplated by the notes to the unaudited pro forma consolidated financial statements; or (ii) the results expected in future periods. See also Appendix K, "Pro Forma Financial Statements".

	Unaudited Pro Forma Financial Information (\$000's, except per share amounts) For the Year Ended December 31, 2013			
	Petrobank	Touchstone	Pro Forma Adjustments	Pro Forma Petrobank
Revenue	339	45,800	-	46,139
Net (Loss) earnings and comprehensive (loss) earnings	(52,874)	2,430	(1,728)	(52,172)
Net loss per share				
Basic and diluted	(0.54)	-	-	(0.32)
Weighted average number of common shares outstanding (000's)				
Basic and diluted	97,515	-	65,448	162,963

Principal Holders of Petrobank Shares Following the Arrangement

To the knowledge of the respective directors and executive officers of Petrobank, as at the date hereof, other than Orbis Asset Management Limited and Orbis Investment Management Limited (together, "Orbis") who beneficially own, direct or indirectly, or control or direct 16,480,325 Petrobank Shares, representing approximately 17% of the issued and outstanding Petrobank Shares, before giving effect to the Arrangement, no persons beneficially own, or control or direct, directly or indirectly, 10% or more of the Petrobank Shares. After giving effect to the Arrangement, Orbis will beneficially own, directly or indirectly, control or direct approximately 10% of the issued and outstanding Petrobank Shares.

Risk Factors

Touchstone Shareholders voting in favour of the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution and Petrobank Shareholders voting in favour of the Petrobank Shareholder Resolutions will be choosing to combine the businesses of Touchstone and Petrobank and, in the case of Touchstone Shareholders, to invest in Petrobank Shares. The completion of the Arrangement and investment in Petrobank Shares involves risks. In addition to the risk factors present in each of Touchstone's and Petrobank's businesses, described under the heading "Risk Factors" in the Touchstone AIF and the Petrobank AIF, which are incorporated by reference herein, Touchstone Shareholders and Petrobank Shareholders should carefully consider the following risk factors in evaluating whether to approve the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution and the Petrobank Shareholder Resolutions, as applicable. Readers are cautioned that such risk factors are not exhaustive. These risk factors should be considered in conjunction with the other information included in the Circular, including the documents incorporated by reference herein and documents filed by Petrobank and Touchstone pursuant to Applicable Laws from time to time.

Possible Failure to Realize Anticipated Benefits of the Arrangement

The Arrangement is subject to normal commercial risks that such transaction may not be completed on the terms negotiated or at all. Petrobank and Touchstone are proposing to complete the Arrangement to strengthen the position of Petrobank in the oil and gas industry and to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of the Arrangement depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the ability of Petrobank, after giving effect to the Arrangement, to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Petrobank.

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

Satisfaction of Conditions Precedent

The completion of the Arrangement is subject to a number of condition precedents, certain of which are outside the control of Petrobank and Touchstone, including obtaining the requisite approvals from Petrobank Shareholders and Touchstone Shareholders and required third party, government and regulatory approvals including but not limited to, consent from the Touchstone Lender and consent from the approval of the Trinidad and Tobago Minister of Energy and Energy Affairs and the Petroleum Company of Trinidad and Tobago, as applicable. There is no certainty, nor can Petrobank and/or Touchstone provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If for any reason the Arrangement is not completed, the market price of the Petrobank Shares and the Touchstone Shares may be adversely affected. Moreover, if the Arrangement Agreement is terminated, there is no assurance that the Petrobank Board and/or Touchstone Board will be able to find another similar transaction in which to enter.

Entry into New Business Activities

Completion of the Arrangement will result in a combination of the current business activities currently carried on by each of Petrobank and Touchstone as separate entities. The combination of these activities into the merged entity may expose Shareholders and creditors to different business risks than those to which they were exposed prior to the Arrangement. In particular, Petrobank Shareholders will gain greater exposure to the risks inherent in Touchstone's oil exploration, development and production business as well as to Touchstone's operations in Trinidad (environmental and other regulatory matters in

Trinidad), and Touchstone Shareholders will gain greater exposure to Petrobank's traditional heavy oil business.

The Arrangement Agreement May Be Terminated

Each of Petrobank and Touchstone has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can either of Petrobank or Touchstone provide any assurance, that the Arrangement will not be terminated by either Petrobank or Touchstone before the completion of the Arrangement. For instance, Petrobank and Touchstone have the right, in certain circumstances, to terminate the Arrangement Agreement if changes occur that have a Material Adverse Effect. There is no assurance that a Material Adverse Effect will not occur before the Effective Date, in which case Petrobank and Touchstone could elect to terminate the Arrangement Agreement and the Arrangement would not proceed.

The Market Price for the Touchstone Shares and/or the Petrobank Shares May Decline

If the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution are not approved by the Touchstone Shareholders and/or the Petrobank Share Issuance Resolution and the Petrobank Board Resolution are not approved by Petrobank Shareholders (and, in the case of the Petrobank Board Resolution, such condition is not waived by both Parties) or the Arrangement is not completed for any other reason, the market price of the Touchstone Shares and/or the Petrobank Shares may decline to the extent that the current market price of the Touchstone Shares and/or the Petrobank Shares reflects a market assumption that the Arrangement will be completed. If the Arrangement is not completed and the Touchstone Board and/or the Petrobank Board decides to seek another business combination, there can be no assurance that Touchstone and/or Petrobank will be able to find a transaction as attractive as the Arrangement.

If there is a decline in the trading price of the Touchstone Shares and/or the Petrobank Shares on the TSXV and/or the TSX, respectively, the market value of the Touchstone Shares and/or the Petrobank Shares could be materially less than the market value at the dates referenced in this Circular. Variations may occur as a result of changes in, or market perceptions of changes in, the business, operations or prospects of Petrobank and/or Touchstone, market assessments of the likelihood that the Arrangement will be consummated, regulatory considerations, general market and economic conditions, commodity price changes and other factors over which Petrobank and/or Touchstone has no control.

INTERESTS OF EXPERTS

Certain legal matters relating to the Arrangement are to be passed upon by Norton Rose Fulbright Canada LLP, Getz Prince Wells LLP and Fulbright & Jaworski LLP on behalf of Touchstone and by Blake, Cassels & Graydon LLP on behalf of Petrobank. As at the date hereof, the partners and associates of Norton Rose Fulbright Canada LLP, Getz Prince Wells LLP and Fulbright & Jaworski LLP and Blake, Cassels & Graydon LLP, respectively, beneficially own, directly or indirectly, less than 1% of the outstanding Touchstone Shares and less than 1% of the outstanding Petrobank Shares.

Ernst & Young LLP, the auditors of Touchstone, has confirmed that it is independent with respect to Touchstone within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. KPMG LLP, the auditors of Petrobank, has confirmed that it is independent with respect to Petrobank within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

MATTERS TO BE CONSIDERED AT THE PETROBANK MEETING

Petrobank Shareholders will be entitled to vote on the election of auditors and, the Petrobank Shareholder Resolutions, and such other business as may properly be brought before the Petrobank Meeting or any adjournment(s) or postponement(s) thereof. Each Petrobank Shareholder of record on the Petrobank Record Date (subject to certain exceptions) is entitled to vote at the Petrobank Meeting or any adjournment(s) or postponement(s) thereof and is entitled to one vote for each Petrobank Share held. See "*General Proxy Matters – Petrobank*".

Approval of the Petrobank Share Issuance Resolution

The Arrangement, if completed, will result in the acquisition of all of the issued and outstanding Touchstone Shares by Petrobank on the basis of 0.471 of a Petrobank Share for each Touchstone Share held. Based on the 138,956,517 Touchstone Shares issued and outstanding as of March 27, 2014, the Arrangement would result in an aggregate of 65,448,520 pre-consolidation Petrobank Shares being issued pursuant to the Arrangement, subject to additional Petrobank Shares issued in connection with the rounding of fractional share entitlements as provided in the Plan of Arrangement. In addition, as of March 27, 2014 there were (i) outstanding Touchstone Debentures convertible into an aggregate of 2,857,143 Touchstone Shares (1,345,714 pre-consolidation Petrobank Shares based on the Exchange Ratio under the Arrangement), (ii) 1,000,000 outstanding Touchstone Debenture Warrants entitling the holder thereof to acquire 1,000,000 Touchstone Shares (471,000 pre-consolidation Petrobank Shares based on the Exchange Ratio under the Arrangement), and (iii) 9,600,000 outstanding Touchstone Credit Facility Warrants entitling the holder thereof to acquire 9,600,000 Touchstone Shares (4,521,600 pre-consolidation Petrobank Shares based on the Exchange Ratio under the Arrangement). Based on the foregoing, the number of pre-consolidation Petrobank Shares potentially issuable pursuant to the Arrangement upon the exchange of Touchstone Shares, the potential conversion of Touchstone Debentures and upon the potential exercise of the Touchstone Warrants is 71,786,234. In order to ensure an adequate number of Petrobank Shares are approved for issuance pursuant to the Arrangement to account for clerical and administrative matters, including the rounding of fractional shares, approval will be sought to issue up to 72,500,000 pre-consolidation Petrobank Shares in connection with the transactions contemplated by the Arrangement.

Accordingly, pursuant to the Arrangement Agreement, Petrobank and Touchstone have agreed that the Petrobank Shareholders will be asked to approve, subject to the terms and conditions of the Arrangement Agreement, the issuance of up to 72,500,000 pre-consolidation Petrobank Shares in connection with the Arrangement, consisting of (i) up to 65,448,520 pre-consolidation Petrobank Shares to be issued based on the issued and outstanding Touchstone Shares as of March 27, 2014, (ii) up to 1,345,714 pre-consolidation Petrobank Shares that may be issued upon the conversion of the issued and outstanding Touchstone Debentures to be assumed by Petrobank, (iii) up to 471,000 pre-consolidation Petrobank Shares that may be issued upon the exercise of the issued and outstanding Touchstone Debenture Warrants to be assumed by Petrobank, (iv) up to 4,521,600 pre-consolidation Petrobank Shares that may be issued upon the exercise of the issued and outstanding Touchstone Credit Facility Warrants to be assumed by Petrobank, and (v) such number of additional Petrobank Shares required to be issued to account for clerical and administrative matters, including the rounding of fractional shares pursuant to the Plan of Arrangement.

The TSX requires shareholder approval in circumstances where an issuance of securities will result in the issuance of 25% or more of the issuer's outstanding securities on a non-diluted basis in connection with an acquisition. As the Arrangement may result in the issuance of a number of Petrobank Shares equal to approximately 74% of the 97,559,773 currently issued and outstanding Petrobank Shares on a non-diluted basis, the Petrobank Share Issuance Resolution must be approved by a majority of the votes cast by Petrobank Shareholders who vote in person or by proxy at the Petrobank Meeting.

At the Petrobank Meeting, the following Petrobank Share Issuance Resolution will be placed before the Petrobank Shareholders:

"BE IT RESOLVED, as an ordinary resolution of the holders of common shares ("**Petrobank Shares**") of Petrobank Energy and Resources Ltd. ("**Petrobank**") that:

1. the issuance of up to 72,500,000 Petrobank Shares pursuant to a plan of arrangement under section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**") involving Touchstone Exploration Inc. ("**Touchstone**"), holders of common shares of Touchstone, Petrobank and in accordance with the terms of an Arrangement Agreement dated March 6, 2014 between Petrobank and Touchstone, as more particularly described in the joint management information circular and proxy statement of Touchstone and Petrobank dated March 28, 2014 (the "**Circular**"), is hereby authorized and approved.
2. notwithstanding that this resolution has been passed by the holders of Petrobank Shares ("**Petrobank Shareholders**"), the board of directors of Petrobank is hereby authorized and empowered, without further approval of the Petrobank Shareholders, to amend the Arrangement Agreement and to not proceed with the Arrangement or otherwise give effect to these resolutions.
3. any director or officer of Petrobank be and is hereby authorized and directed, for and on behalf of Petrobank, to execute (whether under the corporate seal of Petrobank or otherwise) and deliver, or cause to be executed and delivered, and to sign and/or file, or cause to be signed and/or filed, as the case may be, all applications, declarations, instruments and other documents, and to do or cause to be done all such other acts and things, as such director or officer may determine necessary or advisable to give effect to the foregoing resolutions including, without limitation, the execution, signing or filing of any such document or the doing of any such act or thing being conclusive evidence of such determination.
4. capitalized terms not otherwise defined in these resolutions have the meaning assigned to them in the Circular."

At the Petrobank Meeting, Petrobank Shareholders will be asked to vote to approve the Petrobank Share Issuance Resolution. The Petrobank Share Issuance Resolution must be approved by a majority of the votes cast by the Petrobank Shareholders present in person or represented by proxy at the Petrobank Meeting. The issuance of the additional Petrobank Shares pursuant to the Arrangement is not anticipated to materially affect control of Petrobank as, to the knowledge of both Petrobank and Touchstone and based on required public filings, at the date hereof no person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued and outstanding Touchstone Shares.

Management of Petrobank and the Petrobank Board ("**Petrobank Management**") recommend that you vote FOR the Petrobank Share Issuance Resolution. **Unless otherwise directed, the persons set forth in the enclosed form of proxy, if named as proxy, intend to vote the Petrobank Shares represented by any such proxy FOR of the Petrobank Share Issuance Resolution.**

It is a condition of the Arrangement in favour of Touchstone that the Petrobank Share Issuance Resolution be approved by the Petrobank Shareholders.

Election of Directors

Pursuant to the Arrangement Agreement, Petrobank and Touchstone have agreed that the Petrobank Board Resolution, which includes the Petrobank Nominees and the Touchstone Nominees, will be put before the Petrobank Meeting to be voted on.

Petrobank's articles require that Petrobank have not less than three (3) and not more than fifteen (15) directors, with the actual number of directors holding office from time to time to be determined by the Petrobank Board. If the Arrangement becomes effective, the Petrobank Board has resolved that the number of directors be set at seven (7) and six (6) if the Arrangement does not become effective. Accordingly, it is proposed that the four (4) persons named below, being the Petrobank Nominees, be

elected at the Petrobank Meeting to serve until the next annual meeting of shareholders or until their successors are duly elected or appointed:

- Kenneth R. McKinnon
- Corey C. Ruttan
- Dr. Harrie Vredenburg
- John D. Wright

Further, it is proposed that the three (3) persons named below, being the Touchstone Nominees, be elected at the Petrobank Meeting to serve from such time as the Arrangement becomes effective, until the next annual meeting of shareholders or until their successors are duly elected or appointed:

- Paul R. Baay
- Trevor Mitzel
- R. Gregg Smith

Further, to cover the possibility that the Arrangement does not become effective and the Touchstone Nominees do not become members of the Petrobank Board, it is proposed that two (2) additional persons named below, be elected as directors at the Petrobank Meeting to serve until the earlier of the next annual meeting of shareholders or until such time the Arrangement becomes effective:

- Ian S. Brown
- M. Neil McCrank

Petrobank Management recommends that you vote FOR each of the Petrobank Nominees, the Touchstone Nominees and the two additional nominees listed above. **Unless directed otherwise, the persons set forth in the enclosed form of proxy, if named as proxy, intend to vote the Petrobank Shares represented by any such proxy FOR of each of these nominees.**

At the Petrobank Meeting, the following resolutions will be placed before the Petrobank Shareholders.

"BE IT RESOLVED, as an ordinary resolution of the holders of common shares ("**Petrobank Shares**") of Petrobank Energy and Resources Ltd. ("**Petrobank**") that:

1. Kenneth R. McKinnon, Corey C. Ruttan, Dr. Harrie Vredenburg, John D. Wright, Ian S. Brown and M. Neil McCrank be appointed as directors of Petrobank, to hold office until the earlier of: (i) next annual meeting of Petrobank or until their successor is duly elected or appointed, unless his office is earlier vacated; or (ii) the Arrangement becoming effective at the Effective Time.
2. subject to the Arrangement becoming effective, at the Effective Time Kenneth R. McKinnon, Corey C. Ruttan, Dr. Harrie Vredenburg, John D. Wright, Paul R. Baay, Trevor Mitzel and R. Gregg Smith shall be appointed as directors of Petrobank, to hold office until the next annual meeting of Petrobank or until their successor is duly elected or appointed, unless his office is earlier vacated.
3. any director or officer of Petrobank be and is hereby authorized and directed, for and on behalf of Petrobank, to execute (whether under the corporate seal of Petrobank or otherwise) and deliver, or cause to be executed and delivered, and to sign and/or file, or cause to be signed and/or filed, as the case may be, all applications, declarations, instruments and other documents, and to do or cause to be done all such other acts and things, as such director or officer may determine necessary or advisable to give effect to the foregoing resolutions including, without limitation, the

execution, signing or filing of any such document or the doing of any such act or thing being conclusive evidence of such determination.

4. capitalized terms not otherwise defined in these resolutions have the meaning assigned to them in the joint management information circular and proxy statement of Petrobank and Touchstone dated March 28, 2014."

Petrobank Management recommends that you vote FOR the above resolutions. **Unless otherwise directed, the persons set forth in the enclosed form of proxy, if named as proxy, intend to vote the Petrobank Shares represented by such proxy FOR the above resolutions.**

It is a condition of the Arrangement in favour of Touchstone that the Petrobank Board Resolution be approved by the Petrobank Shareholders.

Additional information with respect to each of the seven (7) nominees for election as director should the Arrangement become effective can be found under the heading "*Pro Forma Information of Petrobank After Giving Effect to the Arrangement – Officers and Directors of Petrobank – Nominees for Election to the Board of Directors*", which sets forth each proposed director's place of residence, holdings of common shares, present and principal occupation and prior occupations within the last five (5) years.

Additional information with respect to each of the two (2) nominees for election as director contingent on the Arrangement not being completed (other than the Petrobank Nominees, who are nominated for election as directors whether or not the Arrangement becomes effective) can be found in this section under the heading "*—Nominees for Election to the Board of Directors*", which sets forth such proposed director's place of residence, holdings of common shares, present and principal occupation and prior occupations within the last five (5) years.

Petrobank Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that does occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

The election of each individual director of Petrobank will be effected by an ordinary resolution requiring the approval of more than 50% of the votes cast in respect of the resolution by or on behalf of shareholders present in person or represented by proxy at the Petrobank Meeting. The Petrobank Board has also adopted a majority voting policy, which provides that, unless there is a contested election, a director who receives more "withhold" votes than "for" votes must tender his or her resignation as a director promptly after the meeting. The nominating committee of the Petrobank Board will then consider such resignation and make a recommendation to the Petrobank Board whether or not it should be accepted. The decision of the Petrobank Board will be made within 90 days of the Petrobank Meeting and announced in a press release. The director who tendered such resignation will not be part of any deliberations of the Petrobank Board or any committee thereof pertaining to the resignation. For more information see Appendix M – "*Information Concerning Petrobank Energy and Resources Ltd. and Annual Meeting Matters – Governance – Majority Voting Policy*".

Approval of the Petrobank Consolidation Resolution

Pursuant to the Arrangement Agreement, the Petrobank Consolidation Resolution will be put before the Petrobank Meeting to be voted on. At the Petrobank Meeting, the Petrobank Shareholders will be asked to consider and, if thought advisable, pass a special resolution authorizing an amendment to the articles of Petrobank to effect the consolidation of the Petrobank Shares on a two (2) for one (1) basis, conditional upon the Arrangement becoming effective (the "**Petrobank Consolidation Resolution**").

The Petrobank Board believes that the Petrobank Consolidation will enhance the marketability of the Petrobank Shares and facilitate future financings undertaken by Petrobank. If approved and implemented, the Petrobank Consolidation will affect Petrobank Shareholders (including new Petrobank Shareholders as a result of the Arrangement) uniformly and will not affect any Petrobank Shareholder's percentage ownership interest in Petrobank, except to the extent that the Petrobank Consolidation would otherwise result in a Petrobank Shareholder owning a fractional share, as no fractional shares will be issued pursuant to the Petrobank Consolidation and no cash will be paid in lieu of fractional shares. Any fractional Petrobank Share resulting from the Petrobank Consolidation will be rounded up or down to the nearest whole Petrobank Share, as applicable, with fractional Petrobank Shares equal to 0.5 being rounded up to the nearest whole Petrobank Share.

Petrobank currently has an unlimited number of Petrobank Shares available for issuance and the Petrobank Consolidation will not have any effect on the number of Petrobank Shares that remain available for future issuance. The exercise price and the number of Petrobank Shares issuable under any Petrobank Options and Petrobank Incentive Shares that are outstanding at the time of the Petrobank Consolidation will be proportionately adjusted upon the Petrobank Consolidation becoming effective.

A Petrobank Shareholder will generally not be considered to have disposed of Petrobank Shares as a result of the Petrobank Consolidation, and will not recognize a capital gain or a capital loss as a result of the Petrobank Consolidation. The aggregate adjusted cost base to a Petrobank Shareholder of all its Petrobank Shares will be the same after the Petrobank Consolidation as it was before the Petrobank Consolidation. This aggregate adjusted cost base will be averaged across the total number of post-Petrobank Consolidation Petrobank Shares owned by the Petrobank Shareholder immediately after the Petrobank Consolidation.

Implementation of the Petrobank Consolidation is subject to receipt of all required stock exchange and regulatory approvals, approval of the Petrobank Shareholders at the Petrobank Meeting, and the Arrangement becoming effective. If these approvals and contingency are received and satisfied, the Petrobank Consolidation will occur at a time determined by the Petrobank Board and be announced through a press release. It is currently anticipated that the Petrobank Consolidation will occur immediately following the completion of the Arrangement (and that Touchstone Shareholders will receive Petrobank Shares in exchange for their Touchstone Shares in accordance with the Arrangement after giving effect to the Petrobank Consolidation); however, the Petrobank Board may determine not to proceed with the Petrobank Consolidation at its discretion regardless of whether the necessary approvals have been obtained or whether the Arrangement has been completed. Please see "*Procedure for the Exchange of Petrobank Share Certificates*" and the accompanying Petrobank Letter of Transmittal on instructions on how registered Petrobank Shareholders can exchange their certificates for post-Petrobank Consolidation Petrobank Shares. Notwithstanding a Petrobank Shareholder's failure to exchange its share certificates representing pre-Petrobank Consolidation Petrobank Shares for post-Petrobank Consolidation Petrobank Shares, or any delay in doing so, following the Petrobank Consolidation such pre-Petrobank Consolidation share certificates will be deemed to represent the number of post-Petrobank Consolidation Petrobank Shares into which the pre-Petrobank Consolidation Petrobank Shares they represent have been consolidated until such time as they are exchanged.

Following the Petrobank Consolidation, certificates representing pre-Petrobank Consolidation Petrobank Shares that haven not been exchanged for post-Petrobank Consolidation Petrobank Shares will be deemed to represent that number of post-Petrobank Consolidation Petrobank Shares such certificate would have been represented had it been exchanged.

At the Petrobank Meeting, the following Petrobank Consolidation Resolution will be placed before the Petrobank Shareholders:

"BE IT RESOLVED, as a special resolution of the holders of common shares ("**Petrobank Shares**") of Petrobank Energy and Resources Ltd. ("**Petrobank**") that:

1. subject to on the Arrangement becoming effective, the articles of the Petrobank be amended to change the number of issued and outstanding Petrobank Shares by consolidating such issued and outstanding Petrobank Shares on the basis of one (1) post-consolidation Petrobank Share for each two (2) existing Petrobank Shares (the "**Consolidation**").
2. no fractional Petrobank Shares shall be issued in connection with Consolidation and in the event that a shareholder would otherwise be entitled to receive a fractional Petrobank Share, such fractional interest shall be rounded up to the nearest whole Petrobank Share in the case of a fractional interest equal to or greater than 0.5, and shall be rounded down to the nearest whole Petrobank Share in the case of a fractional interest less than 0.5.
3. any one director or officer of Petrobank is authorized and directed, on behalf of Petrobank, to execute and deliver articles of amendment to the Registrar of Corporations under the *Business Corporations Act* (Alberta) in order to give effect to this special resolution, and to execute and deliver all such other documents and to do all such acts and things as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing.
4. capitalized terms not otherwise defined in these resolutions have the meaning assigned to them in the joint management information circular and proxy statement of Petrobank and Touchstone dated March 28, 2014."

To be effective, the Petrobank Consolidation Resolution must be approved by two-thirds ($\frac{2}{3}$) of the votes cast by holders of Petrobank Shares who vote in respect of the resolution, in person or represented by proxy at the Petrobank Meeting in accordance with the provisions of the ABCA.

Petrobank Management recommends that Petrobank Shareholders vote in favour of approving the Petrobank Consolidation Resolution. **Unless directed otherwise, the persons set forth in the enclosed form of proxy, if named as proxy, intend to vote the Petrobank Shares represented by such proxy FOR the following special resolution authorizing the Petrobank Consolidation.**

Approval of the Petrobank Name Change Resolution

Pursuant to the Arrangement, the Petrobank Shareholders will be asked to consider and, if thought advisable, to approve a special resolution changing Petrobank's name from "Petrobank Energy and Resources Ltd." to "Touchstone Exploration Inc.", conditional upon the Arrangement becoming effective (the "**Petrobank Name Change Resolution**").

At the Petrobank Meeting, the following Petrobank Name Change Resolution will be placed before the Petrobank Shareholders:

"BE IT RESOLVED, as a special resolution of the holders of common shares ("**Petrobank Shares**") of Petrobank Energy and Resources Ltd. ("**Petrobank**") that:

1. subject to the Arrangement becoming effective, the articles of Petrobank be amended to change the name of Petrobank from Petrobank Energy and Resources Ltd. to Touchstone Exploration Inc., conditional upon the Arrangement becoming effective.
2. any one director or officer of Petrobank is authorized and directed, on behalf of Petrobank, to execute and deliver articles of amendment to the Registrar of Corporations under the *Business Corporations Act* (Alberta) in order to give effect to this special resolution, and to execute and deliver all such other documents and to do all such acts and things as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing.

- capitalized terms not otherwise defined in these resolutions have the meaning assigned to them in the joint management information circular and proxy statement of Petrobank and Touchstone dated March 28, 2014."

To be effective, the Petrobank Name Change Resolution must be approved by two-thirds ($\frac{2}{3}$) of the votes cast by holders of Petrobank Shares who vote in respect of the resolution, in person or represented by proxy at the Petrobank Meeting in accordance with the provisions of the ABCA.

Petrobank Management recommends that you vote FOR the Petrobank Name Change Resolution. **Unless directed otherwise, the persons set forth in the enclosed form of proxy, if named as proxy, intend to vote the Petrobank Shares represented by such proxy FOR the special resolution to change Petrobank's name.**

If the Petrobank Name Change Resolution is approved by Petrobank Shareholders and the Arrangement becomes effective, the effective date of the change of New Touchstone's name will be the date of issuance of a certificate of amendment by the Registrar in respect of the change of New Touchstone's name under the ABCA, which is expected to be obtained immediately following the Effective Time or as soon as practicable thereafter. Petrobank is forwarding the Petrobank Letter of Transmittal to Petrobank Shareholders for their use in transmitting share certificates representing existing Petrobank Shares in exchange for new share certificates giving effect to the Petrobank Consolidation, if approved, and the change of Petrobank's name to "Touchstone Exploration Inc.", if approved. In the event that the change of Petrobank's name is approved by the requisite number of shareholders at the Meeting, the Arrangement becomes effective and articles of amendment are subsequently filed to give effect thereto, each existing share certificate reflecting the current name of Petrobank shall continue to be a valid share certificate of New Touchstone until such certificate is transferred, re-registered or otherwise exchanged.

Appointment of Auditors

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of KPMG LLP, Chartered Accountants, as Petrobank's auditors, to hold office until the next annual meeting of the shareholders and to authorize the directors to fix their remuneration for the ensuing year.

KPMG LLP were appointed Petrobank's auditors on April 16, 2013.

Additional Business

At the Petrobank Meeting, the Petrobank Shareholders will also transact such further or other business as may properly come before the Petrobank Meeting or any adjournment(s) or postponement(s) thereof. Management of Petrobank knows of no amendments, variations or other matters to come before the Petrobank Meeting, other than the matters referred to in the Petrobank Notice of Meeting. However, if any other matter properly comes before the Petrobank Meeting, the persons set forth in the accompanying Petrobank proxy, if named as proxy, will vote on such matter in accordance with their best judgement.

Nominees for Election to the Board of Directors

The following table sets out: (i) the name of each of the persons proposed to be nominated for election as a director contingent on the Arrangement not becoming effective (other than the Petrobank Nominees, who will be nominated for election as directors whether the Arrangement is completed or not); (ii) the principal occupations and offices presently held by him and for the previous five years; (iii) the period during which he has served as a director of Petrobank; and (iv) the number of voting shares of Petrobank that he has advised are beneficially owned by him, directly or indirectly, or over which control or direction is exercised by him, as of March 27, 2014.

Name of Nominee, Location of Residence and Position	Number of Shares Beneficially Owned or Controlled	Director Since	Present and Principal Occupation For Previous Five Years
Ian S. Brown ⁽¹⁾⁽⁴⁾ Alberta, Canada Director	85,282	March 18, 2005	Mr. Brown is a Chartered Accountant with over 20 years experience in the capital markets. Mr. Brown was a Senior Managing Director at Raymond James Ltd. (and predecessor companies) from 1995 to 2005 and previously was Executive Vice President at the Alberta Stock Exchange. Mr. Brown has been a director of the Company since March 18, 2005 and a director of Lightstream since October 2009.
M. Neil McCrank ⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada Director	65,964	November 25, 2008	Mr. McCrank was appointed to the Board of Directors of Petrobank in November, 2008. In June 2008, Mr. McCrank was appointed as Counsel to Borden Ladner Gervais LLP. From 1998 to 2007, Mr. McCrank was the Chairman of the Alberta Energy and Utilities Board.

Notes:

1. Member of the Petrobank Audit Committee.
2. Member of the Petrobank Reserves Committee.
3. Member of the Petrobank Compensation Committee.
4. Member of the Petrobank Nominating Committee.

The information as to voting securities beneficially owned, directly or indirectly, is based upon information furnished to Petrobank by the nominees.

Cease Trade Orders

Except as disclosed herein and in "*Pro Forma Information of Petrobank After Giving Effect to the Arrangement – Officers and Directors – Cease Trade Orders*", to the knowledge of management of Petrobank, no proposed director of Petrobank is, or within the ten (10) years before the date of this Circular has been, a director, chief executive officer or chief financial officer of any other issuer that:

- (a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under Canadian securities legislation that lasted for a period of more than thirty (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 order or an order that denied the relevant issuer access to any exemption under securities legislation that lasted for a period of more than thirty (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 the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer.

M. Neil McCrank

Mr. M. Neil McCrank was previously a director of MegaWest Energy Corp. ("**MegaWest**"), a reporting issuer in the provinces of Alberta and British Columbia. On September 7, 2010, a cease trade order was issued by the Alberta Securities Commission against MegaWest for failure to file its annual audited financial statements, management's discussion and analysis and certification of annual filings for the year ended April 30, 2010 (the "**Annual Filings**"). On September 8, 2010, the British Columbia Securities Commission issued a cease trade order against MegaWest for failure to file the Annual Filings. The Annual Filings were completed by MegaWest in September and October of 2010 and revocation orders were issued by the ASC and BCSC on October 22, 2010.

Bankruptcies and Insolvencies

To the knowledge of management of Petrobank, no proposed director of Petrobank:

- (a) is at the date of this Circular, or has been within the ten (10) years before the date of this Circular, a director or executive officer of any company 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 ten (10) years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Penalties and Sanctions

Except as disclosed in "*Pro Forma Information of Petrobank After Giving Effect to the Arrangement – Officers and Directors – Penalties and Sanctions*", to the knowledge of management of Petrobank, no proposed director of Petrobank has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with the Canadian securities regulatory authority; or
- (b) been subject to 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.

MATTERS TO BE CONSIDERED AT THE TOUCHSTONE MEETING

At the Touchstone Meeting, Touchstone Shareholders will be asked to consider the Touchstone Continuance Resolution in the form set forth in Appendix A of this Circular, the Touchstone Arrangement Resolution in the form set forth in Appendix B of this Circular, to receive the financial statements as at the year-ended September 30, 2013 and the report of the auditor thereon, the election of the director nominees, the appointment of Ernst & Young LLP as the auditors and the approval of Touchstone Option Plan, as described in Appendix L. Touchstone Shareholders are urged to review the various sections of this Circular when considering the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution. In particular, see "*The Continuance*", "*The Arrangement*" and Appendix L – "*Information Concerning Touchstone Exploration Inc. and Annual Meeting Matters*". For information relating to the impact of the Arrangement on Touchstone and Petrobank, see "*Pro Forma Information of Petrobank After Giving Effect to the Arrangement*" and Appendix K – "*Pro Forma Financial Statements*". Touchstone Shareholders should review Appendix L when considering the election of the director nominees, the appointment of the auditors and the approval of the Touchstone Option Plan.

The Touchstone Continuance Resolution and the Touchstone Arrangement Resolution must be approved by at least 66⅔% of the votes cast by Touchstone Shareholders, present in person or by proxy at the Touchstone Meeting. All other matters must be approved by a majority of the votes cast, present in person or by proxy at the Touchstone Meeting.

Unless otherwise directed, the persons named in the accompanying applicable form of proxy for the Touchstone Meeting intend to vote in favour of the Touchstone Continuance Resolution, Touchstone Arrangement Resolution, the election of the director nominees, the appointment of the auditors and the approval of the Touchstone Option Plan.

PROCEDURE FOR EXCHANGE OF PETROBANK SHARE CERTIFICATES

In order to receive their post-Petrobank Consolidation Petrobank Shares following the completion of the Petrobank Consolidation, each Petrobank Shareholder must deposit with the Depositary a properly completed and duly executed Petrobank Letter of Transmittal, together with the certificates representing such holder's Petrobank Shares and such other documents as may be required thereby.

Petrobank Shareholders whose Petrobank Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to exchange their pre-Petrobank Consolidation Petrobank Shares for post-Petrobank Consolidation Petrobank Shares.

The use of the mail to transmit certificates representing Petrobank Shares and the Petrobank Letter of Transmittal is at each Petrobank Shareholder's option and risk. Petrobank recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefor be obtained or, if mailed, that registered mail with return receipt be used and that the appropriate insurance be obtained.

If a Petrobank Letter of Transmittal is executed by a person other than the registered holder(s) of the Petrobank Shares being exchanged or if the certificates representing pre-Petrobank Consolidation Petrobank Shares issued in exchange for the post-Petrobank Consolidation Petrobank Shares are to be issued to a person other than such registered owner(s) or sent to an address other than the address of the registered holder(s) as shown on the register of Petrobank Shareholders maintained by Petrobank's registrar and transfer agent, the signature on the Petrobank Letter of Transmittal must be medallion guaranteed by an Eligible Institution (as such term is defined in the Petrobank Letter of Transmittal). If the Petrobank Letter of Transmittal is executed by a person other than the registered owner(s) of the Petrobank Shares deposited therewith, and in certain other circumstances as set forth in the Petrobank Letter of Transmittal, then the certificate(s) representing pre-Petrobank Consolidation Petrobank Shares must be endorsed or be accompanied by an appropriate share transfer power of attorney that must correspond exactly to the name(s) of the registered owner(s) as registered or as appearing on the certificate(s) and must be medallion guaranteed by an Eligible Institution.

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

From and after the effective time of the Petrobank Consolidation, certificates formerly representing pre-Petrobank Consolidation Petrobank Shares shall represent only the right to receive the post-Petrobank Consolidation Petrobank Shares to which the holders thereof are entitled to receive in accordance with the Petrobank Consolidation.

If any certificate representing Petrobank Shares has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate that post-Petrobank Consolidation Petrobank Shares to which the former holder is entitled pursuant to the Petrobank Consolidation. The person who is entitled to receive such shares shall, as a condition precedent to the receipt thereof, give a bond to Petrobank and its transfer agent in form and substance

satisfactory to Petrobank and its transfer agent, acting reasonably, or shall otherwise indemnify Petrobank and its transfer agent against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

Should the Petrobank Consolidation not be completed, any deposited Petrobank Share will be returned to the depositing Petrobank Shareholder at Petrobank's expense by returning the deposited Petrobank Shares (and any other relevant documents) by first class insured mail in the name of and to the address specified by the Petrobank Shareholder in the Petrobank Letter of Transmittal or, if no such name and address is specified, in such name and to such address as shown on the register maintained by Petrobank's transfer agent.

Notwithstanding the provisions of this Circular or the Petrobank Letter of Transmittal, certificates representing Petrobank Shares will not be mailed if Petrobank determines that delivery thereof by mail may be delayed. Persons entitled to certificates which are not mailed for the foregoing reasons may take delivery thereof at the office of the Depositary at which the deposited certificates representing Petrobank Shares were originally deposited until such time as it is determined that delivery by mail will no longer be delayed.

Notwithstanding a Petrobank Shareholder's failure to exchange its share certificates representing pre-Petrobank Consolidation Petrobank Shares for post-Petrobank Consolidation Petrobank Shares, or any delay in doing so, following the Petrobank Consolidation such pre-Petrobank Consolidation share certificates will be deemed to represent the number of post-Consolidation Petrobank Shares into which the pre-Petrobank Consolidation Petrobank Shares they represent have been consolidated until such time as they are exchanged.

GENERAL PROXY MATTERS TOUCHSTONE

Solicitation of Proxies

This Circular is provided in connection with the solicitation of proxies by the management of Touchstone for use at the Touchstone Meeting and the associated costs thereof will be borne by Touchstone. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of Touchstone (who will not be specifically remunerated therefore).

Touchstone has retained Kingsdale Shareholder Services ("**Kingsdale**") to provide a variety of services related to the meeting. In connection with their role as proxy solicitation and information agent, Kingsdale is expected to receive a fee of approximately \$25,000 and will be reimbursed for its reasonable out-of-pocket expenses.

The Touchstone Meeting is being called pursuant to the Interim Order of the Court to seek the requisite approval of Touchstone Shareholders to the Arrangement in accordance with section 193 of the ABCA. See "*The Arrangement*" and "*Matters to be Considered at the Touchstone Meeting*". Touchstone Shareholders are also asked to consider and approve the Touchstone Continuance Resolution in accordance with section 309 of the BCBCA and the annual business of electing directors, appointing auditors and approving Touchstone's Option Plan.

The information set forth below generally applies to registered holders of Touchstone Shares (i.e. you hold a physical share certificate registered in your name and representing your Touchstone Shares). If you are a Beneficial Holder of Touchstone Shares (i.e., your Touchstone Shares are held through a broker, financial institution or other nominee), please see "*Information for Beneficial Holders*" at the front of this Circular.

Appointment and Revocation of Proxies

Accompanying this Circular is a form of proxy for holders of Touchstone Shares. The persons named in the enclosed form of proxy are directors and/or officers of Touchstone. **A Touchstone Shareholder has the right to appoint a person (who need not be a Touchstone Shareholder) other than the persons designated in the form of proxy provided by Touchstone to represent the Touchstone Shareholder at the Touchstone Meeting. To exercise this right, the Touchstone Shareholder should strike out the names of management designees in the enclosed form of proxy and insert the name of the desired representative in the blank space provided in the form of proxy or submit another appropriate form of proxy.** If you are a registered Touchstone Shareholder and are unable to attend the Touchstone Meeting in person, please exercise your right to vote by dating, signing and returning the accompanying form of proxy to Computershare Investor Services Inc., Touchstone's transfer agent. To be valid, completed proxy forms must be dated, completed, signed and deposited with Touchstone's transfer agent, Computershare Investor Services Inc., (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, (ii) or by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, (iii) by facsimile to 1-866-249-7775, or (iv) by telephone, toll-free in North America at 1-866-732-8683, or at 312-588-4290 outside of North America. Touchstone Shareholders may also vote through the internet and if voting through the internet, Touchstone Shareholders may also appoint another person to be his or her proxyholder. Please go to www.investorvote.com and follow the instructions. You will require your 15-digit control number found on your proxy form. All proxy or voting instructions must be received in each case no later than 9:00 a.m. (Calgary time) on April 24, 2014 or, if the Touchstone Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the beginning of any adjournment(s) or postponement(s) of the Touchstone Meeting. The proxy shall be in writing and executed by the Touchstone Shareholder or such Touchstone Shareholder's attorney authorized in writing, or if such Touchstone Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney. The Chairman of the Touchstone Meeting shall have the discretion to accept all, but not less than all, valid proxies received after the foregoing deadline and prior to the Touchstone Meeting.

In addition to revocation in any other manner permitted by law, a Touchstone Shareholder may revoke a proxy: (a) by instrument in writing executed by the Touchstone Shareholder or such Touchstone Shareholder's attorney authorized in writing or if the Touchstone Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof, duly authorized, and deposited either with the Depositary, acting as scrutineers, at the office of the Depositary designated in the Notice of Meeting to Touchstone Shareholders and the Circular not later than 5:00 p.m. (Calgary time) on the Business Day preceding the day of the Touchstone Meeting (or any adjournment(s) or postponement(s) thereof) or with the Chairman on the day of the Touchstone Meeting (or any adjournment(s) or postponement(s) thereof); (b) by a duly executed and deposited proxy bearing a later date or time than the date or time of the proxy being revoked; or (c) as permitted by law.

Proxy Voting

The Touchstone Shares represented by an effective proxy will be voted in accordance with the instructions specified therein. Where no choice is specified, the Touchstone Shares will be voted FOR the approval of the Touchstone Continuance Resolution, the Touchstone Arrangement Resolution, the election of director nominees, the appointment of the auditors and the approval of the Touchstone Option Plan. The enclosed applicable form of proxy confers discretionary authority upon the persons named therein in respect of amendments or variations to matters identified in the Notice of Meeting to Touchstone Shareholders and with respect to other matters which may properly come before the Touchstone Meeting or any adjournment(s) or postponement(s) thereof. As of the date hereof, management of Touchstone knows of no amendments, variations or other matters to come before the Touchstone Meeting; however, if any other matter properly comes before the Touchstone Meeting, the accompanying applicable form of proxy will be voted on such matter in accordance with the best judgement of the person(s) voting the proxies.

Voting Securities of Touchstone and Principal Holders thereof

As at March 27, 2014, there are 138,956,517 Touchstone Shares issued and outstanding, which are its only outstanding voting securities. Each Touchstone Share entitles the holder thereof to one vote per share at the Touchstone Meeting. In addition, pursuant to the Interim Order, each Touchstone Share that is outstanding at the Touchstone Record Date will be entitled to one vote in respect of the Touchstone Arrangement Resolution.

The Touchstone Record Date for determination of Touchstone Shareholders entitled to receive notice of and to vote at the Touchstone Meeting is the close of business on March 25, 2014. Touchstone will prepare, as of the Touchstone Record Date, a list of Touchstone Shareholders entitled to receive the Notice of the Touchstone Meeting and showing the number of Touchstone Shares held by each such Touchstone Shareholder. Only Touchstone Shareholders whose names have been entered in the register of holders of Touchstone Shares on the close of business on the Touchstone Record Date will be entitled to receive notice of and to vote the Touchstone Shares shown opposite such Touchstone Shareholder's name at the Touchstone Meeting; provided that, to the extent that a Touchstone Shareholder transfers ownership of any Touchstone Shares after the Touchstone Record Date and the transferee of those Touchstone Shares establishes ownership of such Touchstone Shares and demands, not later than ten days before the Touchstone Meeting, to be included in the list of Touchstone Shareholders eligible to vote at the Touchstone Meeting, such transferee will be entitled to vote such Touchstone Shares at the Touchstone Meeting.

To the knowledge of the directors and executive officers of Touchstone, as of the date hereof, no person or company beneficially owns, or exercises control or direction over, directly or indirectly, more than 10% of the voting rights attached to all of the outstanding Touchstone Shares.

Procedure and Votes Required

The Interim Order provides that each holder of Touchstone Shares at the close of business on the Touchstone Record Date will be entitled to receive notice of, to attend and to vote at the Touchstone Meeting.

Pursuant to the Interim Order:

- (a) each Touchstone Share will entitle the holder to one vote at the Touchstone Meeting;
- (b) the number of votes required to pass the Touchstone Continuance Resolution and the Touchstone Arrangement Resolution shall be at least 66 $\frac{2}{3}$ % of the votes cast by Touchstone Shareholders, present in person or represented by proxy, voting at the Touchstone Meeting; and
- (c) the quorum required at the Touchstone Meeting will be one Touchstone Shareholder present in person, or represented by proxy, at the Touchstone Meeting, provided that if a quorum is not so present within 30 minutes of the appointed time of the Touchstone Meeting, the Touchstone Meeting shall stand adjourned to the same day in the next week at the same time and place. No notice of any adjourned Touchstone Meeting is required. At the adjourned Touchstone Meeting, the Touchstone Shareholders present in person or by proxy, entitled to vote at the Touchstone Meeting, will constitute a quorum for the adjourned Touchstone Meeting.

Notwithstanding the foregoing, the Touchstone Continuance Resolution authorizes the Touchstone Board, without further notice to or approval of the Touchstone Shareholders, subject to the terms of the Interim Order, the Plan of Arrangement and the Arrangement Agreement, to abandon the application for continuance at any time prior to the Touchstone Continuance becoming effective. See Appendix A to this Circular for the full text of the Touchstone Continuance Resolution.

Notwithstanding the foregoing, the Touchstone Arrangement Resolution authorizes the Touchstone Board, without further notice to or approval of the Touchstone Shareholders, subject to the terms of the Plan of Arrangement, the Arrangement Agreement and the Interim Order, to amend the Plan of Arrangement or 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 B to this Circular for the full text of the Touchstone Arrangement Resolution.

GENERAL PROXY MATTERS PETROBANK

Solicitation of Proxies

This Circular is provided in connection with the solicitation of proxies by the management of Petrobank for use at the Petrobank Meeting and the associated costs thereof will be borne by Petrobank. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of Petrobank (who will not be specifically remunerated therefore).

The Petrobank Meeting is being called to seek the requisite approval of the Petrobank Shareholder Resolutions and for the purposes of transacting such other annual and special business described in the accompanying Notice of Annual General and Special Meeting of Petrobank Shareholders. See "*The Arrangement*" and "*Matters to be Considered at the Petrobank Meeting*".

The information set forth below generally applies to registered holders of Petrobank Shares (i.e. you hold a physical share certificate registered in your name and representing your Petrobank Shares). If you are a Beneficial Holder of Petrobank Shares (i.e., your Petrobank Shares are held through a broker, financial institution or other nominee), please see "*Information for Beneficial Holders*" at the front of this Circular.

Appointment and Revocation of Proxies

Accompanying this Circular is a form of proxy for holders of Petrobank Shares. The persons named in the enclosed form of proxy are directors and/or officers of Petrobank. **A Petrobank Shareholder has the right to appoint a person (who need not be a Petrobank Shareholder) other than the persons designated in the form of proxy provided by Petrobank to represent the Petrobank Shareholder at the Petrobank Meeting. To exercise this right, the Petrobank Shareholder should strike out the names of management designees in the enclosed form of proxy and insert the name of the desired representative in the blank space provided in the form of proxy or submit another appropriate form of proxy.** If you are a registered Petrobank Shareholder and are unable to attend the Petrobank Meeting in person, please exercise your right to vote by dating, signing and returning the accompanying form of proxy to Computershare Trust Company of Canada, Petrobank's transfer agent. To be valid, completed proxy forms must be dated, completed, signed and deposited with Petrobank's transfer agent, Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (ii) by hand delivery to the same address, (iii) by facsimile to (416) 263-9524 or 1-866-249-7775, or (iv) by telephone, toll-free in North America at 1-866-732-8683, or at 312-588-4290 outside of North America. Petrobank Shareholders may also vote through the internet and if voting through the internet, Petrobank Shareholders may also appoint another person to be his or her proxyholder. Please go to www.investorvote.com and follow the instructions. You will require your 15-digit control number found on your proxy form. All proxy or voting instructions must be received in each case no later than 10:00 a.m. (Calgary time) on April 24, 2014 or, if the Petrobank Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the beginning of any adjournment(s) or postponement(s) of the Petrobank Meeting. The proxy shall be in writing and executed by the Petrobank Shareholder or such Petrobank Shareholder's attorney authorized in writing, or if such Petrobank Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney. The Chairman of the Petrobank Meeting shall have the discretion to accept all, but not less than all, valid proxies received after the foregoing deadline and prior to the Petrobank Meeting.

The Petrobank Record Date for determination of Petrobank Shareholders entitled to receive notice of and to vote at the Petrobank Meeting is the close of business on March 25, 2014. Petrobank will prepare, as of the Petrobank Record Date, a list of Petrobank Shareholders entitled to receive the Notice of the Petrobank Meeting and showing the number of Petrobank Shares held by each such Petrobank Shareholder. Only Petrobank Shareholders whose names have been entered in the register of holders of Petrobank Shares on the close of business on the Petrobank Record Date will be entitled to receive notice of and to vote the Petrobank Shares shown opposite such Petrobank Shareholder's name at the Petrobank Meeting; provided that, to the extent that a Petrobank Shareholder transfers ownership of any Petrobank Shares after the Petrobank Record Date and the transferee of those Petrobank Shares establishes ownership of such Petrobank Shares and demands, not later than two days before the Petrobank Meeting, to be included in the list of Petrobank Shareholders eligible to vote at the Petrobank Meeting, such transferee will be entitled to vote such Petrobank Shares at the Petrobank Meeting.

In addition to revocation in any other manner permitted by law, a Petrobank Shareholder may revoke a proxy: (a) by instrument in writing executed by the Petrobank Shareholder or such Petrobank Shareholder's attorney authorized in writing or if the Petrobank Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof, duly authorized, and deposited either with the Depository, acting as scrutineers, at the office of the Depository designated in the Notice of Meeting to Petrobank Shareholders and the Circular not later than 5:00 p.m. (Calgary time) on the Business Day preceding the day of the Petrobank Meeting (or any adjournment(s) or postponement(s) thereof) or with the Chairman on the day of the Petrobank Meeting (or any adjournment(s) or postponement(s) thereof); (b) by a duly executed and deposited proxy bearing a later date or time than the date or time of the proxy being revoked; or (c) as permitted by law.

Proxy Voting

The Petrobank Shares represented by an effective proxy will be voted in accordance with the instructions specified therein. Where no choice is specified, the Petrobank Shares will be voted FOR approval of the Petrobank Shareholder Resolutions, the election of all directors nominated by Petrobank Management, regardless if such election is dependent upon the completion of the Arrangement and the appointment of KPMG LLP as auditors of Petrobank. The enclosed applicable form of proxy confers discretionary authority upon the persons named therein in respect of amendments or variations to matters identified in the Notice of Meeting to Petrobank Shareholders and with respect to other matters which may properly come before the Petrobank Meeting or any adjournment(s) or postponement(s) thereof. As of the date hereof, management of Petrobank knows of no amendments, variations or other matters to come before the Petrobank Meeting; however, if any other matter properly comes before the Petrobank Meeting, the accompanying applicable form of proxy will be voted on such matter in accordance with the best judgement of the person(s) voting the proxies.

Voting Securities of Petrobank and Principal Holders Thereof

As at March 27, 2014, there are 97,559,773 Petrobank Shares issued and outstanding which are its only outstanding voting securities. Each Petrobank Share entitles the holder thereof to one vote per share at the Petrobank Meeting. In addition, each Petrobank Share that is outstanding at the Petrobank Record Date will be entitled to one vote in respect of the Petrobank Shareholder Resolutions.

To the knowledge of the directors and executive officers of Petrobank, as of the date hereof, **no person or company beneficially owns, or exercises control or direction over, directly or indirectly, more than 10% of the voting rights attached to all of the outstanding Petrobank Shares, other than Orbis, who beneficially owns or exercises control or direction over, directly or indirectly, 16,480,325 Petrobank Shares, representing approximately 17% of the issued and outstanding Petrobank Shares, before giving effect to the Arrangement.**

Quorum

Pursuant to the by-laws of Petrobank, a quorum of Petrobank Shareholders is present at the Petrobank Meeting if two or more persons are present either holding personally or representing not less than 5% of the outstanding Petrobank Shares. If a quorum is present at the opening of any meeting of shareholders, the Petrobank Shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the Petrobank Meeting, the Petrobank Meeting may be adjourned to a fixed time and place, but no other business shall be transacted at the Petrobank Meeting.

QUESTIONS AND OTHER ASSISTANCE

If you are a Touchstone Shareholder and you have any questions about the information contained in the Circular or require assistance in completing your form of proxy or Touchstone Letter of Transmittal, please contact our proxy solicitation and information agent, Kingsdale Shareholder Services using the contact details listed on the back page of this Circular.

If you are a Petrobank Shareholder and you have any questions about the information contained in the Circular or require assistance in completing your form of proxy or Petrobank Letter of Transmittal, please contact Peter Cheung, Vice President, Finance and Chief Financial Officer of Petrobank at 403-750-4400.

EXPERTS' CONSENTS

Consent of Scotia Waterous Inc.

We have read the joint management information circular and proxy statement dated March 28, 2014 (the "**Circular**") with respect to a proposed business combination involving Touchstone Exploration Inc. ("**Touchstone**"), the shareholders of Touchstone and Petrobank Energy and Resources Ltd.

We consent to the inclusion in the Circular of our fairness opinion to the board of directors of Touchstone and to the references to our firm name and our fairness opinion in the Circular.

(signed) "*Scotia Waterous Inc.*"
Calgary, Alberta
March 28, 2014

Consent of FirstEnergy Capital Corp.

We have read the joint management information circular and proxy statement dated March 28, 2014 (the "**Circular**") with respect to a proposed business combination involving Touchstone Exploration Inc. ("**Touchstone**"), the shareholders of Touchstone and Petrobank Energy and Resources Ltd. ("**Petrobank**").

We consent to the inclusion in the Circular of our fairness opinion to the board of directors of Petrobank and to the references to our firm name and our fairness opinion in the Circular.

(signed) "*FirstEnergy Capital Corp.*"
Calgary, Alberta
March 28, 2014

Consent of Norton Rose Fulbright Canada LLP

We have read the joint management information circular and proxy statement dated March 28, 2014 (the "**Circular**") with respect to a proposed business combination involving Touchstone Exploration Inc. ("**Touchstone**"), the shareholders of Touchstone and Petrobank Energy and Resources Ltd.

We consent to the inclusion in the Circular of our opinion contained under "*Certain Canadian Federal Income Tax Considerations*" and references to our firm name and our opinion therein.

(signed) "*Norton Rose Fulbright Canada LLP*"
Calgary, Alberta
March 28, 2014

Consent of Blake, Cassels & Graydon LLP

We have read the joint management information circular and proxy statement dated March 28, 2014 (the "**Circular**") with respect to a proposed business combination involving Touchstone Exploration Inc. ("**Touchstone**"), the shareholders of Touchstone and Petrobank Energy and Resources Ltd.

We consent to the inclusion in the Circular of our opinion contained under "*Certain Canadian Federal Income Tax Considerations*" and references to our firm name and our opinion therein.

(signed) "*Blake, Cassels & Graydon LLP*"
Calgary, Alberta
March 28, 2014

APPENDIX A

TOUCHSTONE CONTINUANCE RESOLUTION

"BE IT RESOLVED, AS A SPECIAL RESOLUTION THAT:

1. the continuance of Touchstone Exploration Inc. ("**Touchstone**") into Alberta under the *Business Corporations Act* (Alberta) (the "**ABCA**") is authorized and approved.
2. Touchstone is hereby authorized to apply to the British Columbia Registrar of Companies for authorization to continue Touchstone out of the jurisdiction of British Columbia and into the jurisdiction of Alberta in accordance with section 309 of the *Business Corporations Act* (British Columbia).
3. Touchstone is hereby authorized to apply to the registrar of Corporations (Alberta) (the "**Registrar**") for a Certificate of Continuance continuing Touchstone under the ABCA as if it had been incorporated thereunder and to file with the Registrar Articles of Continuance and such other documents as may be required in the form or forms prescribed by the ABCA.
4. effective upon the issuance of a Certificate of Continuance by the Registrar, the Articles of Continuance and by-laws in the forms attached as Appendix H to the joint information circular of Touchstone and Petrobank Energy and Resources Inc. dated March 28, 2014, be and are hereby adopted and confirmed in substitution for the Notice of Articles and Articles of Touchstone and all amendments thereto.
5. the directors of Touchstone, are authorized, in their discretion, by resolution, to abandon the application for continuance of Touchstone out of British Columbia without further approval, ratification or confirmation by the shareholders of Touchstone.
6. any one director or officer of Touchstone is authorized and directed to do, sign and execute all things, deed and documents necessary or desirable to carry out the foregoing."

APPENDIX B

TOUCHSTONE 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**") involving Touchstone Exploration Inc. ("**Touchstone**"), as more particularly described and set forth in the joint management information circular and proxy statement (the "**Joint Information Circular**") of Petrobank Energy and Resources Ltd. ("**Petrobank**") and Touchstone accompanying the notice of this meeting, as the Arrangement may be modified or amended in accordance with its terms, and all transactions contemplated thereby, are hereby authorized, approved and adopted.
2. the plan of arrangement (the "**Plan of Arrangement**") involving Touchstone, the full text of which is set out as Appendix "D" to the Joint Information Circular, as the Plan of Arrangement may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
3. the arrangement agreement made as of March 6, 2014 between Petrobank and Touchstone (the "**Arrangement Agreement**"), the actions of the directors of Touchstone in approving the Arrangement Agreement and the actions of the directors and officers of Touchstone in executing and delivering the Arrangement Agreement and any amendments thereto in accordance with its terms are hereby ratified and approved.
4. notwithstanding that this resolution has been passed (and the Plan of Arrangement adopted) by the shareholders of Touchstone or that the Arrangement has been approved by the Court of Queen's Bench of Alberta (the "**Court**"), the directors of Touchstone are hereby authorized and empowered, at their discretion, without further notice to or approval of the shareholders of Touchstone (i) to amend the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement or the Plan of Arrangement and approved by the Court, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
5. any one director or officer of Touchstone be and is hereby authorized and directed for and on behalf of Touchstone to make an application to the Court for an order approving the Arrangement and to execute, under the corporate seal of Touchstone or otherwise, and to deliver to the Registrar under the ABCA for filing articles of arrangement, a certified copy of the Final Order (as defined in the Arrangement Agreement) and to execute and, if appropriate, deliver such other documents as are necessary or desirable to give effect to the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement.
6. any one director or officer of Touchstone be and is hereby authorized and directed for and on behalf of Touchstone to execute or cause to be executed, under the corporate seal of Touchstone or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing."

APPENDIX C
ARRANGEMENT AGREEMENT

ARRANGEMENT AGREEMENT
BETWEEN
PETROBANK ENERGY AND RESOURCES LTD.
- AND -
TOUCHSTONE EXPLORATION INC.

MARCH 6, 2014

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EXHIBIT A – Arrangement Resolution

EXHIBIT B – Plan of Arrangement

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT dated effective as of March 6, 2014.

BETWEEN:

PETROBANK ENERGY AND RESOURCES LTD., a corporation existing under the laws of the Province of Alberta (hereinafter referred to as "**Petrobank**")

AND

TOUCHSTONE EXPLORATION INC., a corporation existing under the laws of the Province of British Columbia (hereinafter referred to as "**Touchstone**")

WHEREAS:

- A. Petrobank wishes to acquire all of the issued and outstanding Touchstone Shares;
- B. Petrobank and Touchstone wish to propose an arrangement involving, among other things, the acquisition by Petrobank of all of the issued and outstanding Touchstone Shares on the basis of 0.471 of a Petrobank Share for each Touchstone Share;
- C. the Parties intend to carry out the transactions contemplated herein by way of an arrangement under the provisions of the ABCA; and
- D. the Parties have entered into this Agreement dated effective as of March 6, 2014 to provide for the matters referred to in the foregoing recitals and for other matters relating to such arrangement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereby covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals hereto, the following defined terms have the meanings hereinafter set forth:

- (a) "**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) "**Acquisition Proposal**" means, with respect to Petrobank or Touchstone, as the case may be, any inquiry or the making of any offer or proposal to such Party or its securityholders from any Person or Persons "acting jointly or in concert" (within the meaning of MI 62-104), whether or not subject to due diligence or other conditions or whether or not in writing, prior to the termination of this Agreement or consummation of the Arrangement, as applicable, which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions):
 - (i) any direct or indirect sale, issuance or acquisition of shares or other equity interests (or securities convertible into or exercisable for such shares or interests) in such Party representing 20% or more of the issued and outstanding voting securities in such Party or rights or interests therein or thereto;

- (ii) any direct or indirect acquisition or purchase (or any lease, joint venture, acquisition of a royalty interest, farm-in, farm-out, development agreement, long-term supply agreement or other arrangement having the same economic effect as an acquisition or purchase) of assets of such Party representing 20% or more of the consolidated assets of such Party;
- (iii) an amalgamation, arrangement, merger, business combination, consolidation or other similar transaction involving such Party;
- (iv) a take-over bid, tender offer, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or other similar transaction involving such Party or any of its subsidiaries; or
- (v) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to the Other Party under this Agreement or the Arrangement;

except that: (x) the Petrobank Opportunity as defined and described in the Petrobank Disclosure Letter shall not constitute an Acquisition Proposal for Petrobank; (y) the Touchstone Disposition as defined and described in the Touchstone Disclosure Letter shall not constitute an Acquisition Proposal for Touchstone; and (z) for the purpose of the definition of "Superior Proposal" in Section 1.1(III) the references in the definition of "Acquisition Proposal" to "20% or more of the issued and outstanding voting securities" shall be deemed to be references to "50% or more of the issued and outstanding voting securities", and the references to "20% or more of the consolidated assets" shall be deemed to be references to "all or substantially all of the consolidated assets";

- (c) "**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including the exhibits hereto) as supplemented, modified or amended, and not to any particular article, section, exhibit or other portion hereof;
- (d) "**Applicable Canadian Securities Laws**" means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder, as such may be amended from time to time prior to the Effective Date;
- (e) "**Applicable Laws**", in the context that refers to one or more Persons, means any domestic or foreign, federal, state, provincial or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority, and any terms and conditions of any grant of approval, permission, authority or license of any Governmental Authority, that is binding upon or applicable to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or persons or its or their business, undertaking, property or securities;
- (f) "**Arrangement**" means the arrangement under the provisions of section 193 of the ABCA, on the terms and conditions set forth herein and in the Plan of Arrangement as supplemented, modified or amended;
- (g) "**Arrangement Resolution**" means the special resolution of the Touchstone Shareholders in respect of the Arrangement to be considered at the Touchstone Shareholders' Meeting substantially in the form attached hereto as Exhibit "A" hereto;
- (h) "**Articles of Arrangement**" means the articles of arrangement to be prepared by Touchstone, with the cooperation, consultation and prior approval of Petrobank, acting reasonably, as provided for herein, in respect of the Arrangement required under subsection 193(10) of the ABCA to be sent to the Registrar for filing after the Final Order has been granted, giving effect to the Arrangement;

- (i) "**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder;
- (j) "**Business Day**" means a day other than a Saturday, Sunday or other day when banks in the City of Calgary, Alberta, are not generally open for business;
- (k) "**Certificate**" means the certificate or other confirmation of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;
- (l) "**Confidentiality Agreements**" means the confidentiality agreements dated January 10, 2014 and January 13, 2014, respectively, between Touchstone and Petrobank and captioned "Confidentiality Agreement with Petrobank Energy & Resources Ltd." and "Confidentiality Agreement with Touchstone Exploration Inc.";
- (m) "**Continuing Employee**" has the meaning ascribed thereto in Section 2.6(a);
- (n) "**Contract**" means, with respect to a Party, a contract, lease, instrument, note, bond, debenture, mortgage, agreement, arrangement or understanding, written or oral, to which such Party, or any of its subsidiaries, is a Party or under which such Party or any of its subsidiaries is bound, has unfulfilled obligations or contingent liabilities or is owed unfulfilled obligations, whether known or unknown, and whether asserted or not;
- (o) "**Court**" means the Court of Queen's Bench of Alberta;
- (p) "**Depository**" means Computershare Trust Company of Canada or such other Person that may be appointed by and at the expense of Petrobank for the purpose of receiving deposits of certificates formerly representing Touchstone Shares;
- (q) "**Disclosed Personal Information**" has the meaning ascribed thereto in Section 4.3(b);
- (r) "**Dissent Rights**" means the rights of dissent granted in favour of registered Touchstone Shareholders in respect of: (i) the Arrangement to be described in the Plan of Arrangement; and (ii) the Touchstone Continuance as required by the BCBCA;
- (s) "**distribution**" means "distribution" or "distribution to the public", as the case may be, as defined under Applicable Canadian Securities Laws; and "distribute" has a corresponding meaning;
- (t) "**Effective Date**" has the meaning ascribed thereto in Section 2.1(e);
- (u) "**Effective Time**" means the time at which Articles of Arrangement are filed with the Registrar on the Effective Date and the Arrangement becomes effective;
- (v) "**Encumbrances**" means, in the case of property or an asset, all mortgages, pledges, charges, liens, debentures, hypothecs, trust deeds, outstanding demands, burdens, capital leases, assignments by way of security, security interests, conditional sales contracts or other title retention agreements or similar interests or instruments charging, or creating a security interest in, or against title to, such property or assets, or any part thereof or interest therein, and any agreements, leases, options, easements, rights of way, restrictions, executions or other charges or encumbrances (including notices or other registrations in respect of any of the foregoing) (whether by Applicable Laws, contract or otherwise) against title to any of the property or assets, or any part thereof or interest therein;
- (w) "**Environmental Approvals**" means all permits, certificates, licences, authorizations, consents, instructions, registrations, directions or approvals issued or required by Governmental Authorities pursuant to Environmental Laws;

- (x) "**Environmental Laws**" means, with respect to any Person or its business, activities, property, assets or undertaking, all Applicable Laws, relating to environmental or health matters including legislation governing the use and storage of Hazardous Substances and the plugging of wells;
- (y) "**Final Order**" means the order of the Court approving the Arrangement to be granted pursuant to subsection 193(9) of the ABCA in respect of Touchstone Shareholders, Touchstone and Petrobank, as such order may be affirmed, amended or modified by the Court (with the consent of both Touchstone and Petrobank, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that such amendment is acceptable to both Touchstone and Petrobank, each acting reasonably) on appeal;
- (z) "**FirstEnergy**" means FirstEnergy Capital Corp., financial advisors to Petrobank;
- (aa) "**GAAP**" means accounting principles generally accepted in Canada applicable to public companies at the relevant time;
- (bb) "**GLJ**" means GLJ Petroleum Consultants Ltd., an independent qualified reserve evaluator;
- (cc) "**Governmental Authority**" means any
 - (i) national, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau ministry or agency, domestic or foreign;
 - (ii) any subdivision, agent, commission, board or authority of any of the foregoing;
 - (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; and
 - (iv) any stock exchange, including the TSX and the TSXV;
- (dd) "**Governmental Authorizations**" means all licences, permits, certificates, consents, orders, grants, registrations, recognition orders, exemption relief orders, no-action relief and other authorizations (including in connection with Environmental Laws) from any Governmental Authority;
- (ee) "**Hazardous Substances**" means any pollutant, contaminant, waste of any nature, hazardous substance, hazardous material, toxic substance, dangerous substance or dangerous good as defined, judicially interpreted or identified in any Environmental Laws;
- (ff) "**Interim Order**" means an interim order of the Court concerning the Arrangement under subsection 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the holding of the Touchstone Shareholders' Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (gg) "**Investment Canada Act**" means the *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp.), as amended;
- (hh) "**ITA**" means the *Income Tax Act (Canada)*, R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time;
- (ii) "**Joint Information Circular**" means the joint management information circular and proxy statement of Petrobank and Touchstone, together with all appendices thereto, to be mailed or otherwise distributed by Petrobank to the Petrobank Shareholders in connection with the Petrobank Shareholders' Meeting and by Touchstone to the Touchstone Shareholders in connection with the Touchstone Shareholders' Meeting;
- (jj) "**Mailing Date**" has the meaning ascribed thereto in Section 2.6(d);

- (kk) **"Material Adverse Change"** or **"Material Adverse Effect"** means, with respect to Touchstone or Petrobank, as the case may be, any fact or state of facts, circumstance, change, effect, occurrence or event that individually or in the aggregate is, or would reasonably be expected to be, material and adverse to the condition (financial or otherwise), business, operations, properties, licenses, affairs, assets, liabilities (contingent or otherwise), capitalization, production, results of operations or cash flows of Touchstone or Petrobank and their respective subsidiaries, taken as a whole, as the case may be, other than any such change, effect, occurrence or event relating to or resulting from:
- (i) conditions affecting the oil and gas industry generally in jurisdictions in which Touchstone or Petrobank, as the case may be, carries on business, and not specifically relating to Touchstone or Petrobank, as the case may be, including changes in royalties, Applicable Laws or taxes;
 - (ii) general economic, financial, currency exchange, securities or commodity prices in Canada or elsewhere;
 - (iii) in the case of Touchstone, any matter which has been publicly disclosed by Touchstone in the Touchstone Public Record or has been communicated in writing to Petrobank, in each case prior to the date of this Agreement, and in the case of Petrobank, any matter which has been publicly disclosed by Petrobank in the Petrobank Public Record or has been communicated in writing to Touchstone, in each case prior to the date of this Agreement; except in each case to the extent of any changes, effects, facts or state of facts, circumstances, occurrences or events that arise after the date hereof;
 - (iv) in the case of Touchstone, relating to a change in the market trading price or trading volume of the Touchstone Shares, and in the case of Petrobank, relating to a change in the market price or trading volume of the Petrobank Shares:
 - (A) as a direct result of this Agreement and the Arrangement or the announcement thereof; or
 - (B) as a result of a change, effect, event of occurrence excluded from the definition of Material Adverse Effect under Section 1.1(kk)(i) or 1.1(kk)(ii); or
 - (v) in the case of Touchstone, any matter expressly permitted by the Touchstone Disclosure Letter or this Agreement or consented to in writing by Petrobank after the date hereof, and in the case of Petrobank, any matter expressly permitted by the Petrobank Disclosure Letter or this Agreement or consented to in writing by Touchstone after the date hereof, or, in all cases, occurring as a direct result hereof;
- provided, however that the change or effect referred to in Section 1.1(kk)(i) or 1.1(kk)(ii) does not primarily relate only to (or have the effect of primarily relating only to) Touchstone or Petrobank, as the case may be, or disproportionately affects either Touchstone or Petrobank and their respective subsidiaries, taken as a whole, as the case may be, compared to other entities of similar size operating in the oil and gas industry, in which case, the relevant exclusion from this definition of Material Adverse Change or Material Adverse Effect referred to above shall not be applicable;
- (ll) **"McDaniel"** means McDaniel & Associates Consultants Ltd. an independent qualified reserve evaluator;
 - (mm) **"Misrepresentation"**, **"Material Change"** and **"Material Fact"** have the meanings ascribed thereto under the Applicable Canadian Securities Laws;
 - (nn) **"MI 62-104"** means Multilateral Instrument 62-104 – Take Over Bids and Issuer Bids;
 - (oo) **"Other Party"** means: (i) with respect to Petrobank, Touchstone; and (ii) with respect to Touchstone, Petrobank;

- (pp) "**Outside Date**" means May 30, 2014 or such other date as the Parties may agree;
- (qq) "**Parties**" means, collectively, the parties to this Agreement, and "**Party**" means any one of them;
- (rr) "**Permitted Encumbrances**" means: (i) any overriding royalties, net profits interests or other encumbrances applicable to the interests of a Party in its petroleum and natural gas rights and leases and all related tangibles, equipment, facilities and miscellaneous interests as taken into account in the Touchstone GLJ Report or the Petrobank Reserve Reports, as applicable; (ii) easements, rights of way, servitudes or other similar rights, including, without limitation, rights of way for highways, railways, sewers, drains, gas or oil pipelines, gas or water mains, electric light, power, telephone or cable television towers, poles, and wires; (iii) the regulations and any rights reserved to or vested in any municipality or governmental, statutory or public authority to levy taxes or to control or regulate any Party's interests in any manner, including, without limitation, the right to control or regulate production rates and the conduct of operations; (iv) statutory exceptions to title and the reservations, limitations and conditions in any grants or transfers from the Crown of mines and minerals; (v) undetermined or inchoate liens incurred or created in the ordinary course of business as security for a Party's share of the costs and expenses of the development or operation of any of its assets, which costs and expenses are not delinquent as of the Effective Time; (vi) undetermined or inchoate mechanics' liens and similar liens for which payment for services rendered or goods supplied is not delinquent as of the Effective Time; (vii) liens granted in the ordinary course of business to a Governmental Authority respecting operations pertaining to petroleum and natural gas rights; and (viii) any encumbrances under a Party's existing credit facilities;
- (ss) "**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;
- (tt) "**Petrobank**" means Petrobank Energy and Resources Ltd., a corporation existing under the laws of the Province of Alberta;
- (uu) "**Petrobank Balance Sheet**" has the meaning ascribed thereto in Section 4.1(w)(i);
- (vv) "**Petrobank Board**" means the board of directors of Petrobank, as it may be comprised from time to time, including any duly constituted and acting committee thereof;
- (ww) "**Petrobank Budget**" has the meaning ascribed thereto in Section 3.1(h)(ii);
- (xx) "**Petrobank Consolidation**" means the consolidation of the Petrobank Shares on a 2 to 1 basis;
- (yy) "**Petrobank Consolidation Resolution**" means the special resolution of the Petrobank Shareholders to authorize and approve, conditional upon the Arrangement becoming effective, the Petrobank Consolidation;
- (zz) "**Petrobank Incentive Shares**" has the meaning ascribed thereto in Section 4.1(i);
- (aaa) "**Petrobank Damages Event**" has the meaning ascribed thereto in Section 6.1;
- (bbb) "**Petrobank Disclosure Letter**" means the disclosure letter dated March 6, 2014 from Petrobank to Touchstone as may be amended or supplemented by agreement between Petrobank and Touchstone prior to the Effective Time;
- (ccc) "**Petrobank Financial Statements**" means the audited consolidated financial statements of Petrobank as at and for the fiscal years ended December 31, 2013 and December 31, 2012, together with the notes thereto and the auditors' report thereon;

- (ddd) "**Petrobank Group**" has the meaning ascribed thereto in section 4.1(c);
- (eee) "**Petrobank Group IP Rights**" means all of the intellectual property owned, used, or required, whether owned, used or required either individually or collectively, by one or more members of the Petrobank Group including any patents held by Petrobank and all licenses or similar agreements or arrangements to which one or more members of the Petrobank Group is a party, either as licensee or licensor, with respect to Petrobank Group IP Rights, or intellectual property of a third party;
- (fff) "**Petrobank Information**" means the information to be included in the Joint Information Circular describing Petrobank and the business, operations and affairs of Petrobank as required by Applicable Laws and the Interim Order, including any required pro forma financial statements, and the matters to be considered at the Petrobank Shareholders' Meeting;
- (ggg) "**Petrobank Incentive Shares**" has the meaning ascribed thereto in Section 4.1(i);
- (hhh) "**Petrobank Material Contracts**" has the meaning ascribed thereto in Section 4.1(bb);
- (iii) "**Petrobank McDaniel Report**" has the meaning ascribed thereto in Section 4.1(v);
- (jjj) "**Petrobank Name Change Resolution**" means the special resolution of the Petrobank Shareholders to authorize and approve, conditional upon the Arrangement becoming effective, the change of name of Petrobank to "Touchstone Exploration Inc.";
- (kkk) "**Petrobank New Board Resolution**" means the ordinary resolution of the Petrobank Shareholders to authorize and approve, conditional upon the Touchstone Continuance and the Arrangement becoming effective, the election of each of the Touchstone Nominees and the Petrobank Nominees to the Petrobank Board;
- (lll) "**Petrobank Nominees**" means each of Kenneth R. McKinnon, Corey C. Ruttan, Harrie Vredenburg and John D. Wright;
- (mmm) "**Petrobank Optionholders**" means holders of Petrobank Options;
- (nnn) "**Petrobank Option Plan**" means the Petrobank share option plan and the agreements thereunder;
- (ooo) "**Petrobank Options**" means the outstanding stock options of Petrobank, whether or not vested, entitling the holders thereof to acquire Petrobank Common Shares;
- (ppp) "**Petrobank Plans**" has the meaning ascribed thereto in Section 4.1(cc);
- (qqq) "**Petrobank Projects**" means all of Petrobank's direct and indirect ownership or interests in the Kerrobert Project and the Dawson Project, which are each described in the Petrobank Public Record;
- (rrr) "**Petrobank Public Record**" means all information filed by or on behalf of Petrobank after December 31, 2012 with the Securities Authorities, in compliance, or intended compliance, with any Applicable Canadian Securities Laws;
- (sss) "**Petrobank Reserve Reports**" means, collectively, the Petrobank McDaniel Report and the Petrobank Sproule Report;
- (ttt) "**Petrobank Share Issuance Resolution**" means the ordinary resolution of the Petrobank Shareholders to authorize and approve the issuance by Petrobank of the Petrobank Shares to the Touchstone Shareholders pursuant to the Arrangement;

- (uuu) "**Petrobank Shareholder Resolutions**" means each of the Petrobank Consolidation Resolution, the Petrobank Name Change Resolution, the Petrobank New Board Resolution and the Petrobank Share Issuance Resolution;
- (vvv) "**Petrobank Shareholders**" means the holders of Petrobank Shares;
- (www) "**Petrobank Shareholders' Meeting**" means the annual general and special meeting of the Petrobank Shareholders, including any adjournment thereof, to be held to consider, and if deemed advisable, approve the Petrobank Shareholder Resolutions;
- (xxx) "**Petrobank Shares**" means the common shares in the capital of Petrobank;
- (yyy) "**Petrobank Sproule Report**" has the meaning ascribed thereto in Section 4.1(u);
- (zzz) "**Petrobank Termination Fee**" has the meaning ascribed thereto in Section 6.1;
- (aaaa) "**Petrobank Transaction Costs**" means all costs of Petrobank in connection with this Agreement and the Arrangement, including, without limitation, estimated fees and expenses of financial, legal, accounting and engineering advisors, printing, mailing, solicitation and the Petrobank Shareholders' Meeting costs;
- (bbbb) "**Plan of Arrangement**" means the plan of arrangement under the ABCA substantially in the form set forth in Exhibit "B" to this Agreement, as such plan of arrangement may be amended or supplemented from time to time in accordance with the terms thereof and hereof;
- (cccc) "**PNGs**" means petroleum, natural gas and related hydrocarbons;
- (dddd) "**Pre-Acquisition Reorganization**" has the meaning ascribed thereto in Section 3.6;
- (eeee) "**Registrar**" means the Registrar of Corporations or the Deputy Registrar of Corporations appointed pursuant to section 263 of the ABCA;
- (ffff) "**Scotiabank**" means Scotia Waterous Inc., financial advisors to Touchstone;
- (gggg) "**Securities Act**" means the *Securities Act*, R.S.A. 2000, c. S-4, as amended;
- (hhhh) "**Securities Authorities**" means, collectively, the securities commissions or similar securities regulatory authorities in each of the provinces or territories of Canada;
- (iiii) "**Share Exchange Ratio**" means 0.471, being the number of Petrobank Shares issuable in exchange for one Touchstone Share pursuant to the Arrangement;
- (jjjj) "**Sproule**" means Sproule Associates Limited, an independent qualified reserves evaluator;
- (kkkk) "**subsidiary**" has the meaning ascribed thereto in the Securities Act (and shall include all trusts or partnerships directly or indirectly owned by Touchstone or Petrobank, as the case may be);
- (llll) "**Superior Proposal**" means an unsolicited written *bona fide* Acquisition Proposal made after the date hereof from a Person (in the case of Touchstone, other than Petrobank and in the case of Petrobank, other than Touchstone):
 - (i) that is not subject to a financing condition and the funds or other consideration necessary for the consummation of the Acquisition Proposal are, or are reasonably likely to be, available, as demonstrated to the satisfaction of the Petrobank Board or Touchstone Board, as applicable, acting in good faith (after receiving advice from its financial advisor and outside legal counsel);

- (ii) that the Petrobank Board or the Touchstone Board, as applicable, determines in good faith (after receiving advice from its financial advisor and outside legal counsel) is capable of being completed without undue delay, taking into account all financial, legal regulatory and other aspects of such proposal and the Person making such proposal;
 - (iii) that did not result from or involve a breach of Section 3.5;
 - (iv) that is not subject to any due diligence or access condition; and
 - (v) in respect of which the Petrobank Board or the Touchstone Board, as applicable, has determined in good faith (after the receipt of advice from its legal counsel with respect to (A) and its financial advisors with respect to (B), in each case as reflected in the minutes of the Petrobank Board or the Touchstone Board, as applicable) that: (A) recommending such Acquisition Proposal to the Petrobank Shareholders or the Touchstone Shareholders, as applicable, is necessary in discharge of its fiduciary duties; and (B) such Acquisition Proposal, taking into account all of the terms and conditions thereof, if consummated in accordance with its terms, would result in a transaction more favourable to the Petrobank Shareholders or the Touchstone Shareholders, as applicable, from a financial point of view than the transactions contemplated by this Agreement (including in each case after taking into account any modifications to this Agreement proposed by Petrobank as contemplated by Section 3.5(d));
- (mmmm) "**Tax**" or "**Taxes**" shall mean any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any Taxing Authority, whether computed on a separate, consolidated, unitary, combined or other basis, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), payroll and employee withholding taxes, employment insurance premiums, unemployment insurance, social insurance taxes, Canada Pension Plan contributions, sales and use taxes, value added taxes, *ad valorem* taxes, excise taxes, franchise taxes, gross receipts taxes, environmental taxes, capital taxes, production taxes, recapture, withholding taxes, employee health taxes, surtaxes, customs, import and export taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers' compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which Touchstone or Petrobank, as applicable (or any of their respective subsidiaries), as the case may be, is required to pay, withhold, remit or collect;
- (nnnn) "**Tax Returns**" shall mean all reports, estimates, elections, notices, filings, designations, forms, declarations of estimated tax, information statements and returns relating to, or required to be supplied to any Taxing Authority in connection with, any Taxes (including any attached schedules, estimated tax returns, withholding tax returns, and information returns and reports), whether in tangible or electronic form;
- (oooo) "**Taxing Authority**" shall mean any Governmental Authority responsible for the imposition of any Tax;
- (pppp) "**Third Party Approvals**" has the meaning ascribed thereto in Section 5.1(i);
- (qqqq) "**Third Party Beneficiaries**" has the meaning ascribed thereto in Section 10.11;
- (rrrr) "**threatened**" when used in relation to legal action or any other matter, means that a demand or statement (oral or written) has been made or a notice (oral or written) has been given that such legal action or other matter is to be asserted, commenced, taken or otherwise pursued in the future or that an event has occurred or circumstances exist that would lead a reasonable Person to conclude that such legal action or other matter is likely to be asserted, commenced, taken or otherwise pursued in the future;
- (ssss) "**Touchstone**" means Touchstone Exploration Inc., a corporation existing under the BCBCA;

- (tttt) "**Touchstone Balance Sheet**" has the meaning ascribed thereto in Section 4.2(u)(i);
- (uuuu) "**Touchstone Board**" means the board of directors of Touchstone as it may be comprised from time to time including any duly constituted and acting committee thereof;
- (vvvv) "**Touchstone Budget**" has the meaning ascribed thereto in Section 3.3(h)(ii);
- (wwww) "**Touchstone Change of Control Payments**" means obligations of Touchstone pursuant to all employment and consulting services agreements, termination, severance and retention plans or policies for severance, termination or bonus payments and any payments pursuant to any other incentive plans, arising out of or in connection with the Arrangement, but not including payments in respect of Touchstone Options as provided in this Agreement;
- (xxxx) "**Touchstone Continuance**" means the continuance of Touchstone from the jurisdiction of the Province of British Columbia to the jurisdiction of the Province of Alberta pursuant to section 308 of the BCBCA and section 188 of the ABCA, such continuance to occur prior to the Arrangement;
- (yyyy) "**Touchstone Continuance Resolution**" means the special resolution of the Touchstone Shareholders in respect of the Touchstone Continuance to be considered at the Touchstone Shareholders' Meeting;
- (zzzz) "**Touchstone Credit Facility Warrants**" means share purchase warrants issued on June 29, 2012 to a lender of Touchstone (the "**Touchstone Lender**") under its \$24.0 million Credit Facility (the "**Touchstone Credit Facility**") entitling the Touchstone Lender to acquire one Touchstone Share for each of the 9,600,000 share purchase warrants held by the Touchstone Lender at an exercise price of \$0.55 until June 29, 2015;
- (aaaa) "**Touchstone Debenture Indenture**" means the trust indenture dated June 29, 2011 between Touchstone and the Touchstone Debenture Trustee governing the terms and conditions of the Touchstone Debentures;
- (bbbb) "**Touchstone Debenture Trustee**" means Computershare Trust Company of Canada;
- (cccc) "**Touchstone Debenture Warrants**" means share purchase warrants issued on June 29, 2011 to holders of the Touchstone Debentures entitling the holders thereof to acquire one Touchstone Share per warrant held at an exercise price of \$0.75 until June 29, 2014, of which 1,000,000 remain outstanding;
- (dddd) "**Touchstone Debentures**" means Touchstone's \$2,000,000 aggregate principal amount of 9.5% convertible senior unsecured debentures due June 30, 2016 issued pursuant to the Touchstone Debenture Indenture;
- (eeee) "**Touchstone Damages Event**" has the meaning ascribed thereto in Section 6.4;
- (ffff) "**Touchstone Disclosure Letter**" means the disclosure letter dated March 6, 2014 from Touchstone to Petrobank as may be amended or supplemented by agreement between Touchstone and Petrobank prior to the Effective Time;
- (gggg) "**Touchstone Financial Statements**" means, collectively,
- (i) the audited financial statements of Touchstone as at and for the fiscal years ended September 30, 2013 and September 30, 2012, together with the notes thereto and the auditors' report thereon; and
 - (ii) the unaudited financial statements of Touchstone as at and for the three month period ended December 31, 2013 and 2012, together with the notes thereto;
- (hhhh) "**Touchstone GLJ Report**" has the meaning ascribed thereto in Section 4.2(t);

- (iiii) **"Touchstone Group"** has the meaning ascribed thereto in Section 4.2(c);
- (jjjj) **"Touchstone Information"** means the information to be included in the Joint Information Circular describing Touchstone and the business, operations and affairs of Touchstone as required by Applicable Laws and the Interim Order, including any required financial statements, and the matters to be considered at the Touchstone Shareholders' Meeting;
- (kkkkk) **"Touchstone Material Contracts"** has the meaning ascribed thereto in Section 4.2(z);
- (lllll) **"Touchstone Nominees"** means each of Paul Baay, Trevor Mitzel and R. Gregg Smith;
- (mmmmm) **"Touchstone Optionholders"** means holders of Touchstone Options;
- (nnnnn) **"Touchstone Option Plan"** has the meaning ascribed thereto in Section 2.6(d);
- (ooooo) **"Touchstone Options"** means the outstanding stock options of Touchstone, whether or not vested, entitling the holders thereof to acquire Touchstone Shares;
- (ppppp) **"Touchstone Plans"** has the meaning ascribed thereto in Section 4.2(aa);
- (qqqqq) **"Touchstone Projects"** means all of Touchstone's direct and indirect ownership or interests in Barrackpore, Bovallius, Coora 1, Coora 2, Cory Moruga, East Brighton, Fyzabad, Icos, Moruga, New Dome, New Grant, Palo Seco, Rousillac, San Francique East, San Francique West, Siparia, South Palo Seco, WD-4, and WD-8 Blocks in Trinidad which are described in Touchstone's Public Record;
- (rrrrr) **"Touchstone Public Record"** means all information filed by or on behalf of Touchstone after December 31, 2012 with the Securities Authorities, in compliance, or intended compliance, with any Applicable Canadian Securities Laws;
- (sssss) **"Touchstone Related Parties"** has the meaning ascribed thereto in Section 4.2(q);
- (ttttt) **"Touchstone Shares"** means the common shares in the capital of Touchstone;
- (uuuuu) **"Touchstone Shareholders"** means holders of Touchstone Shares;
- (vvvvv) **"Touchstone Shareholders' Meeting"** means the special meeting of Touchstone Shareholders to be held to consider the Touchstone Continuance Resolution, the Arrangement Resolution and related matters, and any adjournment(s) thereof;
- (wwwww) **"Touchstone Subsidiaries"** means Optimal Energy (St. Lucia) Limited, Optimal Services Limited, Primera Block 4 (a) Limited, Primera Block 3 (b) Limited, Primera Block WD-4 Limited, Primera East Brighton Limited, Primera Energy Resources Ltd. (existing under the laws of British Columbia), Primera Energy Resources Ltd. (existing under the laws of Trinidad), Primera Energy Resources (Trinidad) Ltd., Primera Modified U (b) Limited, Primera Oil and Gas Limited, Primera Rock Dome Limited, Touchstone Exploration Inc., Touchstone Exploration (Barbados) Ltd., Territorial Oilfield Management Services Limited and Territorial Services Limited;
- (xxxxx) **"Touchstone Termination Fee"** has the meaning ascribed thereto in Section 6.4;
- (yyyyy) **"Touchstone Transaction Costs"** means, collectively, the Touchstone Change of Control Payments together with all other costs of Touchstone in connection with this Agreement and the Arrangement, including, without limitation, estimated fees and expenses of financial, legal, accounting and engineering advisors, printing, mailing, solicitation (excluding proxy solicitation services contemplated by Section 3.3(aa)) and shareholder communication costs and the Touchstone Shareholders' Meeting costs;

(zzzzz) "**Touchstone Warrants**" means, collectively, the Touchstone Debenture Warrants and the Touchstone Credit Facility Warrants;

(aaaaa) "**Touchstone Warrantholders**" means holders of Touchstone Warrants;

(bbbbb) "**Trinidad**" means the Republic of Trinidad and Tobago;

(ccccc) "**Trinidad Approvals**" means approval of the Trinidad and Tobago Minister of Energy and Energy Affairs and/or the Petroleum Company of Trinidad and Tobago, as applicable, all as set forth in the Touchstone Disclosure Letter;

(ddddd) "**TSX**" means the Toronto Stock Exchange;

(eeeee) "**TSXV**" means the TSX Venture Exchange;

(ffffff) "**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

(ggggg) "**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended, and the rules, regulations and orders promulgated thereunder; and

(hhhhh) "**U.S. Securities Laws**" means the federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder, as amended from time to time.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into articles, sections and subsections is for convenience of reference only and does not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement (including the Exhibits hereto) and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

1.3 Number and Gender; Derivatives

Words importing the singular number include the plural and vice versa, and words importing the use of any gender include all genders. If a word is defined in this Agreement a grammatical derivative of that word shall have a corresponding meaning.

1.4 Date for Any Action

If any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day and a business day in the place where an action is required to be taken, such action is required to be taken on the next succeeding day which is a Business Day and a business day, as applicable, in such place. Notwithstanding the forgoing, this provision does not apply to the time periods set forth in Section 3.5.

1.5 Entire Agreement

This Agreement, the Confidentiality Agreements and the Touchstone Disclosure Letter constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect to the subject matter hereof.

1.6 **Statute and Agreement References**

Any reference in this Agreement to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time. References to any agreement or document shall be to such agreement or document (together with all schedules and exhibits thereto), as it may have been or may hereafter be amended, supplemented, replaced or restated from time to time.

1.7 **Currency**

All sums of money that are referred to in this Agreement are expressed in lawful money of Canada unless otherwise noted.

1.8 **Accounting Matters**

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under GAAP and all determinations of an accounting nature are required to be made shall be made in a manner consistent with GAAP.

1.9 **Disclosure in Writing**

Reference to disclosure or communication in writing herein shall, in the case of disclosure to Petrobank be references exclusively to the Touchstone Disclosure Letter or this Agreement, or in the case of disclosure to Touchstone be references exclusively to the Petrobank Disclosure Letter or this Agreement.

1.10 **Interpretation Not Affected by Party Drafting**

The Parties hereto acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the Parties agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be applicable in the interpretation of this Agreement.

1.11 **Knowledge**

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of Touchstone or Petrobank, as applicable, it refers to the actual knowledge of Paul Baay, Scott Budau and James Shipka in respect of Touchstone, and John D. Wright, Peter Cheung and Tim Sweeney in respect of Petrobank, in each case after reasonable inquiry, and in each case in their capacity as officers of Touchstone or Petrobank and not in their personal capacity, as of the date of this Agreement and does not include any constructive, implied or imputed knowledge of Touchstone, Petrobank or such individuals.

ARTICLE 2 THE ARRANGEMENT

2.1 **Plan of Arrangement**

- (a) The Parties agree to carry out the Arrangement pursuant to which (among other things):
- (i) each Touchstone Shareholder (other than those Touchstone Shareholders who have validly exercised Dissent Rights) shall receive, for each one Touchstone Share 0.471 (or such other exchange ratio as is determined in accordance with the Plan of Arrangement) of a Petrobank Share;
 - (ii) the Touchstone Warrants shall become valid and binding obligations of Petrobank, following the Effective Time pursuant to their respective terms and the Plan of Arrangement such that exercise

of the Touchstone Warrants shall be satisfied with Petrobank Shares in lieu of Touchstone Shares, based on the exchange ratio set forth above; and

- (iii) the Touchstone Debentures will be valid and binding obligations of Petrobank following the Effective Time pursuant to their terms and the Plan of Arrangement and the conversion of the Touchstone Debentures shall be satisfied with Petrobank Shares in lieu of Touchstone Shares, based on the Share Exchange Ratio.
- (b) The Arrangement has been and shall continue to be structured and carried out such that on the Effective Date the issuance of Petrobank Shares issuable to the Touchstone Shareholders under the Arrangement: (i) will be made in compliance with Applicable Canadian Securities Laws; and (ii) assuming the Arrangement Resolution is approved and the Final Order is obtained, will not require registration under the U.S. Securities Act, and the rules and regulations promulgated thereunder, in reliance on the exemption from registration provided by section 3(a)(10) of the U.S. Securities Act.
- (c) The Plan of Arrangement may be amended to give effect to Section 3.6 or in accordance with Section 7.2.
- (d) Provided all necessary approvals for the Touchstone Continuance Resolution and the Arrangement Resolution are obtained from the Touchstone Shareholders and all necessary approvals for the Petrobank Share Issuance Resolution and the Petrobank New Board Resolution are obtained from the Petrobank Shareholders, Touchstone shall, with the cooperation and assistance of Petrobank, complete the Touchstone Continuance and following the completion of the Touchstone Continuance, submit the Arrangement to the Court and jointly apply for the Final Order.
- (e) On the second Business Day after the last of the conditions set forth in Sections 5.1(f), 5.1(g), 5.1(i) and 5.1(k), has been satisfied or, where not prohibited, waived by the applicable Party or Parties in whose favour the condition is (provided, that on the first Business Day after such conditions have been satisfied or waived each of the other conditions set forth in Article 5 have also been satisfied or, where not prohibited, waived by the applicable Party or Parties in whose favour the condition is), unless another time or date is agreed to in writing by the Parties (the "**Effective Date**"), the Parties will complete the Arrangement and the Arrangement shall become effective at the Effective Time whereupon the steps comprising the Plan of Arrangement will be deemed to occur in the order, at the times, and in the manner set forth therein. The closing of the transactions contemplated hereby will take place at the offices of counsel to Touchstone or at such other location as may be agreed upon by the Parties.
- (f) The Parties shall use their commercially reasonable efforts to cause the Effective Date to occur on or about May 1, 2014 or as soon thereafter as reasonably practicable and in any event by the Outside Date.

2.2 **Interim Order and Touchstone Shareholders' Meeting**

Touchstone agrees that as soon as reasonably practicable after the date hereof, but in any event prior to April 1, 2014, Touchstone shall apply in a manner reasonably acceptable to Petrobank pursuant to section 193 of the ABCA and, in cooperation with Petrobank, acting reasonably, prepare, file and diligently pursue an application for the Interim Order, which shall provide, among other things:

- (a) for the calling and the holding of the Touchstone Shareholders' Meeting, including the record date for determining the Persons to whom notice of the Touchstone Shareholders' Meeting is to be provided and for determining the Persons entitled to vote at the Touchstone Shareholders' Meeting;
- (b) that the securities of Touchstone for which holders as at the record date established for the Touchstone Shareholders' Meeting shall be entitled to vote on the Arrangement Resolution shall be the Touchstone Shares;

- (c) that all Touchstone Shareholders as at the record date established for the Touchstone Shareholders' Meeting shall be entitled to vote on the Arrangement Resolution, with each Touchstone Shareholder being entitled to one vote for each Touchstone Share held by it;
- (d) that the requisite level of approval for the Arrangement Resolution shall be at least two-thirds of the aggregate votes cast on the Arrangement Resolution by those Touchstone Shareholders present in person or represented by proxy and entitled to vote at the Touchstone Shareholders' Meeting;
- (e) that, in all other respects, the terms, restrictions and conditions of the constating documents of Touchstone, including quorum requirements and all other matters, shall apply in respect of the Touchstone Shareholders' Meeting, except as modified by the Interim Order;
- (f) for the grant of the Dissent Rights;
- (g) for the notice requirements with respect to the presentation of the application to the Court for the Final Order; and
- (h) that the Touchstone Shareholders' Meeting may be adjourned or postponed from time to time by Touchstone with the consent of Petrobank without the need for additional approval of the Court.

In pursuing the application for the Interim Order in respect of the Arrangement, Touchstone shall advise the Court that it is Touchstone's intention to rely upon the exemption from registration provided by section 3(a)(10) of the U.S. Securities Act with respect to the issuance and distribution of Petrobank Shares pursuant to the Arrangement, based on the Court's approval of the Arrangement.

Touchstone also agrees that the Touchstone Shareholders' Meeting shall also be called for the purpose of considering and, if deemed advisable, approving by special resolution of at least two-thirds of the aggregate votes cast at the Touchstone Shareholders' Meeting, the Touchstone Continuance Resolution.

2.3 Petrobank Shareholders' Meeting

Petrobank shall call the Petrobank Shareholders' Meeting to be held on the same date as the Touchstone Shareholders' Meeting for the purpose of considering and, if deemed advisable:

- (a) approving by a simple majority of the votes cast at the Petrobank Shareholders' Meeting:
 - (i) the Petrobank Share Issuance Resolution in connection with the Arrangement;
 - (ii) conditional upon the Arrangement becoming effective, the Petrobank New Board Resolution.
- (b) approving by special resolution of at least two-thirds of the votes cast at the Petrobank Shareholders' Meeting, conditional upon the Arrangement becoming effective, each of the Petrobank Consolidation Resolution and the Petrobank Name Change Resolution.

2.4 Joint Information Circular

- (a) As promptly as practical following the execution of this Agreement, and in compliance with the Interim Order, as applicable, and Applicable Laws (including Applicable Canadian Securities Laws):
 - (i) Petrobank shall:
 - (A) prepare, in consultation with Touchstone, the Joint Information Circular and cause such circular to be mailed to the Petrobank Shareholders and filed with applicable regulatory authorities and other Governmental Authorities in all jurisdictions where the same are required to be mailed and filed; and

- (B) convene the Petrobank Shareholders' Meeting; and
- (ii) Touchstone Shall:
 - (A) prepare, in consultation with Petrobank, the Joint Information Circular and cause such circular to be mailed to the Touchstone Shareholders and such other securityholders of Touchstone or other third parties as may be required pursuant to the Interim Order, and filed with applicable regulatory authorities and other Governmental Authorities in all jurisdictions where the same are required to be mailed and filed; and
 - (B) convene the Touchstone Shareholders' Meeting.
- (b) The Parties agree that the Joint Information Circular will contain such information and disclosure as is determined to be necessary, in the sole determination of Petrobank, such that Petrobank will be able to conduct its annual general meeting business at the Petrobank Shareholders' Meeting, including, but not limited to, ratification of the Petrobank Option Plan, if necessary, and putting forward a slate of director nominees for election to the Petrobank Board that does not include the Touchstone Nominees if the Touchstone Shareholders do not approve the Touchstone Continuance Resolution and the Arrangement Resolution at the Touchstone Shareholders' Meeting.

2.5 Preparation of Filings

- (a) Petrobank and Touchstone shall cooperate in:
 - (i) seeking the Interim Order and the Final Order, including by Petrobank providing Touchstone on a timely basis any information required to be supplied by Petrobank concerning itself in connection therewith. Touchstone shall provide legal counsel to Petrobank with reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, and shall give reasonable consideration to all such comments. Touchstone shall also provide legal counsel to Petrobank on a timely basis with copies of any notice of appearance and evidence served on Touchstone or its legal counsel in respect of the application for the Final Order or any appeal therefrom. Subject to Applicable Laws, Touchstone shall not file any material with the Court or any Governmental Authority in connection with the Arrangement or serve any such material, and shall not agree to modify or amend materials so filed or served, except with Petrobank's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed; provided that nothing herein shall require Petrobank to agree or consent to any increase in the consideration to be received by Touchstone Shareholders or other modification or amendment to such filed or served materials that expands or increases Petrobank's obligations, or diminishes or limits Petrobank's rights, set forth in any such filed or served materials or under this Agreement; and
 - (ii) the taking of all such action as may be required under the ABCA, the BCBCA, Applicable Canadian Securities Laws and U.S. Securities Laws in connection with the transactions contemplated by this Agreement and the Plan of Arrangement and the taking of all such action as may be required under the ABCA, the BCBCA, Applicable Canadian Securities Laws and the U.S. Securities Laws in connection with the transactions contemplated by this Agreement and the Plan of Arrangement.
- (b) Each of Petrobank and Touchstone shall promptly furnish to the other all information concerning it as may be required for the effectuation of the actions described in Section 2.1 and the foregoing provisions of this Section 2.5, and each covenants that no information furnished by it in connection with such actions or otherwise in connection with the consummation of the Arrangement and the other transactions contemplated by this Agreement will contain any Misrepresentation.

2.6 **Employees, Employment Agreements, Touchstone Options and Touchstone Warrants**

- (a) Unless otherwise agreed among the Parties prior to the Effective Date, the employment of all employees and officers of Touchstone (the "**Continuing Employees**") will be continued by Petrobank. At the Effective Time, the Continuing Employees, unless their employment is terminated, shall continue their employment on the terms and conditions comparable (excluding consideration of long term incentive plans), in the aggregate, to the terms and conditions on which they are currently employed.
- (b) The Parties acknowledge that the Arrangement will result in a "change of control" for purposes of the Touchstone executive officer and employee (if applicable) employment and other agreements. The Touchstone Disclosure Letter includes Touchstone's *bona fide* good faith estimate of the Touchstone Change of Control Payments and includes: (i) the name of each individual entitled to a payment; (ii) a description of the agreement or plan or other legal requirement under which the payment arises and relevant section references, if applicable; (iii) the total amount of each individual's payment; and (iv) the method of calculating such payment.
- (c) The Parties agree that any Touchstone Change of Control Payments that are payable in cash shall be paid to the applicable employees of Touchstone entitled thereto immediately following the Effective Time concurrent with the execution of full and final releases in form and substance satisfactory to Petrobank, acting reasonably.
- (d) The Parties agree that the Touchstone Board will approve: (i) the vesting of all outstanding Touchstone Options issued under Touchstone's rolling stock option incentive plan, and the agreements thereunder, as approved and ratified by Touchstone Shareholders on April 24, 2013 (the "**Touchstone Option Plan**") effective before the Effective Date in order that all such outstanding Touchstone Options shall be fully vested and may be exercised before the Effective Time in accordance with their terms; and (ii) the termination of all such outstanding Touchstone Options as at the Effective Time in accordance with the terms of the Touchstone Option Plan. Touchstone covenants and agrees that it will use all commercially reasonable efforts to encourage and facilitate any Touchstone Optionholder who, as of the date that the Joint Information Circular is mailed to the Touchstone Shareholders (the "**Mailing Date**"), holds any Touchstone Option that is "in the money" to agree to cancel any such Touchstone Option prior to the Effective Time for a cash payment equal to the product of: (i) the closing price of the Touchstone Shares on the TSXV on the last trading day prior to the Mailing Date less the exercise price of such Touchstone Option; and (ii) the number of Touchstone Shares that are covered by each such Touchstone Option.

2.7 **Petrobank Officer**

The Parties agree that, immediately following the completion of the Arrangement the Petrobank Board, as it exists at that time, shall appoint Paul Baay to act as President and Chief Executive Officer of Petrobank.

2.8 **Effective Date**

The Arrangement shall become effective at the Effective Time on the Effective Date.

2.9 **Recommendation of Touchstone Board**

Based upon, among other things, the opinion of Scotiabank, the Touchstone Board has unanimously determined that the Arrangement is in the best interests of Touchstone and is fair to the Touchstone Shareholders, unanimously approved the Arrangement and the entering into of the Arrangement Agreement and has resolved unanimously to recommend Touchstone Shareholders vote in favour of the Touchstone Continuance Resolution and the Arrangement Resolution. Notice of such approvals, determinations and resolution shall, subject to the terms hereof, be included, along with the written fairness opinion of Scotiabank, confirming the aforementioned opinion of such financial advisor, in the Joint Information Circular.

2.10 **Recommendation of Petrobank Board**

Based upon, among other things, the opinion of FirstEnergy, the Petrobank Board has unanimously determined that the Arrangement is in the best interests of Petrobank and is fair to the Petrobank Shareholders, unanimously approved the Arrangement and the entering into of the Arrangement Agreement and has resolved unanimously to recommend Petrobank Shareholders vote in favour of each of the Petrobank Shareholder Resolutions. Notice of such approvals, determinations and resolution shall, subject to the terms hereof, be included, along with the written fairness opinion of FirstEnergy, confirming the aforementioned opinion of such financial advisor, in the Joint Information Circular.

2.11 **Dissenting Shareholders**

Registered Touchstone Shareholders entitled to vote at the Touchstone Shareholders' Meeting may exercise Dissent Rights with respect to their Touchstone Shares in connection with: (i) the Arrangement pursuant to and in the manner set forth in the Plan of Arrangement and the Interim Order; and (ii) the Touchstone Continuance as set forth in the BCBCA. Touchstone shall promptly give Petrobank notice of any written notice of a dissent, withdrawal of such notice, and any other instruments served pursuant to such Dissent Rights and received by Touchstone and promptly provide Petrobank with copies of such notices and written objections and all other correspondence related thereto.

2.12 **Tax Withholdings**

Petrobank and Touchstone shall be entitled to deduct and withhold from any amount otherwise payable to any Touchstone Shareholder, Touchstone Warrantholder or Touchstone Optionholder and, for greater certainty, from any amount payable to a Touchstone Shareholder who has validly exercised, and not withdrawn, Dissent Rights, as the case may be, under the Plan of Arrangement or the Touchstone Continuance, as applicable, such amounts as Petrobank or Touchstone, as the case may be, is required or reasonably believed to be required to deduct and withhold from such consideration in accordance with applicable tax laws. Any such amounts will be deducted and withheld from the consideration payable pursuant to the Plan of Arrangement and shall be treated for all purposes as having been paid to the Touchstone Shareholder, Touchstone Warrantholder or Touchstone Optionholder, as the case may be, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate Taxing Authority.

ARTICLE 3 COVENANTS

3.1 **Covenants of Petrobank**

Petrobank covenants and agrees that, from the date of this Agreement until the Effective Date or termination of this Agreement, except with the prior written consent of Touchstone (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws:

- (a) Petrobank will use its reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in Section 5.1 and Section 5.3 as soon as reasonably practicable, to the extent the fulfillment of the same is within the control of Petrobank;
- (b) Petrobank will forthwith carry out the terms of the Interim Order and the Final Order to the extent applicable to it and will use its reasonable commercial efforts to assist Touchstone in obtaining such orders and to carry out the intent or effect of this Agreement and the Arrangement;
- (c) Petrobank will make all necessary filings and applications under Applicable Laws, including Applicable Canadian Securities Laws and U.S. Securities Laws, if applicable, required on the part of Petrobank in connection with the transactions contemplated herein and take all commercially reasonable action necessary to be in compliance with such Applicable Laws;

- (d) Petrobank shall not take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere with or affect the consummation of the Arrangement in accordance with the terms and conditions herein;
- (e) Petrobank will provide Touchstone with all information and documentation reasonably requested in connection with obtaining the Third Party Approvals;
- (f) the business of Petrobank shall be conducted only in, and Petrobank shall not take any action except in, the usual and ordinary course of business consistent with past practices (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property) and it shall use all commercially reasonable efforts to maintain and preserve its business, assets and business relationships;
- (g) except as permitted by this Agreement or the Arrangement, Petrobank shall not, and shall not permit any of its subsidiaries to, directly or indirectly do, or permit to occur, any of the following:
 - (i) amend its constating documents;
 - (ii) declare, set aside or pay any dividend or other distribution or make any other payment (whether in cash, shares or property) in respect of its outstanding securities;
 - (iii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any of its shares or other securities, including, without limitation, securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, its shares (other than the issuance of Petrobank Shares pursuant to the exercise of Petrobank Options and Petrobank Incentive Shares outstanding on the date hereof in accordance with their terms or pursuant to this Agreement or the Arrangement);
 - (iv) split, combine or reclassify any of its shares;
 - (v) redeem, purchase or otherwise acquire any of its outstanding shares or other securities;
 - (vi) amend the terms of any of its securities, including the Petrobank Incentive Shares and the Petrobank Options, other than to accelerate the vesting of any unvested Petrobank Options;
 - (vii) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution or consolidation of Petrobank or any of its subsidiaries; or
 - (viii) enter into or modify any Contract, commitment or arrangement with respect to any of the foregoing.
- (h) except as permitted by this Agreement or the Arrangement, Petrobank shall not, directly or indirectly, do or permit to occur any of the following:
 - (i) sell, pledge, lease, exclusively license, transfer, dispose of or encumber any assets other than production in the ordinary course of Petrobank's business consistent with past practice;
 - (ii) expend or commit to expend any capital expenditures in excess of \$100,000 (or in the case of expenses required to maintain production (e.g. work-overs), \$250,000) individually or in the aggregate with the exception of the commitments contemplated by the Petrobank budget as set forth in the Petrobank Disclosure Letter (the "**Petrobank Budget**") and provided that in the case of capital expenditures expended to address emergencies or other urgent matters involving the potential loss or damage to property or personal safety, Touchstone's consent shall not be required where it cannot be received in a reasonably expedient manner;

- (iii) with the exception of the commitments contemplated in the Petrobank Budget, expend or commit to expend any amounts more than \$100,000 in the aggregate with respect to any operating expenses; and provided that, any such expenses are in the ordinary course of Petrobank's business consistent with past practice;
 - (iv) except as contemplated by this Agreement, reorganize, amalgamate, merge or otherwise combine Petrobank with any other Person;
 - (v) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer;
 - (vi) acquire any assets with the exception of the commitments contemplated by the Petrobank Budget;
 - (vii) incur, extend, renew or replace any indebtedness for borrowed money or any other material liability or obligation, or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or Person, or make any loans or advances, amounts in respect of fees payable to legal, financial and other advisors in the ordinary course of business consistent with past practice and costs or amounts otherwise permitted under this Section 3.1(h);
 - (viii) pay, settle, discharge or satisfy any material claims, liabilities, litigation, lawsuits, arbitrations, proceedings or obligations other than as reflected or reserved against in the Petrobank Financial Statements or otherwise in the ordinary course of business consistent with past practice;
 - (ix) authorize, recommend or propose any release or relinquishment of any right under any material Contract;
 - (x) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing license, lease, Contract, production sharing agreement, government land concession or other material document;
 - (xi) enter into or terminate any hedges, swaps or other financial instruments or like transactions;
 - (xii) enter into any agreements for the sale of production having a term of more than thirty (30) days;
 - (xiii) enter into any material consulting Contract or operating agreement that: (a) cannot be terminated on 30 days' or less notice without penalty; or (b) alone, or in the aggregate with any other consulting Contract or operating agreements, would create an obligation in excess of \$50,000;
 - (xiv) enter into any Contracts or transactions with any officer or director of Petrobank;
 - (xv) enter into any new strategic alliances, partnerships, joint ventures or research studies;
 - (xvi) materially change its current drilling program; or
 - (xvii) authorize or propose any of the foregoing, or enter into or modify any Contract, agreement, commitment or arrangement to do any of the foregoing.
- (i) Petrobank shall not make any payment to any employee, officer or director outside of their ordinary and usual compensation for services provided;
 - (j) Petrobank shall not:

- (i) grant any officer, director or employee or consultant an increase in compensation in any form;
 - (ii) grant any general salary increase;
 - (iii) take any action with respect to the amendment or grant of any "change of control", severance or termination pay policies or arrangements for any directors, officers or employees;
 - (iv) amend (other than to permit accelerated vesting of currently outstanding Petrobank Options or as provided herein) any incentive plan or the terms of any outstanding rights thereunder; or
 - (v) advance any loan to any officer, director or any other party not at arm's length to Petrobank.
- (k) except so as to permit the acceleration of the vesting and payment pursuant to the Petrobank Option Plan and this Agreement, Petrobank shall not adopt or amend or make any contribution to any bonus, employee benefit plan, profit sharing, option, common share, deferred compensation, insurance, incentive compensation, other compensation or other similar plan (or amend any outstanding rights thereunder), agreement, common share incentive or purchase plan, fund or arrangement for the benefit of directors, officers, employees or consultants, except as is necessary to comply with Applicable Laws or with respect to existing provisions of any such plans, programs, arrangements or agreements;
- (l) Petrobank shall withhold from any payment made to any of its present or former employees, officers or directors in respect of any payments contemplated by this Agreement including, all amounts required by law or administrative practice to be withheld by it on account of Taxes and other source deductions;
- (m) Petrobank shall use its reasonable commercial efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing satisfactory to Touchstone, acting reasonably, providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect, and Petrobank will pay all premiums in respect of such insurance policies that become due after the date hereof;
- (n) Petrobank shall not make any amendment to outstanding Petrobank Options without the prior written consent of Touchstone other than as may be required to accommodate the treatment of Petrobank Options;
- (o) except as contemplated herein, Petrobank shall not take any action, refrain from taking any action, or permit any action to be taken that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time prior to the Effective Date or termination of this Agreement, whichever first occurs;
- (p) Petrobank shall promptly notify Touchstone in writing of any Material Adverse Change with respect to Petrobank or of any change in any representation or warranty provided by Petrobank in this Agreement which change is or may be of such a nature as to render any representation or warranty misleading or untrue in any material respect and Petrobank shall in good faith discuss with Touchstone any such change in circumstances (actual, anticipated, contemplated, or to the knowledge of Petrobank, threatened) which is of such a nature that there may be a reasonable question as to whether notice need be given to Touchstone pursuant to this provision;
- (q) Petrobank shall promptly advise Touchstone in writing of any material breach by Petrobank of any covenant, obligation or agreement contained in this Agreement;
- (r) Petrobank shall, at the time required, have available funds to permit the payment of the Touchstone Termination Fee having regard to its other liabilities and obligations;

- (s) Petrobank shall use its reasonable commercial efforts to obtain and maintain the Third Party Approvals applicable to it and provide the same to Touchstone on or prior to the Effective Date;
- (t) Petrobank will use its reasonable commercial efforts to obtain conditional approval for the listing of the Petrobank Shares to be issued or to be made issuable pursuant to the Arrangement (including the Petrobank Shares to be issuable pursuant to the terms of the outstanding Touchstone Debentures (if any) and outstanding Touchstone Warrants (if any) to be assumed by Petrobank pursuant to the Arrangement) on the TSX;
- (u) Petrobank shall take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement;
- (v) Petrobank shall ensure that the Joint Information Circular provides Petrobank Shareholders with information in sufficient detail to permit them to form a reasoned judgement concerning the matters before them, and, in that regard, the Joint Information Circular shall include, without limitation:
 - (i) any financial statements in respect of prior acquisitions made by Petrobank or that are otherwise required to be included therein in accordance with Applicable Laws;
 - (ii) based upon, among other things, the opinion of FirstEnergy, the unanimous determination of the Petrobank Board that the Arrangement is in the best interests of Petrobank and the Petrobank Shareholders, and the unanimous recommendation that Petrobank Shareholders vote in favour of the Petrobank Shareholder Resolutions; and
 - (iii) the fairness opinion of FirstEnergy that the consideration to be paid pursuant to the Arrangement is fair, from a financial point of view, to Petrobank Shareholders.
- (w) Petrobank will assist with the preparation of the Joint Information Circular and will provide to Touchstone, in a timely manner, all information as may be reasonably requested by Touchstone with respect to Petrobank and its directors and officers for inclusion in the Joint Information Circular and any amendments or supplements thereto, in each case complying in all material respects with all applicable legal requirements on the date of issue thereof and to enable Touchstone to meet the standard referred to in Section 3.1(v) with respect to Petrobank, the Arrangement and the transactions to be considered at the Touchstone Shareholders' Meeting;
- (x) Petrobank shall indemnify and save harmless Touchstone and its directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Touchstone and its directors, officers, employees, advisors or agents may be subject or which Touchstone and its directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any Misrepresentation or alleged Misrepresentation contained solely in the Petrobank Information included in the Joint Information Circular;
 - (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a Material Fact or any Misrepresentation or any alleged Misrepresentation in any material filed by or on behalf of Petrobank in compliance or intended compliance with Applicable Laws; and
 - (iii) Petrobank not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that Petrobank shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any Misrepresentation or alleged Misrepresentation based on the Touchstone Information, the negligence of Touchstone or the non-compliance by Touchstone with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

- (y) Petrobank shall provide notice to Touchstone of the Petrobank Shareholders' Meeting and allow Touchstone's representatives and legal counsel to attend such Petrobank Shareholders' Meeting;
- (z) subject to Section 10.4, except for proxies and other non-substantive communications with securityholders, Petrobank will furnish promptly to Touchstone or Touchstone's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by Petrobank in connection with: (i) the Petrobank Shareholders' Meeting; (ii) any filings under Applicable Laws in connection with the Agreement; and (iii) any dealings with Governmental Authorities in connection with the transactions contemplated hereby;
- (aa) Petrobank shall solicit proxies to be voted at the Petrobank Shareholders' Meeting in favour of matters to be considered at the Petrobank Shareholders' Meeting, including the Petrobank Shareholders' Resolutions and related matters to be considered at the Petrobank Shareholders' Meeting, provided that Petrobank may, but shall not be required to, engage a proxy solicitation agent for such purpose;
- (bb) Petrobank will provide all necessary support, as is reasonably requested by Touchstone, to assist Touchstone in its efforts to obtain any approvals required by the TSXV;
- (cc) Petrobank shall conduct the Petrobank Shareholders' Meeting in accordance with its constating documents and by-laws and any other instrument governing the Petrobank Shareholders' Meeting and as otherwise required by Applicable Laws;
- (dd) Petrobank shall:
 - (i) duly and on a timely basis file all Tax Returns required to be filed by it on or after the date hereof and all such Tax Returns will be true, complete and correct in all material respects;
 - (ii) timely pay all Taxes shown on such Tax Returns;
 - (iii) not make or rescind any material express or deemed election relating to Taxes, or file any amended Tax Returns where the result of such action is inconsistent with past practice;
 - (iv) not make a request for a Tax ruling or enter into a closing agreement with any Governmental Authority;
 - (v) not settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to a material amount of Taxes;
 - (vi) not make any changes in financial or Tax accounting methods, principles, policies or practices, except as required by GAAP or under Applicable Laws; and
 - (vii) properly reserve (and reflect such reserves in its books and records and financial statements) in accordance with GAAP, for all Taxes accruing in respect of Petrobank which are not due or payable prior to the Effective Date.
- (ee) Petrobank shall not make any Tax filings outside the ordinary course of business, including making, amending or rescinding any Tax Return, election or designation, without the consent of Touchstone, such consent not to be unreasonably withheld.

3.2 **Additional Covenants of Petrobank**

Petrobank further covenants and agrees that:

- (a) Petrobank agrees that, for a period of six years after the Effective Time, Petrobank shall, or shall cause Touchstone or any successor of Touchstone (including any successor resulting from the winding up or liquidation or dissolution of Touchstone) to, maintain Touchstone's current directors' and officers' insurance policy or an equivalent policy on a six year "trailing" or "run-off" basis, subject in either case to terms and conditions no less advantageous to the directors and officers of Touchstone than those contained in the policy in effect on the date hereof ("**Equivalent Insurance**"), for all present and former directors and officers of Touchstone, covering claims made prior to or within six years after the Effective Time; provided that, the cost of such policy does not exceed 200% of Touchstone's annual premium for its current policy. Evidence of such Equivalent Insurance shall be provided at the closing of the Arrangement;
- (b) if the Arrangement is completed, Petrobank shall not take any action to terminate or materially adversely affect any indemnity agreements or right to indemnity in favour of past or present directors and officers of Touchstone pursuant to the provisions of the articles, bylaws or similar constating documents of Touchstone or written indemnity agreements between Touchstone and its past and present directors and officers or any indemnity agreements in favour of current directors and officers of Touchstone that are in place as at the date hereof, and which have been disclosed in writing to Petrobank; and
- (c) such covenants and agreements shall survive the completion of the Arrangement.

3.3 **Covenants of Touchstone**

Touchstone covenants and agrees that, from the date of this Agreement until the Effective Date or termination of this Agreement, except with the prior written consent of Petrobank (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws:

- (a) Touchstone will use its reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in Sections 5.1 and 5.2 as soon as practicable, to the extent the satisfaction of the same is within the control of Touchstone;
- (b) Touchstone will forthwith carry out the terms of the Interim Order and the Final Order to the extent applicable to it and will use its reasonable commercial efforts to assist Petrobank in obtaining such orders and to carry out the intent or effect of this Agreement and the Arrangement;
- (c) Touchstone will make all necessary filings and applications under Applicable Laws, including Applicable Canadian Securities Laws and U.S. Securities Laws, if applicable, required to be made on the part of Touchstone in connection with the transactions contemplated herein and shall take all commercially reasonable action necessary to be in compliance with such Applicable Laws;
- (d) Touchstone will not take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere with or affect the consummation of the Arrangement and the transactions contemplated hereby;
- (e) Touchstone will provide Petrobank with all information and documentation reasonably requested in connection with obtaining the Third Party Approvals;
- (f) except as set forth in the Touchstone Disclosure Letter, the business of Touchstone shall be conducted only in, and Touchstone shall not take any action except in, the usual and ordinary course of business consistent with past practices (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the

agreements governing the ownership and operation of such property) and it shall use all commercially reasonable efforts to maintain and preserve its business, assets and business relationships;

- (g) except as permitted by this Agreement, the Arrangement, or as set forth in the Touchstone Disclosure Letter, Touchstone shall not, and shall not permit any of its subsidiaries to, directly or indirectly do, or permit to occur, any of the following:
- (i) amend its constating documents;
 - (ii) declare, set aside or pay any dividend or other distribution or make any other payment (whether in cash, shares or property) in respect of its outstanding securities other than any interest and principal payments required to be made on the Touchstone Debentures;
 - (iii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any of its shares or other securities, including, without limitation, securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, its shares (other than the issuance of Touchstone Shares pursuant to the exercise of Touchstone Options, Touchstone Warrants or Touchstone Debentures outstanding on the date hereof in accordance with their terms or pursuant to this Agreement or the Arrangement);
 - (iv) split, combine or reclassify any of its shares;
 - (v) redeem, purchase or otherwise acquire any of its outstanding shares or other securities;
 - (vi) amend the terms of any of its securities, including the Touchstone Options, the Touchstone Warrants or the Touchstone Debentures other than to accelerate the vesting of any unvested Touchstone Options;
 - (vii) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Touchstone or any of its subsidiaries; or
 - (viii) enter into or modify any Contract, commitment or arrangement with respect to any of the foregoing.
- (h) except as permitted by this Agreement, the Arrangement, or as set forth in the Touchstone Disclosure Letter, Touchstone shall not, and shall not permit any of its subsidiaries to, directly or indirectly, do or permit to occur any of the following:
- (i) sell, pledge, lease, exclusively license, transfer, dispose of or encumber any assets other than production in the ordinary course of Touchstone's business consistent with past practice;
 - (ii) expend or commit to expend any capital expenditures in excess of \$100,000 (or in the case of expenses required to maintain production (e.g. work-overs), \$250,000) individually or in the aggregate with the exception of the commitments contemplated by the Touchstone budget as set forth in the Touchstone Disclosure Letter (the "**Touchstone Budget**") and provided that in the case of capital expenditures expended to address emergencies or other urgent matters involving the potential loss or damage to property or personal safety, Petrobank's consent shall not be required where it cannot be received in a reasonably expedient manner;
 - (iii) with the exception of the commitments contemplated by the Touchstone Budget, expend or commit to expend any amounts more than \$100,000 in the aggregate with respect to any operating expenses; and provided that, any such expenses are in the ordinary course of Touchstone's business consistent with past practice;

- (iv) except as contemplated by this Agreement, reorganize, amalgamate, merge or otherwise combine Touchstone with any other Person;
 - (v) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer;
 - (vi) acquire any assets with the exception of the commitments contemplated by the Touchstone Budget;
 - (vii) enter into a new credit facility, incur, extend, renew or replace any indebtedness for borrowed money or any other material liability or obligation, or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or Person, or make any loans or advances, other than Touchstone Transaction Costs, amounts in respect of fees payable to legal, financial and other advisors in the ordinary course of business consistent with past practice or that are disclosed in the Touchstone Disclosure Letter and costs or amounts otherwise permitted under this Section 3.3(h);
 - (viii) pay, settle, discharge or satisfy any material claims, liabilities, litigation, lawsuits, arbitrations, proceedings or obligations other than as reflected or reserved against in the Touchstone Financial Statements or otherwise in the ordinary course of business consistent with past practice;
 - (ix) authorize, recommend or propose any release or relinquishment of any right under any material Contract;
 - (x) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing license, lease, Contract, production sharing agreement, government land concession or other material document;
 - (xi) enter into or terminate any hedges, swaps or other financial instruments or like transactions;
 - (xii) enter into any agreements for the sale of production having a term of more than thirty (30) days;
 - (xiii) enter into any material consulting Contract or operating agreement that: (a) cannot be terminated on 30 days' or less notice without penalty; or (b) alone, or in the aggregate with any other consulting Contract or operating agreements, would create an obligation in excess of \$50,000;
 - (xiv) enter into any Contracts or transactions with any officer or director of Touchstone;
 - (xv) enter into any new strategic alliances, partnerships, joint ventures or research studies;
 - (xvi) materially change its current drilling program; or
 - (xvii) authorize or propose any of the foregoing, or enter into or modify any Contract, agreement, commitment or arrangement to do any of the foregoing.
- (i) other than as contemplated by Section 2.6, Touchstone shall not make any payment to any employee, officer or director outside of their ordinary and usual compensation for services provided, except to the extent that any such entitlement to payment to a former employee or officer has accrued prior to the date hereof as disclosed in the Touchstone Disclosure Letter;
 - (j) Touchstone shall not:
 - (i) grant any officer, director or employee or consultant an increase in compensation in any form;

- (ii) grant any general salary increase;
 - (iii) employ or offer to employ any new officer without the approval of Petrobank in writing;
 - (iv) other than as disclosed in the Touchstone Disclosure Letter, take any action with respect to the amendment or grant of any "change of control", severance or termination pay policies or arrangements for any directors, officers or employees;
 - (v) amend (other than to permit accelerated vesting of currently outstanding Touchstone Options or as provided herein) any incentive plan or the terms of any outstanding rights thereunder; or
 - (vi) advance any loan to any officer, director or any other party not at arm's length to Touchstone.
- (k) except so as to permit the acceleration of the vesting and payment pursuant to the Touchstone Option Plan and this Agreement, Touchstone shall not adopt or amend or make any contribution to any bonus, employee benefit plan, profit sharing, option, common share, deferred compensation, insurance, incentive compensation, other compensation or other similar plan (or amend any outstanding rights thereunder), agreement, common share incentive or purchase plan, fund or arrangement for the benefit of directors, officers, employees or consultants, except as is necessary to comply with Applicable Laws or with respect to existing provisions of any such plans, programs, arrangements or agreements;
 - (l) Touchstone shall withhold from any payment made to any of its present or former employees, officers or directors in respect of any payments contemplated by this Agreement including, all amounts required by law or administrative practice to be withheld by it on account of Taxes and other source deductions;
 - (m) Touchstone shall use its reasonable commercial efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing satisfactory to Petrobank, acting reasonably, providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect, and Touchstone will pay all premiums in respect of such insurance policies that become due after the date hereof;
 - (n) Touchstone shall not make any amendment to outstanding Touchstone Options or Touchstone Warrants without prior written consent of Petrobank other than as may be required to accommodate the treatment of Touchstone Options or Touchstone Warrants as contemplated by Section 2.6;
 - (o) except as contemplated herein, Touchstone shall not take any action, refrain from taking any action, or permit any action to be taken that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time prior to the Effective Date or termination of this Agreement, whichever first occurs;
 - (p) Touchstone shall promptly notify Petrobank in writing of any Material Adverse Change with respect to Touchstone or of any change in any representation or warranty provided by Touchstone in this Agreement which change is or may be of such a nature as to render any representation or warranty misleading or untrue in any material respect and Touchstone shall in good faith discuss with Petrobank any such change in circumstances (actual, anticipated, contemplated, or to the knowledge of Touchstone, threatened) which is of such a nature that there may be a reasonable question as to whether notice need be given to Petrobank pursuant to this provision;
 - (q) Touchstone shall promptly advise Petrobank in writing of any material breach by Touchstone of any covenant, obligation or agreement contained in this Agreement;
 - (r) Touchstone shall, at the time required, have available funds to permit the payment of the Petrobank Termination Fee having regard to its other liabilities and obligations;

- (s) Touchstone shall use its reasonable commercial efforts to obtain and maintain the Third Party Approvals and provide the same to Petrobank on or prior to the Effective Date;
- (t) Touchstone will provide all necessary support to assist Petrobank in its efforts to obtain conditional approval for the listing of the Petrobank Shares to be issued or made issuable pursuant to the Arrangement (including the Petrobank Shares issuable pursuant to the terms of the Touchstone Debentures to be assumed by Petrobank pursuant to the Arrangement) on the TSX;
- (u) Touchstone shall take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement;
- (v) Touchstone shall ensure that the Joint Information Circular complies with Applicable Laws and, without limiting the generality of the foregoing, that the Joint Information Circular will not contain a Misrepresentation and provides Touchstone Shareholders with information in sufficient detail to permit them to form a reasoned judgement concerning the matters before them, and, in that regard, the Joint Information Circular will set out Petrobank Information in the form approved by Petrobank and the Touchstone Information in the form approved by Touchstone and shall include, without limitation:
 - (i) any financial statements in respect of prior acquisitions made by Touchstone or that are otherwise required to be included therein in accordance with Applicable Laws;
 - (ii) based upon, among other things, the opinion of Scotiabank, the unanimous determination of the Touchstone Board that the Arrangement is in the best interests of Touchstone and the Touchstone Shareholders, and the unanimous recommendation that Touchstone Shareholders vote in favour of the Arrangement; and
 - (iii) the fairness opinion of Scotiabank that the consideration in respect of the Arrangement is fair, from a financial point of view, to Touchstone Shareholders.
- (w) Touchstone will assist with the preparation of the Joint Information Circular and will provide to Petrobank, in a timely manner, all information as may be reasonably requested by Petrobank with respect to Touchstone and its directors and officers for inclusion in the Joint Information Circular and any amendments or supplements thereto, in each case complying in all material respects with all applicable legal requirements on the date of issue thereof and to enable Petrobank to meet the standard referred to in Section 3.3(v) with respect to Touchstone, the Arrangement and the transactions to be considered at the Touchstone Shareholders' Meeting;
- (x) Touchstone shall indemnify and save harmless Petrobank and its directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Petrobank or its directors, officers, employees, advisors or agents may be subject or which Petrobank, its affiliates or subsidiaries or their respective directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any Misrepresentation or alleged Misrepresentation in the Touchstone Information included in the Joint Information Circular or in any material filed by Touchstone in compliance or intended compliance with any Applicable Laws;
 - (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a Material Fact or any Misrepresentation or any alleged Misrepresentation in the Touchstone Information included in the Joint Information Circular or in any material filed by or on behalf of Touchstone in compliance or intended compliance with Applicable Canadian Securities Laws; and

- (iii) Touchstone not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement.

except that Touchstone shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any Misrepresentation or alleged Misrepresentation of a Material Fact based solely on Petrobank Information included in the Joint Information Circular, the negligence of Petrobank or the non-compliance by Petrobank with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement;

- (y) Touchstone shall provide notice to Petrobank of the Touchstone Shareholders' Meeting and allow Petrobank's representatives and legal counsel to attend such Touchstone Shareholders' Meeting;
- (z) subject to Section 10.4, except for proxies and other non-substantive communications with securityholders, Touchstone will furnish promptly to Petrobank or Petrobank's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by Touchstone in connection with: (i) the Arrangement; (ii) the Touchstone Shareholders' Meeting; (iii) any filings under Applicable Laws in connection with the Agreement; and (iv) any dealings with Governmental Authorities in connection with the transactions contemplated hereby;
- (aa) management of Touchstone shall solicit proxies to be voted at the Touchstone Shareholders' Meeting in favour of matters to be considered at the Touchstone Shareholders' Meeting, including the Touchstone Continuance Resolution and the Arrangement Resolution, including if so requested by Petrobank, using dealer and proxy solicitation services (the costs of which are agreed will not form part of the Touchstone Transaction Costs) and cooperating with any persons engaged by Petrobank to solicit proxies in favour of the approval of the Touchstone Continuance Resolution and the Arrangement Resolution;
- (bb) Touchstone shall conduct the Touchstone Shareholders' Meeting in accordance with its constituting documents and by-laws and any other instrument governing the Touchstone Shareholders' Meeting and as otherwise required by Applicable Laws;
- (cc) Touchstone shall promptly advise Petrobank of the number of Touchstone Shares for which Touchstone receives notices of dissent or written objections to the Arrangement and provide Petrobank with copies of such notices and written objections, and subject to Applicable Laws, shall provide Petrobank with an opportunity to review and comment upon any written communications proposed to be sent by or on behalf of Touchstone to any Touchstone Shareholder exercising or purporting to exercise Dissent Rights in relation to the Arrangement Resolution or the Touchstone Continuance Resolution, as applicable, and reasonable consideration shall be given to any comments made by Petrobank and its counsel prior to sending any such written communications. Touchstone shall not settle any claims with respect to Dissent Rights without the prior written consent of Petrobank (which consent not to be unreasonably withheld);
- (dd) Touchstone shall:
 - (i) duly and on a timely basis file all Tax Returns required to be filed by it on or after the date hereof and all such Tax Returns will be true, complete and correct in all material respects;
 - (ii) timely pay all Taxes shown on such Tax Returns;
 - (iii) not make or rescind any material express or deemed election relating to Taxes, or file any amended Tax Returns where the result of such action is inconsistent with past practice;
 - (iv) not make a request for a Tax ruling or enter into a closing agreement with any Governmental Authority;
 - (v) not settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to a material amount of Taxes;

- (vi) not make any changes in financial or Tax accounting methods, principles, policies or practices, except as required by GAAP or under Applicable Laws; and
 - (vii) properly reserve (and reflect such reserves in its books and records and financial statements) in accordance with GAAP, for all Taxes accruing in respect of Touchstone which are not due or payable prior to the Effective Date.
- (ee) Touchstone shall not make any Tax filings outside the ordinary course of business, including making, amending or rescinding any Tax Return, election or designation, without the consent of Petrobank, such consent not to be unreasonably withheld.

3.4 **Mutual Covenants Regarding the Arrangement**

From the date of this Agreement until the Effective Date or termination of this Agreement, each of Petrobank and Touchstone will use its reasonable commercial efforts to: (i) satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder; (ii) not take, or cause to be taken, any action or cause anything to be done that would cause such obligations not to be fulfilled in a timely manner; and (iii) take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using reasonable commercial efforts:

- (a) to obtain all necessary consents, assignments, waivers and amendments to or terminations of any agreements and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (b) to effect all necessary registrations and filings and submissions of information requested by Governmental Authorities or required to be effected by it in connection with the Arrangement, and to obtain all necessary waivers, consents and approvals required to be obtained by it in connection with the Arrangement; and
- (c) to oppose, lift or rescind any injunction or restraining or other order seeking to stop, or otherwise adversely affecting its ability to consummate, the Arrangement and to defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging this Agreement or the consummation of the transactions contemplated hereby.

Each of Petrobank and Touchstone will use its reasonable commercial efforts to cooperate with the other in connection with the performance by the other of their obligations under this Section 3.4 and this Agreement including, without limitation, continuing to provide reasonable access to information and to maintain ongoing communications as between officers of Petrobank and Touchstone, subject in all cases to the Confidentiality Agreements.

3.5 **Covenants Regarding Non-Solicitation**

- (a) Each Party shall immediately cease and cause to be terminated all existing discussions and negotiations (including, without limitation, through any advisors or other parties on its behalf), with any third parties conducted before the date of this Agreement with respect to any proposal that constitutes, or may reasonably be expected to constitute or lead to an Acquisition Proposal. Each Party represents and warrants that it has not waived any standstill provisions contained in a confidentiality agreement or otherwise for any Person. Each Party shall as soon as possible request, to the extent that it is entitled to do so, and exercise all rights it has to require the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with such Party relating to an Acquisition Proposal and shall use all reasonable commercial efforts to ensure that such requests are honoured;
- (b) Neither Party shall, directly or indirectly, do or authorize or permit any of its officers, directors or employees or any financial advisor, expert or other representative retained by it (each a "**Representative**") to do, any of the following:

- (i) solicit, assist, initiate, encourage or in any way facilitate (including by way of furnishing information, or entering into any form of written or oral agreement, arrangement or understanding) any Acquisition Proposal or inquiries, proposals or offers regarding an Acquisition Proposal;
- (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other Person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
- (iii) waive, modify or release any third party from or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive modify or release any third party from or otherwise forbear in respect of, any rights or other benefits under confidential information agreements, including, without limitation, any "standstill provisions" thereunder; or
- (iv) accept, recommend, approve, agree to, endorse, or propose publicly to accept, recommend, approve, agree to, or endorse any Acquisition Proposal or agreement in respect thereto;

provided, however, that notwithstanding any other provision hereof, each Party and its officers, directors and advisers may:

- (v) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of this Agreement, by such Party or any of its Representatives) seeks to initiate such discussions or negotiations that does not result from a breach of this Section 3.5 and, subject to execution of a confidentiality and standstill agreement substantially similar to the Confidentiality Agreements (provided that such confidentiality agreement shall provide for disclosure thereof (along with all information provided thereunder) to the Other Party as set out below), may furnish to such third party information concerning such Party and its business, properties and assets, in each case if, and only to the extent that:
 - (A) the third party has first made a written *bona fide* Acquisition Proposal which is a Superior Proposal; and
 - (B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, such Party provides prompt notice to the Other Party to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such third party together with a copy of the confidentiality and standstill agreement referenced above and, if not previously provided to the Other Party, copies of all information provided to such third party concurrently with the provision of such information to such third party, and provided further that such Party shall notify the Other Party orally and in writing of any inquiries, offers or proposals with respect to a Superior Proposal (which written notice shall include, without limitation, a copy of any such proposal (and any amendments or supplements thereto), the identity of the Person making it, if not previously provided to the Other Party, copies of all information provided to such Party and all other information reasonably requested by the Other Party), within 24 hours of the receipt thereof, shall keep the Other Party informed of the status and details of any such inquiry, offer or proposal and answer the Other Party's questions with respect thereto; and
- (vi) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, the board of directors of such Party shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of this Agreement as contemplated by Section 3.5(d) and after receiving the advice of outside counsel as reflected in minutes of the board of directors of such Party, that the taking of such action is necessary for the board of directors of such Party in

discharge of its fiduciary duties under Applicable Laws and such Party complies with its obligations set forth in Section 3.5(d) and, in the case of Touchstone, terminates this Agreement in accordance with Section 8.1(a)(iv) and concurrently therewith pays the Petrobank Termination Fee to Petrobank and, in the case of Petrobank, terminates this Agreement in accordance with Section 8.1(a)(vi) and concurrently therewith pays the Touchstone Termination Fee to Touchstone.

- (c) Each Party shall promptly (and in any event within 24 hours) notify the Other Party (at first orally and then in writing) of any Acquisition Proposal (or any amendment thereto) or any request for non-public information relating to such Party or its assets, or any amendments to the foregoing. Such notice shall include a copy of any written Acquisition Proposal (and any amendment thereto) which has been received or, if no written Acquisition Proposal has been received, a description of the material terms and conditions of, and the identity of the Person making any inquiry, proposal, offer or request. Such Party shall also provide such further and other details of the Acquisition Proposal or any amendment thereto as the Other Party may reasonably request. Such Party shall keep the Other Party promptly and fully informed of the status, including any change to material terms, of any Acquisition Proposal or any amendment thereto, shall respond promptly to all inquiries by the Other Party with respect thereto, and shall provide the Other Party with copies of all correspondence and other written material sent to or provided to such Party by any Person in connection with such inquiry, proposal, offer or request or sent or provided by such Party to any Person in connection with such inquiry, proposal, offer or request;
- (d) Each party shall give the Other Party, orally and in writing, at least two Business Days advance notice of any decision by the board of directors of such Party to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, shall set out the reasonable determination of such board of directors, in consultation with its financial advisors, of the financial value of the consideration offered by such third party to the shareholders of such Party under such Superior Proposal, which notice shall confirm that such board of directors has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the third party making the Superior Proposal and provide a copy thereof and any amendments thereto. During the two Business Days period commencing on the day of delivery of such notice, the Party delivering such notice agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during the two Business Days period such Party shall, and shall cause its financial and legal advisors to, negotiate in good faith with the Other Party and its financial and legal advisors to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable the Other Party to proceed with the Arrangement as amended rather than the Superior Proposal. In the event the Other Party proposes to amend this Agreement and the Arrangement such that the Superior Proposal ceases to be a Superior Proposal and so advises the board of the Party receiving the Acquisition Proposal prior to the expiry of such two Business Days period, the board of directors of the Party receiving the Acquisition Proposal shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement and the Parties shall enter into an amended version of this Agreement reflecting such proposed amendments;
- (e) If required by the Other Party, the Party receiving the Acquisition Proposal shall, subsequent to the two Business Days period contemplated by Section 3.5(d) (and in no case during such period) reaffirm its recommendation of the Arrangement by press release promptly in the event that: (i) any Acquisition Proposal which is publicly announced is determined not to be a Superior Proposal; or (ii) the Parties have entered into an amended agreement pursuant to Section 3.5(d) which results in any Acquisition Proposal made to Touchstone not being a Superior Proposal;
- (f) Each Party agrees that all information that may be provided to it by the Other Party with respect to any Acquisition Proposal pursuant to this Section 3.5 shall be treated as if it were "**Evaluation Material**" as that term is defined in the Confidentiality Agreements and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreements or in order to enforce its rights under this Agreement in legal proceedings;

- (g) Each party shall ensure that its Representatives are aware of the provisions of this Section 3.5 and shall be responsible for any breach of this Section 3.5 by any of them; and
- (h) Nothing in this Agreement shall prevent the boards of directors of either Party from complying with section 2.17 of MI 62-104 and similar provisions under Applicable Canadian Securities Laws relating to the provision of directors' circulars in respect of an Acquisition Proposal.

3.6 **Pre-Acquisition Reorganization**

Subject to this Section 3.6, Touchstone shall reasonably cooperate with Petrobank and its tax advisors in structuring the Arrangement and other transactions contemplated to occur in conjunction with the Arrangement and any Pre-Acquisition Reorganization (as defined below) in a tax effective manner and assist Petrobank and its tax advisors in making such investigations and enquiries with respect to Touchstone in that regard, as Petrobank and its tax advisors shall consider necessary, acting reasonably. Petrobank shall provide written notice to Touchstone of any proposed Pre-Acquisition Reorganization at least twenty (20) days prior to the anticipated Effective Date. Upon receipt of such notice, Touchstone and Petrobank shall, at the expense of Petrobank, work cooperatively and use all commercially reasonable efforts to prepare prior to the anticipated Effective Date, all documentation necessary and do such other acts and things as are necessary to give effect to any such Pre-Acquisition Reorganization. Notwithstanding the foregoing, no structuring contemplated by this Section 3.6 shall require Touchstone or any of its subsidiaries to contravene any laws, their respective organizational documents or any Contract material to Touchstone or any of its subsidiaries and Touchstone shall not be required to implement any structuring contemplated by this Section 3.6 unless it has received an appropriate indemnity from Petrobank indemnifying it for all liabilities, damages, claims, judgments, costs, expenses, and losses which it may suffer or incur as a result of such structuring and it determines to its satisfaction, acting reasonably, that such implementation will not: (i) materially delay or prevent consummation of the Arrangement; (ii) reduce the consideration to be received under the Arrangement by any of the Touchstone Shareholders, the Touchstone Optionholders or the Touchstone Warrantholders; (iii) impose any incremental tax obligations on the Touchstone Shareholders, the Touchstone Optionholders and the Touchstone Warrantholders; (iv) will not have an adverse effect on Touchstone or its subsidiaries or their respective businesses or assets, and (v) impose any cost or expense on Touchstone. Petrobank shall be solely responsible for all costs associated with any Pre-Acquisition Reorganization that is requested by it, whether completed or not. **"Pre-Acquisition Reorganization"** means any reorganization of the corporate and/or partnership structure, capital structure, business, operations and assets of Touchstone prior to the acquisition by Petrobank of all of the issued and outstanding Touchstone Shares. Without limiting the generality of, and subject to the foregoing, Touchstone agrees to co-operate with Petrobank in order to facilitate any such reorganization, amalgamations, transactions or Pre-Acquisition Reorganization which Petrobank determines would be advisable to enhance the tax efficiency of the combined group and any anticipated dispositions and to provide such information on a timely basis and to assist in the obtaining of any such information in order to facilitate a successful completion of any such reorganization, amalgamations, transactions or Pre-Acquisition Reorganization as is reasonably requested by Petrobank. Petrobank agrees that the planning for and implementation of any Pre-Acquisition Reorganization will not be considered a breach of any covenant under this Agreement and will not be considered in determining whether a representation or warranty of Touchstone under this Agreement has been breached.

3.7 **Provision of Information and Integration of Operations**

Until the Effective Date or termination of this Agreement, each Party shall provide the Other Party and its representatives access, during normal business hours and at such other time or times as Petrobank and Touchstone, as applicable, may reasonably request, to its premises (including field offices and sites), books, contracts, records, computer systems, properties, employees and management personnel and shall furnish to Petrobank or Touchstone, as the case may be, all information concerning its business, properties and personnel as Petrobank or Touchstone may reasonably request, which information shall remain subject to the Confidentiality Agreement, in order to permit Petrobank to be in a position to expeditiously and efficiently integrate the business and operations of Touchstone immediately upon but not prior to the Effective Date. Without limitation, each Party agrees to keep the Other Party fully apprised in a timely manner of every circumstance, action, occurrence or event occurring or arising after the date hereof that would be relevant and material to a prudent operator of the business and operations of Petrobank or Touchstone.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Petrobank

Petrobank represents and warrants to and in favour of Touchstone and acknowledges that Touchstone is relying upon such representations and warranties in connection with the matters contemplated by this Agreement and the consummation of the Arrangement:

- (a) Organization and Qualification. Each member of the Petrobank Group has been duly incorporated, amalgamated or created, as the case may be, and is validly subsisting under the Applicable Laws of its jurisdiction of formation and has the requisite power and authority to own its assets and properties as now owned and to carry on its business as now conducted. Each member of the Petrobank Group is duly registered or authorized to conduct its affairs or do business, as applicable, and is in good standing in each jurisdiction in which the character of its assets and properties, owned, leased, licensed or otherwise held, or the nature of its activities makes such registration or authorization necessary, except where the failure to be so registered or authorized would not, individually or in the aggregate, have a Material Adverse Effect on Petrobank. Copies of the constating documents of each member of the Petrobank Group provided to Touchstone, together with all amendments to date, are accurate and complete as of the date hereof and have not been amended or superseded.
- (b) Authority Relative to this Agreement. Petrobank has the requisite corporate power and authority to execute this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Petrobank of the transactions contemplated by the Arrangement have been duly authorized by the Petrobank Board and no other proceedings on the part of Petrobank are necessary to authorize this Agreement, the Arrangement or the other transactions contemplated herein other than the approval of the Joint Information Circular by the Petrobank Board. This Agreement has been duly executed and delivered by Petrobank and constitutes a legal, valid and binding obligation of Petrobank enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Applicable Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.
- (c) Subsidiaries. Petrobank has no subsidiaries, other than Archon Technologies Ltd. and Archon Technologies International Inc. (collectively, with Petrobank, the "**Petrobank Group**") and Petrobank owns, directly or indirectly, all of the outstanding voting and equity securities of such subsidiaries. All of the outstanding shares and all other ownership interests in the subsidiaries of Petrobank are duly authorized, validly issued and fully paid and non-assessable, and all such shares and other ownership interests held directly or indirectly by Petrobank, are owned by Petrobank free and clear of all Encumbrances (other than Permitted Encumbrances), except pursuant to restrictions on transfer contained in the articles of such subsidiary. There are no rights of first refusal or similar rights restricting the transfer of Petrobank Shares contained in shareholders, partnership, joint venture or similar agreements or pursuant to existing financing arrangements and there are no outstanding contractual or other obligations of any member of the Petrobank Group to repurchase, redeem or otherwise acquire any of their respective securities or with respect to the voting or disposition of any outstanding securities of any of them.
- (d) No Violations. Except as contemplated by this Agreement:
 - (i) neither the execution and delivery of this Agreement by Petrobank nor the consummation of the transactions contemplated by the Arrangement nor compliance by Petrobank with any of the provisions hereof will:
 - (A) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in the creation of any Encumbrance (other than Permitted

Encumbrances) upon any of the properties or assets of the Petrobank Group or cause any indebtedness to come due before its stated maturity or cause any credit to cease to be available, under any of the terms, conditions or provisions of: (1) articles or by-laws of any member of the Petrobank Group; or (2) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which any member of the Petrobank Group is a party or to which it, or any of its properties or assets, may be subject or by which Petrobank is bound; or

- (B) subject to compliance with applicable statutes and regulations, violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to a member of the Petrobank Group or any of its properties or assets,

(except, in the case of each of clauses (A) and (B) above, for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of Encumbrances (other than Permitted Encumbrances) which, or any consents, approvals or notices which if not given or received, would not, individually or in the aggregate, have any Material Adverse Effect on Petrobank, or significantly impede the ability of Petrobank to consummate the transactions contemplated by the Arrangement); or

- (C) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would, individually or in the aggregate, have a Material Adverse Effect on Petrobank; and

- (ii) other than in connection with or in compliance with the provisions of Applicable Laws in relation to the completion of the Arrangement or which are required to be fulfilled post Arrangement, and except for the requisite approvals of the Petrobank Shareholders, the Court, Governmental Authorities, and the TSX:

- (A) there are no legal impediments to Petrobank's consummation of the Arrangement; and

- (B) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is required of Petrobank in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not, individually or in the aggregate, have a Material Adverse Effect on Petrobank, or significantly impede the ability of Petrobank to consummate the Arrangement.

- (e) Petrobank Shares. Petrobank has reserved and allotted a sufficient number of Petrobank Shares as are issuable pursuant to the Arrangement, and, subject to the terms and conditions of the Arrangement, such Petrobank Shares will be validly issued as fully paid and non-assessable to previous holders of Touchstone Shares pursuant to the Arrangement.

- (f) Litigation. There are no claims, actions, suits, proceedings, investigations, arbitrations, audits, grievances, assessments or reassessments in existence or pending or, to the knowledge of Petrobank, threatened, affecting or that would reasonably be expected to affect the Petrobank Group or affecting or that would reasonably be expected to affect any of their respective properties or assets at law or in equity or before or by any court or Governmental Authority which claim, action, suit, proceeding, investigation, arbitration, audit, grievance, assessment or reassessment involves a possibility of any judgment against or liability of any member of the Petrobank Group which would reasonably be expected to cause, individually or in the aggregate, a Material Adverse Change to Petrobank, or would significantly impede the ability of Petrobank to consummate the Arrangement.

- (g) Taxes, etc. Except to the extent that any matter referred to in this Section 4.1(g) does not, and would not reasonably be expected to, have a Material Adverse Effect on Petrobank or as disclosed in the Petrobank Disclosure Letter:
- (i) all Tax Returns required to be filed by or on behalf of any member of the Petrobank Group for periods ended on and prior to the date of this Agreement have been duly filed on a timely basis and such Tax Returns are complete and correct in all material respects. All material Taxes shown to be payable on such Tax Returns or on subsequent assessments or reassessments with respect thereto have been paid in full on a timely basis, and no other material Taxes are payable by any member of the Petrobank Group with respect to items or periods covered by such Tax Returns;
 - (ii) each member of the Petrobank Group has duly and timely paid or withheld and remitted to the appropriate Taxing Authority all Taxes, including any instalments or prepayments of Taxes, that are due and payable whether or not shown as being due on any Tax Return, or, where payment is not yet due, Petrobank has established adequate accruals in conformity with GAAP in the Petrobank Financial Statements for the period covered by such financial statements for any Taxes, including income taxes and related future taxes, if applicable, that have not been paid, whether or not shown as being due on any Tax Return. Petrobank has, in all material respects, made adequate provision or disclosure in its books and records for any Taxes accruing in respect of any period subsequent to the period covered by such financial statements, whether or not shown as being due on any Tax Return;
 - (iii) for all periods ended on and after December 31, 2012, Petrobank has made available to Touchstone true and complete copies of: (A) income tax audit reports, statement of deficiencies, closing or other agreements received by any member of the Petrobank Group or on behalf of any member of the Petrobank Group relating to the Taxes; and (B) any Tax Returns for any member of the Petrobank Group;
 - (iv) no material deficiencies have been asserted in writing by any Governmental Authority with respect to Taxes of any member of the Petrobank Group that have not yet been settled;
 - (v) no member of the Petrobank Group is a party to any tax sharing, tax indemnity or tax allocation agreement or arrangement or, in the alternative, no member of the Petrobank Group has nor could have any material liabilities or obligations in respect of Taxes under any such tax sharing, tax indemnity or tax allocation agreement;
 - (vi) Petrobank is resident in Canada for the purposes of the ITA; and
 - (vii) no member of the Petrobank Group is a party to any action or proceeding for assessment or collection of a material amount of Taxes, nor, to the knowledge of Petrobank, has such an event been asserted in writing by any Governmental Authority or threatened against any member of the Petrobank Group or any of their respective assets. No waiver or extension of any statute of limitations is in effect with respect to material Taxes or material Tax Returns of any member of the Petrobank Group. Except as set out in the Petrobank Disclosure Letter, no audit by Taxing Authorities of any member of the Petrobank Group is in process or to the knowledge of Petrobank, pending.
- (h) Reporting Issuer Status. Petrobank is a "reporting issuer" in each of the Provinces of Canada and is in material compliance with all Applicable Canadian Securities laws therein and the Petrobank Shares are listed and posted for trading on the TSX. Petrobank is not in default of any material requirements of Applicable Canadian Securities Laws in such jurisdictions or any rules or regulations of, or agreement with, the TSX. No delisting, suspension of trading in or cease trading order with respect to the Petrobank Shares is pending or, to the knowledge of Petrobank, threatened. The documents and information comprising the Petrobank Public Record did not at the respective times they were filed with the relevant Securities Authorities, contain any Misrepresentation, unless such document or information was subsequently corrected or superseded in the Petrobank Public Record prior to the date hereof. Petrobank has timely filed

with the Securities Authorities all material forms, reports, schedules, statements and other documents required to be filed by Petrobank with the Securities Authorities since becoming a "reporting issuer". Petrobank has not filed any confidential material change report that, at the date hereof, remains confidential.

- (i) Capitalization. As of the date hereof, the authorized capital of Petrobank consists of an unlimited number of Petrobank Shares. As of the date hereof, there are issued and outstanding 97,544,273 Petrobank Shares and no other shares are issued and outstanding. Other than Petrobank Options to acquire up to 2,651,250 Petrobank Shares and the 629,250 incentive shares outstanding (the "**Petrobank Incentive Shares**") which can be exercised to purchase 629,250 Petrobank Shares for \$0.05. There are no options, warrants or other rights, plans, agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by Petrobank of any securities of Petrobank (including Petrobank Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Petrobank (including Petrobank Shares). All outstanding Petrobank Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights and all Petrobank Shares issuable upon the exercise of Petrobank Options and rights in accordance with the terms of such options and rights will be duly authorized and validly issued as fully paid and non-assessable and will not be subject to any pre-emptive rights. Other than the Petrobank Shares, there are no securities of Petrobank outstanding which have the right to vote generally (except for the Petrobank Options and Petrobank Incentive Shares which are exercisable or convertible into or exchangeable for securities having the right to vote generally) on any matter.
- (j) Equity Monetization Plans. Other than the Petrobank Options and Petrobank Incentive Shares, there are no outstanding stock appreciation rights, phantom equity, profit sharing plan or similar rights, agreements, arrangements or commitments payable to any employee of Petrobank and which are based upon the revenue, value, income or any other attribute of Petrobank.
- (k) No Orders. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Petrobank Shares or any other securities of Petrobank has been issued by any Governmental Authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of Petrobank, are contemplated or threatened under any Applicable Laws or by any Governmental Authority.
- (l) Reports. (i) Petrobank's Annual Information Form dated March 28, 2013; and (ii) all Petrobank press releases, material change reports and business acquisition reports filed with the Securities Authorities since January 1, 2013; did not contain any untrue statement of a Material Fact or omit to state a Material Fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading in any material respect and complied in all material respects with all Applicable Laws. The Petrobank Financial Statements, and any interim or annual financial statements filed by or on behalf of Petrobank on and after the date hereof with the Securities Authorities, in compliance, or intended compliance, with any Applicable Laws, were or, when so filed, will have been prepared in accordance with GAAP (except in the case of unaudited interim statements, to the extent they may not include footnotes, are subject to normal year-end adjustments or may be condensed or summary statements), and present or, when so filed, will present fairly in accordance with GAAP the financial position, results of operations and changes in financial position of Petrobank as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments). Other than as a result of the adoption of International Financial Reporting Standards, there has been no material change in Petrobank's accounting policies, except as described in the notes to the Petrobank Financial Statements, since January 1, 2013.
- (m) Books and Records. The financial books, records and accounts of each member of the Petrobank Group, in all material respects: (i) have been maintained in accordance with good business practices on a basis consistent with prior years, other than as a result of the adoption of International Financial Reporting Standards; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions and dispositions of the assets of the Petrobank Group; and (iii) accurately and fairly reflect the basis for the Petrobank Financial Statements. The corporate records and minute books of each member of the Petrobank

Group have been maintained substantially in compliance with Applicable Laws and are complete and accurate in all material respects, and full access thereto has been provided to Touchstone.

- (n) Absence of Certain Changes or Events. Except for the Arrangement or any action taken in accordance with this Agreement, since December 31, 2013:
- (i) each member of the Petrobank Group has conducted its business only in the ordinary course of business substantially consistent with past practice; other than as disclosed in the Petrobank Public Record;
 - (ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to Petrobank has been incurred other than in the ordinary course of business;
 - (iii) there has been no Material Adverse Change in respect of Petrobank; and
 - (iv) Petrobank has not, and to the knowledge of Petrobank, no director, officer, employee or auditor of any member of the Petrobank Group, has received or otherwise had or obtained knowledge of any fraud, material complaint, allegation, assertion or claim, whether written or oral, regarding fraud or the accounting or auditing practices, procedures, methodologies or methods of any member of the Petrobank Group or its internal accounting controls.
- (o) Registration, Exemption Orders, Licenses, etc. To the knowledge of Petrobank, each member of the Petrobank Group has obtained and is in compliance with all Governmental Authorizations necessary in connection with its business as it is now, individually or in the aggregate, being or proposed to be conducted, except where the failure to obtain or be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Petrobank. Such Governmental Authorizations are in full force and effect in accordance with their terms, and no event has occurred or circumstance exists that (with or without notice or lapse of time) may constitute or result in a violation of any such Governmental Authorization, except where the violation would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Petrobank. No proceedings are pending or, to the knowledge of Petrobank, threatened, which could result in the revocation or limitation of any Governmental Authorization, and all steps have been taken and filings made on a timely basis with respect to each Governmental Authorization and its renewal, except where the failure to take such steps and make such filings would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Petrobank. No Governmental Authorization will, to the knowledge of Petrobank, be impaired or adversely affected by the entering into of this Agreement or the completion of the Arrangement.
- (p) Compliance with Laws. The operations and business of the Petrobank Group is and has been carried out in compliance with and not in violation of any Applicable Laws, other than non-compliance or violation which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Petrobank or would significantly impact the ability of Petrobank to consummate the Arrangement, and no member of the Petrobank Group has received any notice of any alleged violation of any such Applicable Laws other than where such notice would not reasonably be expected to have a Material Adverse Effect on Petrobank or would significantly impact the ability of Petrobank to consummate the Arrangement.
- (q) Restrictions on Business Activities. There is no judgment, injunction or order binding upon any member of the Petrobank Group that has or could reasonably be expected to have the effect of prohibiting, restricting or impairing its business or, individually or in the aggregate, have a Material Adverse Effect on Petrobank.
- (r) Non-Arm's Length Transactions. Except for amounts due as normal salaries and bonuses and in reimbursement of ordinary expenses, existing employment agreements and existing agreements respecting Petrobank Options and share rights entitling the holders thereof to receive Petrobank Shares, there are no Contracts or other transactions (including with respect to loans or other indebtedness) currently in place

between any member of the Petrobank Group, on the one hand, and: (i) any officer, director or employee of, or consultant of any member of the Petrobank Group; (ii) any holder of record or beneficial owner of 10% or more of the voting securities of Petrobank; or (iii) any associate or affiliate of any such Person (collectively, "**Petrobank Related Parties**"). No Petrobank Related Party, owns, has or is entitled to any royalty, net profits interest, carried interest or any other Encumbrances or claims of any nature whatsoever which are based on production from the properties or assets of any member of the Petrobank Group or any revenue or rights attributed thereto.

- (s) Petrobank Projects. The Petrobank Projects are accurately described in the Petrobank Public Record in all material respects.
- (t) Title. Although it does not warrant title, Petrobank does not have reason to believe that Petrobank does not have title to or the irrevocable right to produce and sell its PNGs and does represent and warrant that the PNGs are free and clear of all Encumbrances (other than Permitted Encumbrances) and other adverse claims created by, through or under Petrobank and, to its knowledge, Petrobank holds its PNGs under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements. Although it does not warrant title to its assets, to the knowledge of Petrobank, there are no defects, failures or impairments in the title of Petrobank to its assets, whether or not an action, suit, proceeding or inquiry is pending or threatened in writing or whether or not discovered by any third party, which in the aggregate, could have a material adverse effect on: (i) the quantity and pre-tax present worth values of such assets; (ii) the current production volumes of Petrobank; or (iii) the current cash flow of Petrobank.
- (u) Petrobank Sproule Report. Petrobank has made available to Sproule, prior to the issuance of the report prepared by Sproule dated March 6, 2014 (the "**Petrobank Sproule Report**") evaluating certain of the crude oil, natural gas liquids and natural gas reserves of Petrobank as at December 31, 2013, for the purpose of preparing the Petrobank Sproule Report, all information requested by Sproule, which information did not contain any Misrepresentation at the time such information was provided. Except with respect to changes in commodity prices, Petrobank has no knowledge of a material adverse change in any production, cost, price, reserves or other relevant information provided to Sproule since the date that such information was provided. Petrobank believes that the Petrobank Sproule Report reasonably presents the quantity and pre-tax present worth values of the crude oil, natural gas liquids and natural gas reserves attributable to the properties evaluated in such report as of the effective date of the report based upon information available at the time such reserve information was prepared, and Petrobank believes that, at the date of such report, such report did not (and as of the date hereof, except as may be attributable to reserves since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated reserves producible therefrom. To the knowledge of Petrobank, the Petrobank Sproule Report complies with the requirements of Applicable Laws (including the requirements of the Canadian Oil and Gas Evaluation Handbook) and has been prepared or audited by a qualified reserves evaluator (determined in accordance with Applicable Laws) and the results thereof have been disclosed in accordance with Applicable Laws.
- (v) Petrobank McDaniel Report. Petrobank has made available to McDaniel, prior to the issuance of the report prepared by McDaniel dated March 6, 2014 (the "**Petrobank McDaniel Report**") evaluating certain of the crude oil, natural gas liquids and natural gas reserves of Petrobank as at December 31, 2013, for the purpose of preparing the Petrobank McDaniel Report, all information requested by McDaniel, which information did not contain any Misrepresentation at the time such information was provided. Except with respect to changes in commodity prices, Petrobank has no knowledge of a material adverse change in any production, cost, price, reserves or other relevant information provided to McDaniel since the date that such information was provided. Petrobank believes that the Petrobank McDaniel Report reasonably presents the quantity and pre-tax present worth values of the crude oil, natural gas liquids and natural gas reserves attributable to the properties evaluated in such report as of the effective date of the report based upon information available at the time such reserve information was prepared, and Petrobank believes that, at the date of such report, such report did not (and as of the date hereof, except as may be attributable to reserves since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated reserves producible therefrom. To the knowledge of Petrobank, the

Petrobank McDaniel Report complies with the requirements of Applicable Laws (including the requirements of the Canadian Oil and Gas Evaluation Handbook) and has been prepared or audited by a qualified reserves evaluator (determined in accordance with Applicable Laws) and the results thereof have been disclosed in accordance with Applicable Laws.

- (w) Absence of Undisclosed Liabilities. The Petrobank Group has no material liabilities of any nature (matured or unmatured, fixed or contingent), other than:
 - (i) those set forth or adequately provided for in the most recent balance sheet and associated notes thereto included in the Petrobank Financial Statements (the "**Petrobank Balance Sheet**");
 - (ii) those incurred in the ordinary course of business and not required to be set forth in the Petrobank Balance Sheet under GAAP;
 - (iii) those incurred in the ordinary course of business since the date of the Petrobank Balance Sheet and consistent with past practice; and
 - (iv) those incurred in connection with the execution of this Agreement.
- (x) Absence of Undisclosed Changes. There has not been any Material Change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Petrobank on a consolidated basis from the position set forth in the Petrobank Financial Statements (other than as have been disclosed in the Petrobank Public Record) and Petrobank has not incurred or suffered a Material Adverse Change since December 31, 2013 and since that date there have been no material facts, transactions, events or occurrences which would have a Material Adverse Effect on the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of the operations of Petrobank (taken as a whole) which have not been disclosed in the Petrobank Public Record.
- (y) No Defaults. No member of the Petrobank Group is in default under, and there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute such a default under, any contract, agreement or licence to which it is a party or by which it is bound which would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Petrobank. No member of the Petrobank Group is in violation of any Applicable Laws which violation could reasonably be expected to have a Material Adverse Effect on Petrobank.
- (z) Pre-emptive Rights. Petrobank does not have any knowledge of any outstanding rights of first refusal or other pre-emptive rights of purchase which entitle any Person to acquire any of the rights, title, interests, property, licenses or assets of the Petrobank Group that will be triggered or accelerated by the Arrangement.
- (aa) Environmental. In respect of the properties which a member of the Petrobank Group operates and, to the knowledge of Petrobank in respect of properties for which a member of the Petrobank Group is not the operator, except to the extent that any violation or other matter referred to in this Section 4.1(aa) does not, and would not reasonably be expected to, have a Material Adverse Effect on Petrobank:
 - (i) no member of the Petrobank Group is in violation of any applicable Environmental Laws;
 - (ii) each member of the Petrobank Group has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all Hazardous Substances in compliance with Environmental Laws;
 - (iii) there have been no spills, releases, deposits or discharges of Hazardous Substances, or wastes into the earth, subsoil, underground waters, air or into any body of water or any municipal or other sewer or drain water systems, or on or underneath any location which is or was currently or

formerly owned, leased or otherwise operated by a member of the Petrobank Group, that have not been remediated in accordance with all Applicable Laws;

- (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of a member of the Petrobank Group of which such member has notice;
 - (v) there has been no failure to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law;
 - (vi) each member of the Petrobank Group holds all Environmental Approvals required in connection with the operation of its business and the ownership and use of such assets, all Environmental Approvals are in full force and effect, and no member of the Petrobank Group has received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws or Environmental Approvals, or that any Environmental Approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;
 - (vii) there are no pending or, to the knowledge of Petrobank, threatened claims, liens or Encumbrances (other than Permitted Encumbrances) resulting from Environmental Laws with respect to any of the properties of a member of the Petrobank Group currently or formerly owned, leased, operated or otherwise used; and
 - (viii) no member of the Petrobank Group has assumed or retained by contract or operation of law any losses, expenses, claims, damages or liabilities of any third-party pursuant to applicable Environmental Laws.
- (bb) Material Contracts. The Petrobank Disclosure Letter lists all of the following Contracts, correct, current and complete copies of which have been made available to Touchstone (the "**Petrobank Material Contracts**"): (i) all Contracts containing any rights on the part of any Person, including joint venture partners or entities, to acquire oil and gas or other property rights from a member of the Petrobank Group; (ii) all Contracts containing any rights on the part of a member of the Petrobank Group to acquire oil and gas or other property rights from any Person; (iii) any Contract that purports to limit the right of any of Petrobank or its affiliates to (A) engage in any line of business, or (B) compete with any Person or operate in any location; (iv) any Contract in respect of which the applicable transaction has not yet been consummated for the acquisition or disposition of assets or securities or other equity interests of another Person; (v) any standstill or similar Contract currently restricting the ability of a member of the Petrobank Group to offer to purchase or purchase the assets or equity securities of another Person; (vi) all Contracts which entitle a party to rights of termination, the terms or conditions of which may or will be altered, or which entitle a party to any fee, payment, penalty or increased consideration, in each case as a result of the execution of this Agreement, the consummation of the transactions contemplated hereby or a "change in control" of a member of the Petrobank Group including, without limitation, any seismic license or similar agreements; and (vii) all Contracts pursuant to which a member of the Petrobank Group will, or may reasonably be expected to, result in a requirement of such member of the Petrobank Group to expend more than an aggregate of \$50,000 or receive or be entitled to receive revenue of more than \$50,000 in either case in the next 12 months, or is out of the ordinary course of business of Petrobank. Each of such Material Contracts constitutes a legally valid and binding agreement of such member of the Petrobank Group, enforceable in accordance with their respective terms and, to the knowledge of Petrobank, no party thereto is in default in the observance or performance of any term or obligation to be performed by it under any such contract or agreement which is material to the business of Petrobank (taken as a whole) and no event has occurred which with notice or lapse of time or both would directly or indirectly constitute such a default, in any such case which default or event would reasonably be expected to have a Material Adverse Effect on Petrobank.

- (cc) Employee Benefit Plans. Petrobank has made available to Touchstone true, complete and correct copies of each employee benefits plan (collectively, the "**Petrobank Plans**") covering active, former or retired employees of the Petrobank Group, any related trust agreement, annuity or insurance contract or other funding vehicle, and:
- (i) each Petrobank Plan has been maintained and administered in material compliance with its terms and is, to the extent required by Applicable Laws or contract, fully funded without having any deficit or unfunded actuarial liability or adequate provision has been made therefor;
 - (ii) all required employer contributions under any such plans have been made and the applicable funds have been funded in accordance with the terms thereof;
 - (iii) each Petrobank Plan that is required or intended to be qualified under Applicable Laws or registered or approved by a Governmental Authority has been so qualified, registered or approved by the appropriate Governmental Authority, and to the knowledge of Petrobank, nothing has occurred since the date of the last qualification, registration or approval that would reasonably be expected to adversely affect, or cause, the appropriate Governmental Authority to revoke such qualification, registration or approval;
 - (iv) to the knowledge of Petrobank, there are no pending or anticipated material claims against or otherwise involving any of the Petrobank Plans and no suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of Petrobank Plan activities) has been brought against or with respect to any Petrobank Plan;
 - (v) all material contributions, reserves or premium payments required to be made to the Petrobank Plans have been made or provided for; and
 - (vi) Petrobank has no obligations for retiree health and life benefits under any Petrobank Plan.
- (dd) Employees.
- (i) The Petrobank Disclosure Letter contains a complete list of all employees of the Petrobank Group, including the current salary and start date of each employee.
 - (ii) No trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds bargaining rights with respect to any employees of the Petrobank Group by way of certification, interim certification, voluntary recognition, designation or successor rights or has applied to have the Petrobank Group declared a related employer or successor employer pursuant to applicable labour legislation. To the knowledge of Petrobank, no member of the Petrobank Group has engaged in any unfair labour practices and, no strike, lock-out, work stoppage, or other material labour dispute is occurring. To the knowledge of Petrobank, there are no threatened or pending strikes, work stoppages, picketing, lock-outs, hand-billings, boycotts, slowdowns or similar labour related disputes pertaining to the Petrobank Group that could reasonably be expected to have a Material Adverse Effect on Petrobank or lead to a material and continuing interruption of operations of the Petrobank Group at any location. No member of the Petrobank Group has engaged in any closing or lay-off activities within the past two years that would violate or in any way subject the Petrobank Group to group termination or lay-off requirements of Applicable Laws.
 - (iii) No member of the Petrobank Group has recognized any trade union or has any staff association, staff council, works council or other organization formed for or arrangements having a similar purpose and no notification to any trade union, staff association, staff council, works council or other organization formed for or in respect of any arrangements having a similar purpose is required by the Petrobank Group for the purpose of consummating the transactions contemplated by this Agreement.

- (ee) Employment Agreements. Except as set forth in the Petrobank Disclosure Letter:
- (i) No member of the Petrobank Group is a party to any written contracts of employment which may not be terminated on one month's notice which provide for payments occurring on a change of control of Petrobank; and
 - (ii) except as otherwise permitted by this Agreement, no member of the Petrobank Group will become a party to any employment agreement or to any written or oral policy, agreement, obligation or understanding (and for greater certainty, to any amendment to any of the foregoing) which contains any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause upon giving reasonable notice as may be implied by Applicable Laws, or which creates rights in respect of loss or termination of office or employment in relation to the Arrangement or which contains any specific agreement as to obligations arising on a change of control or as to notice of termination or severance pay in lieu thereof.
- (ff) Brokers and Finders. Petrobank has not retained nor will it retain any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except that FirstEnergy has been retained as Petrobank's financial advisor in connection with certain matters including the transactions contemplated hereby. Petrobank has made available to Touchstone a true and complete copy of its agreement with FirstEnergy.
- (gg) Employment and Officer Obligations. Other than as provided to Touchstone, there are no existing health plans or pension obligations or other employment or consulting services agreements, termination, severance and retention plans or policies of any member of the Petrobank Group and there are no accrued bonuses payable to any present or former employee, director, officer or consultant of any member of the Petrobank Group.
- (hh) Fairness Opinion. The Petrobank Board has received a verbal opinion as of March 6, 2014 from FirstEnergy that the consideration to be paid pursuant to the Arrangement is fair, from a financial point of view, to the Petrobank Shareholders.
- (ii) Long Term and Derivative Transactions. No member of the Petrobank Group has any obligations or liabilities, direct or indirect, vested or contingent in respect of any rate swap transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, equity or equity index swaps, equity or equity index options, bond options, interest rate options, foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross currency rate swap transactions, currency options, production sales transactions having terms greater than 90 days or any other similar transactions (including any option with respect to any of such transactions) or any combination of such transactions.
- (jj) Insurance. Policies of insurance that are in force as of the date hereof naming the applicable members of the Petrobank Group as an insured adequately and reasonably cover all risks as are customarily covered by oil and gas producers in the industry in which the Petrobank Group operates and having regard to the nature of the risk insured and the relative cost of obtaining insurance protect the Petrobank Group's interests. All such policies shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement.
- (kk) No Limitation. There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which any member of the Petrobank Group is a party or by which it is otherwise bound that would now or hereafter in any way limit the business or operations of the Petrobank Group in a particular manner or to a particular locality or geographic region or for a limited period of time, and the execution, delivery and performance of this Agreement does not and will not result in the restriction of any member of the Petrobank Group from engaging in its business or from competing with any Person or in any geographic area.

- (ll) Board Approval. Based upon, among other things, the opinion of FirstEnergy, the Petrobank Board has unanimously determined that the Arrangement is in the best interests of Petrobank and the Petrobank Shareholders, and has resolved to unanimously recommend the Petrobank Shareholders vote in favour of the Petrobank Shareholder Resolutions.
- (mm) Proceeds of Crime. To the knowledge of Petrobank, the Petrobank Group has not, directly or indirectly: (a) made or authorized any contribution, payment or gift of funds or property to any official, employee or agent of any governmental agency, authority or instrumentality of any jurisdiction; or (b) made any contribution to any candidate for public office, in either case, where either the payment or the purpose of such contribution, payment or gift was, is, or would be prohibited under the *Canada Corruption of Foreign Public Officials Act* (Canada) or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) or the rules and regulations promulgated thereunder or under any other legislation of any relevant jurisdiction covering a similar subject matter applicable to the Petrobank Group and its operations and the Petrobank Group has instituted and maintained policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with such legislation.
- (nn) No Guarantees. Other than an indemnification of directors and officers in accordance with existing indemnification agreements (which have been made available to Touchstone's legal counsel), the by-laws of Petrobank or Applicable Laws and other than standard indemnity agreements in underwriting and agency agreements, credit facilities, transfer agent and registrar agreements, and in the ordinary course provided to service providers or pursuant to the joint operating agreements, farm-out agreements, carried working interest agreements, overriding royalty agreements and similar agreements, no member of the Petrobank Group has guaranteed, endorsed, assumed, indemnified or accepted any responsibility for, and does not and will not guarantee, endorse, assume, indemnify or accept any responsibility for, contingently or otherwise, any indebtedness or the performance of any obligation of any Person.
- (oo) Payments to Employees, Etc. Each member of the Petrobank Group has withheld from each payment made to any of its present or former employees, officers or directors, or to other persons, all amounts required by law or administrative practice to be withheld by it on account of income taxes, pension plan contributions, employment insurance premiums, employer health taxes and similar taxes, and levies, and has remitted such withheld amounts within the required time to the appropriate governmental entity.
- (pp) No Encumbrances. No member of the Petrobank Group has encumbered or alienated its interest in its oil and gas assets or agreed to do so and such assets are free and clear of all Encumbrances (other than Permitted Encumbrances), created by, through or under such member of the Petrobank Group, except for those arising in the ordinary course of business, which would in the aggregate have a Material Adverse Effect on Petrobank.
- (qq) No Reduction of Interests. Except as is reflected in the Petrobank Reserve Reports, none of the Petrobank Group's oil and gas assets are subject to reduction by reference to payout of or production penalty on any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under the Petrobank Group, which would in the aggregate have a Material Adverse Effect on Petrobank.
- (rr) Royalties, Rentals and Taxes Paid. To its knowledge all royalties, and all *ad valorem*, property, production, severance and similar taxes, assessment and rentals payable on or before the date hereof and based on, or measured by, the Petrobank Group's ownership of its oil and gas assets, the production of petroleum substances from its oil and gas assets or the receipt of proceeds therefrom under the leases and other title and operating documents pertaining to the Petrobank Group's oil and gas assets and all *ad valorem*, property, production, severance and similar taxes and assessments based upon or measured by the ownership of such assets or the production of petroleum substances derived therefrom or allocated thereto or the proceeds of sales thereof payable on or before the date hereof have been properly paid in full and in a timely manner except to the extent that such non payment would not in the aggregate have a Material Adverse Effect on Petrobank.
- (ss) Production Allowables and Production Penalties.

- (i) To its knowledge, none of the wells in which a member of the Petrobank Group holds an interest have been produced in excess of applicable production allowables imposed by any Applicable Laws or any Governmental Authority and Petrobank has no knowledge of any impending change in production allowables imposed by any Applicable Laws or any Governmental Authority that may be applicable to any of the wells in which it holds an interest, other than changes of general application in the jurisdiction in which such wells are situate; and
- (ii) No member of the Petrobank Group has received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority, including gas oil ratio, off target and overproduction penalties imposed by any Governmental Authority that may be applicable, and, to its knowledge, none of the wells in which it holds an interest is subject to any such penalty or restriction;

except, in either case, to the extent that such events would not in the aggregate have a Material Adverse Effect on Petrobank.

(tt) Operation and Condition of Wells. All wells in which the Petrobank Group holds an interest:

- (i) for which a member of the Petrobank Group was or is operator, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Canada and all Applicable Laws; and
- (ii) for which a member of the Petrobank Group was not or is not operator, to its knowledge, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Canada and all Applicable Laws;

except, in either case, to the extent that such non-compliance with prudent oil and gas industry practices or Applicable Laws would not in the aggregate have a Material Adverse Effect on Petrobank.

(uu) Operation and Condition of Tangibles. The Petrobank Group's tangible depreciable property used or intended for use in connection with its oil and gas assets:

- (i) for which a member of the Petrobank Group was or is operator, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and all Applicable Laws during all periods in which such member of the Petrobank Group was operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business; and
- (ii) for which a member of Petrobank Group was not or is not operator, to its knowledge, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and all Applicable Laws during all periods in which a member of the Petrobank Group was not operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business;

except to the extent that such non-compliance with prudent oil and gas industry practices or Applicable Laws or failure to be in good condition and repair would not in the aggregate have a Material Adverse Effect on Petrobank.

(vv) Outstanding AFEs. Other than as set forth in the Petrobank Disclosure Letter, there are no outstanding authorizations for expenditure pertaining to any of the Petrobank Group's oil and gas assets or any other commitments, approvals or authorizations pursuant to which an expenditure may be required to be made in respect of such assets.

- (ww) Off-Balance Sheet Arrangements. No member of the Petrobank Group has any "off-balance sheet arrangements" as such term is defined under GAAP.
- (xx) Investment Canada Act. Petrobank is not a "non-Canadian" within the meaning of the Investment Canada Act.
- (yy) No Withholding. To the knowledge of Petrobank, Petrobank has not withheld from Touchstone any material information or documents concerning the Petrobank Group or its assets or liabilities during the course of Touchstone's review of the Petrobank Group and their assets. When all of the following are considered as a whole, no representation or warranty contained herein and no statement contained in any schedule or other disclosure document, including the Petrobank Disclosure Letter, provided or to be provided to Touchstone by Petrobank pursuant hereto contains or will contain any untrue statement or a Material Fact which is necessary in order to make the statements herein or therein not misleading.
- (zz) Petrobank Transaction Costs. The Petrobank Disclosure Letter sets out Petrobank's *bona fide* good faith estimate of each component of the Petrobank Transaction Costs.
- (aaa) Working Capital. As of February 28, 2014, Petrobank's working capital, exclusive of the 3,501,899 common shares it owns in Lightstream Resources Ltd., was \$23.0 million.
- (bbb) Intellectual Property.
- (i) The Petrobank Disclosure Letter sets out a true, correct and complete list, and, where appropriate, a description of the patents held by Petrobank Group.
 - (ii) The Petrobank Group is the exclusive owner of all right, title and interest in and to, or possesses the exclusive right to use, their respective Petrobank Group IP Rights free and clear of all encumbrances other than Permitted Encumbrances. The Petrobank Group has not assigned, licensed or otherwise conveyed any of its respective Petrobank Group IP Rights.
 - (iii) The Petrobank Group IP Rights are in full force and effect and have not been used, not used, enforced or not enforced in a manner that could reasonably be expected to result in their abandonment, cancellation or unenforceability. There is no claim existing or threatened alleging adverse ownership, invalidity or other opposition to, or any conflict with, any of the Petrobank Group IP Rights. In the past five years, the Petrobank Group has not received written notice of any alleged infringement or misappropriation from any Person with respect to the Petrobank Group IP Rights. During such period, the Petrobank Group has not received any notification that it has infringed or that it is currently infringing on the intellectual property rights of any other Person.
 - (iv) The Petrobank Group has the full right and authority to use, and to continue to use after the Closing Date, its respective Petrobank Group IP Rights in connection with the conduct of the Businesses in the manner presently conducted, and, to the best of its knowledge, such use or continuing use does not infringe upon or violate any rights of any other Person. The Petrobank Group IP Rights are sufficient to conduct the Business as presently conducted. All licenses to which one or more members of the Petrobank Group are a party relating to the Petrobank Group IP Rights are in good standing, binding and enforceable in accordance with their respective terms and no material default exists on the part of such one or more members of the Petrobank Group thereunder.
 - (v) To the best of the Petrobank Group's knowledge, there are no outstanding or threatened disputes or other disagreements with respect to patents listed in the Petrobank Disclosure Letter or with respect to infringement by another Person of any of the Petrobank Group IP Rights.

- (vi) All of the Petrobank Group IP Rights developed or created by employees of the Petrobank Group or pursuant to Contracts with outside consultants or contractors have been assigned to one or more members of the Petrobank Group in writing or in another enforceable manner.
- (vii) Except as set out in the Petrobank Disclosure Letter, no royalty or other fee is required to be paid by the Petrobank Group to any other Person in respect of the use of any Petrobank Group IP Rights and there are no restrictions on the ability of the Petrobank Group or any successor to, or assignee from, the Petrobank Group to use and exploit all rights in such Petrobank Group IP Rights.
- (viii) The Petrobank Group has used commercially reasonable efforts (including measures to protect secrecy and confidentiality, where appropriate) to protect its respective IP Rights and confidential information.

4.2 **Representations and Warranties of Touchstone**

Touchstone represents and warrants to and in favour of Petrobank and acknowledges that Petrobank is relying upon such representations and warranties in connection with the matters contemplated by this Agreement and the consummation of the Arrangement:

- (a) Organization and Qualification. Each member of the Touchstone Group has been duly incorporated, amalgamated or created, as the case may be, and is validly subsisting under the Applicable Laws of its jurisdiction of formation and has the requisite power and authority to own its assets and properties as now owned and to carry on its business as now conducted. Each member of the Touchstone Group is duly registered or authorized to conduct its affairs or do business, as applicable, and is in good standing in each jurisdiction in which the character of its assets and properties, owned, leased, licensed or otherwise held, or the nature of its activities makes such registration or authorization necessary, except where the failure to be so registered or authorized would not, individually or in the aggregate, have a Material Adverse Effect on Touchstone. Copies of the constating documents of each member of the Touchstone Group provided to Petrobank, together with all amendments to date, are accurate and complete as of the date hereof and have not been amended or superseded.
- (b) Authority Relative to this Agreement. Touchstone has the requisite corporate power and authority to execute this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Touchstone of the transactions contemplated by the Arrangement have been duly authorized by the Touchstone Board and, subject to the requisite approval of the Touchstone Shareholders and the obtaining of the Final Order, no other proceedings on the part of Touchstone are necessary to authorize this Agreement, or the Arrangement or the other transactions contemplated herein, other than the approval of the Joint Information Circular by the Touchstone Board. This Agreement has been duly executed and delivered by Touchstone and constitutes a legal, valid and binding obligation of Touchstone enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Applicable Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.
- (c) Subsidiaries. Touchstone has no subsidiaries, other than the Touchstone Subsidiaries (collectively, with Touchstone, the "**Touchstone Group**") and Touchstone owns, directly or indirectly, all of the outstanding voting and equity securities of such subsidiaries. All of the outstanding shares and all other ownership interests in the subsidiaries of Touchstone are duly authorized, validly issued and fully paid and non-assessable, and all such shares and other ownership interests held directly or indirectly by Touchstone, are owned by Touchstone free and clear of all Encumbrances (other than Permitted Encumbrances), except pursuant to restrictions on transfer contained in the articles of such subsidiary. There are no rights of first refusal or similar rights restricting the transfer of Touchstone Shares contained in shareholders, partnership, joint venture or similar agreements or pursuant to existing financing arrangements and there are no outstanding contractual or other obligations of any member of the Touchstone Group to repurchase, redeem

or otherwise acquire any of their respective securities or with respect to the voting or disposition of any outstanding securities of any of them.

- (d) No Violations. Except as disclosed to Petrobank in the Touchstone Disclosure Letter, or as contemplated by this Agreement:
- (i) neither the execution and delivery of this Agreement by Touchstone nor the consummation of the Touchstone Continuance or the transactions contemplated by the Arrangement nor compliance by Touchstone with any of the provisions hereof will:
- (A) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in the creation of any Encumbrance (other than Permitted Encumbrances) upon any of the properties or assets of the Touchstone Group or cause any indebtedness to come due before its stated maturity or cause any credit to cease to be available, under any of the terms, conditions or provisions of: (1) articles or by-laws of any member of the Touchstone Group; or (2) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which any member of the Touchstone Group is a party or to which it, or any of its properties or assets, may be subject or by which a member of the Touchstone Group is bound; or
- (B) subject to compliance with applicable statutes and regulations, violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to a member of the Touchstone Group or any of its properties or assets;
- (except, in the case of each of clauses (A) and (B) above, for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of Encumbrances (other than Permitted Encumbrances) which, or any consents, approvals or notices which if not given or received, would not, individually or in the aggregate, have any Material Adverse Effect on Touchstone, or significantly impede the ability of Touchstone to consummate the Touchstone Continuance or the transactions contemplated by the Arrangement); or
- (C) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would, individually or in the aggregate, have a Material Adverse Effect on Touchstone.
- (ii) other than in connection with or in compliance with the provisions of Applicable Laws in relation to the completion of the Touchstone Continuance and the Arrangement or which are required to be fulfilled post Arrangement, and except for the requisite approvals of the Touchstone Shareholders, the Court, Governmental Authorities and the TSX, and the obtaining of the Interim Order and the Final Order:
- (A) there are no legal impediments to Touchstone's consummation of the Touchstone Continuance and the Arrangement; and
- (B) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is required of Touchstone in connection with the consummation of the Touchstone Continuance and Arrangement, except for the Trinidad Approvals and other such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not, individually or in the aggregate, have a Material Adverse Effect on Touchstone, or significantly impede the ability of Touchstone to consummate the Arrangement.

- (e) Litigation. Except as disclosed to Petrobank in the Touchstone Disclosure Letter, there are no claims, actions, suits, proceedings, investigations, arbitrations, audits, grievances, assessments or reassessments in existence or pending or, to the knowledge of Touchstone, threatened, affecting or that would reasonably be expected to affect the Touchstone Group or affecting or that would reasonably be expected to affect any of their respective properties or assets at law or in equity or before or by any court or Governmental Authority which claim, action, suit, proceeding, investigation, arbitration, audit, grievance, assessment or reassessment involves a possibility of any judgment against or liability of any member of the Touchstone Group which would reasonably be expected to cause, individually or in the aggregate, a Material Adverse Change to Touchstone, or would significantly impede the ability of Touchstone to consummate the Arrangement.
- (f) Taxes, etc. Except to the extent that any matter referred to in this Section 4.2(f) does not, and would not reasonably be expected to, have a Material Adverse Effect on Touchstone or as disclosed in the Touchstone Disclosure Letter:
- (i) all Tax Returns required to be filed by or on behalf of any member of the Touchstone Group for periods ended on and prior to the date of this Agreement have been duly filed on a timely basis and such Tax Returns are complete and correct in all material respects. All material Taxes shown to be payable on such Tax Returns or on subsequent assessments or reassessments with respect thereto have been paid in full on a timely basis, and no other material Taxes are payable by any member of the Touchstone Group with respect to items or periods covered by such Tax Returns;
 - (ii) each member of the Touchstone Group has duly and timely paid or withheld and remitted to the appropriate Taxing Authority all Taxes, including any instalments or prepayments of Taxes, that are due and payable whether or not shown as being due on any Tax Return, or, where payment is not yet due, Touchstone has established adequate accruals in conformity with GAAP in the Touchstone Financial Statements for the period covered by such financial statements for any Taxes, including income taxes and related future taxes, if applicable, that have not been paid, whether or not shown as being due on any Tax Return. Touchstone has, in all material respects, made adequate provision or disclosure in its books and records for any Taxes of the Touchstone Group accruing in respect of any period subsequent to the period covered by such financial statements, whether or not shown as being due on any Tax Return;
 - (iii) Touchstone has made available to Petrobank true and complete copies of: (A) income tax audit reports, statement of deficiencies, closing or other agreements received by any member of the Touchstone Group or on behalf of any member of the Touchstone Group relating to the Taxes for any taxable period beginning within 4 years from the date hereof; and (B) any Tax Returns for any member of the Touchstone Group for the taxable period since January 1, 2009;
 - (iv) no material deficiencies have been asserted in writing by any Governmental Authority with respect to Taxes of any member of the Touchstone Group that have not yet been settled;
 - (v) no member of the Touchstone Group is a party to any tax sharing, tax indemnity or tax allocation agreement or arrangement or, in the alternative, no member of the Touchstone Group has nor could have any material liabilities or obligations in respect of Taxes under any such tax sharing, tax indemnity or tax allocation agreement;
 - (vi) Touchstone is resident in Canada for the purposes of the ITA; and
 - (vii) no member of the Touchstone Group is a party to any action or proceeding for assessment or collection of a material amount of Taxes, nor, to the knowledge of Touchstone, has such an event been asserted in writing by any Governmental Authority or threatened against any member of the Touchstone Group or any of their respective assets. No waiver or extension of any statute of limitations is in effect with respect to material Taxes or material Tax Returns of any member of the Touchstone Group. Except as set out in the Touchstone Disclosure Letter, no audit by Taxing

Authorities of any member of the Touchstone Group is in process or to the knowledge of Touchstone, pending.

- (g) Reporting Issuer Status. Touchstone is a "reporting issuer" in the Provinces of British Columbia, Alberta, Saskatchewan and Ontario and is in material compliance with all Applicable Canadian Securities laws therein and the Touchstone Shares are listed and posted for trading on the TSXV. Touchstone is not in default of any material requirements of Applicable Canadian Securities Laws in such jurisdictions or any rules or regulations of, or agreement with, the TSXV. No delisting, suspension of trading in or cease trading order with respect to the Touchstone Shares is pending or, to the knowledge of Touchstone, threatened. The documents and information comprising the Touchstone Public Record did not at the respective times they were filed with the relevant Securities Authorities, contain any Misrepresentation, unless such document or information was subsequently corrected or superseded in the Touchstone Public Record prior to the date hereof. Touchstone has timely filed with the Securities Authorities all material forms, reports, schedules, statements and other documents required to be filed by Touchstone with the Securities Authorities since becoming a "reporting issuer". Touchstone has not filed any confidential material change report that, at the date hereof, remains confidential.
- (h) Capitalization. As of the date hereof, the authorized capital of Touchstone consists of an unlimited number of Touchstone Shares and an unlimited number of preferred shares, issuable in series. As of the date hereof, there are issued and outstanding 138,956,517 Touchstone Shares and no other shares are issued and outstanding. Other than Touchstone Options to acquire up to 9,967,084 Touchstone Shares, 10,600,000 Touchstone Warrants (which consist of 9,600,000 Touchstone Credit Facility Warrants and 1,000,000 Touchstone Debenture Warrants) and the Touchstone Debentures there are no options, warrants or other rights, plans agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by Touchstone of any securities of Touchstone (including Touchstone Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Touchstone (including Touchstone Shares). All outstanding Touchstone Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights and all Touchstone Shares issuable upon the exercise of Touchstone Options, Touchstone Warrants or the conversion of Touchstone Debentures in accordance with the terms of such options, warrants and debentures will be duly authorized and validly issued as fully paid and non-assessable and will not be subject to any pre-emptive rights. Other than the Touchstone Shares, there are no securities of Touchstone outstanding which have the right to vote generally (except for the Touchstone Options, Touchstone Warrants and Touchstone Debentures which are exercisable or convertible into or exchangeable for securities having the right to vote generally) with the Touchstone Shareholders on any matter.
- (i) Equity Monetization Plans. Other than the Touchstone Options and Touchstone Warrants, there are no outstanding stock appreciation rights, phantom equity, profit sharing plan or similar rights, agreements, arrangements or commitments payable to any employee of Touchstone and which are based upon the revenue, value, income or any other attribute of Touchstone.
- (j) No Orders. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Touchstone Shares, the Touchstone Warrants, the Touchstone Debentures or any other securities of Touchstone has been issued by any Governmental Authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of Touchstone, are contemplated or threatened under any Applicable Laws or by any Governmental Authority.
- (k) Reports. (i) Touchstone's Annual Information Form dated February 27, 2014; and (ii) all Touchstone press releases, material change reports and business acquisition reports filed with the Securities Authorities since October 1, 2012; did not contain any untrue statement of a Material Fact or omit to state a Material Fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading in any material respect and complied in all material respects with all Applicable Laws. The Touchstone Financial Statements, and any interim or annual financial statements filed by or on behalf of Touchstone on and after the date hereof with the Securities Authorities, in compliance, or intended compliance, with any Applicable Laws, were or, when so filed, will have been

prepared in accordance with GAAP (except in the case of unaudited interim statements, to the extent they may not include footnotes, are subject to normal year-end adjustments or may be condensed or summary statements), and present or, when so filed, will present fairly in accordance with GAAP the financial position, results of operations and changes in financial position of Touchstone as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments). Other than as a result of the adoption of International Financial Reporting Standards, there has been no material change in Touchstone's accounting policies, except as described in the notes to the Touchstone Financial Statements, since January 1, 2012.

- (l) Books and Records. The financial books, records and accounts of each member of the Touchstone Group, in all material respects: (i) have been maintained in accordance with good business practices on a basis consistent with prior years, other than as a result of the adoption of International Financial Reporting Standards; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions and dispositions of the assets of the Touchstone Group; and (iii) accurately and fairly reflect the basis for the Touchstone Financial Statements. The corporate records and minute books of each member of the Touchstone Group have been maintained substantially in compliance with Applicable Laws and are complete and accurate in all material respects, and full access thereto has been provided to Petrobank.
- (m) Absence of Certain Changes or Events. Except for the Arrangement or any action taken in accordance with this Agreement, since September 30, 2013:
- (i) each member of the Touchstone Group has conducted its business only in the ordinary course of business substantially consistent with past practice, other than as disclosed in the Touchstone Public Record;
 - (ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to Touchstone has been incurred other than in the ordinary course of business;
 - (iii) there has been no Material Adverse Change in respect of Touchstone; and
 - (iv) Touchstone has not, and to the knowledge of Touchstone, no director, officer, employee or auditor of any member of the Touchstone Group, has received or otherwise had or obtained knowledge of any fraud, material complaint, allegation, assertion or claim, whether written or oral, regarding fraud or the accounting or auditing practices, procedures, methodologies or methods of any member of the Touchstone Group or its internal accounting controls.
- (n) Registration, Exemption Orders, Licenses, etc. To the knowledge of Touchstone, each member of the Touchstone Group has obtained and is in compliance with all Governmental Authorizations necessary in connection with its business as it is now, individually or in the aggregate, being or proposed to be conducted, except where the failure to obtain or be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Touchstone. Such Governmental Authorizations are in full force and effect in accordance with their terms, and no event has occurred or circumstance exists that (with or without notice or lapse of time) may constitute or result in a violation of any such Governmental Authorization, except where the violation would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Touchstone. No proceedings are pending or, to the knowledge of Touchstone, threatened, which could result in the revocation or limitation of any Governmental Authorization, and all steps have been taken and filings made on a timely basis with respect to each Governmental Authorization and its renewal, except where the failure to take such steps and make such filings would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Touchstone. No Governmental Authorization will, to the knowledge of Touchstone, be impaired or adversely affected by the entering into of this Agreement or the completion of the Arrangement.
- (o) Compliance with Laws. The operations and business of the Touchstone Group is and has been carried out in compliance with and not in violation of any Applicable Laws, other than non-compliance or violation which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse

Effect on Touchstone or would significantly impact the ability of Touchstone to consummate the Arrangement, and no member of the Touchstone Group has received any notice of any alleged violation of any such Applicable Laws other than where such notice would not reasonably be expected to have a Material Adverse Effect on Touchstone or would significantly impact the ability of Touchstone to consummate the Touchstone Continuance or the Arrangement.

- (p) Restrictions on Business Activities. There is no judgment, injunction or order binding upon any member of the Touchstone Group that has or could reasonably be expected to have the effect of prohibiting, restricting or impairing its business or, individually or in the aggregate, have a Material Adverse Effect on Touchstone.
- (q) Non-Arm's Length Transactions. Except for amounts due as normal salaries and bonuses and in reimbursement of ordinary expenses, existing employment agreements and existing agreements respecting Touchstone Options and share rights entitling the holders thereof to receive Touchstone Shares, there are no Contracts or other transactions (including with respect to loans or other indebtedness) currently in place between any member of the Touchstone Group, on the one hand, and: (i) any officer, director or employee of, or consultant of any member of the Touchstone Group; (ii) any holder of record or beneficial owner of 10% or more of the voting securities of Touchstone; or (iii) any associate or affiliate of any such Person (collectively, "**Touchstone Related Parties**"). No Touchstone Related Party, owns, has or is entitled to any royalty, net profits interest, carried interest or any other Encumbrances or claims of any nature whatsoever which are based on production from the properties or assets of any member of the Touchstone Group or any revenue or rights attributed thereto.
- (r) Touchstone Projects. The Touchstone Projects are accurately described in the Touchstone Public Record in all material respects.
- (s) Title. Although it does not warrant title, except as set forth in the Touchstone Disclosure Letter, Touchstone does not have reason to believe that any member of the Touchstone Group does not have title to or the irrevocable right to produce and sell its PNGs and does represent and warrant that the PNGs are free and clear of all Encumbrances (other than Permitted Encumbrances) and other adverse claims created by, through or under Touchstone and, to its knowledge, each member of the Touchstone Group holds its PNGs under valid and subsisting leases, licenses, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements. Although it does not warrant title to its assets, to the knowledge of Touchstone, there are no defects, failures or impairments in the title of Touchstone to its assets, whether or not an action, suit, proceeding or inquiry is pending or threatened in writing or whether or not discovered by any third party, which in the aggregate, could have a Material Adverse Effect on: (i) the quantity and pre-tax present worth values of such assets; (ii) the current production volumes of Touchstone; or (iii) the current cash flow of Touchstone.
- (t) Touchstone GLJ Report. Touchstone has made available to GLJ, prior to the issuance of the report prepared by GLJ dated January 20, 2014 (the "**Touchstone GLJ Report**") evaluating Touchstone's crude oil, natural gas liquids and natural gas reserves as at September 30, 2013, for the purpose of preparing the Touchstone GLJ Report, all information requested by GLJ, which information did not contain any Misrepresentation at the time such information was provided. Except with respect to changes in commodity prices, Touchstone has no knowledge of a material adverse change in any production, cost, price, reserves or other relevant information provided to GLJ since the date that such information was provided. Touchstone believes that the Touchstone GLJ Report reasonably presents the quantity and pre-tax present worth values of the crude oil, natural gas liquids and natural gas reserves attributable to the properties evaluated in such report as of its effective date based upon information available at the time such reserve information was prepared, and Touchstone believes that, at the date of such report, such report did not (and as of the date hereof, except as may be attributable to reserves since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated reserves producible therefrom. To the knowledge of Touchstone, the Touchstone GLJ Report complies with the requirements of Applicable Laws (including the requirements of the Canadian Oil and Gas Evaluation Handbook) and has been prepared or audited by a qualified reserves evaluator (determined in

accordance with Applicable Laws) and the results thereof have been disclosed in accordance with Applicable Laws.

- (u) Absence of Undisclosed Liabilities. The Touchstone Group has no material liabilities of any nature (matured or unmatured, fixed or contingent), other than:
 - (i) those set forth or adequately provided for in the most recent balance sheet and associated notes thereto included in the Touchstone Financial Statements (the "**Touchstone Balance Sheet**");
 - (ii) those incurred in the ordinary course of business and not required to be set forth in the Touchstone Balance Sheet under GAAP;
 - (iii) those incurred in the ordinary course of business since the date of the Touchstone Balance Sheet and consistent with past practice; and
 - (iv) those incurred in connection with the execution of this Agreement.
- (v) Absence of Undisclosed Changes. There has not been any Material Change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Touchstone on a consolidated basis from the position set forth in the Touchstone Financial Statements (other than as have been disclosed in the Touchstone Public Record) and Touchstone has not incurred or suffered a Material Adverse Change since September 30, 2013 and since that date there have been no material facts, transactions, events or occurrences which would have a Material Adverse Effect on the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of the operations of Touchstone (taken as a whole) which have not been disclosed in the Touchstone Public Record.
- (w) No Defaults. No member of the Touchstone Group is in default under, and there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute such a default under any contract, agreement or licence to which it is a party or by which it is bound which would, if terminated or upon exercise of a right made available to a third party solely by a reason of such a default due to such default, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Touchstone. No member of the Touchstone Group is in violation of any Applicable Laws which violation could reasonably be expected to have a Material Adverse Effect on Touchstone.
- (x) Pre-emptive Rights. Except as set forth in the Touchstone Disclosure Letter, Touchstone does not have any knowledge of any outstanding rights of first refusal or other pre-emptive rights of purchase which entitle any Person to acquire any of the rights, title, interests, property, licenses or assets of the Touchstone Group that will be triggered or accelerated by the Arrangement.
- (y) Environmental. In respect of the properties which a member of the Touchstone Group operates and, to the knowledge of Touchstone in respect of properties for which a member of the Touchstone Group is not the operator, except to the extent that any violation or other matter referred to in this Section 4.2(y) does not, and would not reasonably be expected to, have a Material Adverse Effect on Touchstone:
 - (i) no member of the Touchstone Group is in violation of any applicable Environmental Laws;
 - (ii) each member of the Touchstone Group has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all Hazardous Substances in compliance with Environmental Laws;
 - (iii) there have been no spills, releases, deposits or discharges of Hazardous Substances, or wastes into the earth, subsoil, underground waters, air or into any body of water or any municipal or other sewer or drain water systems, or on or underneath any location which is or was currently or formerly owned, leased, sub-leased, licenced to, farmed-out to or otherwise operated by a member of the Touchstone Group, that have not been remediated in accordance with all Applicable Laws;

- (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of a member of the Touchstone Group of which such member has notice;
 - (v) there has been no failure to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law;
 - (vi) each member of the Touchstone Group holds all Environmental Approvals required in connection with the operation of its business and the ownership and use of such assets, all Environmental Approvals are in full force and effect, and no member of the Touchstone Group has received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws or Environmental Approvals, or that any Environmental Approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;
 - (vii) there are no pending or, to the knowledge of Touchstone, threatened claims, liens or Encumbrances (other than Permitted Encumbrances) resulting from Environmental Laws with respect to any of the properties of a member of the Touchstone Group currently or formerly owned, leased, operated or otherwise used; and
 - (viii) no member of the Touchstone Group has assumed or retained by contract or operation of law any losses, expenses, claims, damages or liabilities of any third-party pursuant to applicable Environmental Laws.
- (z) Material Contracts. The Touchstone Disclosure Letter lists all of the following Contracts, correct, current and complete copies of which have been made available to Petrobank (the "**Touchstone Material Contracts**"): (i) all Contracts containing any rights on the part of any Person, including joint venture partners or entities, to acquire oil and gas or other property rights from a member of the Touchstone Group; (ii) all Contracts containing any rights on the part of a member of the Touchstone Group to acquire oil and gas or other property rights from any Person; (iii) any Contract that purports to limit the right of any of Touchstone or its affiliates to (A) engage in any line of business, or (B) compete with any Person or operate in any location; (iv) any Contract in respect of which the applicable transaction has not yet been consummated for the acquisition or disposition of assets or securities or other equity interests of another Person; (v) any standstill or similar Contract currently restricting the ability of a member of the Touchstone Group to offer to purchase or purchase the assets or equity securities of another Person; (vi) all Contracts which entitle a party to rights of termination, the terms or conditions of which may or will be altered, or which entitle a party to any fee, payment, penalty or increased consideration, in each case as a result of the execution of this Agreement, the consummation of the transactions contemplated hereby or a "change in control" of a member of the Touchstone Group including, without limitation, any seismic license or similar agreements; and (vii) all Contracts pursuant to which a member of the Touchstone Group will, or may reasonably be expected to, result in a requirement of such member of the Touchstone Group to expend more than an aggregate of \$50,000 or receive or be entitled to receive revenue of more than \$50,000 in either case in the next 12 months, or is out of the ordinary course of business of the Touchstone Group. Each of such Material Contracts constitutes a legally valid and binding agreement of such member of the Touchstone Group, enforceable in accordance with their respective terms and, to the knowledge of Touchstone, no party thereto is in default in the observance or performance of any term or obligation to be performed by it under any such contract or agreement which is material to the business of Touchstone (taken as a whole) and no event has occurred which with notice or lapse of time or both would directly or indirectly constitute such a default, in any such case which default or event would reasonably be expected to have a Material Adverse Effect on Touchstone.

- (aa) Employee Benefit Plans. Touchstone has made available to Petrobank true, complete and correct copies of each employee benefits plan (collectively, the "**Touchstone Plans**") covering active, former or retired employees of the Touchstone Group, any related trust agreement, annuity or insurance contract or other funding vehicle, and:
- (i) each Touchstone Plan has been maintained and administered in material compliance with its terms and is, to the extent required by Applicable Laws or contract, fully funded without having any deficit or unfunded actuarial liability or adequate provision has been made therefor;
 - (ii) all required employer contributions under any such plans have been made and the applicable funds have been funded in accordance with the terms thereof;
 - (iii) each Touchstone Plan that is required or intended to be qualified under Applicable Laws or registered or approved by a Governmental Authority has been so qualified, registered or approved by the appropriate Governmental Authority, and to the knowledge of Touchstone, nothing has occurred since the date of the last qualification, registration or approval that would reasonably be expected to adversely affect, or cause, the appropriate Governmental Authority to revoke such qualification, registration or approval;
 - (iv) to the knowledge of Touchstone, there are no pending or anticipated material claims against or otherwise involving any of the Touchstone Plans and no suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of Touchstone Plan activities) has been brought against or with respect to any Touchstone Plan;
 - (v) all material contributions, reserves or premium payments required to be made to the Touchstone Plans have been made or provided for; and
 - (vi) Touchstone has no obligations for retiree health and life benefits under any Touchstone Plan.
- (bb) Employees.
- (i) The Touchstone Disclosure Letter contains a complete list of all employees of the Touchstone Group, including the current salary and start date of each employee.
 - (ii) No trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds bargaining rights with respect to any employees of the Touchstone Group by way of certification, interim certification, voluntary recognition, designation or successor rights or has applied to have the Touchstone Group declared a related employer or successor employer pursuant to applicable labour legislation. To the knowledge of Touchstone, no member of the Touchstone Group has engaged in any unfair labour practices and, no strike, lock-out, work stoppage, or other material labour dispute is occurring. To the knowledge of Touchstone, there are no threatened or pending strikes, work stoppages, picketing, lock-outs, hand-billings, boycotts, slowdowns or similar labour related disputes pertaining to the Touchstone Group that could reasonably be expected to have a Material Adverse Effect on Touchstone or lead to a material and continuing interruption of operations of the Touchstone Group at any location. No member of the Touchstone Group has engaged in any closing or lay-off activities within the past two years that would violate or in any way subject the Touchstone Group to group termination or lay-off requirements of Applicable Laws.
 - (iii) No member of the Touchstone Group has recognized any trade union or has any staff association, staff council, works council or other organization formed for or arrangements having a similar purpose and no notification to any trade union, staff association, staff council, works council or other organization formed for or in respect of any arrangements having a similar purpose is required by the Touchstone Group for the purpose of consummating the transactions contemplated by this Agreement.

- (cc) Employment Agreements. Except as set forth in the Touchstone Disclosure Letter:
- (i) No member of the Touchstone Group is a party to any written contracts of employment which may not be terminated on one month's notice which provide for payments occurring on a change of control of Touchstone; and
 - (ii) except as otherwise permitted by this Agreement, no member of the Touchstone Group will become a party to any employment agreement or to any written or oral policy, agreement, obligation or understanding (and for greater certainty, to any amendment to any of the foregoing) which contains any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause upon giving reasonable notice as may be implied by Applicable Laws, or which creates rights in respect of loss or termination of office or employment in relation to the Arrangement or which contains any specific agreement as to obligations arising on a change of control or as to notice of termination or severance pay in lieu thereof.
- (dd) Brokers and Finders. Touchstone has not retained nor will it retain any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except that Scotiabank has been retained as Touchstone's financial advisor in connection with certain matters including the transactions contemplated hereby. Touchstone has made available to Petrobank a true and complete copy of its agreement with Scotiabank.
- (ee) Employment and Officer Obligations. Other than as disclosed in the Touchstone Disclosure Letter, there are no existing health plans or pension obligations or other employment or consulting services agreements, termination, severance and retention plans or policies of any member of the Touchstone Group and there are no accrued bonuses payable to any present or former employee, director, officer or consultant of any member of the Touchstone Group.
- (ff) Fairness Opinion. The Touchstone Board has received a verbal opinion as of March 6, 2014 from Scotiabank that the consideration to be received by Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Touchstone Shareholders.
- (gg) Long Term and Derivative Transactions. No member of the Touchstone Group has any obligations or liabilities, direct or indirect, vested or contingent in respect of any rate swap transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, equity or equity index swaps, equity or equity index options, bond options, interest rate options, foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross currency rate swap transactions, currency options, production sales transactions having terms greater than 90 days or any other similar transactions (including any option with respect to any of such transactions) or any combination of such transactions.
- (hh) Insurance. Policies of insurance that are in force as of the date hereof naming the applicable members of the Touchstone Group as an insured adequately and reasonably cover all risks as are customarily covered by oil and gas producers in the industry in which the Touchstone Group operates and having regard to the nature of the risk insured and the relative cost of obtaining insurance protect the Touchstone Group's interests. All such policies shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement.
- (ii) No Limitation. There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which any member of the Touchstone Group is a party or by which it is otherwise bound that would now or hereafter in any way limit the business or operations of the Touchstone Group in a particular manner or to a particular locality or geographic region or for a limited period of time, and the execution, delivery and performance of this Agreement does not and will not result in the restriction of any member of the Touchstone Group from engaging in its business or from competing with any Person or in any geographic area.

- (jj) Board Approval. Based upon, among other things, the opinion of Scotiabank, the Touchstone Board has unanimously determined that the Arrangement is fair to the Touchstone Shareholders, has unanimously determined that the Arrangement is in the best interests of Touchstone and the Touchstone Shareholders, and has resolved to unanimously recommend the Touchstone Shareholders vote in favour of the Touchstone Continuance and the Arrangement.
- (kk) Rights Plans. Touchstone does not have and will not implement any shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Touchstone Shares or other securities of Touchstone or rights, entitlements or privileges in favour of any Person upon the entering into of this Agreement or in connection with the Arrangement, with the exception of the Touchstone Option Plan and related Touchstone Option agreements, the Touchstone Warrants and the Touchstone Debentures.
- (ll) Proceeds of Crime. To the knowledge of Touchstone, the Touchstone Group has not, directly or indirectly: (a) made or authorized any contribution, payment or gift of funds or property to any official, employee or agent of any governmental agency, authority or instrumentality of any jurisdiction; or (b) made any contribution to any candidate for public office, in either case, where either the payment or the purpose of such contribution, payment or gift was, is, or would be prohibited under the *Canada Corruption of Foreign Public Officials Act* (Canada) or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) or the rules and regulations promulgated thereunder or under any other legislation of any relevant jurisdiction covering a similar subject matter applicable to the Touchstone Group and its operations and the Touchstone Group has instituted and maintained policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with such legislation.
- (mm) No Guarantees. Other than an indemnification of directors and officers in accordance with existing indemnification agreements (which have been made available to Petrobank's legal counsel), the by-laws of Touchstone or Applicable Laws and other than standard indemnity agreements in underwriting and agency agreements, credit facilities, transfer agent and registrar agreements, and in the ordinary course provided to service providers or pursuant to the joint operating agreements, lease operatorship agreements, farm-out agreements, carried working interest agreements, overriding royalty agreements and similar agreements, no member of the Touchstone Group has guaranteed, endorsed, assumed, indemnified or accepted any responsibility for, and does not and will not guarantee, endorse, assume, indemnify or accept any responsibility for, contingently or otherwise, any indebtedness or the performance of any obligation of any Person.
- (nn) Payments to Employees, Etc. Each member of the Touchstone Group has withheld from each payment made to any of its present or former employees, officers or directors, or to other persons, all amounts required by law or administrative practice to be withheld by it on account of income taxes, pension plan contributions, employment insurance premiums, employer health taxes and similar taxes, and levies, and has remitted such withheld amounts within the required time to the appropriate governmental entity.
- (oo) No Encumbrances. No member of the Touchstone Group has encumbered or alienated its interest in its oil and gas assets or agreed to do so and such assets are free and clear of all Encumbrances (other than Permitted Encumbrances), created by, through or under such member of the Touchstone Group, except for those arising in the ordinary course of business, which would in the aggregate have a Material Adverse Effect on Petrobank.
- (pp) No Reduction of Interests. Except as is reflected in the Touchstone GLJ Report, none of the Touchstone Group's oil and gas assets are subject to reduction by reference to payout of or production penalty on any well or otherwise or to change to an interest of any other size or nature by virtue of or through any right or interest granted by, through or under the Touchstone Group, which would in the aggregate have a Material Adverse Effect on Touchstone.
- (qq) Royalties, Rentals and Taxes Paid. To the knowledge of Touchstone, all royalties, and all *ad valorem*, property, production, severance, income, corporation, petroleum and similar taxes, levies, imposts, assessments and rentals payable on or before the date hereof and based on, or measured by, the Touchstone

Group's ownership of its oil and gas assets, the production of petroleum substances from its oil and gas assets or the receipt of proceeds therefrom under the leases and other title and operating documents pertaining to the Touchstone Group's oil and gas assets and all *ad valorem*, property, production, severance, income, corporation, petroleum and similar taxes, levies, imposts and assessments based upon or measured by the ownership of such assets or the production of petroleum substances derived therefrom or allocated thereto or the proceeds of sales thereof payable on or before the date hereof have been properly paid in full and in a timely manner except to the extent that such non payment would not in the aggregate have a Material Adverse Effect on Petrobank.

(rr) Production Allowables and Production Penalties.

- (i) To the knowledge of Touchstone, none of the wells in which a member of the Touchstone Group holds an interest have been produced in excess of applicable production allowables imposed by any Applicable Laws or any Governmental Authority and Touchstone has no knowledge of any impending change in production allowables imposed by any Applicable Laws or any Governmental Authority that may be applicable to any of the wells in which it holds an interest, other than changes of general application in the jurisdiction in which such wells are situate; and
- (ii) No member of the Touchstone Group has received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Authority, including gas oil ratio, off target and overproduction penalties imposed by any Governmental Authority that may be applicable, and, to its knowledge, none of the wells in which it holds an interest is subject to any such penalty or restriction;

except, in either case, to the extent that such events would not in the aggregate have a Material Adverse Effect on Touchstone.

(ss) Operation and Condition of Wells. All wells in which the Touchstone Group holds an interest:

- (i) for which a member of the Touchstone Group was or is operator, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Trinidad and all Applicable Laws; and
- (ii) for which a member of the Touchstone Group was not or is not operator, to its knowledge, were or have been drilled and, if and as applicable, completed, operated and abandoned (and if abandoned, plugged and abandoned and the wellsite therefor properly restored) in accordance with good and prudent oil and gas industry practices in Trinidad and all Applicable Laws;

except, in either case, to the extent that such non-compliance with prudent oil and gas industry practices or Applicable Laws would not in the aggregate have a Material Adverse Effect on Touchstone.

(tt) Operation and Condition of Tangibles. The Touchstone Group's tangible depreciable property used or intended for use in connection with its oil and gas assets:

- (i) for which a member of the Touchstone Group was or is operator, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Trinidad and all Applicable Laws during all periods in which such member of the Touchstone Group was operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business; and
- (ii) for which a member of the Touchstone Group was not or is not operator, to its knowledge, was or has been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Trinidad and all Applicable Laws during all periods in which a member of the

Touchstone Group was not operator thereof and is in good condition and repair, ordinary wear and tear excepted, and is useable in the ordinary course of business;

except to the extent that such non-compliance with prudent oil and gas industry practices in Canada or Applicable Laws or failure to be in good condition and repair would not in the aggregate have a Material Adverse Effect on Touchstone.

- (uu) Outstanding AFEs. Other than as set forth in the Touchstone Disclosure Letter, there are no outstanding authorizations for expenditure pertaining to any of the Touchstone Group's oil and gas assets or any other commitments, approvals or authorizations pursuant to which an expenditure may be required to be made in respect of such assets.
- (vv) Confidentiality Agreements. All agreements entered into by a member of the Touchstone Group with Persons other than Petrobank regarding the confidentiality of information provided to such Persons or reviewed by such Persons with respect to the sale of any member of the Touchstone Group or a substantial portion of its assets or any other business combination or similar transaction with another party contain standstill provisions that are substantially similar to those contained in the Touchstone Confidentiality Agreement and Touchstone has not waived the standstill or other provisions of any of such agreements.
- (ww) Off-Balance Sheet Arrangements. No member of the Touchstone Group has any "off-balance sheet arrangements" as such term is defined under GAAP.
- (xx) Flow-Through Obligations. No member of the Touchstone Group has entered into any agreements or made any covenants with any parties with respect to the issuance of "flow-through" shares or the incurring and renunciation of Canadian exploration expense or Canadian development expense (as defined in the ITA), which amounts have not been fully expended and renounced as required thereunder.
- (yy) Competition Act Thresholds. Touchstone, together with its affiliates (as such term is defined under the *Competition Act* (Canada)), does not, on an aggregate basis, have: (i) assets in Canada with a value greater than \$82.0 million; or (b) gross revenues from sales in, from or into Canada greater than \$82.0 million, all as determined in accordance with section 109 of the *Competition Act* (Canada) and the regulations thereto.
- (zz) Investment Canada Act Thresholds. The value of the assets of Touchstone, calculated in the manner prescribed under the Investment Canada Act, is less than \$354 million, and neither Touchstone nor its subsidiaries are a "cultural business" within the meaning of paragraph 14.1(6) of the Investment Canada Act.
- (aaa) No Withholding. To the knowledge of Touchstone, Touchstone has not withheld from Petrobank any material information or documents concerning the Touchstone Group or their assets or liabilities during the course of Petrobank's review of the Touchstone Group and their assets. When all of the following are considered as a whole, no representation or warranty contained herein and no statement contained in any schedule or other disclosure document, including the Touchstone Disclosure Letter, provided or to be provided to Petrobank by Touchstone pursuant hereto contains or will contain any untrue statement or a Material Fact which is necessary in order to make the statements herein or therein not misleading.
- (bbb) Touchstone Transaction Costs. The Touchstone Disclosure Letter sets out Touchstone's *bona fide* good faith estimate of each component of the Touchstone Transaction Costs.
- (ccc) Production. Touchstone's average daily field estimate production for the month of February, 2014 was 1,715 barrels of oil per day.
- (ddd) Debt. As at January 31, 2014, Touchstone's total debt (including any working capital deficiency) was not greater than US\$28,000,000 excluding the Touchstone Transaction Costs.

4.3 Privacy Issues

- (a) For the purposes of this Section 4.3, the following definitions shall apply:
- (i) "**applicable law**" means, in relation to any Person, transaction or event, all applicable provisions of Applicable Laws by which such Person is bound or having application to the transaction or event in question, including applicable privacy laws;
 - (ii) "**applicable privacy laws**" means any and all applicable laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada) and/or any comparable provincial law including the *Personal Information Protection Act* (Alberta);
 - (iii) "**authorized authority**" means, in relation to any Person, transaction or event, any (a) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (b) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (d) other body or entity created wider the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event; and
 - (iv) "**Personal Information**" means information (other than business contact information when used or disclosed for the purpose of contacting such individual in that individual's capacity as an employee or an official of an organization and for no other purpose) about an identifiable individual disclosed or transferred to Petrobank by Touchstone in accordance with this Agreement and/or as a condition of the Arrangement.
- (b) The Parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use or disclosure of Personal Information disclosed to either Party pursuant to or in connection with this Agreement (the "**Disclosed Personal Information**").
- (c) Prior to the completion of the Arrangement, neither Party shall use or disclose the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the Arrangement. After the completion of the transactions contemplated herein, a Party may only collect, use and disclose the Disclosed Personal Information for the purposes for which the Disclosed Personal Information was initially collected from or in respect of the individual to which such Disclosed Personal Information relates or for the completion of the transactions contemplated herein, unless (a) either Party shall have first notified such individual of such additional purpose, and where required by applicable law, obtained the consent of such individual to such additional purpose, or (b) such use or disclosure is permitted or authorized by applicable law, without notice to, or consent from, such individual.
- (d) Each Party acknowledges and confirms that the disclosure of the Disclosed Personal Information is necessary for the purposes of determining if the Parties shall proceed with the Arrangement, and that the Disclosed Personal Information relates solely to the carrying on of the business or the completion of the Arrangement.
- (e) Each Party acknowledges and confirms that it has taken and shall continue to take reasonable steps to, in accordance with applicable law, prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information.

- (f) Subject to the following provisions, each Party shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties' obligations hereunder. Prior to the completion of the Arrangement, each Party shall take reasonable steps to ensure that access to the Disclosed Personal Information shall be restricted to those employees or advisors of the respective Party who have a bona fide need to access to such information in order to complete the Arrangement.
- (g) Where authorized by applicable law, each Party shall promptly notify the other Party to this Agreement of all inquiries, complaints, requests for access, variations or withdrawals of consent and claims of which the Party is made aware in connection with the Disclosed Personal Information. To the extent permitted by applicable law, the Parties shall fully co-operate with one another, with the persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, variations or withdrawals of consent and claims.
- (h) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of either Party, the other Party shall forthwith cease all use of the Disclosed Personal Information acquired by it in connection with this Agreement and will return to the requesting Party or, at the requesting Party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies thereof) in its possession.

ARTICLE 5 CONDITIONS PRECEDENT

5.1 Mutual Conditions Precedent

The respective obligations of the Parties to consummate the transactions contemplated hereby, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) Interim Order. The Interim Order shall have been granted by April 1, 2014 in form and substance satisfactory to each of Petrobank and Touchstone, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to Petrobank and Touchstone, each acting reasonably, on appeal or otherwise.
- (b) Dissent Rights. Holders of Touchstone Shares representing not more than 5.0% (in the aggregate) of the Touchstone Shares then outstanding shall have validly exercised, and not withdrawn, Dissent Rights.
- (c) Petrobank Shareholders' Meeting Resolutions. Each of the Petrobank Share Issuance Resolution and the Petrobank New Board Resolution shall have been passed by the Petrobank Shareholders at the Petrobank Shareholders' Meeting by the Outside Date.
- (d) Touchstone Continuance Resolution. The Touchstone Continuance Resolution shall have been passed by the Touchstone Shareholders at the Touchstone Shareholders' Meeting by the Outside Date.
- (e) Arrangement Resolution. The Arrangement Resolution shall have been passed by the Touchstone Shareholders in accordance with the Interim Order by the Outside Date.
- (f) Articles of Continuance. The Articles of Continuance to be filed by the Outside Date with the Registrar in accordance with the Touchstone Continuance Resolution shall be in form and substance satisfactory to each of Petrobank and Touchstone, acting reasonably and such articles shall be filed with the Registrar and the Touchstone Continuance shall be completed.
- (g) Final Order. The Final Order shall have been granted by the Outside Date in form and substance satisfactory to Petrobank and Touchstone, acting reasonably and such order shall not have been set aside or

modified in a manner unacceptable to Petrobank and Touchstone, acting reasonably, on appeal or otherwise.

- (h) Articles of Arrangement. The Articles of Arrangement to be filed by the Outside Date with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to each of Petrobank and Touchstone, acting reasonably.
- (i) Third Party Approvals. Petrobank and Touchstone shall have obtained all consents, waivers, permissions and approvals necessary to complete the Arrangement by or from relevant third parties and Governmental Authorities, including, but not limited to, any and all consents, waivers, permissions and approvals resulting from a change of control or otherwise as set forth in the Touchstone Disclosure Letter, on terms and conditions satisfactory to the Parties, acting reasonably, including conditional listing approval for the listing on the TSX of the Petrobank Shares to be issued or to be made issuable pursuant to the Arrangement (including the Petrobank Shares issuable pursuant to the terms of the Touchstone Debentures and Touchstone Warrants to be assumed by Petrobank pursuant to the Arrangement) and including the consent of the Touchstone Lender under the Touchstone Credit Facility (collectively, the "**Third Party Approvals**").
- (j) Outside Date. The Effective Date shall be on or before the Outside Date.
- (k) Waiting Periods. Any applicable domestic and foreign statutory and regulatory waiting periods applicable to the transactions contemplated by the Arrangement, shall have expired or have been terminated and no unresolved material objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory period.
- (l) No Actions. There shall be no action taken under any existing Applicable Law, or any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any Governmental Authority, that:
 - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or
 - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein.

The foregoing conditions are for the mutual benefit of Petrobank on the one hand and Touchstone on the other hand and may be waived, in whole or in part, jointly by the Parties at any time. If any of the foregoing conditions are not satisfied or waived on or before the Outside Date, then a Party may terminate this Agreement (save and except for Section 4.3 which shall survive such termination and remain in full force and effect) by written notice to the other Party in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of such terminating Party's breach of this Agreement.

5.2 Additional Conditions to Obligations of Petrobank

The obligation of Petrobank to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the following conditions:

- (a) Representations and Warranties. The representations and warranties of Touchstone set forth in this Agreement shall be true and correct (for representations and warranties qualified as to materiality, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date) and Touchstone shall have provided to Petrobank a certificate of two senior officers certifying such accuracy on the Effective Date, provided that Touchstone shall be entitled to cure any breach of a representation and warranty within five Business Days after receipt of written notice thereof

from Petrobank (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).

- (b) Covenants. Touchstone shall have complied in all material respects with its covenants herein, and Touchstone shall have provided to Petrobank a certificate of two senior officers certifying compliance with such covenants; provided that Touchstone shall be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from Petrobank (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).
- (c) No Actions. No act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private Person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgement of Petrobank, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Touchstone or would materially impede the ability of the Parties to complete the Arrangement.
- (d) No Material Adverse Change. Between the date hereof and the Effective Time, there shall not have occurred any Material Adverse Change with respect to Touchstone.
- (e) Touchstone Board and Touchstone Shareholders Resolutions. Touchstone shall have furnished Petrobank with: (i) certified copies of the resolutions duly passed by the Touchstone Board approving this Agreement and the consummation of the transactions contemplated hereby; and (ii) certified copies of the resolution of Touchstone Shareholders, duly passed at the Touchstone Shareholders' Meeting, approving the Touchstone Continuance Resolution and the Arrangement Resolution.
- (f) Touchstone Securities. Immediately prior to the Effective Time: (i) the aggregate number of Touchstone Shares issued and outstanding shall not exceed 162,380,744; (ii) there shall be no Touchstone Options or Touchstone Warrants or other shares or other securities in the capital of Touchstone outstanding other than the Touchstone Debentures; and (iii) no Person shall have any agreement or option or any right or privilege (whether by law, pre emptive right, by contract or otherwise) capable of becoming an agreement or option for the purchase, subscription, allotment or issuance of any unissued Touchstone Shares or other equity interests in Touchstone.
- (g) Resignations and Releases. Executed resignations and mutual releases, in form satisfactory to Petrobank, acting reasonably, shall have been received by Petrobank from all of the directors of Touchstone (effective as of the Effective Time).

The conditions in this Section 5.2 are for the exclusive benefit of Petrobank and may be asserted by Petrobank regardless of the circumstances or may be waived by Petrobank in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Petrobank may have. If any of the foregoing conditions are not satisfied or waived, Petrobank may, in addition to any other remedies it may have at law or equity, terminate this Agreement (save and except for Article 6 and Section 4.3 which shall survive such termination and remain in full force and effect) provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, Petrobank has delivered a written notice to Touchstone, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which Petrobank is asserting as the basis for the non-fulfillment of the applicable conditions precedent. More than one such notice may be delivered by Petrobank.

5.3 Additional Conditions to Obligations of Touchstone

The obligation of Touchstone to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the following conditions:

- (a) Representations and Warranties. The representations and warranties of Petrobank set forth in this Agreement shall be true and correct (for representations and warranties qualified as to materiality, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date), and Petrobank shall have provided to Touchstone a certificate of two senior officers or authorized signatories certifying such accuracy on the Effective Date, provided that Petrobank shall be entitled to cure any breach of a representation and warranty within five Business Days after receipt of written notice thereof from Touchstone (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).
- (b) Covenants. Petrobank shall have complied in all material respects with its covenants herein, and Petrobank shall have provided to Touchstone a certificate of two senior officers certifying compliance with such covenants; provided that Petrobank shall be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from Touchstone (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).
- (c) No Actions. No act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgement of Touchstone, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Petrobank or would materially impede the ability of the Parties to complete the Arrangement.
- (d) No Material Adverse Change. Between the date hereof and the Effective Time, there shall not have occurred any Material Adverse Change with respect to Petrobank.
- (e) Petrobank Board and Petrobank Shareholder Resolutions. Petrobank shall have furnished Touchstone with: (i) certified copies of the resolutions duly passed by the Petrobank Board approving this Agreement and the consummation of the transactions contemplated hereby; and (ii) certified copies of the resolution of Petrobank Shareholders, duly passed at the Petrobank Shareholders' Meeting, approving the Petrobank Share Issuance Resolution and the Petrobank New Board Resolution.
- (f) Purchase Consideration. Petrobank shall have deposited or caused to be deposited in escrow with the Depository under the Arrangement the Petrobank Shares to be issued pursuant to the Arrangement.
- (g) Petrobank Securities. Immediately prior to the Effective Time: (i) the aggregate number of fully diluted Petrobank Shares issued and outstanding (after giving effect to the exercise of outstanding Petrobank Options and outstanding Petrobank Incentive Shares, but not including any Touchstone Warrants which have become obligations of Petrobank as a result of the Arrangement in accordance with their terms) shall not exceed 100,824,773.

The conditions in this Section 5.3 are for the exclusive benefit of Touchstone and may be asserted by Touchstone regardless of the circumstances or may be waived by Touchstone in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Touchstone may have. If any of the foregoing conditions are not satisfied or waived, Touchstone may, in addition to any other remedies it may have at law or equity, terminate this Agreement (save and except for Article 6 and Section 4.3 which shall survive such termination and remain in full force and effect), provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, Touchstone has delivered a written notice to Petrobank, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which Touchstone is asserting as the basis for the non-fulfillment of the applicable conditions precedent. More than one such notice may be delivered by Touchstone.

5.4 **Notice and Effect of Failure to Comply with Conditions**

Each of Petrobank and Touchstone shall give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to: (i) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect; or (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder; provided, however, that no such notification will affect the representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.

5.5 **Satisfaction of Conditions**

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the Parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

ARTICLE 6 AGREEMENT AS TO DAMAGES AND OTHER ARRANGEMENTS

6.1 **Petrobank Damages**

If at any time after the execution of this Agreement and prior to its termination:

- (a) other than as a direct result of and in direct response to a material breach or non-performance by Petrobank of any of its covenants, agreements, representations and warranties in this Agreement which would permit Touchstone to terminate this Agreement pursuant to Article 8, the Touchstone Board fails to recommend that holders of Touchstone Shares vote in favour of the Arrangement or withdraws, amends, changes or qualifies, or proposes publicly to withdraw, amend, change or qualify, in any manner adverse to Petrobank, any of its recommendations or determinations referred to in Section 2.9;
- (b) the Touchstone Board shall have failed to publicly reaffirm any of its recommendations or determinations referred to in Section 2.9 in accordance with Section 3.5(e) or within two Business Days of any written request to do so by Petrobank (or, in the event that the Touchstone Shareholders' Meeting to approve the Arrangement is scheduled to occur within such two Business Day period, prior to the scheduled date of such meeting);
- (c) prior to the date of the Touchstone Shareholders' Meeting, a *bona fide* Acquisition Proposal is publicly announced, proposed, offered or made to the Touchstone Shareholders or to Touchstone and the Touchstone Shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval, and such Acquisition Proposal, an amended version thereof or any other Acquisition Proposal relating to Touchstone is consummated within 12 months of the date the first Acquisition Proposal is publicly announced, proposed, offered or made;
- (d) Touchstone or the Touchstone Board or any committee of the Touchstone Board accepts, recommends, approves or enters into a definitive agreement to implement a Superior Proposal;
- (e) Touchstone is in non-compliance with any of its covenants made in this Agreement where, other than in the case of Section 3.5, such non-compliance individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or Material Adverse Effect on, Touchstone or, in any case, materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Touchstone fails to cure such breach within five Business Days after receipt of written notice thereof from Petrobank (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or

- (f) Touchstone is in breach of any representation or warranty made in this Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or have a Material Adverse Effect on, Touchstone or, materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Touchstone fails to cure such breach within five Business Days after receipt of written notice thereof from Petrobank (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date);

(each of the above being a "**Petrobank Damages Event**"), then in the event of the termination of this Agreement pursuant to Article 8, Touchstone shall pay to Petrobank (or to whom Petrobank may direct in writing) \$1.0 million (the "**Petrobank Termination Fee**") as liquidated damages in immediately available funds to an account designated by Petrobank within one Business Day after the first to occur of the events described above. Following a Petrobank Damages Event, but prior to payment of the Petrobank Termination Fee, Touchstone shall and shall be deemed to hold such payment in trust for Petrobank.

6.2 Petrobank Liquidated Damages

Touchstone acknowledges that the Petrobank Termination Fee set out in Section 6.1 is a payment of liquidated damages which are a genuine pre-estimate of the damages which Petrobank will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and is not a penalty. Touchstone irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, Petrobank agrees that the payment of the amount pursuant to Section 6.1 is the sole monetary remedy of Petrobank; provided, however, that this limitation shall not apply in the event of fraud or wilful breach of this Agreement by Touchstone. Nothing herein shall preclude Petrobank from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements of Touchstone set forth in this Agreement or otherwise to obtain specific performance of any of such acts, covenants or agreements, without the necessity of posting bond or security in connection therewith.

6.3 Petrobank Expense Reimbursement

In the event that the Arrangement is not completed by the failure of the Touchstone Shareholders to approve the Touchstone Continuance and the Arrangement at the Touchstone Shareholders' Meeting, or the Touchstone Shareholders do not vote on the Touchstone Continuance Resolution or the Arrangement Resolution through no fault of either Party, and provided that a *bona fide* Acquisition Proposal shall not have been publicly announced, proposed, offered or made to the Touchstone Shareholders or to Touchstone and there shall not have been a material breach or non-performance by Petrobank of any of its material representations, warranties, or covenants contained in this Agreement (except where such breach is itself the result of a material breach or non-performance by Touchstone of any of its material representations, warranties, or covenants contained in this Agreement), Touchstone agrees to reimburse Petrobank for all reasonable third party costs and expenses incurred by Petrobank in connection with entering into this Agreement and the proposed completion of the transactions contemplated hereunder, to an aggregate maximum of \$1.0 million. Touchstone shall reimburse Petrobank for such expenses as soon as practicable after being provided with evidence of payment of such expenses by Petrobank. For greater certainty, the Parties agree that the reimbursement of such expenses pursuant to this Section 6.3 shall not be payable if Touchstone has paid the Petrobank Termination Fee and Touchstone shall only be required to pay the difference between the Petrobank Termination Fee and the aggregate amount of such expenses if, after Touchstone has paid such expenses to Petrobank, Touchstone becomes obligated to pay the Petrobank Termination Fee.

6.4 Touchstone Damages

If at any time after the execution of this Agreement and prior to its termination:

- (a) other than as a direct result of and in direct response to a material breach or non-performance by Touchstone of any of its covenants, agreements, representations and warranties in this Agreement which would permit Petrobank to terminate this Agreement pursuant to Article 8, the Petrobank Board fails to recommend that holders of Petrobank Shares vote in favour of the Petrobank Shareholder Resolutions or withdraws, amends, changes or qualifies, or proposes publicly to withdraw, amend, change or qualify, in

any manner adverse to Touchstone, any of its recommendations or determinations referred to in Section 2.10;

- (b) the Petrobank Board shall have failed to publicly reaffirm any of its recommendations or determinations referred to in Section 2.10 in accordance with Section 3.5(e) or within two Business Days of any written request to do so by Touchstone (or, in the event that the Petrobank Meeting to approve the Petrobank Shareholder Resolutions is scheduled to occur within such two Business Day period, prior to the scheduled date of such meeting);
- (c) prior to the date of the Petrobank Meeting, a *bona fide* Acquisition Proposal is publicly announced, proposed, offered or made to the Petrobank Shareholders or to Petrobank and the Petrobank Shareholders do not approve the Petrobank Shareholder Resolutions or the Arrangement is not submitted for their approval, and such Acquisition Proposal, an amended version thereof or any other Acquisition Proposal relating to Petrobank is consummated within 12 months of the date the first Acquisition Proposal is publicly announced, proposed, offered or made;
- (d) Petrobank or the Petrobank Board or any committee of the Petrobank Board accepts, recommends, approves or enters into a definitive agreement to implement a Superior Proposal;
- (e) Petrobank is in non-compliance with any of its covenants made in this Agreement where, other than in the case of Section 3.5, such non-compliance individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or Material Adverse Effect on, Petrobank or, in any case, materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Petrobank fails to cure such breach within five Business Days after receipt of written notice thereof from Petrobank (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
- (f) Petrobank is in breach of any representation or warranty made in this Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or have a Material Adverse Effect on, Petrobank or, materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Petrobank fails to cure such breach within five Business Days after receipt of written notice thereof from Touchstone (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date);

(each of the above being a "**Touchstone Damages Event**"), then in the event of the termination of this Agreement pursuant to Article 8, Petrobank shall pay to Touchstone (or to whom Touchstone may direct in writing) \$1.0 million (the "**Touchstone Termination Fee**") as liquidated damages in immediately available funds to an account designated by Touchstone within one Business Day after the first to occur of the events described above. Following a Touchstone Damages Event, but prior to payment of the Touchstone Termination Fee, Petrobank shall and shall be deemed to hold such payment in trust for Touchstone.

6.5 **Touchstone Liquidated Damages**

Petrobank acknowledges that the Touchstone Termination Fee set out in Section 6.4 is a payment of liquidated damages which are a genuine pre-estimate of the damages which Touchstone will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and is not a penalty. Petrobank irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, Touchstone agrees that the payment of the amount pursuant to Section 6.4 is the sole monetary remedy of Touchstone; provided, however, that this limitation shall not apply in the event of fraud or wilful breach of this Agreement by Petrobank. Nothing herein shall preclude Touchstone from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements of Petrobank set forth in this Agreement or otherwise to obtain specific performance of any of such acts, covenants or agreements, without the necessity of posting bond or security in connection therewith.

6.6 **Touchstone Expense Reimbursement**

In the event that the Arrangement is not completed by the failure of the Petrobank Shareholders to approve the Petrobank Shareholders Resolutions at the Petrobank Shareholders' Meeting, or the Petrobank Shareholders do not vote on the Petrobank Shareholders Resolutions through no fault of either Party, and provided that a *bona fide* Acquisition Proposal shall not have been publicly announced, proposed, offered or made to the Petrobank Shareholders or to Petrobank and there shall not have been a material breach or non-performance by Touchstone of any of its material representations, warranties, or covenants contained in this Agreement (except where such breach is itself the result of a material breach or non-performance by Touchstone of any of its material representations, warranties, or covenants contained in this Agreement), Petrobank agrees to reimburse Touchstone for all reasonable third party costs and expenses incurred by Touchstone in connection with entering into this Agreement and the proposed completion of the transactions contemplated hereunder, to an aggregate maximum of \$1.0 million. Petrobank shall reimburse Touchstone for such expenses as soon as practicable after being provided with evidence of payment of such expenses by Touchstone. For greater certainty, the Parties agree that the reimbursement of such expenses pursuant to this Section 6.6 shall not be payable if Petrobank has paid the Touchstone Termination Fee and Petrobank shall only be required to pay the difference between the Touchstone Termination Fee and the aggregate amount of such expenses if, after Petrobank has paid such expenses to Touchstone, Petrobank becomes obligated to pay the Touchstone Termination Fee.

ARTICLE 7 AMENDMENT

7.1 **Amendment**

This Agreement may at any time and from time to time before or after the holding of the Touchstone Shareholders' Meeting and the Petrobank Shareholders' Meeting be amended by written agreement of the Parties without, subject to Applicable Laws, further notice to or authorization on the part of the Touchstone Shareholders (and, if applicable, the Touchstone Optionholders and the Touchstone Warranholders) or the Petrobank Shareholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment reduces or materially adversely affects the consideration to be received by a Touchstone Shareholder, a Touchstone Optionholder or a Touchstone Warranholder without approval by the

affected securityholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

7.2 **Amendment of Plan of Arrangement**

- (a) The Parties may by mutual agreement amend the Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment must be: (i) set out in writing; (ii) filed with the Court and, if made following the Touchstone Shareholders' Meeting, approved by the Court; and (iii) communicated to Touchstone Shareholders, holders of Touchstone Debentures, Touchstone Optionholders or Touchstone Warranholders if and as required by the Court.
- (b) Other than as may be required under the Interim Order, any amendment to the Plan of Arrangement may be proposed by Touchstone or Petrobank at any time prior to or at the Touchstone Shareholders' Meeting (provided that the other Party shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Touchstone Shareholders' Meeting, shall become part of the Plan of Arrangement for all purposes.
- (c) Any amendment to the Plan of Arrangement that is approved by the Court following the Touchstone Shareholders' Meeting shall be effective only if it is consented to by each of the Parties and is not adverse to the financial interests of any former Touchstone Shareholder, holders of Touchstone Debentures, Touchstone Optionholder or Touchstone Warranholder.

ARTICLE 8 TERMINATION

8.1 **Termination**

- (a) This Agreement may be terminated at any time prior to the Effective Date:
 - (i) by mutual written consent of Petrobank and Touchstone;
 - (ii) as provided in Sections 5.1, 5.2 and 5.3;
 - (iii) by Petrobank upon the occurrence of a Petrobank Damages Event as provided in Section 6.1;
 - (iv) by Touchstone upon the occurrence of a Petrobank Damages Event as provided in Section 6.1(d) (in accordance with Section 3.5(b)(vi) and provided Touchstone has complied with its obligations set forth in Section 3.5(d)) and the payment by Touchstone to Petrobank of the amount required by Section 6.1;
 - (v) by Touchstone upon the occurrence of a Touchstone Damages Event as provided in Section 6.4; or
 - (vi) by Petrobank upon the occurrence of a Touchstone Damages Event as provided in Section 6.4(d) (in accordance with Section 3.5(b)(vi)) and provided Petrobank has complied with its obligations set forth in Section 3.5(d)) and the payment by Petrobank to Touchstone of the amount required by Section 6.4.
- (b) If this Agreement is terminated in accordance with the foregoing provisions of this Section 8.1, this Agreement shall forthwith become void and no Party shall have any liability or further obligation to the other Party hereunder except as provided in Article 6 and Section 4.3 and each Party's obligations under the Confidentiality Agreements, which shall survive such termination, and provided that neither the termination of this Agreement nor anything contained in this Section 8.1(b) shall relieve any Party from any liability for any fraud or wilful breach by it of this Agreement prior to the date of such termination.

**ARTICLE 9
NOTICES**

9.1 **Notices**

All notices that may or are required to be given pursuant to any provision of this Agreement are to be given or made in writing and served personally, delivered by overnight courier or sent by facsimile transmission:

(a) in the case of Petrobank, to:

Petrobank Energy and Resources Ltd.
1100, 332 – 6th Avenue S.W.
Calgary, Alberta T2P 0B2

Attention: Peter Cheung, Chief Executive Officer
Facsimile: (403) 266-5794

with a copy to:

Blake, Cassels & Graydon LLP
Suite 3500, 855 – 2nd Street S.W.
Calgary, Alberta T2P 4J8

Attention: Scott W.N. Clarke
Facsimile: (403) 260-9700

(b) in the case of Touchstone, to:

Touchstone Exploration Inc.
Suite 200, 209 – 8th Avenue S.W.
Calgary, Alberta T2P 1B8

Attention: James Shipka, Vice President, Geoscience and Business Development
Facsimile: (403) 514-0308

with a copy to:

Norton Rose Fulbright Canada LLP
3700, 400 – 3rd Avenue S.W.
Calgary, Alberta T2P 4H2

Attention: R. Craig Hoskins
Facsimile: (403) 264-5973

or such other address as the Parties may, from time to time, advise the other Party hereto by notice in writing. The date or time of receipt of any such notice will be deemed to be the date of delivery or the time such facsimile transmission is received.

**ARTICLE 10
GENERAL**

10.1 **Non-Survival of Representations and Warranties**

No investigation by or on behalf of, or knowledge of, a Party, will mitigate, diminish or affect the representations or warranties made by the other Party in this Agreement or any certificate delivered by such other

Party pursuant to this Agreement. The respective representations and warranties of the Parties contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms. This Section 10.1 shall not limit any undertaking, obligations covenant or agreement of whatever nature of a Party or any of its subsidiaries which, by its terms, contemplates performance after the Effective Time or date on which this Agreement is terminated, as the case may be.

10.2 **Binding Effect**

This Agreement shall be binding upon and enure to the benefit of the Parties hereto and their respective successors and permitted assigns.

10.3 **Assignment**

Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties hereto without the prior written consent of the other Party hereto.

10.4 **Public Communications**

Each of Petrobank and Touchstone agree to consult with each other prior to issuing any press releases or otherwise making public statements with respect to this Agreement or the Arrangement or making any filing with any Governmental Authority with respect thereto. Without limiting the generality of the foregoing, no Party shall issue any press release regarding the Arrangement, this Agreement or any transaction relating to this Agreement without first providing a draft of such press release to the other Party and reasonable opportunity for comment; provided, however, that the foregoing shall be subject to each Party's overriding obligation to make any such disclosure required in accordance with Applicable Laws. If such disclosure is required and the other Party has not reviewed or commented on the disclosure, the Party making such disclosure shall use all commercially reasonable efforts to give prior oral or written notice to the other Party, and if such prior notice is not possible, to give such notice promptly following such disclosure.

10.5 **Costs**

Except as otherwise expressly provided for in Section 3.6 and Article 6, all fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such cost or expense, whether or not the Arrangement is completed.

10.6 **Severability**

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be severable therefrom and the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

10.7 **Further Assurances**

Each Party hereto shall, from time to time and at all times hereafter, at the request of the other Party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments and provide all such further assurances as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

10.8 **Time of Essence**

Time shall be of the essence of this Agreement.

10.9 **Applicable Law and Enforcement**

This Agreement shall be governed, including as to validity, interpretation and effect, by the Applicable Laws of the Province of Alberta and the Applicable Laws of Canada applicable therein. The Parties hereby irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta located in Calgary, in respect of all matters arising out of this Agreement, without prejudice to the rights of the Parties to take proceedings in any other jurisdiction. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is, accordingly, agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the Province of Alberta having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity, subject to the provisions of this Agreement.

10.10 **Waiver**

Any Party may, on its own behalf only, (i) extend the time for the performance of any of the obligations or acts of the other Party, (ii) waive compliance with the other Party's agreements or the fulfillment of any conditions to its own obligations contained herein, or (iii) waive inaccuracies in the other Party's representations or warranties contained herein or in any document delivered by the other Party; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived.

10.11 **Third Party Beneficiaries**

The provisions of Section 3.1(x), 3.3(x) and 3.2 are: (i) intended for the benefit of all such directors and officers and shall be enforceable by each of such persons and his or her heirs, executors, administrators and other legal representatives (collectively, the "**Third Party Beneficiaries**") and Touchstone shall hold the rights and benefits of such sections in trust for and on behalf of the Third Party Beneficiaries and Touchstone hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries; and (ii) are in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

10.12 **Counterparts**

This Agreement may be executed by facsimile or other electronic signature and in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

[Remainder of page left blank intentionally – signatures follow]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

PETROBANK ENERGY AND RESOURCES LTD.

By: "John D. Wright"
Name: John D. Wright
Title: Chairman & Chief Executive Officer

TOUCHSTONE EXPLORATION INC.

By: "Paul Baay"
Name: Paul Baay
Title: Chairman & Chief Executive Officer

By: "Scott Budau"
Name: Scott Budau
Title: Chief Financial Officer

EXHIBIT "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**") involving Touchstone Exploration Inc. ("**Touchstone**"), as more particularly described and set forth in the joint management information circular and proxy statement (the "**Joint Information Circular**") of Petrobank Energy and Resources Ltd. ("**Petrobank**") and Touchstone accompanying the notice of this meeting, as the Arrangement may be modified or amended in accordance with its terms, and all transactions contemplated thereby, are hereby authorized, approved and adopted;
2. the plan of arrangement (the "**Plan of Arrangement**") involving Touchstone, the full text of which is set out as Exhibit "B" to the Arrangement Agreement made as of March 6, 2014 between Petrobank and Touchstone (the "**Arrangement Agreement**"), as the Plan of Arrangement may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted;
3. the Arrangement Agreement, the actions of the directors of Touchstone in approving the Arrangement Agreement and the actions of the directors and officers of Touchstone in executing and delivering the Arrangement Agreement and any amendments thereto in accordance with its terms are hereby ratified and approved;
4. notwithstanding that this resolution has been passed (and the Plan of Arrangement adopted) by the shareholders of Touchstone or that the Arrangement has been approved by the Court of Queen's Bench of Alberta (the "**Court**"), the directors of Touchstone are hereby authorized and empowered, at their discretion, without further notice to or approval of the shareholders of Touchstone (i) to amend the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement or the Plan of Arrangement and approved by the Court, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement;
5. any one director or officer of Touchstone be and is hereby authorized and directed for and on behalf of Touchstone to make an application to the Court for an order approving the Arrangement and to execute, under the corporate seal of Touchstone or otherwise, and to deliver to the Registrar under the ABCA for filing articles of arrangement, a certified copy of the Final Order (as defined in the Arrangement Agreement) and to execute and, if appropriate, deliver such other documents as are necessary or desirable to give effect to the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement; and
6. any one director or officer of Touchstone be and is hereby authorized and directed for and on behalf of Touchstone to execute or cause to be executed, under the corporate seal of Touchstone or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person's opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

EXHIBIT "B"

PLAN OF ARRANGEMENT

**[SEE APPENDIX D TO THE JOINT INFORMATION CIRCULAR OF TOUCHSTONE
EXPLORATION INC. AND PETROBANK ENERGY AND RESOURCES LTD. DATED MARCH 28, 2014]**

APPENDIX D

PLAN OF ARRANGEMENT

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

ARTICLE 1 INTERPRETATION

1.1 In this Plan of Arrangement, the following terms have the following meanings:

- (a) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the arrangement pursuant to section 193 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
- (c) "**Arrangement Agreement**" means the agreement dated March 6, 2014, between Petrobank and Touchstone with respect to the Arrangement and all amendments thereto;
- (d) "**Arrangement Resolution**" means the special resolution of Touchstone Shareholders in respect of the Arrangement to be considered at the Touchstone Shareholders' Meeting substantially in the form attached as Exhibit "A" to the Arrangement Agreement;
- (e) "**Articles of Arrangement**" means the articles of arrangement to be prepared by Touchstone, with the cooperation, consultation and prior approval of Petrobank, acting reasonably, in respect of the Arrangement required under subsection 193(10) of the ABCA to be sent to the Registrar for filing after the Final Order has been granted, giving effect to the Arrangement;
- (f) "**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder;
- (g) "**Certificate**" means the certificate or certificates or other confirmation of filing to be issued by the Registrar pursuant to section 193(11) of the ABCA giving effect to the Arrangement;
- (h) "**Court**" means the Court of Queen's Bench of Alberta;
- (i) "**Depository**" means Computershare Trust Company of Canada or such other Person that may be appointed by and at the expense of Petrobank for the purpose of receiving deposits of certificates formerly representing Touchstone Shares;
- (j) "**Dissenting Touchstone Shareholders**" means registered Touchstone Shareholders who validly exercise the rights of dissent provided to them under the Interim Order;
- (k) "**Effective Date**" means the date the Arrangement is effective under the ABCA;
- (l) "**Effective Time**" means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date and the Arrangement becomes effective;

- (m) **"Final Order"** means the order of the Court approving the Arrangement to be granted pursuant to subsection 193(9) of the ABCA in respect of Touchstone Shareholders, Touchstone, and Petrobank, as such order may be affirmed, amended or modified by the Court (with the consent of both Touchstone and Petrobank, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that such amendment is acceptable to both Touchstone and Petrobank, each acting reasonably) on appeal;
- (n) **"Joint Information Circular"** means the joint management information circular and proxy statement of Petrobank and Touchstone, together with all appendices thereto to be mailed or otherwise distributed by Petrobank to Petrobank Shareholders and by Touchstone to the Touchstone Shareholders and such other securityholders of Petrobank and Touchstone as may be required pursuant to the Interim Order in connection with the Petrobank Shareholders' Meeting and the Touchstone Shareholders' Meeting;
- (o) **"Interim Order"** means an interim order of the Court concerning the Arrangement under subsection 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the holding of the Touchstone Shareholders' Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (p) **"ITA"** means the *Income Tax Act (Canada)*, R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time;
- (q) **"Letter of Transmittal"** means the letter of transmittal accompanying the Joint Information Circular sent to Touchstone Shareholders pursuant to which holders of Touchstone Shares are required to deliver certificates representing the Touchstone Shares;
- (r) **"Petrobank"** means Petrobank Energy and Resources Ltd., a corporation existing under the laws of the Province of Alberta;
- (s) **"Petrobank Board"** means the board of directors of Petrobank, as it may be comprised from time to time, including any duly constituted and acting committee thereof;
- (t) **"Petrobank Consolidation"** means the consolidation of the Petrobank Shares on a 2 to 1 basis;
- (u) **"Petrobank Consolidation Resolution"** means the special resolution of the Petrobank Shareholders to authorize and approve, conditional upon the Arrangement becoming effective, the Petrobank Consolidation;
- (v) **"Petrobank Name Change Resolution"** means the special resolution of the Petrobank Shareholders to authorize and approve, conditional upon the Arrangement becoming effective, the change of name of Petrobank to "Touchstone Exploration Inc." (or such other name as may be agreed upon by Petrobank and Touchstone);
- (w) **"Petrobank Board Resolution"** means the ordinary resolution of the Petrobank Shareholders to authorize and approve, conditional upon the Arrangement becoming effective, the election of each of the Touchstone Nominees and of each of the Petrobank Nominees to the Petrobank Board;
- (x) **"Petrobank Nominees"** means each of Kenneth R. McKinnon, Corey C. Ruttan, Dr. Harrie Vredenburg and John D. Wright;

- (y) **"Petrobank Share Issuance Resolution"** means the ordinary resolution of the Petrobank Shareholders to authorize and approve the issuance by Petrobank of the Petrobank Shares to the Touchstone Shareholders pursuant to the Arrangement;
- (z) **"Petrobank Shareholders"** means holders of Petrobank Shares;
- (aa) **"Petrobank Shareholders' Meeting"** means such meeting or meetings of the Petrobank Shareholders, including any adjournment(s) or postponement(s) thereof, that is to be convened to consider, and if deemed advisable, approve the Petrobank Shareholder Resolutions;
- (bb) **"Petrobank Shareholder Resolutions"** means each of the Petrobank Board Resolution, the Petrobank Name Change Resolution and the Petrobank Share Issuance Resolution;
- (cc) **"Petrobank Shares"** means the common shares in the capital of Petrobank;
- (dd) **"Registrar"** means the Registrar of Corporations or the Deputy Registrar of Corporations appointed pursuant to section 263 of the ABCA;
- (ee) **"Share Exchange Ratio"** means either: (i) 0.2355, if the Articles of Amendment giving effect to the Petrobank Consolidation Resolution shall have been filed prior to the Effective Time; or (ii) 0.471, if the Articles of Amendment giving effect to the Petrobank Consolidation Resolution shall have not been filed prior to the Effective Time;
- (ff) **"Touchstone"** means Touchstone Exploration Inc., a corporation continued under the ABCA;
- (gg) **"Touchstone Continuance"** means the continuance of Touchstone from the jurisdiction of the Province of British Columbia to the jurisdiction of the Province of Alberta pursuant to section 308 of the BCBCA and section 188 of the ABCA;
- (hh) **"Touchstone Continuance Resolution"** means the special resolution of the Touchstone Shareholders in respect of the Touchstone Continuance to be considered at the Touchstone Shareholders' Meeting;
- (ii) **"Touchstone Credit Facility Warrants"** means share purchase warrants issued on June 29, 2012 to a lender of Touchstone under its \$24.0 million credit facility entitling the holders thereof to acquire one Touchstone Share for each of such warrants at an exercise price of \$0.55 until June 29, 2016, of which 9,600,000 remain outstanding;
- (jj) **"Touchstone Debentures"** means Touchstone's \$2,000,000 aggregate principal amount of 9.5% convertible senior unsecured debentures due June 30, 2016 issued pursuant to the Touchstone Debenture Indenture;
- (kk) **"Touchstone Debentureholders"** means holders of Touchstone Debentures;
- (ll) **"Touchstone Debenture Indenture"** means the trust indenture dated June 29, 2011 between Touchstone and the Touchstone Debenture Trustee governing the terms and conditions of the Touchstone Debentures;
- (mm) **"Touchstone Debenture Trustee"** means Computershare Trust Company of Canada;
- (nn) **"Touchstone Debenture Warrants"** means share purchase warrants issued on June 29, 2011 to holders of the Touchstone Debentures entitling the holders thereof to acquire one

Touchstone Share per warrant held at an exercise price of \$0.75 until June 29, 2014, of which 1,000,000 remain outstanding;

- (oo) **"Touchstone Debenture Warrantholders"** means the holders of Touchstone Debenture Warrants;
- (pp) **"Touchstone Nominees"** means each of Paul Baay, Trevor Mitzel and R. Gregg Smith;
- (qq) **"Touchstone Shareholders"** means holders of Touchstone Shares;
- (rr) **"Touchstone Shareholders' Meeting"** means the special meeting of Touchstone Shareholders to be held to consider the Touchstone Continuance Resolution, the Arrangement Resolution and related matters, and any adjournment(s) or postponement(s) thereof;
- (ss) **"Touchstone Shares"** means the common shares in the capital of Touchstone;
- (tt) **"Touchstone Supplemental Debenture Indenture"** means the supplemental debenture indenture to be entered into pursuant to which Petrobank assumes, in accordance with the Plan of Arrangement, all of the covenants and obligations of Touchstone under the Touchstone Debenture Indenture in respect of the Touchstone Debentures, which supplemental indenture shall provide for, among other things, the Conversion Price (as defined in the Touchstone Debenture Indenture) for each Petrobank Share to be issued upon conversion of the Touchstone Debentures shall be equal to the Conversion Price divided by the Share Exchange Ratio;
- (uu) **"Touchstone Supplemental Warrant Indenture"** means the supplemental warrant indenture to be entered into as of the Effective Date among Touchstone, Petrobank and the warrant trustee of the Touchstone Debenture Warrants pursuant to which Petrobank will assume all rights and obligations of Touchstone relating to the Touchstone Debenture Warrants and the rights of the Touchstone Debenture Warrantholders on exercise of the Touchstone Debenture Warrants shall be modified such that each Touchstone Debenture Warrantholder shall be entitled upon exercise of each Touchstone Debenture Warrant held by such Touchstone Debenture Warrantholder at an exercise price equal to the exercise price of such Touchstone Debenture Warrant immediately prior to the Effective Time divided by the Share Exchange Ratio to receive a number of Petrobank Shares equal to the number of Touchstone Shares purchasable on the exercise of such Touchstone Debenture Warrant immediately prior to the Effective Time multiplied by the Share Exchange Ratio, all in accordance with the terms of the Warrant Indenture dated as of June 29, 2011, and each warrant certificate issued thereunder, establishing and setting forth, among other things, the terms of the Touchstone Debenture Warrants;
- (vv) **"Touchstone Warrants"** means collectively, the Touchstone Debenture Warrants and the Touchstone Credit Facility Warrants; and
- (ww) **"Touchstone Warrantholders"** means holders of Touchstone Warrants.

1.2 The division of this Plan of Arrangement into articles, sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and subsections are to articles, sections and subsections of this Plan of Arrangement.

- 1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.
- 1.5 Unless otherwise specified, all references to "dollars" or "\$" shall mean Canadian dollars. All amounts that are not expressed in Canadian dollars shall, where necessary, be converted into Canadian dollars using the exchange rate quoted by the Bank of Canada at noon on the Effective Date.
- 1.6 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a business day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a business day in such place.
- 1.7 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

ARTICLE 2 ARRANGEMENT AGREEMENT

- 2.1 This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.
- 2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, will become effective on, and be binding on and after, the Effective Time on: (i) all registered and beneficial Touchstone Shareholders; (ii) Touchstone Warrantholders; (iii) Touchstone Debentureholders (iv) Touchstone; and (v) Petrobank.
- 2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence set out therein.

ARTICLE 3 ARRANGEMENT

- 3.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise provided herein.

Dissenting Touchstone Shareholders

- (a) the Touchstone Shares held by Dissenting Touchstone Shareholders who have validly exercised the rights of dissent provided to them under the Interim Order which remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Touchstone, free and clear of all liens, claims and encumbrances, and cancelled and, as of the Effective Time, such Dissenting Touchstone Shareholders shall cease to have any rights as Touchstone Shareholders, other than the right to be paid the fair value of their Touchstone Shares in accordance with Article 4;

Acquisition of Touchstone Shares by Petrobank

- (b) each issued and outstanding Touchstone Share (other than those held by Dissenting Touchstone Shareholders) shall be, and shall be deemed to be, transferred by the holder

thereof without any further action on its part, free and clear of all liens, claims and encumbrances, to Petrobank in exchange for 0.471 (or such other exchange ratio as is determined in accordance with the Plan of Arrangement) of a duly authorized, fully-paid and non-assessable Petrobank Share and Petrobank shall be deemed to be the legal and beneficial owner of such transferred Touchstone Share free and clear of any liens, claims or encumbrances, and upon such exchange:

- (i) the holders of such Touchstone Shares shall cease to be the holders of Touchstone Shares and the names of such holders shall be removed from the register of holders of Touchstone Shares with respect to all such Touchstone Shares; and
- (ii) Petrobank shall become the holder of the Touchstone Shares so exchanged and shall be added to the register of holders of Touchstone Shares as the registered holder of such shares;

Touchstone Warrants

- (c) Petrobank will assume all rights and obligations of Touchstone relating to the Touchstone Credit Facility Warrants and the rights of the Touchstone Credit Facility Warrantheolders on exercise of the Touchstone Credit Facility Warrants. The Touchstone Credit Facility Warrants, and each certificate representing such Touchstone Credit Facility Warrants, shall be modified such that each Touchstone Credit Facility Warrantheolder shall be entitled, upon exercise of each Touchstone Credit Facility Warrant held by such Touchstone Credit Facility Warrantheolder, at an exercise price equal to the exercise price of such Touchstone Credit Facility Warrant immediately prior to the Effective Time divided by the Share Exchange Ratio to receive a number of Petrobank Shares equal to the number of Touchstone Shares purchasable on the exercise of such Touchstone Credit Facility Warrant immediately prior to the Effective Time multiplied by the Share Exchange Ratio, all in accordance with the terms of the Warrant Certificate dated as of June 29, 2012 establishing and setting forth, among other things, the terms of the Touchstone Credit Facility Warrants;
- (d) the Touchstone Supplemental Warrant Indenture shall become effective; and

Touchstone Debentures

- (e) Petrobank shall assume all covenants and obligations of Touchstone under the Touchstone Debenture Indenture in respect of the Touchstone Debentures such that the Touchstone Debentures will be valid and binding obligations of Petrobank entitling the holders thereof, as against Petrobank, to all rights of the Touchstone Debentureholders under the Touchstone Debenture Indenture, and in connection therewith Petrobank shall enter into the Touchstone Supplemental Debenture Indenture with Computershare Trust Company of Canada in its capacity as Touchstone Debenture trustee, in accordance with the Touchstone Debenture Indenture.

ARTICLE 4 DISSENTING TOUCHSTONE SHAREHOLDERS

- 4.1** Each registered holder of Touchstone Shares shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order and this Article 4, provided that notwithstanding section 191(5) of the ABCA, the written objection to the Arrangement referred to in section 191(5) of the ABCA must be received by Touchstone not later than 4:00 p.m. (Calgary time) on the date that is five business days prior to the date of the Touchstone Shareholders' Meeting. A Dissenting Touchstone Shareholder shall, at the Effective Time, cease to have any

rights as a holder of Touchstone Shares (other than as set forth herein) and shall only be entitled to be paid by Touchstone the fair value of the holder's Touchstone Shares. A Dissenting Touchstone Shareholder who is entitled to be paid by Touchstone the fair value of the holder's Touchstone Shares shall be deemed to have transferred the holder's Touchstone Shares, free and clear of all liens, claims and encumbrances, to Touchstone for cancellation without any further act or formality as of the Effective Time, notwithstanding the provisions of section 191 of the ABCA.

- 4.2 A Dissenting Touchstone Shareholder who for any reason is not entitled to be paid the fair value of the holder's Touchstone Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Touchstone Shares notwithstanding the provisions of section 191 of the ABCA.
- 4.3 The fair value of the Touchstone Shares shall be determined as of the close of business on the last business day before the day on which the Arrangement Resolution is approved by the holders of Touchstone Shares.
- 4.4 In no event shall Touchstone or Petrobank be required to recognize such Dissenting Touchstone Shareholder as a Touchstone Shareholder after the Effective Time and the names of such holders shall be removed from the register of Touchstone Shareholders as at the Effective Time.
- 4.5 For greater certainty, in addition to any other restrictions in section 191 of the ABCA, any person who has voted in favour of the Arrangement Resolution shall not be entitled to dissent with respect to the Arrangement. In addition, a Dissenting Touchstone Shareholder may only exercise dissent rights in respect of all, and not less than all, of its Touchstone Shares.

ARTICLE 5 CERTIFICATES AND PAYMENTS

- 5.1 The Depositary shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Touchstone Shares of a duly completed and executed Letter of Transmittal, such additional documents and instruments as the Depositary may reasonably require and the certificates representing such Touchstone Shares, either:
 - (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or
 - (b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder;

a certificate representing the number of Petrobank Shares issued to such holder under the Arrangement.

- 5.2 Until deposited as contemplated by Section 5.1, each certificate that immediately prior to the Effective Time represented Touchstone Shares shall be deemed after the Effective Time to represent only the right to receive upon such deposit the consideration and other property to which the holders of such Touchstone Shares are entitled under the Arrangement, or as to those held by Dissenting Touchstone Shareholders, other than those Dissenting Touchstone Shareholders deemed to have participated in the Arrangement pursuant to Section 4.2, to receive the fair value of the Touchstone Shares represented by such certificates. Any such certificate formerly representing Touchstone Shares not duly surrendered on or before the last business day prior to the third anniversary of the Effective Date shall cease to represent a claim by or interest of any former Touchstone Shareholder of any kind or nature against Touchstone or Petrobank. On such date, all consideration and other property to which such former holder was entitled shall be deemed to have been surrendered to Touchstone or Petrobank, as applicable.

- 5.3** No Touchstone Shareholder shall be entitled to receive any consideration with respect to such Touchstone Shares other than the consideration and other property to which such holder is entitled to receive under the Arrangement and, for greater certainty, no such holder will be entitled to receive any interest, dividend, premium or other payment in connection therewith.
- 5.4** If any certificate which immediately prior to the Effective Time represented an interest in outstanding Touchstone Shares, that were exchanged pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration and other property to which the holder is entitled pursuant to the Arrangement as determined in accordance with the Arrangement. The person who is entitled to receive such consideration and other property shall, as a condition precedent to the receipt thereof, give a bond satisfactory to Petrobank and its transfer agent in such form as is satisfactory to Petrobank and such transfer agent, each acting reasonably, or otherwise indemnify Touchstone, Petrobank and the transfer agent, to the reasonable satisfaction of such parties, against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.
- 5.5** All dividends payable with respect to any Petrobank Shares allotted and issued pursuant to this Arrangement for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. All monies received by the Depositary shall be invested by it in interest-bearing trust accounts upon such terms as the Depositary may reasonably deem appropriate. The Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such distributions and any interest thereon to which such holder is entitled, net of applicable withholding and other taxes.
- 5.6** No certificates representing fractional Petrobank Shares shall be issued under the Arrangement. In lieu of any fractional Petrobank Shares, each registered Touchstone Shareholder otherwise entitled to a fractional interest in Petrobank Shares will receive the nearest whole number of Petrobank Shares. For greater certainty, where such fractional interest is greater than or equal to 0.5, the number of Petrobank Shares to be issued will be rounded up to the nearest whole number and where such fractional interest is less than 0.5, the number of Petrobank Shares to be issued will be rounded down to the nearest whole number. In calculating such fractional interests, all Touchstone Shares registered in the name of or beneficially held by such Touchstone Shareholder or their nominee shall be aggregated.
- 5.7** Touchstone, Petrobank and the Depositary shall be entitled to deduct and withhold from any consideration otherwise payable to any Person under this Plan of Arrangement (including, without limitation, any amounts payable pursuant to Article 4 hereof), such amounts as Touchstone, Petrobank or the Depositary determines, acting reasonably, are required or reasonably believes to be required to be deducted and withheld from such consideration in accordance with the ITA, the United States Internal Revenue Code of 1986 or any provision of any other applicable law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such deducted and withheld amounts are remitted to the appropriate taxing authority.

ARTICLE 6 AMENDMENTS

- 6.1** Touchstone and Petrobank may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (i) set out in writing; (ii) approved by both parties; (iii)

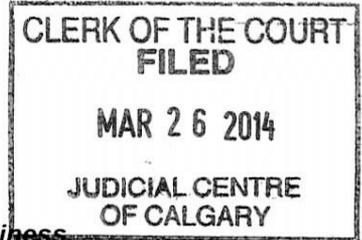
filed with the Court and, if made following the Touchstone Shareholders' Meeting, approved by the Court; and (iv) communicated to Touchstone Shareholders, if and as required by the Court.

- 6.2** Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Touchstone or Petrobank at any time prior to or at the Touchstone Shareholders' Meeting (provided that the other party shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Touchstone Shareholders' Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- 6.3** Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Touchstone Shareholders' Meeting shall be effective only if it is consented to in writing by each of Touchstone and Petrobank.
- 6.4** Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time effective only if it is consented to in writing by each of Petrobank and Touchstone, provided that it concerns a matter which, in the reasonable opinion of each of Petrobank and Touchstone, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial interests of any former holder of Touchstone Shares.

APPENDIX E
INTERIM ORDER

COURT FILE NUMBER 1401-03164
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT TOUCHSTONE EXPLORATION INC.

Clerk's Stamp



IN THE MATTER OF Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended

AND IN THE MATTER OF a proposed arrangement involving Touchstone Exploration Inc., the holders of common shares of Touchstone Exploration Inc. and Petrobank Energy and Resources Ltd.

DOCUMENT **INTERIM ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

NORTON ROSE FULBRIGHT CANADA LLP

3700 Devon Tower
400 Third Avenue SW
Calgary, Alberta T2P 4H2

Phone: 403-267-8140
Fax: 403-264-5973

Attention: Steven H. Leidl and Allison Kuntz

File No. 01141689-0003

DATE ON WHICH ORDER WAS PRONOUNCED: March 26, 2014

NAME OF JUDGE WHO MADE THIS ORDER: The Honourable Justice G. Hawco

UPON the application by Originating Application of Touchstone Exploration Inc. ("**Touchstone**") for an Order under Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9 as amended (the "**ABCA**") in connection with a proposed arrangement under Section 193 of the ABCA (the "**Arrangement**") involving Touchstone, the holders of common shares of Touchstone ("**Touchstone Shares**") and Petrobank Energy and Resources Ltd. ("**Petrobank**");

AND UPON the application for an interim order giving direction for, among other things, the calling and holding of a meeting of the holders of Touchstone Shares ("**Touchstone Shareholders**") to consider and vote upon the proposed Arrangement;

AND UPON reading the said Originating Application and the Affidavit of Paul R. Baay, Chairman and Chief Executive Officer of Touchstone, sworn March 26, 2014 (the "**Baay Affidavit**") and the documents referred to therein;

AND UPON being advised that Touchstone currently exists under the laws of the Province of British Columbia and will continue into the Province of Alberta under the provisions of the ABCA (the "**Continuance**") prior to the Arrangement becoming effective;

AND UPON hearing counsel for Touchstone;

AND UPON noting that the Executive Director of the Alberta Securities Commission (the "**Executive Director**") has been served with notice of this application as required by subsection 193(8) of the ABCA and that the Executive Director neither consents to nor opposes this application;

FOR THE PURPOSES OF THIS ORDER:

- (a) all references to the "Arrangement" used herein means the arrangement proposed by Touchstone, as set forth in the plan of arrangement ("**Plan of Arrangement**") attached as Exhibit "B" to the Baay Affidavit;
- (b) all references to the "Arrangement Agreement" used herein means the arrangement agreement dated March 6, 2014, which is attached as Appendix "C" to the draft joint management information circular and proxy statement of Touchstone and Petrobank to be dated March 28, 2014 attached as Exhibit "A" to the Baay Affidavit (the "**Information Circular**"); and
- (c) the capitalized terms not defined in this Order shall have the meanings attributed to them in the Glossary of Terms in the Information Circular.

IT IS HEREBY ORDERED AND DIRECTED THAT:

General

1. The notice and solicitation of proxies in respect of the Touchstone Meeting, as defined below, for the purposes of considering the Arrangement, shall constitute compliance by Touchstone with the provisions of the ABCA relating to the calling, holding and conducting of the Touchstone Meeting as if Touchstone had been governed by the ABCA on the date when such notice and solicitation of proxies were given to Touchstone Shareholders.
2. Touchstone shall seek approval of the Arrangement by Touchstone Shareholders in the manner set forth below.

Meeting of the Touchstone Shareholders

3. Touchstone shall call and conduct a special meeting of Touchstone Shareholders (the "**Touchstone Meeting**") to be held on or about April 28, 2014 for the purposes of: (i) considering

and voting upon a special resolution (the "**Continuance Resolution**") approving the continuance of Touchstone as an Alberta corporation pursuant to section 308 of the *Business Corporations Act*, SBC 2002, Chapter 57, as amended (the "**BCBCA**") and section 188 of the ABCA; (ii) considering and voting upon a special resolution (the "**Arrangement Resolution**") approving the Arrangement, substantially in the form set forth in Appendix "B" to the Information Circular; and (iii) considering and voting upon such other business described in the Information Circular and as may properly be brought before the Touchstone Meeting or any adjournment thereof, all as more particularly described in the Information Circular.

4. The only persons entitled to receive notice of the Touchstone Meeting shall be the registered holders of the Touchstone Shares as at the close of business on March 25, 2014 (the "**Record Date**"), and the directors and auditors of Touchstone and the Executive Director. The only persons entitled to vote at the Touchstone Meeting, in person or by proxy, shall be the registered holders of Touchstone Shares as at the Record Date.
5. A quorum at the Touchstone Meeting shall be one person either present in person or represented by proxy at the Touchstone Meeting. If no quorum of Touchstone Shareholders is present within 30 minutes after the time fixed for holding the Touchstone Meeting, the Touchstone Meeting shall stand adjourned to the same day in the next week at the same time and place. No notice of any adjourned Touchstone Meeting is required. At the adjourned Touchstone Meeting, the person or persons present and being, or representing by proxy, one or more Touchstone Shareholders entitled to attend and vote at the Touchstone Meeting shall constitute quorum for the adjourned Touchstone Meeting.

Conduct of the Touchstone Meeting

6. The Chair of the board of Touchstone, or failing him, the President, or failing him, a director, officer or corporate counsel chosen by the directors who are present at the Touchstone Meeting, or failing them, any person present at the Touchstone Meeting chosen by the Touchstone Shareholders entitled to vote at the Touchstone Meeting who are present in person or by proxy, shall be the Chairman of the Touchstone Meeting.
7. The only persons entitled to attend the Touchstone Meeting shall be registered Touchstone Shareholders or their authorized representatives, Touchstone's directors, the President (if any), the secretary (if any), the assistant secretary (if any), Touchstone's lawyer, Touchstone's auditor, the Scrutineers and their representatives, the Executive Director and other persons invited by the directors of Touchstone.

8. The Arrangement Resolution must be passed by at least 66 2/3% of the votes cast by the Touchstone Shareholders present in person or represented by proxy at the Touchstone Meeting, with each Touchstone Shareholder being entitled to one vote for each Touchstone Share held.
9. To be valid, a proxy must be deposited with Touchstone in the manner described in the Information Circular.
10. In all other respects, the Touchstone Meeting shall be conducted in accordance with the BCBCA and the Notice of Articles and Articles of Touchstone, subject to such modifications as may be adopted herein.

Dissent Rights

11. The registered Touchstone Shareholders are, subject to the provisions hereof and the Arrangement, accorded the right of dissent under Section 191 of the ABCA with respect to the Arrangement Resolution, as modified by this Order.
12. In order for a registered holder of Touchstone Shares to exercise such rights of dissent, a written objection to the Arrangement Resolution must be received by Touchstone care of its counsel by 4:00 p.m. (Calgary time) on April 21, 2014 and the Touchstone Shareholders exercising such rights of dissent must comply with the provisions of Section 191 of the ABCA, as modified by this Order. Furthermore, to the extent the provisions of Section 191 of the ABCA are inconsistent with Article 4 of the Plan of Arrangement, the provisions of Article 4 of the Plan of Arrangement shall apply. A registered holder of Touchstone Shares wishing to exercise rights of dissent may not have voted any of his or her Touchstone Shares in favour of the Arrangement Resolution, either by proxy or in person.
13. The fair value of the Touchstone Shares shall be determined as of the close of business on the last business day before the day on which the Arrangement is approved by the Touchstone Shareholders and shall be paid to any validly dissenting Touchstone Shareholder by Touchstone as contemplated by the Plan of Arrangement and this Order.
14. Notice to the Touchstone Shareholders of their right of dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the ABCA and the Arrangement, the fair value of their Touchstone Shares shall be good and sufficiently given by including information with respect thereto in the Information Circular to be sent to Touchstone Shareholders in accordance with paragraph 16 of this Order.
15. Any registered dissenting Touchstone Shareholder who duly exercises the right of dissent, as set out in paragraph 12 above, and who:

- (a) is determined to be entitled to be paid fair value for any Touchstone Shares, shall be deemed to have transferred those Touchstone Shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims and encumbrances, to Touchstone for cancellation in consideration for a payment of cash from Touchstone equal to such fair value; or
- (b) is for any reason (including, for clarity, any withdrawal by a dissenting Touchstone Shareholder of their dissent) determined not to be entitled to be paid fair value for the Touchstone Shares, the dissenting Touchstone Shareholder shall be deemed to have participated in the Arrangement on the same basis and at the same time as any non-dissenting Touchstone Shareholder;

but in no case shall Touchstone, Petrobank, or any other person, be required to recognize such Touchstone Shareholder as a holder of Touchstone Shares at or after the Effective Date, and the name of such Touchstone Shareholder shall be deleted from the register of Touchstone Shares.

Notice of the Touchstone Meeting

- 16. The Information Circular, substantially in the form set forth in Exhibit "A" to the Baay Affidavit, with amendments thereto as counsel for Touchstone may determine to be necessary or desirable (provided that such amendments are not inconsistent with the terms of this Order), shall be mailed by prepaid ordinary mail, at least 21 days prior to the date of the Touchstone Meeting, to the Touchstone Shareholders at the address for such holders as they appear in the records of Touchstone and to the directors and auditors of Touchstone. In calculating the 21 day period, the date of mailing shall be included and the date of the Touchstone Meeting shall be excluded.
- 17. The accidental omission to give notice of the Touchstone Meeting, or the non-receipt of such notice by one or more of the aforesaid persons, shall not invalidate any resolution passed or proceedings taken at the Touchstone Meeting.
- 18. The mailing of the Information Circular in accordance with the provisions of this Order shall constitute good and sufficient service in respect of the Application upon all persons who are entitled to receive such notice pursuant to this Order and no other form of service need be made and no other material need be served on such persons in respect of these proceedings, and service of the Originating Application and the Baay Affidavit is dispensed with, except for service thereof on the Executive Director.

Adjournments and Postponements

- 19. Touchstone, if it deems it to be advisable, may adjourn or postpone the Touchstone Meeting on one or more occasions and for such period(s) of time as Touchstone deems advisable, without

the necessity of first convening such Touchstone Meeting or first obtaining any vote of Touchstone Shareholders respecting the adjournment or postponement, and notice of such adjournment or postponement shall be given by press release, newspaper advertisement or by such other method as determined to be the most appropriate method of communication by the Touchstone Board (provided that such authorization shall not derogate from the rights of the other parties to the Arrangement Agreement). If the Touchstone Meeting is adjourned or postponed in accordance with this Order, the references to the Touchstone Meeting in this Order shall be deemed to be the Touchstone Meeting as adjourned or postponed.

Amendments to the Plan of Arrangement

20. Touchstone and Petrobank are authorized to make such amendments, revisions or supplements to the Plan of Arrangement as they may together determine necessary or desirable, provided that such amendments are made in accordance with and in the manner contemplated by the Plan of Arrangement. The Plan of Arrangement as so amended, revised or supplemented shall be deemed to be the Plan of Arrangement submitted to the Touchstone Meeting and the subject of the Arrangement Resolution.

Final Application

21. Subject to further Order of this Court and provided that (a) the Touchstone Shareholders have approved the Continuance Resolution in substantially the form set forth in Appendix "A" to the Information Circular; and (b) the Touchstone Shareholders have approved the Arrangement in the manner prescribed hereby, Touchstone may proceed with an application for approval of the Arrangement and the Final Order on April 30, 2014 at ^{2:00 p.m.}~~4:00~~ p.m. (Calgary time) or so soon thereafter as counsel may be heard at the Calgary Courts Centre, Calgary, Alberta. Subject to the Final Order, Touchstone, the Touchstone Shareholders, Petrobank and all other persons will be bound by the Arrangement in accordance with its terms. 
22. Any Touchstone Shareholder or any other interested party desiring to appear and make submissions at the application for the Final Order on April 30, 2014 is required to file with this Court and serve upon Touchstone, on or before 12:00 p.m. (Calgary time) on April 25, 2014, a Notice of Intention to Appear including such party's address for service in the Province of Alberta and indicating whether such Touchstone Shareholder or other interested party intends to support or oppose the application or make submissions, together with any evidence or materials which such party intends to present to the Court. Service of such notice on Touchstone shall be effected by service upon the solicitors for Touchstone, Norton Rose Fulbright Canada LLP, 3700 Devon Tower, 400 Third Avenue S.W., Calgary, Alberta T2P 4H2, Attention: Steven H. Leidl.

23. In the event that the application for the Final Order approving the Arrangement on April 30, 2014 is adjourned, only those parties appearing before this Court for the final application, and those parties who served a Notice of Intention to Appear in accordance with paragraph 22 above, shall have notice of the adjourned date.
24. Touchstone is entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Court may direct.



Justice of the Court of Queen's Bench of Alberta

APPENDIX F

PART 8, DIVISION 2 OF THE BCBCA

DISSENT PROCEEDINGS

Definitions and application

237(1) In this Division:

"**dissenter**" means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

"**notice shares**" means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

"**payout value**" means,

- (a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,
- (b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291(2)(c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,
- (c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or
- (d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

- (a) the court orders otherwise, or
- (b) in the case of a right of dissent authorized by a resolution referred to in section 238(1)(g), the court orders otherwise or the resolution provides otherwise.

Right to dissent

238(1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

- (a) under section 260, in respect of a resolution to alter the articles
 - (i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or
 - (ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company's community purposes within the meaning of section 51.91;

- (b) under section 272, in respect of a resolution to adopt an amalgamation agreement;
- (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;
- (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- (e) under section 301(5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
- (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
- (g) in respect of any other resolution, if dissent is authorized by the resolution;
- (h) in respect of any court order that permits dissent.

(2) A shareholder wishing to dissent must

- (a) prepare a separate notice of dissent under section 242 for
 - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,
- (b) identify in each notice of dissent, in accordance with section 242(4), the person on whose behalf dissent is being exercised in that notice of dissent, and
- (c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

- (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
- (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

Waiver of right to dissent

239(1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

- (a) provide to the company a separate waiver for
 - (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and

(b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

Notice of resolution

240(1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

- (a) a copy of the resolution,
- (b) a statement advising of the right to send a notice of dissent, and
- (c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

Notice of court orders

241 If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

Notice of dissent

242(1) A shareholder intending to dissent in respect of a resolution referred to in section 238(1)(a), (b), (c), (d), (e) or (f) must,

- (a) if the company has complied with section 240(1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
- (b) if the company has complied with section 240(3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
- (c) if the company has not complied with section 240(1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
 - (i) the date on which the shareholder learns that the resolution was passed, and
 - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238(1)(g) must send written notice of dissent to the company

- (a) on or before the date specified by the resolution or in the statement referred to in section 240(2)(b) or (3)(b) as the last date by which notice of dissent must be sent, or
- (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238(1)(h) in respect of a court order that permits dissent must send written notice of dissent to the company

- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or

- (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

- (a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;
- (b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;
- (c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and
 - (i) the name and address of the beneficial owner, and
 - (ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

Notice of intention to proceed

243(1) A company that receives a notice of dissent under section 242 from a dissenter must,

- (a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of
 - (i) the date on which the company forms the intention to proceed, and
 - (ii) the date on which the notice of dissent was received, or
- (b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1)(a) or (b) of this section must

- (a) be dated not earlier than the date on which the notice is sent,

- (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
- (c) advise the dissenter of the manner in which dissent is to be completed under section 244.

Completion of dissent

244(1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
- (b) the certificates, if any, representing the notice shares, and
- (c) if section 242(4)(c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1)(c) must

- (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
- (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) that dissent is being exercised in respect of all of those other shares.

(3) After the dissenter has complied with subsection (1),

- (a) the dissenter is deemed to have sold to the company the notice shares, and
- (b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

Payment for notice shares

245(1) A company and a dissenter who has complied with section 244(1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

- (a) promptly pay that amount to the dissenter, or
- (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

- (a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,
- (b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244(1), and
- (c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2)(a) of this section, the company must

- (a) pay to each dissenter who has complied with section 244(1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or
- (b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1)(b) or (3)(b),

- (a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or
- (b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

- (a) the company is insolvent, or
- (b) the payment would render the company insolvent.

Loss of right to dissent

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

Shareholders entitled to return of shares and rights

247 If, under section 244(4) or (5), 245(4)(a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244(1)(b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244(6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

APPENDIX G

SECTION 191 OF THE ABCA

Shareholder's right to dissent

191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
- (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
- (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
- (c) amalgamate with another corporation, otherwise than under section 184 or 187,
- (d) be continued under the laws of another jurisdiction under section 189, or
- (e) sell, lease or exchange all or substantially all its property under section 190.

(2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
- (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.

(6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),

- (a) by the corporation, or
- (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),

to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

(8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder

- (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
- (b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.

(9) Every offer made under subsection (7) shall

- (a) be made on the same terms, and
- (b) contain or be accompanied with a statement showing how the fair value was determined.

(10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.

(11) A dissenting shareholder

- (a) is not required to give security for costs in respect of an application under subsection (6), and
- (b) except in special circumstances must not be required to pay the costs of the application or appraisal.

(12) In connection with an application under subsection (6), the Court may give directions for

- (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
- (b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the *Alberta Rules of Court*,
- (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
- (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
- (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
- (f) the service of documents, and

(g) the burden of proof on the parties.

(13) On an application under subsection (6), the Court shall make an order

- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
- (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
- (c) fixing the time within which the corporation must pay that amount to a shareholder, 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.

APPENDIX H

TOUCHSTONE ARTICLES OF CONTINUANCE AND BY-LAWS

Alberta

MUNICIPAL AFFAIRS
Registries

Articles of Continuance

1. NAME OF CORPORATION

TOUCHSTONE EXPLORATION INC.

2. CORPORATE ACCESS NUMBER

3. THE CLASSES OF SHARES, AND ANY MAXIMUM NUMBER OF SHARES THAT THE CORPORATION IS AUTHORIZED TO ISSUE:

The Corporation is authorized to issue an unlimited number of Common shares without par value.

4. RESTRICTIONS ON SHARE TRANSFERS (IF ANY)

None.

5. NUMBER, OR MINIMUM AND MAXIMUM NUMBER OF DIRECTORS THAT THE CORPORATION MAY HAVE:

Minimum 3 - Maximum 15

6. RESTRICTIONS IF ANY ON BUSINESS THE CORPORATION MAY CARRY ON:

None.

7. IF A CHANGE OF NAME IS EFFECTED, PREVIOUS NAME:

N/A

8. DETAILS OF INCORPORATION:

The company was incorporated in British Columbia on October 5, 1982.

9. OTHER RULES OR PROVISIONS IF ANY:

The attached schedule is incorporated into and forms part of the Articles of the Corporation

9. DATE	SIGNATURE	TITLE

FOR DEPARTMENTAL USE ONLY		FILED

THIS SCHEDULE IS INCORPORATED INTO
AND FORMS PART OF THE ARTICLES OF
TOUCHSTONE EXPLORATION INC. (the "Corporation")

OTHER RULES OR PROVISIONS (IF ANY):

The directors may, between annual general meetings, appoint one or more additional directors of the Corporation to serve until the next annual general meeting, but the number of additional directors shall not at any time exceed one-third (1/3) of the number of directors who held office at the expiration of the last annual meeting of the Corporation.

BY-LAW NO. 1

A By-Law relating generally to the transaction of the business and affairs of **Touchstone Exploration Inc.**

CONTENTS

<u>SECTION</u>	<u>SUBJECT</u>
One	Interpretation
Two	Business of the Corporation
Three	Directors
Four	Committees
Five	Protection of Directors and Officers
Six	Shares
Seven	Dividends
Eight	Meetings of Shareholders
Nine	Notices
Ten	Effective Date

IT IS HEREBY ENACTED as By-law No. 1 of **Touchstone Exploration Inc.** (hereinafter called the "Corporation") as follows:

SECTION ONE INTERPRETATION

1.01 Definitions

In the by-laws of the Corporation, unless the context otherwise requires:

"Act" means the *Business Corporations Act* of Alberta, and any statute that may be substituted therefor, including the regulations thereunder, as from time to time amended;

"appoint" includes "elect" and vice versa;

"articles" means the articles of the Corporation, as defined in the Act, and includes any amendments thereto;

"board" means the board of directors of the Corporation;

"by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

"meeting of shareholders" means any meeting of shareholders, including any meeting of one or more classes or series of shareholders;

"recorded address" means, in the case of a shareholder, the address of such shareholder as recorded in the securities register; in the case of joint shareholders, the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and, in the case of a director, officer, auditor or member of a committee of the board, the latest address of such person as recorded in the records of the Corporation; and

"signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by Section 2.03 or by a resolution passed pursuant thereto.

Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts, unincorporated organizations and personal representatives.

1.02 Conflict with the Act, the Articles or any Unanimous Shareholder Agreement

To the extent of any conflict between the provisions of the by-laws and the provisions of the Act, the articles or any unanimous shareholder agreement relating to the Corporation, the provisions of the Act, the articles or the unanimous shareholder agreement shall govern.

1.03 Headings and Sections

The headings used throughout the by-laws are inserted for convenience of reference only and are not to be used as an aid in the interpretation of the by-laws. "Section" followed by a number means or refers to the specified section of this by-law.

1.04 Invalidity of any Provision of By-laws

The invalidity or unenforceability of any provision of the by-laws shall not affect the validity or enforceability of the remaining provisions of the by-laws.

SECTION TWO BUSINESS OF THE CORPORATION

2.01 Corporate Seal

- (a) The corporate seal of the Corporation, if any, shall be in such form as the board may from time to time by resolution approve.
- (b) Except as provided in subparagraphs (c), the Corporation's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:
 - (i) any two directors;
 - (ii) any officer, together with any director;
 - (iii) if the Corporation only has one director, that director; or
 - (iv) any one or more directors or officers or persons as may be determined by the directors.

- (c) For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Corporation or a true copy of any resolution or other document, despite subparagraph (b), the impression of the seal may be attested by the signature of any director or officer.

2.02 Financial Year

The financial year of the Corporation shall end on such date in each year as the board may from time to time by resolution determine.

2.03 Execution of Instruments

Deeds, transfers, assignments, contracts, mortgages, charges, obligations, certificates and other instruments of any nature whatsoever (collectively "instruments") shall be signed on behalf of the Corporation by two persons, one of whom holds the office of chair of the board, president, vice president or director and the other of whom holds one of the said offices or the office of secretary, treasurer, assistant secretary or assistant treasurer or any other office created by resolution of the board. In addition, the board is authorized from time to time by resolution to appoint any person or persons on behalf of the Corporation either to sign instruments in writing generally or to sign specific instruments. Any signing officer may affix the corporate seal to any instrument requiring the same.

2.04 Execution in Counterpart, By Facsimile, and by Electronic Signature

- (a) Subject to the Act, any instrument or document required or permitted to be executed by one or more persons on behalf of the Corporation may be signed by electronic means or by facsimile; and
- (b) Any instrument or document required or permitted to be executed by one or more persons may be executed in separate counterparts, each of which when duly executed by one or more of such persons shall be an original and all such counterparts together shall constitute one and the same such instrument or document.

2.05 Banking Arrangements

The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be authorized by the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.06 Voting Rights in Other Bodies Corporate

The signing officers may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the persons executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the board or, failing the board, the signing officers may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07 Divisions

The board may from time to time cause the business and operations of the Corporation or any part thereof to be divided into one or more divisions upon such basis, including without limitation, types of business or operations, geographical territories, product lines or goods or services, as the board may

consider appropriate in each case. From time to time the board may authorize upon such basis as may be considered appropriate in each case:

- (a) the designation of any such division by, and the carrying on of the business and operations of any such division under, a name other than the name of the Corporation; provided that the Corporation shall set out its name in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of the Corporation; and
- (b) the appointment of officers for any such division and the determination of their powers and duties, provided that any such officers shall not, as such, be officers of the Corporation.

SECTION THREE **DIRECTORS**

3.01 Number of Directors

The board shall consist of the number of directors provided in the articles, or, if a minimum number and a maximum number of directors is so provided, the number of directors of the Corporation shall be determined from time to time by ordinary resolution of the shareholders, or in the absence of such resolution, by resolution of the directors.

3.02 Calling and Notice of Meetings

Meetings of the board shall be called and held at such time and at such place as the board, the chair of the board, the president or any two directors may determine, and the secretary or any other officer shall give notice of meetings when directed or authorized by such persons. Notice of each meeting of the board shall be given in the manner provided in Section Nine to each director not less than forty-eight hours before the time when the meeting is to be held unless waived in accordance with the Act. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting, except where required by the Act. Notwithstanding the foregoing, the board may from time to time fix a day or days in any month or months for regular meetings of the board at a place and hour to be named, in which case no other notice shall be required for any such regular meeting except where the Act requires specification of the purpose or the business to be transacted thereat. Provided that a quorum of directors is present, each newly elected board may, without notice, hold its first meeting following the meeting of shareholders at which such board was elected.

3.03 Place of Meetings

Meetings of the board may be held at any place in or outside Alberta.

3.04 Meetings by Telephonic, Electronic or Other Communication Facility

A director may participate in a meeting of the board or of a committee of the board by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other. A director participating in such a meeting in such manner shall be considered present at the meeting and at the place of the meeting.

3.05 Quorum

Subject to the requirements under the Act requiring resident Canadians to be present at any meeting of the board, the quorum for the transaction of business at any meeting of the board shall consist of a majority of directors or such greater number of directors as the board may from time to time

determine, provided that, if the board consists of only one director, the quorum for the transaction of business at any meeting of the board shall consist of one director.

3.06 Chair

The chair of any meeting of the board shall be the director present at the meeting who is the first mentioned of the following officers as have been appointed: chair of the board, president or a vice-president (in order of seniority). If no such officer is present, the directors present shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair of the meeting shall appoint some person, who need not be a director, to act as secretary of the meeting.

3.07 Action by the Board

At all meetings of the board every question shall be decided by a majority of the votes cast on the question. A director participating in a meeting by electronic means, telephone or other communication facilities may vote by means of such facility. In case of an equality of votes the chair of the meeting shall not be entitled to a second or casting vote. The powers of the board may also be exercised by resolution in writing signed by all the directors who would be entitled to vote on that resolution at a meeting of the board.

3.08 Adjourned Meeting

Any meeting of directors may be adjourned from time to time by the chair of the meeting, with the consent of the meeting, to a fixed time and place. The adjourned meeting shall be duly constituted if a quorum is present and if it is held in accordance with the terms of the adjournment. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment.

3.09 Remuneration and Expenses

The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for reasonable travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

3.10 Officers

The board from time to time may appoint one or more officers of the Corporation and, without prejudice to rights under any employment contract, may remove any officer of the Corporation. The powers and duties of each officer of the Corporation shall be those determined from time to time by the board and, in the absence of such determination, shall be those usually incidental to the office held.

3.11 Agents and Attorneys

The board shall have the power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the power to sub-delegate) as may be thought fit.

SECTION FOUR COMMITTEES

4.01 Committees of the Board

Subject to the Act, the board may appoint one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board.

4.02 Transaction of Business

The powers of any committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of any committee may be held at any place in or outside Alberta.

4.03 Procedure

Unless otherwise determined by the board, a quorum for meetings of any committee shall be a majority of its members, each committee shall have the power to appoint its chair and the rules for calling, holding, conducting and adjourning meetings of the committee which, unless otherwise determined, shall be the same as those governing the board. Each member of a committee shall serve during the pleasure of the board of directors and, in any event, only so long as such person shall be a director. The directors may fill vacancies in a committee by appointment from among their members. Provided that a quorum is maintained, the committee may continue to exercise its powers notwithstanding any vacancy among its members.

SECTION FIVE PROTECTION OF DIRECTORS AND OFFICERS

5.01 Limitation of Liability

No director or officer for the time being of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation including any person, firm or corporation with whom or with which any moneys, securities or effects shall be lodged or deposited, or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets of or belonging to the Corporation or for any other loss, damage or misfortune whatsoever which may happen in the execution of the duties of his or her respective office or trust or in relation thereto unless the same shall happen by or through his or her failure to exercise the powers and to discharge the duties of his or her office honestly, in good faith and with a view to the best interests of the Corporation and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

5.02 Indemnity

The Corporation shall, to the maximum extent permitted under the Act or otherwise by law, indemnify a director or officer of the Corporation, a former director or officer of the Corporation, and a person who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, and their heirs and legal representatives, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by the

individual in respect of any civil, criminal, administrative, investigative or other action or proceeding to which he or she is made a party to or involved by reason of that association with the Corporation or such other entity.

5.03 Advance Of Costs

The Corporation shall, to the maximum extent permitted under the Act or otherwise by law, advance moneys to an individual referred to in Section 5.02 to defray the costs, charges and expenses of a proceeding referred to in Section 5.02 provided such individual shall repay the moneys advanced if the individual does not fulfil the conditions set forth in the Act.

5.04 Court Approval

The Corporation shall use reasonable commercial efforts to obtain any court or other approvals necessary for any indemnification pursuant to Sections 5.02.

5.05 Indemnities Not Exclusive

The rights of any person to indemnification granted by the Act or this by-law are not exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of shareholders or directors, at law or otherwise, and shall continue as to a person who has ceased to be a director, officer, employee or agent and will enure to the benefit of the heirs and legal representatives of that person.

5.06 Insurance

The Corporation may purchase, maintain or participate in insurance for the benefit of the persons referred to in Section 5.02 as the board may from time to time determine.

**SECTION SIX
SHARES**

6.01 Non-Recognition of Trusts

Subject to the Act, the Corporation may treat as the absolute owner of any share the person in whose name the share is registered in the securities register as if that person had full legal capacity and authority to exercise all rights of ownership, irrespective of any indication to the contrary through knowledge or notice or description in the Corporation's records or on the share certificate.

6.02 Joint Shareholders

If two or more persons are registered as joint holders of any share:

- (a) the Corporation shall record only one address on its books for such joint holders;
- (b) the address of such joint holders for all purposes with respect to the Corporation shall be their recorded address; and
- (c) any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

SECTION SEVEN DIVIDENDS

7.01 Dividend Cheques

A dividend payable in cash shall be paid by cheque of the Corporation or of any dividend paying agent appointed by the board, to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at the shareholder's recorded address, unless such holder otherwise directs and the Corporation agrees to follow such direction. In the case of joint holders the cheque shall, unless such joint holders otherwise direct and the Corporation agrees to follow such direction, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold. Alternatively, dividends payable in money may be paid to shareholders by such form of electronic funds transfer as the board considers appropriate.

7.02 Non-receipt of Cheques

In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case. No dividend shall bear interest against the Corporation.

7.03 Unclaimed Dividends

Any dividend unclaimed after a period of six years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

SECTION EIGHT MEETINGS OF SHAREHOLDERS

8.01 Place of Meetings

Meetings of the shareholders shall be held at such place within Alberta as the board shall determine. Subject to the Act, meetings may be held outside of Alberta.

8.02 Participation in Meeting By Electronic Means

Any person entitled to attend a meeting of shareholders may participate in the meeting, in accordance with the Act, by electronic means, telephone or other communication facility that permits all participants to hear each other or otherwise communicate with each other during the meeting, if the Corporation makes available such a communication facility. A person participating in a meeting by such means shall be deemed to be present at the meeting.

8.03 Electronic Meetings

If the directors or the shareholders of the Corporation call a meeting of shareholders, those directors or shareholders, as the case may be, may determine that the meeting shall be held, in accordance with the Act, entirely by electronic means, telephone or other communication facility that permits all participants to communicate adequately with each other during the meeting.

8.04 Chair, Secretary and Scrutineers

The chair of any meeting of shareholders, who need not be a shareholder of the Corporation, shall be the first mentioned of the following officers as has been appointed and is present at the meeting: chair of the board, president or a vice-president (in order of seniority). If no such officer is present and willing to act as chair within fifteen minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. The chair shall conduct the proceedings at the meeting in all respects and his or her decision in any matter or thing, including, but without in any way limiting the generality of the foregoing, any question regarding the validity or invalidity of any instruments of proxy and any question as to the admission or rejection of a vote, shall be conclusive and binding upon the shareholders. The secretary of any meeting of shareholders shall be the secretary of the Corporation, provided that, if the Corporation does not have a secretary or if the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. The board may from time to time appoint in advance of any meeting of shareholders one or more persons to act as scrutineers at such meeting and, in the absence of such appointment, the chair may appoint one or more persons to act as scrutineers at any meeting of shareholders. Scrutineers so appointed may, but need not be, shareholders, directors, officers or employees of the Corporation.

8.05 Persons Entitled to be Present

The only persons entitled to be present at a meeting of shareholders shall be; (a) those entitled to vote at such meeting; (b) the directors and auditors of the Corporation; (c) others who, although not entitled to vote, are entitled or required under any provision of the Act, the articles or the by-laws to be present at the meeting; (d) legal counsel to the Corporation when invited by the Corporation to attend the meeting; and (e) any other person on the invitation of the chair or with the consent of the meeting.

8.06 Quorum

A quorum for the transaction of business at any meeting of shareholders shall be at least two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxy or representative for an absent shareholder so entitled, and representing in the aggregate not less than five percent (5%) of the outstanding shares of the Corporation carrying voting rights at the meeting, provided that, if there should be only one shareholder of the Corporation entitled to vote at any meeting of shareholders, the quorum for the transaction of business at the meeting of shareholders shall consist of the one shareholder.

8.07 Representatives

The authority of an individual to represent a body corporate or association at a meeting of shareholders of the Corporation shall be established by depositing with the Corporation a certified copy of the resolution of the directors or governing body of the body corporate or association, as the case may be, granting such authority, or in such other manner as may be satisfactory to the chair of the meeting.

8.08 Action by Shareholders

The shareholders shall act by ordinary resolution unless otherwise required by the Act, articles, by-laws or any unanimous shareholder agreement. In case of an equality of votes either upon a show of hands or upon a poll, the chair of the meeting shall be entitled to a second or casting vote.

8.09 Show of Hands

Upon a show of hands, every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is required or demanded, a declaration by the chair of the meeting that the vote upon the question has been

carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

8.10 Ballots

A ballot required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he or she is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

8.11 Electronic Voting

Notwithstanding Section 8.09, any vote referred to in Section 8.08 may be held, in accordance with the Act, partially or entirely by electronic means, telephone or other communication facility, if the Corporation has made available such a facility.

Any person participating in a meeting of shareholders under Section 8.02 or 8.03 and entitled to vote at the meeting may vote, in accordance with the Act by electronic means, telephone or other communication facility that the Corporation has made available such purpose.

8.12 Resolution in Lieu of Meeting

A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of shareholders. A resolution in writing may be signed in one or more counterparts.

SECTION NINE NOTICES

9.01 Method of Giving Notices

Any notice (which term includes any communication or contract document or instrument in writing, or electronic document) to be given (which term includes sent, delivered or served) pursuant to the Act, the articles or the by-laws or otherwise to a shareholder, director, officer, or auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to the person's record address or if mailed to such person at such record address by prepaid mail or if sent to such person by electronic means as permitted by, and in accordance with, the Act. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by the secretary to be reliable. The foregoing shall not be construed so as to limit the manner or effect of giving notice by any other means of communication otherwise permitted by law.

9.02 Notice to Joint Holders

If two or more persons are registered as joint holders of any share, any notice may be addressed to all of such joint holders but notice addressed to one of such persons shall be sufficient notice to all of them.

9.03 Computation of Time

In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

9.04 Omissions and Errors

The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

9.05 Persons Entitled by Death or Operation of Law

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom such person derives title to such share prior to such person's name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which such person became so entitled) and prior to such person furnishing to the Corporation the proof of authority or evidence of such person's entitlement prescribed by the Act.

SECTION TEN
EFFECTIVE DATE

10.01 Effective Date

This by-law shall come into force when made by the board in accordance with the Act.

MADE by the board the ____ day of _____, 2014.

President

CONFIRMED by the Shareholder in accordance with the Act the ____ day of _____, 2014.

President

APPENDIX I
TOUCHSTONE FAIRNESS OPINION

Scotia Waterous Inc.
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Calgary, Alberta T2P 2W1
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GLOBAL BANKING AND MARKETS



March 6, 2014

The Board of Directors
Touchstone Exploration Inc.
Suite 200, 209 - 8th Avenue SW
Calgary, AB
T2P 1B8

To the Board of Directors:

Scotia Waterous Inc. ("Scotia Waterous" or "we") understands that Touchstone Exploration Inc. ("Touchstone") and Petrobank Energy and Resources Ltd. ("Petrobank") have entered into an arrangement agreement (the "Arrangement Agreement") dated March 6, 2014 pursuant to which Petrobank proposes to acquire all of the issued and outstanding common shares of Touchstone (the "Touchstone Shares") by way of a plan of arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"). Under the Arrangement, holders of Touchstone Shares ("Touchstone Shareholders") will receive 0.471 of a common share of Petrobank ("Petrobank Shares") for each Touchstone Share held (the "Touchstone Exchange Ratio"). Holders of Petrobank Shares are referred to herein as "Petrobank Shareholders".

The terms and conditions of the Arrangement are more fully described in the joint information circular and proxy statement being prepared by Petrobank and Touchstone (the "Information Circular"), which is to be dated on or about March 28, 2014 and which is to be mailed to both Petrobank and Touchstone Shareholders in connection with a special meeting of the Petrobank Shareholders and an annual and special meeting of the Touchstone Shareholders, to be held separately in Calgary, Alberta on April 28, 2014.

Engagement of Scotia Waterous

Touchstone formally engaged Scotia Waterous through an agreement dated February 13, 2014 (the "Engagement Agreement"). Touchstone has retained Scotia Waterous to, among other things, provide financial advisory services with respect to the Arrangement and has asked Scotia Waterous to prepare and deliver to the Board of Directors of Touchstone (the "Board") an opinion as to the fairness, from a financial point of view, to Touchstone Shareholders of the consideration to be paid to the Touchstone Shareholders in connection with the Arrangement (the "Opinion"). Scotia Waterous has not been engaged to prepare, and has not prepared, a formal valuation of Petrobank or Touchstone or any of their securities or assets and the Opinion should not be construed as such. Scotia Waterous has, however, conducted such analyses as are considered necessary in the circumstances.

The terms of the Engagement Agreement provide that Scotia Waterous is to be paid fees for its services as financial advisor, including fees that are contingent on the completion of the Arrangement. In addition, Scotia Waterous is to be reimbursed for its out-of-pocket expenses and to be indemnified by Touchstone in certain circumstances.

Credentials of Scotiabank and Scotia Waterous

The Bank of Nova Scotia ("Scotiabank"), through its Global Banking and Markets division ("Scotiabank GBM"), provides corporate and investment banking and capital markets products and services to corporate, institutional and government clients globally. Scotiabank GBM is one of Canada's largest

Scotia Waterous Inc., Scotia Waterous (USA) Inc., Scotia Waterous (UK) Limited and Scotia Capital Inc. are non-bank affiliates of The Bank of Nova Scotia and are members of the Scotiabank Group and authorized users of the mark.

investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. Scotia Waterous is part of Scotiabank GBM. Scotia Waterous and Scotiabank GBM have participated in a significant number of transactions involving private and public companies and have extensive experience in preparing fairness opinions.

The Opinion expressed herein is the opinion of Scotia Waterous as a firm. The form and content herein has been approved for release by a committee of directors and other professionals of Scotia Waterous and Scotiabank GBM, all of whom are experienced in merger, acquisition, divestiture and fairness opinion matters.

Role of Scotiabank and Scotia Waterous

Neither Scotiabank nor Scotia Waterous nor any of their associates or affiliates is an insider, associate or affiliate (as such terms are defined in the *Securities Act* (Alberta)) of Touchstone or Petrobank or any of their associates or affiliates. Scotiabank is not currently a lender to Touchstone, but may provide future banking services including acting as a lender to Touchstone or as counterparty to Touchstone on interest rate, currency hedging and/or commodity hedging transactions from time to time in the normal course of business. Scotiabank was previously a lender to Petrobank and provides banking services which may include acting as counterparty to Petrobank on interest rate, currency hedging and/or commodity hedging transactions from time to time in the normal course of business.

Scotiabank GBM acts as a trader and dealer, both as principal and agent, in the financial markets in Canada, the United States and elsewhere, and, as such, it and Scotiabank, may have had and may have positions in the securities of Touchstone, Petrobank or any of their associates and affiliates from time to time and may have executed or may execute transactions on behalf of such companies or clients for which it receives compensation. As an investment dealer, Scotiabank GBM conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including with respect to Touchstone, Petrobank and the Arrangement.

Scope of Review

In preparing the Opinion, Scotia Waterous has reviewed and relied upon, among other things:

- a) the Arrangement Agreement;
- b) audited annual financial statements and the related management discussion and analysis of Touchstone for the years ended September 30, 2013 and September 30, 2012;
- c) unaudited quarterly financial statements and the related management discussion and analysis of Touchstone for the three month period ended December 31, 2013;
- d) audited annual financial statements and the related management discussion and analysis of Petrobank for the years ended December 31, 2013 and December 31, 2012;
- e) audited annual financial statements and the related management discussion and analysis of PetroBakken Energy Ltd. ("PetroBakken"), the predecessor company of Lightstream Resources Ltd. ("Lightstream"), for the year ended December 31, 2012;
- f) unaudited quarterly financial statements and the related management discussion and analysis of PetroBakken for the three month period ended March 31, 2013;
- g) unaudited quarterly financial statements and the related management discussion and analysis of Lightstream for the six and nine month periods ended June 30, 2014 and September 30, 2013, respectively;

- h) the Annual Information Form of Touchstone for the year ended September 30, 2013, dated February 27, 2014;
- i) the Annual Information Form of Petrobank for the year ended December 31, 2012, dated March 28, 2013;
- j) the Annual Information Form of PetroBakken for the year ended December 31, 2012, dated March 28, 2013;
- k) the Notice of Annual Meeting and Management Information Circular of Touchstone, dated March 25, 2013;
- l) the Notice of Annual Meeting and Management Information Circular of Petrobank, dated April 17, 2013;
- m) the Notice of Annual Meeting and Management Information Circular of PetroBakken, dated April 17, 2013;
- n) Touchstone's investor presentations dated Q3 2013 and 2013 Year End;
- o) Petrobank's investor presentation dated February 2014;
- p) Lightstream's investor presentations dated November 8, 2013 and November 21, 2013;
- q) all press releases issued by Touchstone since January 1, 2013;
- r) all press releases issued by Petrobank since January 1, 2013;
- s) all press releases issued by PetroBakken since January 1, 2013;
- t) all press releases issued by Lightstream since January 1, 2013;
- u) confidential data and information, prepared by Petrobank management, with respect to the assets, operations and growth opportunities of Petrobank;
- v) confidential data and information, prepared by Touchstone management, with respect to the assets, operations and growth opportunities of Touchstone;
- w) other financial and operating information with respect to Petrobank obtained from Petrobank's management;
- x) other financial and operating information with respect to Touchstone obtained from Touchstone's management;
- y) responses to formal due diligence queries with respect to Petrobank, prepared by Petrobank management;
- z) responses to formal due diligence queries with respect to Touchstone, prepared by Touchstone management;
- aa) public information, including equity research reports, relating to the business, operations, financial performance and share trading history of Petrobank, Lightstream, PetroBakken and Touchstone;
- bb) public information regarding the oil and gas industry;

- cc) representations contained in certificates addressed to Scotia Waterous, as of the date hereof, from senior officers of Touchstone as to the completeness, accuracy and fair presentation of information with respect to Touchstone and its associates and affiliates upon which the Opinion is based;
- dd) representations contained in certificates addressed to Scotia Waterous, as of the date hereof, from senior officers of Petrobank as to the completeness, accuracy and fair presentation of information with respect to Petrobank and its associates and affiliates upon which the Opinion is based; and
- ee) such other corporate, industry and financial market information, investigations and analyses as Scotia Waterous considered necessary or appropriate in the circumstances.

Scotia Waterous has not, to the best of its knowledge, been denied access by Touchstone or Petrobank to any information requested by Scotia Waterous.

Assumptions and Limitations

The Opinion is subject to the assumptions, explanations and limitations set forth below.

Scotia Waterous has relied, without independent verification, upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources, Petrobank, Touchstone and their associates and affiliates and advisors or otherwise (collectively, the "Information") and we have assumed that this Information did not omit to state any material fact or any fact necessary to be stated to make that information not misleading. The Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as described herein, Scotia Waterous has not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information. With respect to the financial forecasts and budgets provided to Scotia Waterous and used in the analysis supporting the Opinion, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of Petrobank and Touchstone, as the case may be, as to the matters covered thereby, and in rendering the Opinion we express no view as to the reasonableness of such forecasts or budgets or the assumptions on which they are based.

We have, with respect to all accounting, legal and tax matters relating to the Arrangement and the implementation thereof, relied on advice of accounting advisors and legal and tax counsel to Touchstone including information disclosed in the Information Circular, and express no opinion thereon. The Arrangement is subject to a number of conditions outside the control of Touchstone and we have assumed all conditions precedent to the completion of the Arrangement can be satisfied in due course, and all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse conditions or qualifications. In rendering this Opinion, we express no view as to the likelihood that the conditions respecting the Arrangement will be satisfied or waived or that the Arrangement will be completed within the time frame indicated in Information Circular.

Senior management of Touchstone have represented to Scotia Waterous in a certificate delivered as at March 6, 2014, among other things, that to the best of their knowledge: (i) Touchstone has no information or knowledge of any facts, public or otherwise, not specifically provided to Scotia Waterous relating to Touchstone (including any subsidiaries or affiliates) or to Petrobank (including any subsidiaries or affiliates) which would reasonably be expected to affect materially the Opinion; (ii) with the exception of forecasts, projections or estimates referred to in (iv) below, the written information and written data provided to Scotia Waterous by or on behalf of Touchstone in respect of Touchstone (including any subsidiaries or affiliates) or Petrobank (including any subsidiaries or affiliates), in connection with the Arrangement is or, in the case of historical written information or written data, was, at the date of preparation, true and accurate in all material respects, and no additional material, data or information in respect of Touchstone (including any subsidiaries or affiliates) would be required to make the data provided to Scotia Waterous by Touchstone not misleading in light of circumstances in which it was prepared; (iii) to the extent that any of the information or data identified in (ii) above is historical, there

have been no changes in material facts or new material facts since the respective dates thereof which have not been disclosed to Scotia Waterous or updated by more current information or data disclosed; and (iv) any portions of the data provided to Scotia Waterous by or on behalf of Touchstone which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of Touchstone, are (or were at the time of preparation) reasonable in the circumstances.

Senior management of Petrobank have represented to Scotia Waterous in a certificate delivered as at March 6, 2014, among other things, that to the best of their knowledge: (i) Petrobank has no information or knowledge of any facts, public or otherwise, not specifically provided to Scotia Waterous relating to Petrobank (including any subsidiaries or affiliates) or to Touchstone (including any subsidiaries or affiliates) which would reasonably be expected to affect materially the Opinion; (ii) with the exception of forecasts, projections or estimates referred to in (iv) below, the written information and written data provided to Scotia Waterous by or on behalf of Petrobank in respect of Petrobank (including any subsidiaries or affiliates) or Touchstone (including any subsidiaries or affiliates), in connection with the Arrangement is or, in the case of historical written information or written data, was, at the date of preparation, true and accurate in all material respects, and no additional material, data or information in respect of Petrobank (including any subsidiaries or affiliates) would be required to make the data provided to Scotia Waterous by Petrobank not misleading in light of circumstances in which it was prepared; (iii) to the extent that any of the information or data identified in (ii) above is historical, there have been no changes in material facts or new material facts since the respective dates thereof which have not been disclosed to Scotia Waterous or updated by more current information or data disclosed; and (iv) any portions of the data provided to Scotia Waterous by or on behalf of Petrobank which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of Petrobank, are (or were at the time of preparation) reasonable in the circumstances.

The Opinion is rendered on the basis of the securities markets, economic, financial and general business conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of Petrobank, Touchstone and their respective associates and affiliates, as they were reflected in the Information and as they were represented to Scotia Waterous in discussions with management of Petrobank and Touchstone. In its analyses and in preparing the Opinion, Scotia Waterous made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Scotia Waterous or any party involved in the Arrangement.

For the purposes of rendering the Opinion, Scotia Waterous has relied upon the assumption that the representations and warranties of each party contained in the Arrangement Agreement are true and correct in all material respects and that each party will perform all of the covenants and agreements required to be performed by it under the Arrangement Agreement and that Touchstone will be entitled to fully enforce its rights under the Arrangement Agreement and receive the benefits therefrom. Finally, Scotia Waterous has assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Arrangement will be obtained without any material adverse effect on Petrobank or Touchstone or the contemplated benefits of the Arrangement.

The Opinion has been provided for the use of the Board in connection with the Arrangement and may not be used or relied upon by any other person or for any other purpose and may not be quoted from, publicly disseminated or otherwise communicated to any other person without the express prior written consent of Scotia Waterous. Scotia Waterous consents to the inclusion of the Opinion in the Information Circular and to references to and summaries of the Opinion in the Information Circular. The Opinion is given as of the date hereof and Scotia Waterous disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of Scotia Waterous after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, Scotia Waterous reserves the right to change, modify or withdraw the Opinion.

Conclusion

Based upon and subject to the foregoing and such other matters as we considered relevant, Scotia Waterous is of the opinion that, as of the date hereof, the consideration to be paid to the Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Touchstone Shareholders.

Yours very truly,

Scotia Waterous Inc.

Scotia Waterous Inc.

APPENDIX J
PETROBANK FAIRNESS OPINION

March 6, 2014

The Board of Directors of
Petrobank Energy and Resources Ltd.
1100, 332 - 6th Avenue S.W.
Calgary, Alberta T2P 0B2

To the Board of Directors of Petrobank Energy and Resources Ltd.:

We understand that Petrobank Energy and Resources Ltd. ("Petrobank") has entered into an arrangement agreement with Touchstone Exploration Inc. ("Touchstone") dated March 6, 2014 ("Arrangement Agreement"), whereby the following transactions will occur in accordance with a plan of arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"):

- (a) holders (the "Touchstone Shareholders") of common shares of Touchstone ("Touchstone Shares") will receive, for each Touchstone Share held, 0.471 of a Petrobank common share ("Petrobank Share"), subject to certain pro-rationing provisions in accordance with the Arrangement;
- (b) Touchstone's \$2,000,000 aggregate principal amount of 9.5% convertible senior unsecured debentures due June 30, 2016 ("Touchstone Debentures") will become valid and binding obligations of Petrobank and the conversion of the Touchstone Debentures shall be satisfied with Petrobank Shares in lieu of Touchstone Shares, based on the exchange ratio set forth above, and subsequent to the closing of the Arrangement, Petrobank will make a repurchase offer to redeem the Touchstone Debentures at 100% of their principal value plus accrued and unpaid interest;
- (c) the outstanding share purchase warrants issued by Touchstone ("Touchstone Warrants") shall become valid and binding obligations of Petrobank, such that exercise of the Touchstone Warrants shall be satisfied with Petrobank Shares in lieu of Touchstone Shares, based on the exchange ratio set forth above; and
- (d) Petrobank Shares will be consolidated on a 2 for 1 basis (the "Consolidation") and Petrobank will change its name to "Touchstone Exploration Inc." (the "Name Change").

Completion of the Arrangement is subject to a number of conditions which must either be satisfied or waived including, among others:

- (i) the approval of the Arrangement and the continuance of Touchstone into the Province of Alberta (the "Continuance") by not less than 66⅔% of the votes cast by Touchstone Shareholders, at the annual general and special meeting of Touchstone Shareholders to be held in Calgary, Alberta on April 28, 2014 (the "Touchstone Shareholder Meeting") to permit Touchstone Shareholders to consider and, if deemed advisable, approve the Arrangement and the Continuance;
- (ii) approval of the issuance by Petrobank of the Petrobank Shares to the Touchstone Shareholders pursuant to the Arrangement and the election of each of the nominees of Petrobank and Touchstone to the Petrobank board of directors by a simple majority of the votes cast by the Petrobank Shareholders at the annual general and special meeting of Petrobank Shareholders to be held in Calgary, Alberta on April 28, 2014 (the "Petrobank Shareholder Meeting");
- (iii) the completion of the Continuance and the granting of the final order of the Court of Queen's Bench of Alberta in respect of the Arrangement; and
- (iv) receipt of all other regulatory, stock exchange and third party approvals.

We understand that directors and officers of Touchstone and certain shareholders of Touchstone, representing approximately 4% of the outstanding Touchstone Shares, and the directors and officers of Petrobank, representing approximately 7% of the outstanding Petrobank Shares, have entered into voting support agreements pursuant to which they have agreed to, among other things, vote their Touchstone Shares or Petrobank Shares, respectively, in favour of the Arrangement.

The terms and conditions of the Arrangement are more fully described in the Arrangement Agreement and will be summarized in a joint information circular of Petrobank and Touchstone (the "Proxy Circular"), to be dated on or about March 28, 2014 and mailed to Petrobank Shareholders and Touchstone Shareholders in respect of the Petrobank Meetings and the Touchstone Shareholder meeting, respectively. This Opinion will be appended to such Proxy Circular.

FirstEnergy's Engagement

The Board of Directors of Petrobank (the "Board") formally retained FirstEnergy Capital Corp. ("FirstEnergy") pursuant to an engagement agreement dated December 16, 2013 to provide the Board with, among other things, financial advice in connection with Petrobank's strategic alternatives process, including the Arrangement and to provide our opinion ("Opinion") as to the fairness, from a financial point of view, of the consideration to be received by the Petrobank Shareholders pursuant to the Arrangement (the "Engagement"). In consideration for our services, including the Opinion, FirstEnergy is to be paid a fee and is to be reimbursed for reasonable out-of-pocket expenses. In addition, FirstEnergy is to be indemnified by Petrobank under certain circumstances. We have not been engaged to prepare,

and have not prepared, a valuation or appraisal of Petrobank, Touchstone, or any of Petrobank's or Touchstone's assets or liabilities and the Opinion should not be construed as such.

FirstEnergy consents to the inclusion of the Opinion in its entirety and a summary thereof in the Proxy Circular and to the filing thereof, as necessary, by Petrobank and/or Touchstone with the Toronto Stock Exchange and the securities commissions or similar regulatory authorities in each province of Canada.

Credentials of FirstEnergy

FirstEnergy is a registered investment dealer focusing on Canadian and international companies participating in oil and gas exploration, production and services, energy transportation, electricity generation and energy technologies. FirstEnergy is one of the leading investment banking firms providing corporate finance, mergers and acquisitions, oil and gas property acquisition and divestiture services, equity sales, research and trading services to companies active in or investing in the energy industry. The Opinion expressed herein is the opinion of FirstEnergy and the form and content herein have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture, and valuation matters.

Independence of FirstEnergy

None of FirstEnergy, its affiliates or associates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)), or a related entity of Petrobank or Touchstone or any of their respective associates or affiliates. FirstEnergy is not acting as an advisor to Petrobank or Touchstone or any of their respective associates or affiliates in connection with any other matter, other than acting as financial advisor to Petrobank as outlined herein.

FirstEnergy, or its affiliates or associates, act as a trader and dealer, both as principal and agent, in all major financial markets in Canada and, as such, may have had as of the date hereof or in the past, or in the future have positions in the securities of Petrobank and Touchstone, and from time to time, may have executed or may execute transactions on behalf of Petrobank, Touchstone or other clients for which it received or may receive compensation. In addition, as an investment dealer, FirstEnergy conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on issues and investment matters, including with respect to Petrobank and Touchstone.

Scope of Review

In connection with rendering this Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

- a) the fully executed Letter of Intent from Petrobank to Touchstone dated February 14, 2014;
- b) the Arrangement Agreement and Plan of Arrangement between Touchstone and Petrobank dated March 6, 2014;

- c) the form of Support Agreements for each of Petrobank and Touchstone dated March 6, 2014 attached as a schedule to the Arrangement Agreement;
- d) the form of Non-Solicitation Agreement for Petrobank attached as a schedule to the Arrangement Agreement;
- e) the Proxy Circular;
- f) Touchstone's audited annual consolidated comparative financial statements as at and for the fiscal year ended September 30, 2013, and associated management's discussion and analysis;
- g) the Touchstone Annual Information Form for the fiscal year ended September 30, 2013 dated February 27, 2014;
- h) the Management Information Circular of Touchstone dated April 4, 2013 in connection with the annual meeting of Touchstone Shareholders held April 24, 2013;
- i) the unaudited quarterly consolidated financial statements and associated management's discussion and analysis of Touchstone for the quarter ended December 31, 2013;
- j) Touchstone's independent reserve report effective September 30, 2013, prepared by GLJ Petroleum Consultants Ltd. dated January 20, 2014;
- k) due diligence responses by senior management of Touchstone;
- l) Petrobank's audited annual consolidated comparative financial statements as at and for the fiscal year ended December 31, 2013 and associated management's discussion and analysis;
- m) Petrobank's Annual Information Form for the fiscal year ended December 31, 2012 dated March 28, 2013;
- n) the Management Information Circular of Petrobank dated December 31, 2012 in connection with the annual meeting of Petrobank Shareholders held on April 23, 2013;
- o) Petrobank's independent reserve report as at December 31, 2013, prepared by McDaniel and Associates Consultants Ltd. and Sproule Associates Limited dated March 6, 2014;
- p) due diligence responses by senior management of Petrobank;
- q) certain internal financial information, financial and operational projections of Petrobank and Touchstone as provided by Petrobank and Touchstone management;
- r) data with respect to other transactions of a comparable nature considered by FirstEnergy to be relevant; and
- s) other information, analyses and investigations as FirstEnergy considered appropriate in the circumstances.

We have not, to the best of our knowledge, been denied access by Petrobank or Touchstone to any information requested by us.

The Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuation and Fairness Opinions of the Investment Industry Regulatory Organization of Canada but that organization was not involved in the preparation of the Opinion.

Assumptions and Limitations

We have relied upon, and have assumed the completeness, accuracy and fair representation of all financial and other information, data, advice, opinions and representations obtained by us from public sources, including information relating to Petrobank and Touchstone, or provided to us by Petrobank and Touchstone and their affiliates or advisors or otherwise pursuant to our Engagement and this Opinion is conditional upon such completeness, accuracy and fairness. Subject to the exercise of professional judgement and except as expressly described herein, we have not attempted to verify independently the accuracy or completeness of any such information, data, advice, opinions and representations. Senior officers of Petrobank and Touchstone have represented to us, in certificates delivered as at the date hereof, amongst other things, that the historical and current information, data, opinions and other materials (the "Information") provided to us on behalf of Petrobank and Touchstone, by its authorized representatives are, to the best of their knowledge taken as a whole, complete and correct in all material respects at the date the Information was prepared and that since the date of the Information, except as reflected in Information of more recent date, there has been no adverse material change, financial or otherwise, in the position of Petrobank or Touchstone, or in their assets, liabilities (contingent or otherwise), business or operations (taken as a whole) and there has been no change in any material fact which is of a nature as to render the Information untrue, or misleading in any material respect in light of the circumstances under which the Information was provided.

This Opinion is rendered taking into consideration securities markets, economic and general business and financial conditions prevailing as at the date hereof, and the condition and prospects, financial and otherwise, of Petrobank as they were reflected in the Information reviewed by us and as they were represented to us in our discussions with management of Petrobank. In addition, we considered the financial condition and prospects of Touchstone as they are reflected in the information and documents reviewed by us. In rendering this Opinion, we have assumed that there are no undisclosed material facts relating to Petrobank and/or Touchstone or their businesses, operations or capital. Any changes therein may affect this Opinion and, although we reserve the right to change or withdraw our Opinion in such event, we disclaim any obligation to advise any person of any change that may come to our attention or to update this Opinion after the date hereof.

In our analyses and in connection with the preparation of this Opinion, we made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of FirstEnergy or any party involved in the Arrangement. We have also assumed that all of the representations and warranties contained in the Arrangement Agreement are correct as of the date hereof and that the Arrangement will be completed substantially in accordance with its terms and all applicable laws and that the Proxy Circular will disclose all material facts relating to the Arrangement and will satisfy all applicable legal requirements.

This Opinion is not intended to be and does not constitute a recommendation to any Petrobank Shareholder to vote his/her/its Petrobank Shares in favour of the Arrangement at the Petrobank Meetings. We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Arrangement or the sufficiency of this letter for your purposes.

Conclusion

Based upon and subject to the foregoing and such other matters as we considered relevant, it is our opinion that the consideration to be offered to Touchstone Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Petrobank Shareholders.

This Opinion may be relied upon by the Board for the purposes of considering the Arrangement and its recommendation to Petrobank Shareholders with respect to the Arrangement, but may not be used or relied upon by any other person without our express prior written consent, except as otherwise provided herein.

Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Arrangement Agreement.

Yours very truly,

(Signed) "FirstEnergy Capital Corp."

FirstEnergy Capital Corp.

APPENDIX K
PRO FORMA FINANCIAL STATEMENTS

NEW TOUCHSTONE
Being the Combination of
Petrobank Energy and Resources Ltd. and Touchstone Exploration Inc.

Unaudited Pro Forma Consolidated Financial Statements

December 31, 2013

New Touchstone
Pro Forma Consolidated Statement of Financial Position
As at December 31, 2013
(amounts in 000's of Canadian dollars)
(unaudited)

	Petrobank Energy and Resources Ltd.	Touchstone Exploration Inc.	Adjustments	Note	New Touchstone
			<i>(note 3)</i>		
ASSETS					
Current assets					
Cash	35,120	4,228	-		39,348
Investments in marketable securities	20,591	-	-		20,591
Accounts receivable	1,345	9,662	-		11,007
Inventory	-	170	747	3(a)	917
Prepaid expenses and deposits	734	469	-		1,203
	57,790	14,529	747		73,066
Exploration and evaluation assets	37,518	32,384	(21,748)	3(b)	48,154
Property, plant and equipment	1,276	80,889	27,354	3(c)	109,519
Patents and other intangible assets	255	-	-		255
Goodwill	-	12,247	(12,247)	3(d)	-
	96,839	140,049	(5,894)		230,994
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	6,552	5,724	2,700	3(e)	14,976
Income taxes payable	-	10,225	-		10,225
Current portion of long-term debt	-	5,910	-		5,910
Current portion of finance lease obligations	477	-	-		477
	7,029	21,859	2,700		31,588
Finance lease obligations and other	1,205	-	-		1,205
Liability component of convertible debentures	-	1,690	310	3(f)	2,000
Embedded derivatives related to convertible debentures	-	3	(3)	3(f)	-
Decommissioning obligations	5,213	3,227	3,092	3(g)	11,532
Long-term debt	-	16,009	(192)	3(h)	15,817
Warrant component of long-term debt	-	383	(383)	3(i)	-
Deferred income taxes	-	37,128	3,140	3(j)	40,268
	13,447	80,299	8,664		102,410
Shareholders' equity					
Share capital	134,709	50,270	(23,436)	3(k)	161,543
Contributed surplus	1,557	7,130	(7,130)	3(l)	1,557
Warrants	-	-	173	3(i)	173
Retained (deficit) earnings	(52,874)	2,350	15,835	3(m)	(34,689)
	83,392	59,750	(14,558)		128,584
	96,839	140,049	(5,894)		230,994

See accompanying notes

New Touchstone
Pro Forma Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)
For the Year Ended December 31, 2013
(amounts in 000's of Canadian dollars except for per share amounts)
(unaudited)

	Petrobank Energy and Resources Ltd.	Touchstone Exploration Ltd.	Adjustments	Note	New Touchstone
			<i>(note 4)</i>		
Income					
Petroleum	-	62,694	-		62,694
Royalties	-	(19,106)	-		(19,106)
Interest and other	339	2,212	-		2,551
	339	45,800	-		46,139
Expenses					
Operating costs	-	10,587	-		10,587
General and administrative	8,349	7,016	-		15,365
Loss on marketable securities	6,239	-	-		6,239
Transaction costs	-	21	-		21
Depletion, depreciation and impairment	45,494	9,184	938	4(a)	55,616
Share-based payments	1,190	560	-		1,750
(Gain) loss on unrealized embedded derivatives	-	(374)	374	4(b)	-
Foreign exchange loss (gain)	1	(1,310)	1,635	4(c)	326
Finance expenses	130	4,734	(596)	4(d)	4,268
	61,403	30,418	2,351		94,172
(Loss) earnings before income taxes	(61,064)	15,382	(2,351)		(48,033)
Income taxes					
Current expense	-	11,584	-		11,584
Deferred (recovery) expense	(8,190)	1,368	(623)	4(e)	(7,445)
	(8,190)	12,952	(623)		4,139
Net (loss) earnings and comprehensive (loss) earnings	(52,874)	2,430	(1,728)		(52,172)
Net loss per share					
Basic and diluted	(0.54)				(0.32)
Weighted average number of common shares outstanding (000's)					
Basic and diluted	97,515		65,448	4(f)	162,963

See accompanying notes

New Touchstone
Notes to the Pro Forma Consolidated Financial Statements
As at and for the year ended December 31, 2013
(unaudited)

Unless otherwise stated, amounts presented in these notes are in Canadian dollars and tabular amounts are in thousands of Canadian dollars.

1. Basis of Presentation

The unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated statement of earnings (loss) and comprehensive earnings (loss) as at and for the year ended December 31, 2013 have been prepared for inclusion in the Joint Information Circular of Petrobank Energy and Resources Ltd. (“Petrobank”) and Touchstone Exploration Inc. (“Touchstone”) dated March 28, 2014.

On March 6, 2014, Petrobank and Touchstone jointly announced the acquisition of Touchstone by Petrobank in an all share merger transaction (the “Transaction”). The Transaction will be completed by a plan of arrangement in accordance with the provisions in the *Business Corporations Act (Alberta)* (the “Arrangement”) with Petrobank being the continuing entity. Accordingly, Touchstone shareholders will receive 0.471 of a Petrobank common share for each Touchstone common share held.

The unaudited pro forma consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards from information derived from, and should be read in conjunction with, the audited consolidated financial statements of Petrobank as at and for the year ended December 31, 2013, the audited consolidated financial statements of Touchstone for the year ended September 30, 2013 and the unaudited interim consolidated financial statements of Touchstone for the three months ended December 31, 2013. The accounting policies used in the compilation of these unaudited pro forma consolidated financial statements are consistent with those used in the audited consolidated financial statements of Petrobank as at and for the year ended December 31, 2013. These unaudited pro forma consolidated financial statements do not include all of the information required for full financial statements.

The unaudited pro forma consolidated statement of financial position gives effect to the transactions and assumptions described herein as if they had occurred on December 31, 2013 and the unaudited pro forma consolidated statement of earnings (loss) and comprehensive earnings (loss) gives effect to such transactions and assumptions as if they had occurred on January 1, 2013. The unaudited pro forma consolidated financial statements do not include anticipated financial benefits from such items as potential cost savings or synergies arising from the Arrangement, nor are they necessarily indicative of the results of operations that would have resulted had the acquisition been effected on the date indicated, or the results that may be obtained in the future.

In the opinion of management, the unaudited pro forma consolidated financial statements include all necessary adjustments for the fair presentation of the ongoing entity.

2. Financial Statement Alignment

Touchstone has a September 30 fiscal year-end and presents its consolidated financial statements in United States dollars (“USD”). The following summarizes the methodology used to align Touchstone financial results with Petrobank.

- a) The unaudited interim statement of financial position of Touchstone as at December 31, 2013 was converted to Canadian dollars using the exchange rate in effect as at December 31, 2013 of 1.0636. The consolidated statement of earnings (loss) of Touchstone for the year ended December 31, 2013 was converted to Canadian dollars using the average USD to Canadian dollar exchange rates for each applicable quarter.
- b) The unaudited pro forma consolidated statement of financial position is based on the audited consolidated statement of financial position of Petrobank as at December 31, 2013 and the unaudited interim consolidated statement of financial position of Touchstone as at December 31, 2013. The unaudited pro forma consolidated statement of earnings (loss) is derived from the audited consolidated statement of loss of Petrobank for the year ended December 31, 2013 and the unaudited results of Touchstone for the calendar year ended December 31, 2013. The Touchstone calendar year 2013 results were calculated by summing the interim

New Touchstone
Notes to the Pro Forma Consolidated Financial Statements
As at and for the year ended December 31, 2013
(unaudited)

quarterly consolidated statement of earnings for the preceding four quarters.

- c) Management has reviewed the significant accounting policies of both Petrobank and Touchstone and has determined that no significant differences existed that would materially impact the pro forma results with the exception of decommissioning obligations, which have been discounted using a risk-free rate consistent with Petrobank's accounting policy.

3. Unaudited Pro Forma Consolidated Statement of Financial Position Adjustments

The unaudited pro forma consolidated statement of financial position gives effect to the following transactions, assumptions and adjustments as if they had occurred on December 31, 2013.

The Arrangement has been accounted for using the acquisition method of accounting with Petrobank as the acquirer. The estimated fair value of Touchstone's net assets and liabilities, which have been determined from information that is available at this time and incorporates estimates, will be finalized once the final fair values of the assets and liabilities have been determined at the time of closing. The pro forma allocation of consideration, including the excess of net assets over the consideration transferred, will be subject to review once the final consideration and fair values of the assets and liabilities are determined at the time of closing. This review may result in changes to the purchase price equation.

This preliminary purchase price equation is as follows:

Identifiable assets acquired and liabilities assumed:	
Cash	\$ 4,228
Working capital deficit	(7,601)
Exploration and evaluation assets	10,636
Property and equipment	108,243
Convertible debentures	(2,000)
Long-term debt (including current portion of \$5,910)	(21,727)
Decommissioning obligations	(6,319)
Deferred income tax liability	(40,268)
Total identifiable net assets at fair value	\$ 45,192
Excess of net assets acquired over consideration transferred	(18,185)
Net identifiable assets acquired	\$ 27,007
Consideration for the acquisition:	
Share consideration	\$ 26,834
Warrants acquired	173
Total consideration paid	\$ 27,007

Through the Arrangement, the common shares of Touchstone will be acquired by Petrobank on the basis of 0.471 Petrobank common shares for each Touchstone common share. For purposes of the purchase price allocation, a price of \$0.41 per Petrobank common share has been used, such price being the closing price of a Petrobank common share on March 14, 2014. On March 14, 2014, Touchstone had 138,956,517 common shares outstanding, resulting in the issuance of 65,448,520 Petrobank common shares.

New Touchstone
Notes to the Pro Forma Consolidated Financial Statements
As at and for the year ended December 31, 2013
(unaudited)

Pro forma adjustments to the unaudited consolidated statement of financial position are summarized as follows:

- a) Adjustment to Touchstone’s inventory to reflect the fair market value of its crude oil inventory based on December 2013 realized oil prices;
- b) Downward adjustment to the fair value of Touchstone’s exploration and evaluation assets based on estimated fair values as at December 31, 2013;
- c) Adjustment to the value of Touchstone’s property and equipment based on estimated fair values as at December 31, 2013;
- d) Elimination of Touchstone’s goodwill in connection with the Arrangement;
- e) Transaction costs of \$2.7 million related to the Arrangement have been recognized;
- f) As a result of the Arrangement, New Touchstone is obligated to purchase the convertible debentures at their principal amount. Accordingly, the convertible debentures fair value has been revised to their principal amount and no value has been ascribed to the related conversion feature;
- g) Adjustment to the value of Touchstone’s decommissioning obligations based on the change to a risk-free discount rate;
- h) Decrease in long-term debt as a result of its revaluation as at December 31, 2013;
- i) The warrants are denominated in Canadian dollars which is the functional currency of Petrobank, as such, they have been reclassified to equity;
- j) Deferred income taxes relating to the change in the net assets acquired in the purchase price equation;
- k) Elimination of Touchstone’s share capital of \$50,270,294 and the issuance of share capital of \$26,833,893 by Petrobank;
- l) Elimination of Touchstone’s contributed surplus; and
- m) The pro forma adjustment to retained earnings (deficit) is comprised of the following:

Elimination of Touchstone’s retained earnings	\$	(2,350)
Excess of net assets acquired over consideration transferred		18,185
	\$	15,835

4. Unaudited Pro Forma Consolidated Statement of Earnings (Loss) and Comprehensive Earnings (Loss) Adjustments

The unaudited pro forma consolidated statements of earnings (loss) and comprehensive earnings (loss) for the year ended December 31, 2013 give effect to transactions, assumptions and adjustments having a continuing impact as if they had occurred on January 1, 2013, summarized as follows:

- a) Depletion, depreciation and impairment expense has been increased to reflect the higher carrying value of property and equipment;
- b) The gain on embedded derivatives was reversed as the convertible component of the convertible debentures was

New Touchstone
Notes to the Pro Forma Consolidated Financial Statements
As at and for the year ended December 31, 2013
(unaudited)

revalued to nil;

- c) Foreign exchange gains were reduced as foreign exchange gains related to Touchstone's Canadian dollar denominated debt were reversed;
- d) Finances expenses decreased as follows:
 - (i) Accretion on long-term debt decreased based on the revised fair value calculation which reduced the carrying value;
 - (ii) Accretion on the convertible debentures was reversed as the carrying value of the convertible debentures was increased to its principal value (see note 3(f)); and
 - (iii) Accretion on the decommissioning obligations increased to reflect the higher carrying value;
- e) Deferred taxes have been adjusted to give effect to the other pro forma adjustments; and
- f) The common shares issued to the former Touchstone shareholders have been added into the number of shares outstanding in the per share calculations (see note 5).

5. Shares Outstanding

	Year ended December 31, 2013
Petrobank weighted average shares outstanding	97,514,917
Shares issued to Touchstone shareholders	65,448,520
Pro forma weighted average common shares outstanding	162,963,437

APPENDIX L

**INFORMATION CONCERNING TOUCHSTONE EXPLORATION INC.
AND ANNUAL MEETING MATTERS**

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Exhibit 1 – Audit Committee Charter

INFORMATION CONCERNING TOUCHSTONE EXPLORATION INC.

The information contained in this Appendix L, unless otherwise indicated, is as of March 28, 2014. Unless otherwise stated, all dollar amounts in this Appendix L are presented in Canadian dollars and all capitalized terms used in this Appendix L but not otherwise defined herein have the meanings set forth in the "Glossary of Terms" contained in the Circular.

General

Touchstone is a BCBCA corporation that is a reporting issuer or the equivalent in the provinces of British Columbia, Alberta, Saskatchewan and Ontario. The Touchstone Shares are listed and posted for trading on the TSXV under the symbol "TAB".

The principal office of Touchstone is located at Suite 200, 209 – 8th Avenue S.W., Calgary, Alberta, T2P 1B8 and its registered office is located at Suite 1810, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M3.

For a complete description of Touchstone's organizational structure and material subsidiaries, see "Corporate Structure" in the Touchstone AIF, which is incorporated by reference herein.

Summary Description of the Business

Touchstone is an oil and gas company, whose primary business is the acquisition, exploration and development of prospective oil and gas properties in Trinidad and the Caribbean region. For further information regarding Touchstone and its business activities, see "General Development of the Business" and "Business of the Corporation" in the Touchstone AIF, which is incorporated by reference herein.

Documents Incorporated by Reference

The following documents of Touchstone filed with the various securities commissions or similar authorities in the jurisdictions where Touchstone is a reporting issuer, are specifically incorporated by reference into and form an integral part of the Circular:

- (a) the Touchstone AIF;
- (b) the Touchstone Annual Financial Statements;
- (c) the Touchstone Annual MD&A;
- (d) the Touchstone Interim Financial Statements;
- (e) the Touchstone Interim MD&A;
- (f) the Touchstone 2013 AGM Circular;
- (g) the Touchstone 51-101F1; and
- (h) the Touchstone MCRs.

Any documents of the type required by National Instrument 44-101 — *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any material change reports (except confidential material change reports), interim financial statements, annual financial statements and the auditors' report thereon, information circulars, annual information forms and business acquisition reports (excluding those portions that are not required pursuant to National Instrument 44-101 — *Short Form Prospectus Distributions* of the Canadian Securities Administrators to be incorporated by reference herein) filed by Touchstone with the securities commissions or similar authorities in Canada subsequent to the date of the Circular and prior to the completion of the Arrangement will be deemed to be incorporated by reference in the Circular. Copies of the documents herein incorporated by reference are available through the Canadian System for Electronic Documents Analysis and Retrieval ("**SEDAR**")

website at www.sedar.com and, upon request by a Touchstone Shareholder to Touchstone at Suite 200, 209 – 8th Avenue SW, Calgary, Alberta, T2P 1B8, Attention: Scott Budau, Touchstone will promptly provide a copy of any such document without charge.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein **will be deemed to be modified or superseded for the purposes of the Circular to the extent that a statement contained herein or in any other subsequently filed document that also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of the Circular.**

Information contained or otherwise accessed through Touchstone's website, www.touchstoneexploration.com or any website, other than those documents incorporated by reference herein and filed on SEDAR at www.sedar.com, does not form part of this Circular.

Price Range and Trading Volumes

The Touchstone Shares are listed and posted for trading on the TSXV under the symbol "TAB". The following table sets forth the price ranges and the volume traded of the Touchstone Shares for the periods indicated as reported by the TSXV.

TSX Venture Exchange

Touchstone Shares (TAB)	High (\$)	Low (\$)	Close (\$)	Volume
2014				
January	0.200	0.160	0.165	3,160,465
February	0.225	0.160	0.215	5,638,235
March 1 - 27	0.230	0.175	0.185	9,936,426
2013				
January	0.310	0.190	0.285	14,736,449
February	0.305	0.215	0.225	2,187,023
March	0.260	0.210	0.235	1,844,397
April	0.280	0.225	0.235	3,393,653
May	0.245	0.225	0.235	3,294,931
June	0.240	0.190	0.215	3,722,516
July	0.220	0.190	0.210	2,585,274
August	0.220	0.195	0.210	1,238,395
September	0.220	0.190	0.200	3,080,179
October	0.205	0.170	0.175	5,206,884
November	0.180	0.150	0.160	3,964,101
December	0.190	0.155	0.180	4,632,604

On March 6, 2014, the last trading day that the Touchstone Shares traded prior to announcement of the Arrangement, the closing price of the Touchstone Shares on the TSXV was \$0.195. On March 27, 2014, the closing price of the Touchstone Shares on the TSXV was \$0.185.

Prior Sales

The following table summarizes each class of securities outstanding but not listed or quoted on a marketplace issued during the twelve-month period prior to March 28, 2014:

Date	Securities	Number of Securities	Issue Price
July 24, 2013	Issuance of Stock Options	600,000 ⁽¹⁾	Nil
August 15, 2013	Issuance of Stock Options	25,000 ⁽²⁾	Nil
September 16, 2013	Issuance of Stock Options	125,000 ⁽³⁾	Nil

Notes

- (1) Issued with respect to investor relations services and exercisable: (a) as to 150,000 stock options immediately vested at an exercise price of C\$0.25; (b) as to 150,000 stock options vested three months from the date of grant at an exercise price of C\$0.30; (c) as to 150,000 stock options vested six months from the date of grant at an exercise price of C\$0.35; and (d) as to 150,000 stock options vested nine months from the date of grant at an exercise price of C\$0.40, all 600,000 stock options for a period of two years from the date of grant unless earlier terminated.
- (2) Exercisable, subject to vesting over a three year term, at an exercise price of C\$0.20 for a period of five years from the date of grant unless earlier terminated.
- (3) Exercisable, subject to vesting over a three year term, at an exercise price of C\$0.20 for a period of five years from the date of grant unless earlier terminated.

Risk Factors

Whether or not the Arrangement is completed, Touchstone will continue to face many of the risk factors that it currently faces with respect to its business and affairs. These risk factors are further detailed in the documents incorporated herein, filed with Canadian securities authorities and available on SEDAR at www.sedar.com.

Interest of Informed Persons in Material Transactions

Except as disclosed in this Circular, Touchstone is not aware of any material interest, direct or indirect, of any "informed person" (as defined in National Instrument 51-102 — *Continuous Disclosure Obligations*) of Touchstone, or any associate or affiliate of such persons, in any transaction since the commencement of Touchstone's most recently completed financial year or in any proposed transaction that has materially affected or would materially affect Touchstone or any of its subsidiaries.

Material Contracts

The only material contracts entered into by Touchstone since incorporation, other than entered into in the ordinary course of business, are the Arrangement Agreement, the Touchstone Credit Facility, the Touchstone Debenture Indenture and the Touchstone Warrant Indenture. Copies of the Arrangement Agreement, the Touchstone Credit Facility, the Touchstone Debenture Indenture and the Touchstone Warrant Indenture are available on SEDAR at www.sedar.com. A summary of the material terms of the Arrangement Agreement, the Touchstone Credit Facility, the Touchstone Debenture Indenture and the Touchstone Warrant Indenture are included in the Circular. See "*The Arrangement*". A copy of the Arrangement Agreement is also attached to the Circular as Appendix C.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Touchstone has authorized capital of unlimited common shares ("**Shares**"). As of March 27, 2014 there were 138,956,517 Shares outstanding. Each Shareholder is entitled to one vote for each common share registered in his, her or its name at the close of business on Tuesday, March 25, 2014, the date fixed by Touchstone's directors as the Record Date for determining who is entitled to receive notice of the meeting.

To the knowledge of the directors and executive officers of Touchstone, as of the date hereof, no one Shareholder beneficially owns, directly or indirectly, or exercises control or direction over, Shares carrying more than 10% of the voting rights attached to all outstanding Touchstone Shares.

THE BUSINESS OF THE MEETING

The following matters to come before the Touchstone Meeting are in addition to the those matters of business set forth in the Notice of Meeting that accompanies the Circular and include matters related to the Touchstone Continuance and the Arrangement.

Financial Statements

The audited consolidated financial statements of Touchstone for the year ended September 30, 2013, together with the report of the current auditor thereon, will be placed before you at the Meeting. A copy of the financial statements and auditor's report is available for viewing at Touchstone's records office located at Suite 1810, 1111 West Georgia Street, Vancouver, British Columbia, during normal business hours, or through the Internet on SEDAR at www.sedar.com.

Election Of Directors

Directors of Touchstone are elected for a term of one year. The term of office of each of the nominees proposed for election as a director will expire at the Meeting, and each of them, if elected, will serve until the close of the next annual general meeting, unless he or she resigns or otherwise vacates office before that time. Under Touchstone's articles, the number of directors may be fixed or changed from time to time by ordinary resolution but shall not be fewer than three. Between annual general meetings, the directors have the authority to fill casual vacancies that may from time to time exist, or appoint additional directors provided however that such number of additional directors shall not exceed one-third of those directors elected at the last annual general meeting. Touchstone currently has six directors and five directors are proposed for election at the Meeting.

Setting the Number of Directors

At the Touchstone Meeting, it is proposed that the number of directors of Touchstone to be elected to hold office until the next annual meeting of Touchstone Shareholders or until their successors are elected or appointed, be set at five. **Unless otherwise directed, it is the intention of management to vote proxies FOR setting the number of directors to be elected at the Touchstone Meeting at five.**

Nominees for Election as Directors

The following are the names and residences of the nominees proposed for election as directors of Touchstone, together with the number of Shares and stock options that are beneficially owned, directly or indirectly, or over which control or direction is exercised, by each nominee. All the nominees are currently directors of Touchstone. Each of the nominees has agreed to stand for election and Touchstone is not aware of any intention of any of them not to do so. If, however, one or more of them should become unable to stand for election, it is likely that one or more other persons would be nominated at the Meeting for election and, in that event, the persons designated in the form of proxy will vote in their discretion for a substitute nominee.

The following information relating to the nominees as directors is based on information received by Touchstone from the nominees.

Nominee for election as Director	Director since	Number of Shares, owned controlled or directed		Number of options	
		September 30, 2013	March 27, 2014	September 30, 2013	March 27, 2014
Paul R. Baay Calgary, Alberta, Canada - <i>Chairman</i>	October 6, 2009	3,716,607	3,780,559	1,700,000	1,700,000
Chairman of the Board and Chief Executive Officer of Touchstone. Mr. Baay was Managing Director of Abacus Energy, part of Abacus Private Equity from 2007 through 2010 and was a senior officer of True Energy Inc. from 2000 through 2007.					
Trevor Mitzel Calgary, Alberta, Canada - <i>Chairman, Audit Committee</i> - <i>Reserves and Environment Committee</i>	March 19, 2010	93,223	181,672	1,150,000	1,150,000
Chief Financial Officer of Big Country Energy Services LP since 2005.					
R. Gregg Smith Calgary, Alberta, Canada - <i>Chairman, Reserves and Environment Committee</i> - <i>Audit Committee</i>	June 1, 2010	293,223	321,674	400,000	400,000
Senior Vice-President and Chief Operating Officer of PetroBakken Energy Ltd. from 2009 to 2012, Senior Vice-President and Chief Operating Officer for the Canadian business unit of Petrobank Energy and Resources Ltd. from 2003 through 2009. Mr. Smith is a director of Passport Energy Ltd.					
John Zang Calgary, Alberta, Canada - <i>Audit Committee</i> - <i>Corporate Governance and Compensation Committee</i>	June 30, 2010	469,409	497,831	400,000	400,000
Sole practitioner lawyer since 2002, Chief Executive Officer of Verity Energy Ltd. since 2010 and director and officer of Morro Bay Resources Ltd. since 2012.					
Thomas E. Valentine Calgary, Alberta, Canada - <i>Corporate Governance and Compensation Committee</i>	April 21, 2011	7,442	7,442	400,000	400,000
Partner at Norton Rose Fulbright Canada LLP (formerly Macleod Dixon LLP) since 1986.					

Touchstone's management recommends that Shareholders vote in favour of the election of the proposed nominees as directors of Touchstone for the ensuing year. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the nominees named in this Appendix to the Circular.

Appointment of the Auditor

During the financial year ended September 30, 2013, Ernst & Young LLP served as Touchstone's auditor, having been appointed at the last annual meeting of Touchstone on April 24, 2013. Ernst and Young LLP has been the auditor of Touchstone since October 2010. See "*Audit Committee*" for further information.

Touchstone's management recommends that Shareholders vote in favour of the appointment of Ernst & Young LLP, Chartered Accountants, as Touchstone's auditor for the ensuing year. **Unless you give other instruction, the persons named in the form of proxy intend to vote FOR the appointment of Ernst & Young LLP, to act as Touchstone's auditor until the close of the next annual general meeting.**

Annual Approval of Stock Option Incentive Plan

TSXV policy requires that rolling stock option plans, which set the number of shares issuable under the plan at a maximum of 10% of the issued and outstanding shares from time to time, must be approved and ratified by shareholders and the TSXV on an annual basis.

The aggregate number of Shares reserved for issuance under the 2010 Stock Option Incentive Plan (the "**Option Plan**") and Shares reserved for issuance under any other share compensation arrangement granted or made available by Touchstone from time to time may not exceed in aggregate 10% of the issued and outstanding Touchstone Shares at the time of grant. There are currently 138,956,517 Shares issued and outstanding and accordingly, 13,895,651 Shares will be reserved for issuance under the Option Plan. As at the date hereof, there are options outstanding to purchase a total of 9,967,084 Shares, which have been granted to directors, officers, employees and consultants of Touchstone.

The term of any options granted under the Option Plan will be fixed by the board of directors (the "**Board**") and may not exceed five years. The exercise price of options granted under the Option Plan will be determined by the Board, provided that it is not less than the lowest price permitted by the TSXV policies. Options granted pursuant to the Option Plan will be subject to vesting in three equal tranches over a three year period, and black-out exercise periods related to the release of interim or annual financial information, or an ad hoc trading ban related to a pending material change.

Any options granted pursuant to the Option Plan will terminate: (a) the later of any applicable severance notice period and 90 days of the option holder ceasing to act as an officer, employee or consultant of Touchstone or any of its affiliates; or (b) within 90 days of the option holder ceasing to act as a director of Touchstone – unless such cessation is on account of death, disability or termination of employment with cause. If such cessation is on account of disability or death, the options terminate on the first anniversary of such cessation, and if it is on account of termination of employment with cause, the options terminate immediately. The Option Plan also provides for adjustments to outstanding options in the event of any consolidation, subdivision, conversion or exchange of Touchstone's shares.

The Option Plan will be administered by the Board. Following approval of the Option Plan by the Touchstone Shareholders, further Shareholder approval will not be required for option grants made in accordance with the Option Plan, except as required by the policies of the TSXV. The Board has the authority to make the following amendments to the Option Plan, without requiring Shareholder approval: (a) amendments of a "housekeeping" nature; (b) a change to the vesting provisions of options granted pursuant to the Option Plan; (c) a change to the termination provisions of options granted under the Option Plan that does not entail an extension beyond the original expiry date; and (d) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Option Plan reserve. All other amendments to the Option Plan or entitlements granted pursuant to the Option Plan will require the approval of Touchstone Shareholders.

Touchstone's management recommends that Shareholders vote in favour of the resolution to approve the Option Plan. **Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the approval of the Option Plan.**

Other Matters

Management knows no other matters to come before the Meeting other than as referred to in the Notice of Meeting and including matters related to the Arrangement and the Touchstone Continuance. Should any other matters properly come before the Meeting, the Touchstone Shares represented by proxy solicited hereby will be voted on such matters in accordance with the best judgement of the person voting such proxy.

EXECUTIVE COMPENSATION

The following disclosure is provided pursuant to Form 51-102F6 — *Statement of Executive Compensation*.

Compensation Discussion and Analysis

Touchstone's executive compensation program is administered by the corporate governance and compensation committee of the Board (the "**Corporate Governance and Compensation Committee**"). The Corporate Governance and Compensation Committee's mandate includes reviewing and determining or making recommendations to the Board in respect of compensation matters relating to the executive officers, employees and directors, including the "Named Executive Officers" who are identified in the "*Summary Compensation Table*" below. The Corporate Governance and Compensation Committee is comprised of Sean Durfy (Chair), John Zang and Thomas Valentine. All of these directors are "independent" for the purposes of National Instrument 58-201 — *Corporate Governance Guidelines* ("**NI 58-201**").

The purpose of this Compensation Discussion and Analysis is to provide information about Touchstone's executive compensation objectives and processes and to discuss compensation decisions relating to its named executive officers ("**Named Executive Officers**" or "**NEOs**"). Form 51-102F6 — *Statement of Compensation* defines NEOs as the Chief Executive Officer, the Chief Financial Officer and each of Touchstone's three most highly compensated officers other than the Chief Executive Officer and Chief Financial Officer whose total compensation was more than \$150,000.

Compensation Philosophy and Objectives

Touchstone's compensation program is founded on the principle that compensation should be aligned with Shareholders' interests while also recognizing that Touchstone's corporate performance is dependent upon retaining experienced and committed directors, executive officers and employees who have the necessary skills, experience and personal qualities required to manage Touchstone's business. The compensation policies are designed to attract and retain experienced personnel and to motivate their performance in order to achieve Touchstone's strategic objectives and to align the interests of executive officers and other employees with the long term interests of Touchstone Shareholders and enhancement in share value.

The Corporate Governance and Compensation Committee, together with the Board, administers the Touchstone's compensation program for executive officers. Each member of the Corporate Governance and Compensation Committee has direct experience relevant to his responsibilities in executive compensation within the Corporation, including significant past business experience. Mr. Durfy serves as an independent board member for a number of publicly traded and private companies and was President and Chief Executive Officer of WestJet Airlines Ltd. from 2007 to 2010 and the President of Enmax Energy Corp. from 2000 to 2004. Mr. Valentine is a senior partner at Norton Rose Fulbright Canada LLP and has more than 25 years of experience in the oil and gas industry. Mr. Zang has been a sole practitioner lawyer since 2002 and has served as director for a number of energy companies including Verity Energy Ltd. and is also director and Chief Executive Officer of Morro Bay Resources Ltd.

The Corporate Governance and Compensation Committee together with the Board generally each use their experience and judgement in determining an overall compensation package for the executive officers with reference to similar sized companies based upon such factors as revenue, total assets, free cash flow and capital expenditures and number of employees. It is recognized that the executive compensation program must be sufficiently flexible in order to adapt to unexpected developments in the oil and gas industry and the impact of internal and market related occurrences from time to time.

Executive compensation consists of three primary components: (i) base compensation, (ii) annual incentives, and (iii) option-based awards. Two of the components, base compensation and annual incentives, are determined based on management's recommendation to the Corporate Governance and Compensation Committee. Base salaries form an essential element of Touchstone's compensation mix as they are the base measure to compare and remain competitive relative to peer companies. Base salaries are used as the base to determine other elements of compensation and benefits. Annual performance-based cash incentives (i.e. bonuses) are designed to reward Touchstone's executive officers for maximizing the overall annual performance of Touchstone. These bonuses capture quantitative and qualitative assessments of performance. The third component is a long-term compensation component in the form of grants of stock options. Stock options are intended to reward executive officers for their success in achieving sustained, long-term profitability and increases in share value. This third component is determined and administered by the Board based on the recommendations of management and the Corporate Governance and Compensation Committee.

Decision Making Process

When determining executive compensation, including the assessment of the competitiveness of Touchstone's compensation program, management and the Corporate Governance and Compensation Committee review the compensation practices of various companies of a similar size, scope and complexity in the oil and gas industry. In arriving at recommendations for executive compensation, including the assessment of the competitiveness of Touchstone's compensation practices, compensation information reviewed includes that available in the public domain, through private conversation and from widely available compensation surveys and studies. Additional information in respect to certain positions is also obtained through and during the competitive hiring process of new executives.

In arriving at base salaries and stock option grants for executive officers of Touchstone, other than the Chief Executive Officer, Touchstone's Chief Executive Officer makes recommendations to the Corporate Governance and Compensation Committee, which then reviews and considers the recommendations with reference to the information it has available and determines whether to accept the recommendations or make any changes. The Corporate Governance and Compensation Committee determine its recommendation with respect to compensation of the Chief Executive Officer in consultation with the other independent directors and in certain circumstances informal consultation with the Chief Executive Officer. In the case of stock option grants, the Corporate Governance and Compensation Committee, in consultation with the Chief Executive Officer, makes a recommendation to the Board for consideration and approval.

Base Salary

Base salary is compensation for discharging job duties and responsibilities and reflects the level of skills and capabilities demonstrated by the NEO. The Board seeks to set base salary at a level competitive enough to represent fair compensation in the marketplace. For all employees, including executives, annual salary adjustments are considered by the Board annually but are not guaranteed. Any potential adjustments include consideration for both individual performance and market conditions.

Annual Incentives

Annual incentives, in the form of cash payments, are designed to add a variable component of compensation based on overall corporate performance and the executive's individual performance. This element of total compensation is developed based on market data and ensures Touchstone remains competitive within its industry. Two factors are considered when determining bonuses for NEOs. The first is the corporate performance against a specific set of performance criteria and the second is the individual performance of each NEO. Bonuses are then awarded and calculated based on reaching the corporate targets and individual performance objectives.

Touchstone's Chief Executive Officer makes recommendations to the Corporate Governance and Compensation Committee with respect to the specific objective performance measures such as production, operating costs, operating cash flows and relative share performance and the formula to measure the achievement of these objectives, which recommendations are then reviewed and considered by the Corporate Governance and Compensation Committee with reference to the information it has available and either accepted for recommendation to the Board or are amended prior to such recommendation. Achievement of specific annual objectives and strategic initiatives are also determined by the Corporate Governance and Compensation Committee based on the recommendations of the Chief Executive Officer or, with respect to assessing the Chief Executive Officer, directly by the Corporate Governance and Compensation Committee, prior to formal recommendations being made to the Board. Individual performance is measured using a more subjective approach; some management discretion, subject to Corporate Governance and Compensation Committee approval, is used to measure achievement of these objectives. In evaluating performance, the Corporate Governance and Compensation Committee considers factors over which the management of Touchstone can exercise control, such as meeting budget targets established by the Board at the beginning of each year, controlling costs, improving safety, environmental and sustainability performance, taking successful advantage of business opportunities and enhancing the competitive and business prospects of Touchstone.

Option-based Awards

The Option Plan is available to all employees, executives and approved consultants of Touchstone. As options have increased value to the holder if the market value of the stock appreciates over time, the objective of the program is to tie the interests of the executive officers and employees directly to the interests of Shareholders. In that regard, stock option incentive plans are intended to serve as a long-term retention and incentive tool. The exercise price, terms, vesting and conditions of any options granted are established by the Board and subject to the rules of the regulatory authorities having jurisdiction over the securities of Touchstone. The determination of an award, as well as the amount of the award, is at the sole discretion of the Board. The Board considers previous grants of options and the overall number of options that are outstanding relative to the number of outstanding Shares in determining whether to make any new grants of options and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the executive officer or employee in determining the level of incentive stock option compensation.

Other Compensation/Perquisites

The Board approved a share purchase plan (the "**Purchase Plan**") on September 29, 2010. The Purchase Plan has been established to encourage eligible employees, directors and approved consultants to purchase Shares, therefore aligning their interests with the financial success of Touchstone and to allow Touchstone to provide contributions as an incentive. Under the Purchase Plan, contributions are limited to an annual maximum of 5% of base salary for eligible employees and \$5,000 and \$10,000 annually for directors and consultants respectively. Touchstone will contribute an additional amount equal to 100% of the participant's contribution. Common shares will be purchased, with the aggregate contributions, monthly through the TSXV by ScotiaMcLeod. Participation in the Purchase Plan is voluntary and neither Touchstone nor ScotiaMcLeod may make any recommendation to an employee as to whether they should or should not participate. Participants will have title to all Shares purchased with his or her contributions immediately.

Touchstone's executive officers are entitled to certain other compensation and perquisites designed to retain experienced personnel and to align interests with those of Shareholders. Touchstone's executive employee benefit program includes life, medical, dental and disability insurance. Such benefits and other perquisites are designed to be competitive overall with equivalent positions in comparable Canadian issuers.

The Board, on an annual basis, or otherwise more frequently as circumstances require, considers whether the executive compensation programs create or incentivize any inappropriate risk-taking. Touchstone ensures that these incentives do not result in actions being taken that are not in the long-term interest of Touchstone. The Board did not identify any risks arising from its compensation policies and practices that are reasonably likely to have a material adverse effect on Touchstone.

Hedging and Offsetting

At present, Touchstone does not have a formal policy prohibiting its directors and officers from engaging in short sales of securities of Touchstone or buying or selling puts, calls or other derivatives that are designed to hedge or offset a decrease in the market value of securities of Touchstone.

Currently, in the absence of such a policy, the directors and officers of Touchstone are expected to act at all times transparently, with integrity and with a view to the best interest of Touchstone and its Shareholders in their securities trading activities.

It should be noted that any transactions of this nature are subject to insider reporting requirements and are reported on the System for Electronic Disclosure by Insiders ("**SEDI**").

Summary Compensation Table

The following table sets forth the total compensation paid to or earned by the Chief Executive Officer and Chief Financial Officer and the most highly compensated officers, other than the Chief Executive Officer and Chief Financial Officer, as at and for the year ended September 30, 2013 whose total compensation was more than \$150,000 for Touchstone's fiscal year ended September 30, 2013.

Name and principal position	Fiscal year ended Sept. 30	Salary (\$)	Option-based awards⁽¹⁾ (\$)	Annual incentive plans⁽²⁾ (\$)	All other compensation⁽³⁾ (\$)	Total compensation (\$)
Paul R. Baay ⁽⁴⁾ Chief Executive Officer & Chairman	2013	225,000	92,357	157,500	7,455	482,312
	2012	225,000	181,927	293,750	13,363	714,040
	2011	180,000	-	190,000	19,345	389,345
Scott Budau ⁽⁵⁾ Chief Financial Officer	2013	153,333	36,943	95,000	-	285,276
	2012	100,881	56,884	62,500	-	220,265
	2011	-	-	-	-	-
Greg Marr ⁽⁶⁾ Chief Financial Officer	2013	116,182	-	-	-	116,182
	2012	180,000	25,990	120,000	-	325,990
	2011	100,000	282,668	-	-	382,668
Ron Bryant ⁽⁷⁾ Chief Operating Officer & President	2013	225,000	73,886	37,500	-	336,386
	2012	225,000	129,948	293,750	-	648,698
	2011	185,000	-	190,000	-	375,000
James Shipka Vice President Geosciences & Business Development	2013	204,167	55,414	105,000	19,048	383,629
	2012	180,000	64,974	160,000	28,750	433,544
	2011	75,000	231,754	-	-	306,754

Notes:

- (1) Based on the grant date fair value of the applicable awards. The fair value of incentive stock options are estimated at the date of grant using the Black-Scholes Option Pricing Model. This method was selected due to its acceptance as an appropriate valuation used by similar sized oil and gas companies. The following weighted average assumptions were used to calculate the fair value of options granted in the following years:
- 2013: risk-free rate of 1.3%, expected life of 4.2 years, 88.5% expected common share volatility factor, expected annual dividend yield of 0% and a 1.4% expected forfeiture rate.

- 2012: risk-free rate of 1.2%, expected life of 4.3 years, 83.4% expected common share volatility factor, expected annual dividend yield of 0% and a 3.3% expected forfeiture rate.
 - 2011: risk-free rate of 1.8%, expected life of 4.5 years, 82.9% expected common share volatility factor, expected annual dividend yield of 0% and a 1.1 % expected forfeiture rate.
- (2) The annual incentive plan is comprised of Touchstone's cash bonuses.
- (3) All other compensation is the value of perquisites received by NEOs. Not included in the determination of perquisites are items that are generally available to all employees including the Purchase Plan, health spending account, health insurance and parking.
- (4) Mr. Baay did not receive any compensation for his service as a director during the period that he was an executive officer of Touchstone.
- (5) Mr. Budau was appointed as Touchstone's Chief Financial Officer on October 23, 2012, and began his employment with Touchstone in December 2011.
- (6) Mr. Marr acted as Touchstone's Chief Financial Officer during its financial year ended September 30, 2012 (resigning October 23, 2012). Mr. Marr was paid a severance payment of \$108,000.
- (7) Mr. Bryant acted as Touchstone's Chief Operating Officer and President during its financial year ended September 30, 2013 (resigning on January 27, 2014). Pursuant to a termination agreement between Touchstone and Mr. Bryant dated January 27, 2014, Touchstone agreed to pay Mr. Bryant in the aggregate of \$667,000 in three instalments, commencing on January 31, 2014. The final instalment will be paid to Mr. Bryant on March 31, 2014 in the amount of \$222,333.

Incentive Plan Awards

Outstanding Option-Based Awards

The following table sets forth option-based awards granted to the NEOs during the most recently completed financial year, or in prior years, and that were outstanding as at September 30, 2013. No share-based awards other than incentive stock options have been granted to the NEOs by Touchstone.

Name	Number of common shares underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
Paul R. Baay	500,000	0.28	January 29, 2018	Nil
	700,000	0.42	February 16, 2017	Nil
	500,000	0.80 USD ⁽⁴⁾	August 8, 2015	Nil
Scott Budau ⁽²⁾	200,000	0.28	January 29, 2018	Nil
	250,000	0.395	December 11, 2016	Nil
Ron Bryant ⁽⁴⁾	180,000	0.23	March 14, 2017	Nil
	400,000	0.28	January 29, 2018	Nil
	500,000	0.42	February 16, 2017	Nil
	500,000	0.80 USD ⁽⁴⁾	August 8, 2015	Nil
James Shipka	300,000	0.28	January 29, 2018	Nil
	250,000	0.42	February 16, 2017	Nil
	500,000	0.68	April 30, 2016	Nil

Notes:

- (1) Calculated based on the difference between the closing price of the underlying Shares on the TSXV on September 30, 2013 (the last trading day of Touchstone's 2013 fiscal year) of \$0.20 and the exercise price of the options.
- (2) Mr. Budau was appointed as Touchstone's Chief Financial Officer on October 23, 2012.
- (3) Mr. Bryant acted as Touchstone's Chief Operating Officer and President during its financial year ended September 30, 2013 (resigning on January 27, 2014).
- (4) USD = United States Dollars.

Pension Plan Benefits

Touchstone does not provide any form of pension plan or other retirement benefits for its directors, officers or employees.

Termination and Change of Control Benefits

Touchstone entered into employment agreements (the "**Agreements**") with the following NEOs:

- Paul R. Baay – effective September 1, 2010;
- Greg Marr – effective February 1, 2011 (terminated on October 23, 2012);
- Ron Bryant – effective January 5, 2011 (terminated on January 27, 2014);
- James Shipka – effective May 1, 2011; and
- Scott Budau – effective October 23, 2012.

Each of these Agreements provide for an indefinite term of employment. Each Agreement may be terminated by: (i) Touchstone giving notice of termination (other than just cause) to the NEO, or (ii) the executive giving notice of termination to Touchstone following a Change in Control (as defined below).

In the event of either of the foregoing, Touchstone shall pay Mr. Baay a lump sum payment equal to 2.0 times 120% of the then applicable gross annual base salary of Mr. Baay.

In the event of either of the foregoing, Touchstone shall pay Mr. Shipka or Mr. Budau, as applicable, a lump sum payment equal to:

- (a) if terminated after six months from the employment date but on or prior to the second anniversary of the employment date, 0.5 times 120% of the then applicable gross annual base salary of Mr. Shipka or Mr. Budau, as applicable; or
- (b) if terminated after the second anniversary of the employment date, 1.5 times 120% of the then applicable gross annual base salary of Mr. Shipka or Mr. Budau, as applicable.

Under the Agreements, a "Change of Control" is defined as:

- (a) the acceptance and sale by Touchstone Shareholders, representing in the aggregate more than 50% of all issued and outstanding Shares of any offer, whether by way of a take-over bid or otherwise, for all or any of the Shares; or
- (b) the acquisition by whatever means (including, without limitation, amalgamation, arrangement, consolidation or merger), by a person (or two or more persons who in such acquisition have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to Shares acquired), directly or indirectly, of the beneficial ownership of such number of shares or rights to shares, which together with such person's then owned shares and rights to acquire shares, if any, represent (assuming the full exercise of such rights to acquire shares) more than 50% of the combined voting rights of the then outstanding shares, together with shares that would be outstanding on the full exercise of the rights to acquire shares and such person's previously owned rights to acquire shares; or
- (c) the closing of a transaction whereby Touchstone merges, consolidates, amalgamates, is arranged or absorbed by or into another person, and as a result of such transaction, Touchstone Shareholders prior to the transaction own directly or indirectly less than 50% of the voting securities of the entity resulting from the transaction; or
- (d) the passing of a resolution by the Board or Shareholders to wind-up or liquidate Touchstone or the commencement of proceedings for the winding-up or liquidation of Touchstone; or
- (e) the sale by Touchstone of all or substantially all of its assets; or

- (f) any determination by the Board that a Change of Control has occurred, or is about to occur, which determination shall be binding and conclusive for all purposes.

On October 23, 2012 Touchstone terminated the Agreement with Mr. Marr and a lump sum payment in the amount of \$108,000 was paid. Mr. Scott Budau was subsequently appointed as Touchstone's Chief Financial Officer and entered into an executive employment agreement of terms substantially similar to those of Mr. Marr's Agreement.

On January 27, 2014, Touchstone entered into a termination agreement with Mr. Bryant (the "**Termination Agreement**"). Pursuant to the Termination Agreement, Touchstone agreed to pay Mr. Bryant in the aggregate of \$667,000 in three instalments, commencing on January 31, 2014. The final instalment will be paid to Mr. Bryant on March 31, 2014 in the amount of \$222,333.

Touchstone may terminate any of the Agreements without notice or payment in lieu for cause. The NEO may terminate an Agreement by giving at least three months' advance notice in writing to Touchstone.

Other than as disclosed herein, Touchstone is not a party to any contract, agreement, plan or arrangement with its NEOs that provide for payments to NEOs at, following, or in connection with any termination (whether voluntary, involuntary or constructive), resignation or retirement, or as a result of a change in control of Touchstone or a change in a NEO's responsibilities.

Estimated Termination Payments

The following table sets forth the details of the estimated incremental payments, payables and benefits due to each of the NEOs that would have arisen upon a termination on September 30, 2013, pursuant to the terms and conditions of their Agreements:

Name	Salary (\$)	Bonus (\$)	Benefits (\$)	Unpaid vacation (\$)	Total incremental obligations (\$)
Paul R. Baay	540,000	Nil	Nil	4,261	544,261
Scott Budau ⁽²⁾	96,000	Nil	Nil	2,424	98,424
James Shipka	378,000	Nil	Nil	6,364	384,365

Notes:

- (1) Salary, bonus, benefits and unpaid vacation are provided for upon termination without cause or a Change of Control in the Agreements with each of the NEOs above.
- (2) Mr. Budau was appointed as Touchstone's Chief Financial Officer on October 23, 2012.

Director Compensation

Director Compensation Table

The following table sets forth the value of all compensation provided to directors of Touchstone, not including those who are also NEOs, for Touchstone's most recently completed financial year.

Name	Fees earned (\$)	Option-based awards ⁽¹⁾ (\$)	All other compensation ⁽²⁾ (\$)	Total compensation (\$)
Trevor Mitzel	Nil	36,943	5,000	41,943
Sean M. Durfy	Nil	36,943	5,000	41,943
R. Gregg Smith	Nil	36,943	5,000	41,943
John Zang	Nil	36,943	5,000	41,943
Thomas Valentine	Nil	36,943	-	36,943

Notes:

- (1) Based on the grant date fair value of the applicable awards. The fair value of incentive stock options are estimated at the date of grant using the Black-Scholes Option Pricing Model and the annual weighted average assumptions disclosed in "Executive Compensation – Summary Compensation Table".
- (2) Includes amounts paid to the directors under Touchstone's Purchase Plan (see "Executive Compensation – Other Compensation/ Perquisites").

Executive directors do not receive additional compensation for serving as a director of Touchstone. Directors are entitled to be reimbursed for reasonable expenditures incurred in performing their duties as directors.

Outstanding Option-Based Awards

The following table sets forth option-based awards granted to the directors of Touchstone, not including those directors who are also NEOs, to purchase or acquire securities of Touchstone as at the fiscal year ended September 30, 2013. No share-based awards other than incentive stock options have been granted to the directors and Touchstone does not provide any non-equity incentive plan compensation to its directors.

Name	Number of common shares underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
Trevor Mitzel	200,000	0.28	January 29, 2018	Nil
	200,000	0.42	February 16, 2017	Nil
	750,000	0.50 USD ⁽²⁾	July 5, 2015	Nil
Sean M. Durfy	200,000	0.28	January 29, 2018	Nil
	100,000	0.42	February 16, 2017	Nil
	100,000	0.80 USD ⁽²⁾	August 8, 2015	Nil
R. Gregg Smith	200,000	0.28	January 29, 2018	Nil
	100,000	0.42	February 16, 2017	Nil
	100,000	0.80 USD ⁽²⁾	August 8, 2015	Nil
John Zang	200,000	0.28	January 29, 2018	Nil
	100,000	0.42	February 16, 2017	Nil
	100,000	0.80 USD ⁽²⁾	August 8, 2015	Nil
Thomas Valentine	200,000	0.28	January 29, 2018	Nil
	100,000	0.42	February 16, 2017	Nil
	100,000	0.82	April 20, 2016	Nil

Notes:

- (1) Calculated based on the difference between the closing price of the underlying Shares on the TSXV on September 30, 2013 (the last trading day of Touchstone's 2013 fiscal year) of \$0.20 and the exercise price of the options.
- (2) USD = United States Dollars.

For more information about option-based awards, see "The Business of the Meeting – Annual Approval of the Stock Option Plan". All stock options granted by Touchstone to its directors during the most recent completed fiscal year vest in three instalments on each of the first, second and third anniversaries of the date of grant and the exercise price represented the market price of the underlying Shares as at that date. As such, no dollar value of options vested (being, the difference between the September 30, 2013 market price of the underlying Shares and the option exercise price on the vesting date) was realized by any of Touchstone's directors during the fiscal year ended September 30, 2013.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Board adopted its current Option Plan in March of 2010, pursuant to which the aggregate number of Shares reserved for issuance under the Option Plan and Shares reserved for issuance under any other share compensation arrangement granted or made available by Touchstone from time to time may not exceed in aggregate 10% of the issued and outstanding Touchstone Shares at the time of the grant. The Option Plan was initially approved by Touchstone Shareholders at the annual general meeting held June 1, 2010 and must be annually approved by Touchstone Shareholders, as required by the TSXV, at the annual general meetings of shareholders held in each calendar year thereafter (see "*The Business of the Meeting – Annual Approval of the Stock Option Plan*").

The following table sets forth summary information regarding Touchstone's equity compensation plans as of September 30, 2013. As at the date hereof, 9,967,084 options are issued at a weighted average exercise price of \$0.52 with 3,928,567 options available for future issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	10,037,082	0.52	3,858,569
Equity compensation plans not approved by securityholders	N/A	N/A	N/A

CORPORATE GOVERNANCE

The Board is responsible for governance of Touchstone. The Board and Touchstone's management consider good corporate governance to be central to the effective and efficient operation of Touchstone. Below is a discussion of Touchstone's approach to corporate governance.

Board of Directors

The Board facilitates its exercise of independent supervision over management by ensuring that the Board includes independent directors. The Board, at present, is composed of six directors, five of whom are currently considered to be independent. In determining whether a director is independent, the Board considers, for example, whether the director has a relationship, which could, or could be perceived to, interfere with the director's ability to objectively assess the performance of management. During the most recently completed financial year, Messrs. Baay and Bryant were not considered to be independent as they were executive officers and members of management of Touchstone.

To provide leadership for its independent directors, the Board ensures that the independent directors have access to the management of Touchstone. Further, at Touchstone's expense, the Board or any committee of the Board may retain, when it considers it necessary or desirable, outside consultants or advisors to advise the Board or any committee of the Board independently on any matter. The Board and any committee of the Board have the sole authority to retain and terminate any such consultants or advisors, including sole authority to review a consultant's or advisor's fees and other retention terms.

The Board is specifically responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. Board consideration and approval is also required for all material contracts, business transactions and all debt and equity financing proposals. The Board

delegates to management, through the offices of the Chief Executive Officer and President, responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on Touchstone's business in the ordinary course, managing Touchstone's cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board also looks to management to furnish recommendations relating to corporate objectives, long-term strategic plans and annual operating plans.

Other Directorships

Certain of Touchstone's directors and proposed nominees are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

Name	Reporting Issuer (or equivalent in a foreign jurisdiction)
Paul R. Baay	Veraz Petroleum Ltd.
Sean M. Durfy ⁽¹⁾	Karnalyte Resources Inc., Northland Power Inc. and Pro-Trans Ventures Inc.
R. Gregg Smith	Passport Energy Inc.
John Zang	Morro Bay Resources Ltd.
Thomas Valentine	Calvalley Petroleum Inc. and NXT Energy Solutions Inc.

Note:

(1) Mr. Durfy will not stand for election as a director of Touchstone at the Touchstone Meeting.

Orientation and Continuing Education

Touchstone does not currently have any formal orientation and education programs for new directors of Touchstone. Each director has the responsibility to ensure that he maintains the skills and knowledge to meet his obligations as a director. Board members are encouraged to communicate with management of Touchstone, auditors and technical consultants to keep themselves current with industry trends and developments and changes in legislation, to attend related industry seminars and conventions and to visit Touchstone's operations. Board members have full access to Touchstone's records. Orientation activities, as required, will be tailored to the particular needs and experience of each director and the overall needs of the Board.

Ethical Business Conduct

Any director with a conflict in interest or who is capable of being perceived as being in a conflict of interest with respect to Touchstone must abstain from discussion and voting by the Board or any committee of the Board on any motion to recommend or approve the relevant agreement or transaction.

The Board monitors the ethical conduct of Touchstone and its management and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that the fiduciary duties placed on individual directors by Touchstone's governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of Touchstone.

Nomination of Directors

The Board has not appointed a nominating committee. The Board determines new nominees to the Board although no formal process has been adopted. The nominees are generally the result of recruitment efforts by the Board members including both formal and informal discussions among the

possess; (ii) the competence and skills that the Board considers each existing director to possess; (iii) the competencies and skills that each new nominee will bring to the boardroom; and (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board.

Compensation

The Board has a Corporate Governance and Compensation Committee. See "*Executive Compensation – Compensation Discussion and Analysis*". In addition to those matters related to the compensation of executive officers, the function of the Corporate Governance & Compensation Committee of Touchstone is to develop, monitor and, where appropriate, modify Touchstone's corporate governance procedures; review and, where appropriate, approve Touchstone's strategic plan, major corporate actions and Touchstone's internal controls; regularly monitor the effectiveness of management policies and decisions; assess major risks facing Touchstone and review options for their mitigation; and ensure that Touchstone's business is conducted with the highest standards of ethical conduct and in conformity with applicable laws and regulations.

Committees of the Board of Directors

Other than the audit committee (the "**Audit Committee**") and the Corporate Governance and Compensation Committee described elsewhere in this Appendix, Touchstone has established a reserves and environment committee comprised of Messrs. Gregg Smith (Chairman), Trevor Mitzel and Sean Durfy (the "**Reserves and Environment Committee**"). All members of the Reserves and Environment Committee are independent within the meaning of 58-201 and Messrs. Smith and Mitzel have experience in oil and gas operations. The primary function of the Reserves and Environment Committee is to:

- (a) assist the Board in fulfilling its oversight responsibilities generally and under National Instrument 51-101 — *Standards of Disclosure for Oil and Gas Activities* (as amended or replaced from time to time) with respect to the oil and natural gas reserves evaluation process and public disclosure of reserves data and related information in connection with oil and gas activities; and
- (b) assist the Board in assessing and implementing appropriate policies and management systems with respect to environment, health and safety and related matters and to monitor and review compliance with applicable environment, health and safety laws, rules and regulations.

Assessments

The Board does not formally review the contributions of individual directors, however believes that its current size facilitates informal discussion and evaluation of members' contributions within that framework. The Board expects management to operate the business of Touchstone in a manner that enhances Shareholder value and is consistent with the highest level of integrity. Management is expected to execute Touchstone's business plan and to meet performance goals and objectives.

AUDIT COMMITTEE

In accordance with the policies of the TSXV, the Board has developed written terms of reference outlining the Audit Committee's roles and responsibilities, which provide appropriate guidance to Audit Committee members as to their duties. The Audit Committee reviews and approves Touchstone's annual and interim financial statements and related management's discussion and analysis and makes recommendations to the Board with respect to such documents. The Audit Committee also reviews the nature and scope of the annual audit as proposed by the auditors and management.

Audit Committee Charter

The full text of the Audit Committee charter is attached as Exhibit 1 hereto.

Composition of the Audit Committee

The Audit Committee is currently composed of Messrs. Trevor Mitzel (Chairman), R. Gregg Smith and John Zang. All members of the Audit Committee are considered "independent" and all members are considered "financially literate" under National Instrument 52-110 — *Audit Committees* ("**NI 52-110**").

Relevant Education and Experience

Set out below is the relevant education and experience of each of the members of the Audit Committee, which education and experience has been used in assessing their financial literacy.

Mr. Mitzel received his Bachelor of Commerce Degree from the University of Calgary in 1996, received his Chartered Accountant designation in 1999 and his Chartered Financial Analyst designation in 2000. Mr. Mitzel has acted as the Chief Financial Officer of Big Country Energy Services LP since January, 2005. Prior to joining Big Country, Mr. Mitzel was the Chief Financial Officer of Arsenal Energy Inc. from September of 2004 to January of 2005. Additionally, Mr. Mitzel was the Chief Financial Officer of Environmental Management Solutions Inc. from April of 2002 to March of 2004. From April 2000 to April 2002, Mr. Mitzel was a Corporate Analyst in the corporate finance department of the TSX, where he reviewed new listings and major transactions of listed companies.

Mr. Smith is currently a business consultant. Mr. Smith was the Senior Vice President and Chief Operating Officer of PetroBakken Energy Inc. from 2009 to 2012. He joined Petrobank as Vice President in March of 2003 and was promoted to Senior Vice President and Chief Operating Officer of Petrobank's CBU in September, 2008. Prior to joining Petrobank, Mr. Smith worked in the oil and gas industry in various positions including Senior Geophysicist, Exploration Team Leader, and Exploration Manager.

Mr. Zang received a Bachelor of Arts degree from the University of Calgary in 1986 and a Bachelor of Laws degree from the University of Victoria in 1989. He has been member of the Law Society of Alberta since 1992 and has been a sole practitioner lawyer since 2002. Mr. Zang is currently a director and the Chief Executive Officer of Verity Energy Ltd. (a private oil and gas company), and a director and officer of Morro Bay Resources Ltd. (TSXV listed trading under the symbol "MRB"). Mr. Zang has held other director and officer positions in various public and private companies in the past.

Audit Committee Oversight

At no time since the commencement of Touchstone's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of Touchstone's most recently completed financial year has Touchstone relied on: (a) the exemption in section 2.4 of NI 52-110; or (b) an exemption from NI 52-110, in whole or in part, granted under Part 8 thereof. Touchstone is a "venture issuer" as defined in NI 52-110 and is relying on the exemption in section 6.1 of NI 52-110, which exempts it from the reporting requirements of Part 3 and Part 5 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted policies and procedures for the engagement of non-audit services whereby all professional services outside of the annual audit plan of Touchstone's auditors must be approved by the Chairman of the Audit Committee and the Chief Financial Officer of Touchstone.

External Auditor Service Fees

The following table sets forth the aggregate fees billed to Touchstone for professional services rendered by Ernst & Young LLP in each of the last fiscal years.

	2013	2012
Audit fees ⁽¹⁾	\$ 250,000	\$ 250,000
Audit-related fees ⁽²⁾	87,000	155,892
Tax fees ⁽³⁾	90,118	44,670
All other fees	-	-
Total	\$ 427,118	\$ 450,562

Notes:

- (1) Audit fees for professional services rendered for the audit of Touchstone's annual consolidated financial statements.
- (2) Audit-related and review fees for professional services rendered with respect to services provided in connection with interim financial statement reviews, statutory and regulatory filings, and fees related to the conversion to International Financial Reporting Services.
- (3) Tax fees for compliance, tax advice and tax planning.

OTHER INFORMATION

Indebtedness of Directors and Executive Officers

Since the beginning of Touchstone's most recently completed financial year ended September 30, 2013 and as at the date of the Circular, no director, executive officer or employee, or former director, executive officer or employee of Touchstone, nor any nominee for election as a director of Touchstone, nor any associate of any such person, was indebted to Touchstone or its subsidiary for other than "routine indebtedness" as that term is defined by applicable securities law; nor was any indebtedness to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Touchstone or its subsidiary.

Interest of Informed Persons in Material Transactions

Except as otherwise set out herein, no proposed nominee for election as a director, no director or executive officer of Touchstone who has served in such capacity since the beginning of the last financial year of Touchstone, no Shareholder holding more than 10% of the outstanding Touchstone Shares, and none of the respective associates or affiliates of any of the foregoing, had any interest in any transaction with Touchstone or in any proposed transaction since the beginning of the last completed financial year that has materially affected Touchstone or is likely to do so.

Interest of Certain Persons in Matters to be Acted On at the Meeting

None of the directors or executive officers of Touchstone, no proposed nominee for election as a director of Touchstone, none of the persons who have been directors or executive officers of Touchstone since the commencement of Touchstone's last completed financial year, none of the other insiders of Touchstone and no associate or affiliate of any of the foregoing persons has any substantial interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors and annual approval of the Option Plan.

Management Contracts

Except as otherwise set out herein, the management functions of Touchstone are performed by Touchstone directors and executive officers and Touchstone has no management agreements or arrangements under which such management functions are performed by persons other than directors and senior officers.

Other Matters

Management of Touchstone is not aware of any other matters to come before the Meeting other than as set forth in the Notice of Meeting that accompanies the Circular and including matters related to the Touchstone Continuance and the Arrangement. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the Shares represented thereby in accordance with their best judgement on such matter.

Additional Information

Additional information relating to Touchstone is available on SEDAR at www.sedar.com. Financial information concerning Touchstone is contained in the Touchstone Annual Financial Statements and the Touchstone Interim Financial Statements and the accompanying Touchstone Annual MD&A and Touchstone Interim MD&A, respectively, each of which are herein incorporated by reference and can be accessed on SEDAR. In addition, Touchstone Shareholders may obtain copies of the Touchstone Annual Financial Statements, Touchstone Interim Financial Statements, Touchstone Annual MD&A and Touchstone Interim MD&A, by contacting Touchstone at Suite 200, 209 – 8th Avenue S.W., Calgary, Alberta, T2P 1B8 or by e-mail to info@touchstoneexploration.com.

EXHIBIT 1

Touchstone Exploration Inc.

Audit Committee Charter

CHARTER FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

1. Purpose

1.1 The Audit Committee's primary function is assisting Touchstone's Board of Directors in fulfilling its oversight responsibilities to shareholders. The Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. Within this mandate, the Audit Committee's role is to:

- (a) oversee the work and enhance the independence of the external auditor;
- (b) facilitate effective communications between management and the external auditor and provide a link between the external auditor and the Board of Directors;
- (c) increase the credibility and objectivity of Touchstone's financial reports and public disclosure; and
- (d) review Touchstone's annual financial statements prior to approval thereof by the Board of Directors.

1.2 The Audit Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls following the execution of the Committee's responsibilities as described herein.

1.3 The Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors from time to time prescribe.

2. Membership

2.1 Each member of the Audit Committee must be a director of Touchstone.

2.2 The Audit Committee will consist of at least three members, the majority of whom are neither officers, employees or Control Persons (as that term is defined by the policies of the TSX Venture Exchange) of Touchstone or any of its affiliates, and the majority of whom must be "independent" and "financially literate" as those terms are defined by, and subject to the provisions of, National Instrument 52-110 — *Audit Committees* as adopted by the Canadian Securities Administrators, as such Instrument is revised or replaced from time to time.

2.3 The members of the Audit Committee will be appointed annually by and will serve at the discretion of the Board of Directors.

2.4 If no Chairman is designated by the full Board, the Audit Committee will designate a Chairman and Secretary of the Audit Committee.

2.5 The Chief Executive Officer of Touchstone will be entitled to Chairman Ex-officio to the Audit Committee.

3. Authority

3.1 In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

- (a) engage and terminate, and set and pay the compensation for, independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities;
- (b) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and
- (c) approve interim financial statements and interim MD&A on behalf of the Board of Directors.

4. Duties and Responsibilities

4.1 The duties and responsibilities of the Audit Committee include:

- (a) recommending to the Board of Directors the external auditor to be nominated by the Board of Directors for appointment by shareholders;
- (b) recommending to the Board of Directors the terms of engagement for and compensation of the external auditor;
- (c) reviewing the external auditor's audit plan, fee schedule and any related services proposals;
- (d) overseeing the work of the external auditor;
- (e) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board and enquiring if there are any sanctions imposed by the CPAB on the external auditor;
- (f) ensuring that the external auditor meets the rotation requirements for partners and staff on Touchstone's audits;
- (g) where there is to be a change in external auditor, reviewing the issues related to the change and the information to be included in the required notice to be filed with securities regulators with respect to such change;
- (h) reviewing and discussing with management and the external auditor the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external auditor's written communications to the Committee and to management;
- (i) reviewing any disagreements in financial reporting between the external auditor and Touchstone's management;
- (j) reviewing the external auditor's report, audit results and financial statements prior to approval of same by the Board of Directors;
- (k) reporting on and recommending to the Board of Directors the annual financial statements and the external auditor's report on those financial statements prior to Board approval and dissemination of annual financial statements to shareholders and the public;

- (l) reviewing Touchstone's financial statements, MD&A and annual and interim earnings press releases prior to public disclosure of this information by Touchstone;
- (m) ensuring adequate procedures are in place for review of all public disclosure of financial information by Touchstone prior to its dissemination to the public;
- (n) overseeing the adequacy of Touchstone's system of internal accounting controls and internal audit process and obtaining from the external auditor summaries and recommendations for improvement of such internal accounting controls;
- (o) ensuring the integrity of Touchstone's disclosure controls and internal controls over financial reporting;
- (p) resolving disputes between management and the external auditor regarding financial reporting;
- (q) reviewing the external auditor's internal quality control procedures and any material issues raised with respect thereto by any peer, governmental or professional authority review and the steps taken to deal with those issues; and examining all relationships between the external auditor and Touchstone, in order to assess and ensure the external auditor's independence;
- (r) reviewing risk management policies and procedures (for example, hedging, litigation and insurance), as well as current areas of financial risk and whether management is managing these effectively;
- (s) establishing procedures for:
 - (i) the receipt, retention and treatment of complaints received by Touchstone from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practices relating thereto; and
 - (ii) the confidential, anonymous submission by employees of Touchstone or concerns regarding questionable accounting or auditing matters;
- (t) reviewing and approving Touchstone's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (u) pre-approving all non-audit services to be provided by Touchstone's external auditor to Touchstone or any of its subsidiaries and, in this regard, considering whether the external auditor's performance of any such non-audit services is compatible with the external auditor's independence; and
- (v) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and fees and Audit Committee activities.

4.2 The Audit Committee will report, at least annually, to the Board regarding the Committee's examinations and recommendations.

5. Meetings

5.1 The quorum for a meeting of the Audit Committee is a majority of the members of the Committee who are not officers or employees of Touchstone or of an affiliate of Touchstone.

5.2 The members of the Audit Committee must elect a chair from among their number and may determine their own procedures.

5.3 The Audit Committee may establish its own schedule that it will provide to the Board of Directors in advance.

5.4 The external auditor is entitled to receive reasonable notice of every meeting of the Audit Committee and to attend and be heard thereat.

5.5 A member of the Audit Committee or the external auditor may call a meeting of the Audit Committee.

5.6 The Audit Committee will meet separately with the President and separately with the Chief Financial Officer of Touchstone at least annually to review the financial affairs of Touchstone.

5.7 The Audit Committee will meet with the external auditor of Touchstone at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.

5.8 The chair of the Audit Committee must convene a meeting of the Audit Committee at the request of the external auditor, to consider any matter that the auditor believes should be brought to the attention of the Board of Directors or the shareholders.

6. Reports

6.1 The Audit Committee will record its recommendations to the Board in written form which will be incorporated as a part of the minutes of the Board of Directors' meeting at which those recommendations are presented.

7. Minutes

7.1 The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.

Adopted by the Board of Directors of Touchstone on June 1, 2010 and confirmed September 24, 2010.

APPENDIX M

**INFORMATION CONCERNING PETROBANK ENERGY AND RESOURCES LTD.
AND ANNUAL MEETING MATTERS**

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GLOSSARY OF TERMS

Additional terms used in this Appendix M and not otherwise defined are defined in the main body of the Circular under the heading "*Glossary of Terms*".

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Appendix M from documents filed by Petrobank with the securities commissions or similar authorities in Canada. Copies of the documents of Petrobank incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Petrobank at 1100, 332 – 6th Avenue S.W., Calgary, Alberta, T2P 0B2, telephone (403) 750-4400. In addition, copies of documents incorporated by reference may be obtained from the securities commissions or similar authorities in Canada through the Canadian System for Electronic Document Analysis and Retrieval ("**SEDAR**") website at www.sedar.com.

The following documents of Petrobank are specifically incorporated by reference in this Appendix M:

- (a) the Petrobank AIF;
- (b) the Petrobank Annual Financial Statements;
- (c) the Petrobank Annual MD&A;
- (d) the Petrobank 2013 AGM Circular; and
- (e) the Petrobank MCR.

Any documents of the type required by National Instrument 44-101 — *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any annual information form, annual financial statements and the auditors' report thereon, interim financial statements, management's discussion and analysis of financial conditions and results of operations, material change report (except a confidential material change report), business acquisition report and information circular, filed by Petrobank after the date of this Circular and before the Meeting are deemed to be incorporated by reference in this Appendix M.

Any statement contained in this Appendix M or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Appendix M to the extent that a statement contained in this Appendix M or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference into this Appendix M modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Appendix M.

THE BUSINESS OF PETROBANK

General

Petrobank is a corporation incorporated under the ABCA on October 24, 2012. The head and registered office of Petrobank is located at 1100, 332 – 6th Avenue S.W., Calgary, Alberta, T2P 0B2. The Petrobank Shares trade on the TSX under the symbol "PBG".

Business of Petrobank

General

Petrobank's business consists of the Heavy Oil Business as defined in the Petrobank AIF. A complete description of the Heavy Oil Business, including the history of the development of the Heavy Oil Business and disclosure of the reserves of heavy oil and bitumen attributable to the Heavy Oil Business as at December 31, 2013 and the other information required under Form 51-101F1 to National Instrument 51-101 — *Standards of Disclosure for Oil and Gas Activities*, is contained in the Petrobank AIF, which is incorporated by reference in this Appendix M.

Corporate Structure

Petrobank currently has two subsidiaries as it holds 100% ownership of Archon Technologies Ltd. and Archon Technologies International Inc.

Directors and Officers

The current directors and officers of Petrobank are set forth in the Petrobank AIF under the headings "*Directors and Officers*" and "*Cease Trade Orders, Bankruptcies, Penalties or Sanctions*" in the Petrobank AIF and in the Circular under the headings "*Pro Forma Information of Petrobank After Giving Effect to the Arrangement – Officers and Directors of Petrobank – Nominees for Election to the Board of Directors*" and "*Matters to be Considered at the Petrobank Meeting*".

Audit Committee

The members of the current audit committee of the Petrobank board of directors (the "**Board**") consists of Messrs. Ken McKinnon and Ian S. Brown, and Dr. Harrie Vredenburg (the "**Audit Committee**").

Corporate Governance

It is anticipated that following completion of the Arrangement, Petrobank's existing corporate governance policies and procedures will remain in place. See "*Governance*" in the Petrobank 2013 AGM Circular, which is incorporated by reference in this Appendix M.

Auditors

The auditor of Petrobank is KPMG LLP of Calgary, Alberta and was appointed on April 16, 2013.

Transfer Agent

The transfer agent of Petrobank is Computershare Trust Company of Canada at its offices in Toronto, Ontario and Calgary, Alberta.

DESCRIPTION OF PETROBANK SHARES

Petrobank is authorized to issue an unlimited number of Petrobank Shares. As at March 27, 2014, there were 97,559,773 Petrobank Shares issued and outstanding. Following the completion of the Arrangement, there will be approximately 163,008,293 Petrobank Shares outstanding.

The holders of Petrobank Shares are entitled to receive notice of and to attend any meeting of the shareholders of Petrobank, receive dividends, on a pro rata basis, if, as and when declared by the Board and participate rateably in the net assets of Petrobank in the event of any liquidation, dissolution or winding up of Petrobank, whether voluntary or involuntary, or other distribution of assets of Petrobank among shareholders for the purpose of winding up its affairs.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Petrobank is authorized to issue an unlimited number of Shares without nominal or par value and an unlimited number of preferred shares issuable in series. As at March 27, 2014, there were 97,559,773 Shares and no preferred shares issued and outstanding. Shareholders are entitled to one vote for each Share held. To the knowledge of Petrobank's directors and executive officers, Orbis Asset Management Limited and Orbis Investment Management Limited (collectively "Orbis") beneficially own, directly or indirectly, or control or direct 16,480,325 Shares, representing approximately 17% of the issued and outstanding Shares. To the knowledge of Petrobank's directors and executive officers, as at March 28, 2014, no other person or company beneficially owns, directly or indirectly, or controls or directs, more than 10% of the Shares.

PRICE RANGE AND TRADING VOLUME OF PETROBANK SHARES

The Petrobank Shares are listed for trading on the TSX under the trading symbol "PBG". The following table sets forth the price range and trading volume of the Petrobank Shares for the periods indicated.

Period	Price Range (\$)		Trading Volume
	High	Low	
2014			
January	0.38	0.325	1,894,293
February	0.43	0.355	2,112,947
March 1-27	0.46	0.375	4,297,445
2013			
January	1.29	0.85	33,133,981
February	1.00	0.70	10,457,781
March	0.78	0.60	9,372,345
April	0.71	0.56	4,234,680
May	0.68	0.485	5,427,614
June	0.54	0.40	6,129,220
July	0.63	0.485	1,613,543
August	0.58	0.41	1,333,184
September	0.44	0.405	2,142,715
October	0.435	0.35	2,311,567
November	0.38	0.33	1,859,907
December	0.37	0.305	3,314,217

On March 6, 2014, being the last day on which the Petrobank Shares traded prior to the public announcement of the Arrangement, the closing price of the Petrobank Shares on the TSX was \$0.375. On March 27, 2014, being the last day on which the Petrobank Shares traded prior to the date of this Circular, the closing price of the Petrobank Shares on the TSX was \$0.38.

PRIOR SALES OF PETROBANK SHARES

No Petrobank Shares were issued in the twelve-month period prior to the date of this Circular except for the exercise of Petrobank stock-based compensation identified below.

Petrobank has not issued any Petrobank Shares pursuant to the exercise of stock options in the twelve-month period preceding the date of this Circular.

Petrobank has issued the following Petrobank Shares pursuant to the exercise of incentive shares in the twelve-month period preceding the date of this Circular:

Date of Exercise	Number
December 30, 2013	5,000
January 13, 2014	26,000
January 29, 2014	15,500
March 4, 2014	60,000
March 13, 2014	15,500

RISK FACTORS

An investment in the Petrobank Shares is subject to certain risks. An investment in the Petrobank Shares will be subject to the same risks as an investment in the Touchstone Shares, plus certain additional risks as set forth in the Circular. Readers should also carefully consider the risk factors described under the heading "Risk Factors" in the Petrobank AIF and those risk factors described in the Circular under the heading "Pro Forma Information of Petrobank After Giving Effect to the Arrangement – Risk Factors".

MATERIAL CONTRACTS

The only existing material contract entered into by Petrobank, other than in the ordinary course of business, is the Arrangement Agreement, copies of which are available on SEDAR at www.sedar.com. A summary of the material terms of the Arrangement Agreement are included in the Circular. See "*The Arrangement*". A copy of the Arrangement Agreement is also attached to the Circular as Appendix C.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This discussion describes Petrobank's compensation program for Petrobank's: (i) Chief Executive Officer; (ii) Vice President, Finance and Chief Financial Officer; (iii) Vice President, Operations and Production; (iv) Vice President, Land and Regulatory; and (v) Controller (collectively, referred to herein as the "**Named Executive Officers**" or the "**Executives**" or the "**NEOs**") and includes a discussion of the compensation of Petrobank's directors. This section will address Petrobank's philosophy and objectives and provide a review of the process the compensation committee (the "**Compensation Committee**") follows in deciding how to compensate Petrobank's Executives. This section will also provide discussion and analysis of the Compensation Committee's specific decisions about the compensation of the NEOs for the financial year ended December 31, 2013.

Compensation Committee and Compensation Governance

The members of the Compensation Committee of the Board are Messrs. Kenneth R. McKinnon (Chairman), M. Neil McCrank and Dr. Harrie Vredenburg. All of the members of the Compensation Committee are independent directors of Petrobank and none of the members of the Compensation Committee are Chief Executive Officers of any publicly traded entity.

The Compensation Committee is charged with the establishment, execution and periodic review of Petrobank's compensation program, the compensation and performance standards for the Executives. The Board believes the Compensation Committee collectively has the knowledge, experience and background required to fulfill its mandate.

The mandate of the Compensation Committee requires that the majority of the members of the Compensation Committee be comprised of independent directors, and that the Chairman and less than one third of the members of the Committee shall be serving Chief Executive Officers of any reporting

issuer. The Compensation Committee complies with the mandate. Generally, the mandate of the Compensation Committee is to formulate and make recommendations to the Board in respect of compensation issues relating to directors, executives and employees of Petrobank.

The Compensation Committee has the power to and periodically retains the services of independent compensation consultants to provide information and recommendations on market conditions and appropriate compensation practices. The Compensation Committee did not consider that it was necessary to engage an independent consultant in 2012 or 2013.

Compensation Philosophy and Objective

Petrobank's Executive compensation philosophy and program objectives are intended to provide competitive levels of compensation in order to attract, motivate and retain talented executives, which is critical to Petrobank's success. Petrobank's share price is driven by financial results which are in turn driven by key operating measures, including oil and natural gas production, capital and operating costs, finding and development of oil and gas reserves and prospect inventories, and the development and licensing of proprietary technologies. Petrobank's compensation program is intended to create an alignment of interest between Petrobank's Executives and Shareholders so that a significant portion of each Executive's compensation is linked to achieving these key performance measures. Petrobank also has a strong commitment to ethical business practices, timely and accurate public disclosure of information and the protection of the environment and the health and safety of Petrobank's employees and partners. Therefore, measures such as environmental protection, Petrobank's health and safety record, regulatory compliance and the integrity and accuracy of Petrobank's internal systems and external reporting are also assessed within Petrobank's annual performance review.

Compensation Components

Petrobank's Executive compensation program is structured into three main components: base salary, bonus, and long-term incentives. Long-term incentives include stock options ("**Stock Options**") granted pursuant to the stock option plan ("**Stock Option Plan**") and incentive shares ("**Incentive Shares**") granted pursuant to Petrobank's incentive share plan ("**Incentive Share Plan**"). Petrobank believes that each component provides a valuable contribution to Petrobank's overall compensation objectives.

Base Salaries

Base salaries provide an immediate cash incentive for Petrobank's Executives and should be at levels competitive with peer companies that compete with Petrobank for business opportunities and executive talent. The base salaries of the Executives are reviewed annually to ensure they reflect a balance of market conditions, the levels of responsibility and accountability of each role, the skill and competencies of the individual, retention considerations as well as the level of demonstrated performance.

Variable Cash Incentive Awards – Bonuses

Annual bonuses encourage and reward performance over the financial year and reflect progress toward corporation-wide performance objectives and individual Executive objectives. The Compensation Committee's philosophy with respect to Executive bonuses is to align the issuance of bonuses with the performance of Petrobank and the performance of each individual Executive. For 2013, bonuses were determined by the Compensation Committee on the basis of the performance measures set forth below under the heading "*Goals and Annual Performance*". Bonus amounts are typically evaluated and paid in the first quarter of each financial year in relation to the performance of the Executive for the prior year.

Long-term Incentive Plans

Petrobank uses its Stock Option Plan and Incentive Share Plan as a part of its long-term compensation strategy for its Executives. Stock Options and Incentive Shares are intended to align Executive and Shareholder interests by attempting to create a direct link between compensation and shareholder return

as measured through the price of Petrobank Shares. An annual grant of Stock Options and Incentive Shares is typically made to Executives based on individual and corporate performance and taking into consideration, as a reference point, the amount of share-based compensation that would be considered competitive in relation to Petrobank's Compensation Peer Group (as defined below). Additional grants of Stock Options or Incentive Shares may be made periodically to recognize the exemplary performance of certain Executives.

Petrobank's Stock Option Plan and Incentive Share Plan are described in detail in this Appendix M under the headings "*Securities Authorized for Issuance Under Equity Compensation Plans – Stock Option Plan*" and "*Securities Authorized for Issuance Under Equity Compensation Plans – Incentive Share Plan*".

Group Benefits/Perquisites

The Compensation Committee believes that the perquisites for Executives should be limited in scope and value and be commensurate with perquisites offered by the Compensation Peer Group (as defined below). Petrobank provides its NEOs a company paid parking stall, the cost of which averaged approximately \$6,600 per year per NEO in 2013, and additional executive only insurance programs, the cost of which is disclosed under the heading "*Summary Executive Compensation Table*" under the column titled "*All Other Compensation*".

Employee Share Ownership Plan

Petrobank has an employee share ownership plan ("**ESOP**") pursuant to which all permanent full-time and part-time employees of Petrobank may contribute up to 5% of their gross annual salary to the ESOP, with Petrobank matching the contribution initially on a 100% basis, and thereafter on a pre-defined basis. Petrobank's matching contribution increases after twenty-four (24) months of the employee's participation to 125%; after 60 months of participation to 150%; and after ninety six (96) months of participation to 200%. Petrobank, through its appointed independent firm, uses the contributions to acquire Shares on behalf of the employees through open market purchases at the current market price on the TSX. Petrobank's Executives are eligible to participate in the ESOP on the same basis as all other employees of Petrobank. For the year ended December 31, 2013, \$71,175 was contributed by Petrobank to match the contributions of the NEOs.

Pay For Performance

During 2013, the Compensation Committee reviewed Petrobank's approach to Executive compensation which reflects Petrobank's pay-for-performance compensation philosophy and directly links Executive pay to individual performance of Executives and overall corporate performance. Additional activities and initiatives completed by the Compensation Committee in 2013 included the review and approval of a defined range of share-based compensation for all of Petrobank's employees, including Executives. See "*—2013 Compensation Process*". Petrobank has adopted a non-formulaic approach which Petrobank believes provides the necessary flexibility to appropriately incentivize Petrobank's Executive team in changing market and industry conditions. Petrobank's methodology is continuously evaluated to ensure Executive compensation is linked appropriately with both the performance of Petrobank and the performance of the individual Executive.

The individual performance of Petrobank's employees, including Executives, is evaluated on an annual basis, using the rating system set forth in the table below.

Rating	Description of Rating as it applies to Employee and Executive Performance
5	Greatly exceeds all expectations. Recognition is warranted for having consistently exceeded job requirements and goals while being a role model for demonstration of business competencies. Exceptional value added to Petrobank, considering role. Strong collaborator, team player and a positive leader and mentor in the organization. The employee is fully aligned and demonstrates Petrobank's values.
4	Exceeds all expectations. Consistently exceeded job requirements, goals and business competencies. Deserves recognition for substantial value added to Petrobank, considering role. To be in this category the employee must also be a strong fit with Petrobank's values.
3	Consistently meets and occasionally exceeds expectations. Job requirements and goals are met and often exceeded. Must exceed in at least one of the objectives and be directly aligned with Petrobank's values.
2	Performance is slightly below average with improvements required to move into the next grouping and/or the employee is not fully aligned with Petrobank's values. An individual that most of the time will meet the objectives but requires support and direction.
1	Performance is poor with the employee unable to meet expectations and/or the individual is a poor fit with Petrobank's values.

On an annual basis, the overall corporate performance of Petrobank is evaluated, and in conjunction with the evaluation of each Executive's individual performance, is used to calculate the bonus and amount of share-based compensation, if any, awarded to each Executive. The corporate weighting increases as job responsibilities grow, so that the weighting towards corporate performance measures is greater for higher levels of the organization. For Executives, the expectation is that individual performance has a significant impact on the organization; therefore, the determination of Executive compensation is largely weighted towards corporate performance measures over individual performance.

2013 Compensation Process

The Executive compensation program is administered by Petrobank's Compensation Committee. With respect to 2013 compensation, the Compensation Committee held one (1) meeting, and a number of informal meetings via teleconference, and certain matters relating to compensation were approved by unanimous written resolution of the Compensation Committee or the Board, where applicable. The Compensation Committee also held one (1) meeting in early 2014 with respect to 2014 salaries, bonus amounts and long-term incentive compensation of the Executives of Petrobank relating to the performance of Petrobank and individual Executives for the 2013 year.

The Compensation Committee reports to the Board as a whole on the major items covered at each Compensation Committee meeting. While the Compensation Committee does not have scheduled 'in camera' sessions, the Committee meets 'in camera' without any members of management of Petrobank present at the end of every Compensation Committee meeting.

The Compensation Committee, in consultation with the Chief Executive Officer, establishes base salaries, cash bonuses, share-based compensation and benefits for the Executives. Each component of compensation is determined on an individual Executive basis. The Chief Executive Officer of Petrobank

typically attends meetings of the Compensation Committee, but does not have the right to vote on any matter before the Compensation Committee.

The Compensation Committee retains and does not delegate any of its power to determine matters of Executive compensation and benefits, although the Compensation Committee does consider compensation and benefit proposals made to the Compensation Committee by the Chief Executive Officer of Petrobank. The Compensation Committee reports to the Board on the major items covered at each Compensation Committee meeting.

In addition, the Compensation Committee may consider compensation surveys completed by independent third parties when making certain decisions with respect to Executive compensation. While the Compensation Committee may rely on external information and advice, all of the decisions with respect to Executive compensation are made by the Compensation Committee and may reflect factors and considerations other than, or that may differ from, the information and recommendations provided by independent third party surveys and compensation consultants.

For Executives, the Compensation Committee uses a compensation program based on an assessment of the overall corporate performance of Petrobank, an assessment of overall performance of Petrobank relative to the performance of the Compensation Peer Group (set forth below) and the achievements and overall contribution of each individual Executive. The evaluation of each Executive also includes a review of the Executive's execution of on-going projects and progress on growth and other initiatives.

Goals and Annual Performance

Petrobank's goals and objectives for 2013 focused on enhancing corporate and operational performance, which are considered key drivers of shareholder value and confidence. Quantitative measures included, but were not limited to, achieving break-even levels of THAI® oil production during the year and trending higher to commercial production levels, reducing capital and operating costs, increasing reserves and recoverable resources, developing new potential project areas and patenting and licensing new and existing proprietary technologies. Qualitative measures included maintaining and improving Petrobank's environmental and safety record, improving Petrobank's internal and external records and reporting functions, and enhancing Petrobank's organizational structure to create a culture of high performance, leadership development and employee attraction and retention. Petrobank was also focused on increasing the market value of the company itself, creating a self-sustaining entity which would allow for the next phase of the Petrobank's long-term strategy of creating independent businesses to be distributed to Petrobank Shareholders.

Generally, the Compensation Committee assessed Petrobank's operational performance in 2013 as not meeting expectations and determined that the primary operational goals of Petrobank set for 2013 were not met. Specifically, while a number of operational improvements were made at the Kerrobert THAI® project, production had not reached break-even levels. These findings: (i) served to provide the general context for the Compensation Committee's review of corporate performance; (ii) were applied to the determination of bonus amounts and the award of share-based compensation for Executives; and (iii) were used as a factor to determine the amount of the annual bonuses and share-based compensation awarded to all levels of employees. As a result of 2013 corporate performance, the Compensation Committee determined that no cash bonuses would be paid to the NEOs for the 2013 year.

Although Petrobank sets goals on an annual basis, the Compensation Committee will consider changing industry and operational circumstances, opportunities and unanticipated challenges as they arise that may require a modification of the goals and objectives, and a desired shift in the focus of the Executives to these changed goals and objectives. Should these situations arise, the Compensation Committee will have regard to the changing landscape of Petrobank's operations when determining whether Petrobank and the individual Executive has met the goals set and what factor the goals set will have in determining Executive compensation.

Compensation Peer Group

The Compensation Committee considers comparable compensation data from companies that are generally of similar size and scope and that may represent the market in which Petrobank competes for executive talent.

Given the nature of Petrobank's business strategy and operations, peer companies (the "**Compensation Peer Group**") are varied. The composition of the Compensation Peer Group is reviewed annually by the Compensation Committee for its ongoing business relevance to Petrobank. For the year ended December 31, 2013, the Compensation Peer Group surveyed were: BlackPearl Resources Inc., Palliser Oil and Gas Corp., Rock Energy Inc., Southern Pacific Resource Corp., Twin Butte Energy Ltd., Manitek Energy Inc., Strategic Oil and Gas Ltd. and TriOil Resources Ltd.

The factors assessed by the Compensation Committee in determining the Compensation Peer Group included operational focus, total revenue, total assets, cash flow, total level of capital expenditures, number of employees and daily production levels. The compensation data from the Compensation Peer Group provides an initial reference point for the Compensation Committee.

Risk Assessment and Oversight

The Compensation Committee considers the implications of the risks associated with Petrobank's compensation policies and practices. The Compensation Committee's role of approving the compensation policies and practices includes considering whether the compensation policies and practices could encourage a Named Executive Officer to take inappropriate or excessive risks. Based on the experience of the Compensation Committee in compensation matters, the Compensation Committee did not identify any risks arising from Petrobank's compensation policies and practices that would reasonably be likely to have a material adverse effect on Petrobank. This assessment was based on a number of considerations, including the following:

- Base salaries provide a steady income regardless of share price performance, allowing Executives and employees to focus on both near-term and long-term goals and objectives without undue reliance on short-term share price performance or market fluctuations;
- Cash bonuses are based on performance measures designed to contribute to long-term value creation;
- Stock Options and Incentive Shares typically vest over a number of years, motivating the achievement of long-term sustainable objectives and aligning Executives with the interests of Shareholders; and
- Although annual performance goals are established, the Compensation Committee does not solely focus on achievement of narrowly focused performance goals and retains adequate discretion to apply business judgement to assess the overall execution of the long-term business plan and adherence to Petrobank's corporate vision and values.

Hedging Activities

Petrobank's disclosure, confidentiality and trading policy (the "**Disclosure, Confidentiality and Trading Policy**") includes a provision that prohibits directors, officers and employees of Petrobank from purchasing and selling certain derivatives in respect of any security of Petrobank. This includes purchasing "puts" and selling "calls" on Petrobank's securities, as well as a prohibition on short selling Petrobank's securities. Aside from these prohibitions, Petrobank does not have a policy specifically pertaining to other financial instruments including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by an executive officer or director.

Any transactions of this nature are subject to insider reporting requirements and are reported on the System for Electronic Disclosure by Insiders ("SEDI").

Equity Ownership Guidelines

Although the directors and officers of Petrobank have always been encouraged to invest in Petrobank and have historically maintained high levels of equity ownership, Petrobank has in place equity ownership guidelines for all of Petrobank's directors and officers. The equity ownership guidelines encourage directors and officers to achieve and maintain an ownership level in Petrobank that the Compensation Committee views as significant in relation to annual salary or base retainer. The current guidelines require the Chief Executive Officer to maintain an equity ownership in Petrobank of two (2) times his annual salary. Depending on level of seniority, the equity ownership guidelines for the remainder of the officers range from one-half (0.5) to one (1) times their annual salary. For directors, the ownership guidelines require each director to hold an equity interest having a value at least equal to three (3) times their annual base retainer, with a minimum value of \$50,000. The level of equity ownership can be achieved through the ownership of Shares and Shares held notionally in vested Stock Options and vested Incentive Shares. Existing directors and officers have three (3) years from January 1, 2013 to meet their applicable level of equity ownership.

Petrobank believes that its directors can better represent Shareholders if they are Shareholders themselves and that equity ownership in Petrobank promotes a greater alignment of interests between the non-employee directors and Shareholders.

The following table sets out the equity ownership guidelines and equity ownership levels calculated in accordance with the equity ownership guidelines, for each of Petrobank's officers and directors subject to such guidelines, as at March 27, 2014.

Name	Guideline multiple of Annual Salary / Board Retainer ⁽³⁾	Value Shares ⁽¹⁾ (\$)	Total Value Held ⁽¹⁾ (\$)	Guideline Met (Yes/No) ⁽²⁾
Executives				
John D. Wright	2 x	1,553,446	1,587,646	Yes
Peter Cheung	1 x	116,003	116,003	No
Dwight Mervold	0.5 x	97,147	112,347	Yes
Chad Magus	0.5 x	94,032	109,232	Yes
Ken Rossi	0.5 x	37,737	52,937	No
Directors				
Ian S. Brown	3 x	32,407	38,107	No
Neil McCrank	3 x	25,066	30,766	No
Kenneth R. McKinnon	3 x	105,574	111,274	Yes
Corey C. Ruttan	3 x	177,673	187,173	Yes
Dr. Harrie Vredenburg	3 x	29,356	35,056	No

Notes:

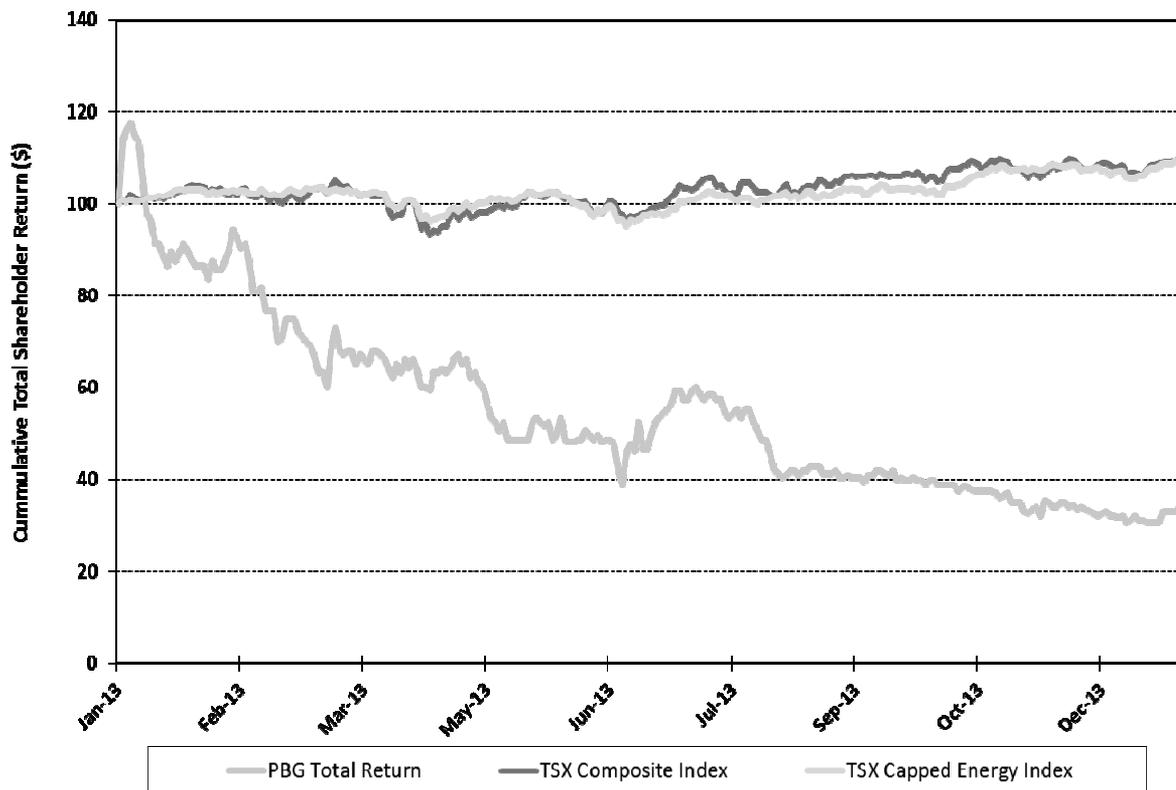
1. Calculated based on the closing price of Petrobank Shares on the TSX on March 27, 2014 (being \$0.38). Amounts include Shares held in escrow which vested and are releasable on December 19, 2013.
2. Executives and Directors have until January 1, 2016 to achieve the guideline.
3. Directors subject to a \$50,000 minimum ownership level.

Performance Graph

The following graph illustrates Petrobank's one year cumulative Shareholder return, assuming an initial investment of \$100, compared to the S&P/TSX Composite Index (.TTT-T) and TSX Capped Energy Index for the same period. Petrobank became a reporting issuer on December 31, 2012 upon completion of the

reorganization of Petrobank and PetroBakken Energy Ltd. ("**PetroBakken**") (the "**PetroBakken Reorganization**").

Performance Graph



Compensation of Petrobank's Executives is based on the achievement of certain pre-determined performance measures that Petrobank views as correlating to long-term Shareholder value which, in 2013, related primarily to the Kerrobert Project operations. The achievement of these performance measures are assessed against corporate and individual targets and do not necessarily track the market value of Petrobank Shares, which are impacted by commodity prices, economic conditions and other market factors that are outside the control of Petrobank. The realizable value of the long-term incentive components of Petrobank's compensation will, however, correlate to the market value of Petrobank Shares over time as a result of the vesting provisions attaching to such incentives.

Management Services Agreements

Petrobank has a management services agreement with Lightstream Resources Ltd. ("**Lightstream**") (formerly PetroBakken) effective January 1, 2013. Petrobank will reimburse Lightstream for the portion of the salary, bonus and other compensation paid by Lightstream to certain individuals, including Mr. Wright, attributable to administrative and executive services provided by such individuals to Petrobank.

SUMMARY EXECUTIVE COMPENSATION TABLE

The following table sets forth all annual and long-term compensation paid in respect of the individuals who, as at the three most recently completed financial years ended December 31, 2013, meet the requirements to be classified as "Named Executive Officers" of Petrobank as defined in Form 51-102F6 — *Statement of Executive Compensation to National Instrument 51-102 — Continuous Disclosure Obligations*, including those individuals who would be a Named Executive Officer but for the fact that the individual was not an Executive as at December 31, 2013.

Name and Principal Position	Year	Salary ⁽¹⁾ (\$)	Share-Based Awards ⁽²⁾ (\$)	Option-Based Awards ⁽³⁾ (\$)	Non-Equity Incentive Plan Compensation	All other Compensation ⁽⁴⁾ (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)		
JOHN D. WRIGHT ⁽⁵⁾ Chief Executive Officer, Chairman and Director	2013	38,176	90,077	54,108	nil	945	183,307
	2012	445,833	nil	169,967	nil	83,705	699,506
	2011	400,000	79,773	249,657	75,000	70,082	874,513
PETER CHEUNG Vice President Finance and Chief Financial Officer	2013	250,000	60,051	207,034	nil	52,492	569,578
	2012	250,000	nil	306,192	nil	50,288	606,480
	2011	235,000	115,306	228,548	nil	24,522	603,377
CHRIS J. BLOOMER ⁽⁶⁾ Senior Vice President and Chief Operating Officer Heavy Oil, and Director	2013	87,038	85,072	258,792	nil	39,003	469,908
	2012	310,000	nil	448,559	nil	67,526	826,085
	2011	326,173	134,764	397,304	nil	74,153	932,396
DWIGHT MERVOLD ⁽⁷⁾ Vice President, Operations and Production	2013	210,000	40,034	155,276	nil	56,433	461,743
	2012	210,000	nil	516,980	nil	98,671	825,651
	2011	64,596	202,687	192,201	nil	7,245	466,729
KEN ROSSI ⁽⁹⁾ Vice President, Land and Regulatory	2013	190,000	40,034	129,397	nil	40,630	400,061
	2012	184,583	Nil	124,071	18,000	32,719	359,374
	2011	162,500	48,359	212,436	18,300	23,747	465,341
CHAD MAGUS ⁽¹⁰⁾ Controller	2013	160,000	40,034	103,517	nil	56,259	359,810
	2012	159,583	126,450	242,131	nil	59,796	587,960
	2011	135,833	45,757	33,250	13,462	27,431	255,733

Notes:

- Salary, for the purposes of the above Summary Compensation Table, includes all earning related to base salary paid to the NEO during the reporting year.
- Share-based awards consist of employee deferred Shares ("DCS") granted pursuant to the DCS Plan in respect of performance during the year (discontinued in 2012) and Incentive Shares granted during the year pursuant to the Incentive Share Plan. The fair value of DCS and Incentive Shares granted is estimated based on the grant date using the Black-Scholes option-pricing model. For a complete description of the terms of the Incentive Share Plan, see details provided herein under the heading "*Securities Authorized for Issuance Under Equity Compensation Plans – Incentive Share Plan*".
- Option based awards consist of Stock Options granted pursuant to the Stock Option Plan. The fair value of Stock Options granted is estimated based on the grant date using the Black-Scholes option-pricing model. For a description of the terms of the Stock Option Plan, see details provided herein under the heading "*Securities Authorized for Issuance Under Equity Compensation Plans – Stock Option Plan*".
- The value in the column titled 'All Other Compensation' includes all other compensation not reported in any other column of the table for each of the Named Executive Officers, including certain benefits such as parking, life insurance, Petrobank matched contributions to the ESOP, flexible spending accounts and insurance premiums paid by Petrobank for certain, executive only, health insurance plans and certain payments made in connection with the exercise of share-based compensation in connection with the PetroBakken Reorganization.
- In 2011 and 2012, a portion of the salary and bonus amount reported for Mr. Wright is attributable to executive services provided to PetroBakken. For 2012, PetroBakken reimbursed Petrobank in the amount of \$386,572 for salary, bonus and certain benefits paid to Mr. Wright (2011 – \$243,000). Effective January 1, 2013, Mr. Wright is formally employed by PetroBakken, and Petrobank will reimburse PetroBakken for the portion of the salary, bonus and other compensation paid by PetroBakken to Mr. Wright that is attributable to executive services provided to Petrobank. See "*Compensation Discussion and Analysis – Management Services Agreements*". In 2013, Petrobank reimbursed Lightstream \$28,176 for Salary of Mr. Wright and \$945 for all other Compensation. In 2013, Mr. Wright was paid \$10,000 and received share-based awards and option based awards in relation to his role as Chairman of the Board.
- Mr. Bloomer resigned from Petrobank effective April 11, 2013.
- Mr. Mervold commenced employment with Petrobank on September 6, 2011 and was appointed Vice President, Operations and Production on November 1, 2011.
- In prior years' information circulars, the 'Share-Based Awards' column included DCS granted to each NEO in the applicable calendar year, but which were awarded for the prior financial year's performance. This column has been amended for the 2012 reporting year and for all prior reported years to reflect the DCS grant that was awarded in respect of performance during the year and granted early in the following year.
- Mr. Rossi was appointed Vice President Land and Regulatory, on December 7, 2012.
- Mr. Magus was appointed Controller, on October 1, 2011.

Executive Share-based Compensation Plan Awards

Outstanding share-based awards and option based awards for the year ending December 31, 2013

The following table sets forth, with respect to each of the Named Executive Officers, details regarding Stock Option and Incentive Share awards outstanding as at December 31, 2013.

Name	Stock Option Awards				Incentive Share Awards		
	Number of Securities Underlying Unexercised Stock Options (#)	Stock Option Exercise Price (\$)	Stock Option Expiration Date	Value of Unexercised In-the-Money Stock Options ⁽¹⁾ (\$)	Number of Incentive Shares that have not vested (#)	Market or Payout Value of Incentive Shares that have not vested ⁽²⁾ (\$)	Market or Payout Value of vested Incentive Shares not paid out or distributed ⁽³⁾ (\$)
John D. Wright	100,000	1.05	14-Jan-2020	Nil	Nil	N/A	27,000
Peter Cheung	400,000	1.05	14-Jan-2020	Nil	Nil	N/A	18,000
Chris J. Bloomer ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dwight Mervold	300,000	1.05	14-Jan-2020	Nil	Nil	N/A	12,000
Ken Rossi	250,000	1.05	14-Jan-2020	Nil	Nil	N/A	12,000
Chad Magus	200,000	1.05	14-Jan-2020	Nil	Nil	N/A	12,000

Notes:

1. The value of unexercised in-the-money Stock Options is calculated for outstanding vested and unvested Stock Options based on the difference between the noted exercise price for the applicable grant and the closing price of Petrobank Shares on the TSX on December 31, 2013, being \$0.35.
2. The value of Incentive Shares that have not yet vested is calculated based on the difference between \$0.05 and the closing price of the Shares on the TSX on December 31, 2013, being \$0.35.
3. The value of Incentive Shares that have vested, but have not been paid out or distributed, is calculated based on the difference between \$0.05 and the closing price of the Shares on the TSX on December 31, 2013, being \$0.35.
4. Mr. Bloomer resigned from Petrobank effective April 11, 2013.

Pension and Retirement Plans

Petrobank does not have any pension or retirement plan for employees or Executives.

Termination and Change of Control Benefits

Employment Agreements

Other than the Chief Executive Officer, all of the Executives of Petrobank are parties to employment agreements with Petrobank, which outline the terms and conditions of their employment. Effective January 1, 2013, the Chief Executive Officer no longer has an employment agreement with Petrobank as he is formally employed by PetroBakken and Petrobank will reimburse PetroBakken for services provided by the Chief Executive Officer. See "*Compensation Discussion and Analysis – Management Services Agreement*". The employment agreements provide for confidentiality requirements, base salary amounts, vacation entitlements, equity ownership guidelines, change of control provisions, constructive dismissal and termination payments. Each employment agreement is for an indefinite term but may be terminated earlier by Petrobank for cause. The Executives may terminate their employment agreement at any time by providing Petrobank sixty (60) days' notice. The Compensation Committee annually reviews termination payment amounts for each of the NEOs as calculated under the employment agreements. Additional details with respect to compensation paid to the NEOs pursuant to these employment agreements is set forth under the heading "*Summary Executive Compensation Table*".

A change of control for the purposes of Petrobank's employment agreements generally means any change in the holding of Petrobank Shares as a result of which a person, or group of persons acting jointly are in a position to exercise effective control of Petrobank, any transaction that the majority of the Board of Petrobank deems to be a change of control with respect to Petrobank, if Petrobank ceases to be a publicly traded entity, approval by the Petrobank Shareholders of an amalgamation, arrangement, merger or other consolidation or combination of Petrobank with another entity or entities pursuant to which the Petrobank Shareholders immediately thereafter do not own shares of the successor corporation which would entitle them to cast more than 50% of the votes attaching to all of the shares in the capital of the successor corporation, a liquidation, dissolution or winding-up of Petrobank, or the sale, lease or other disposition of all or substantially all of the assets of Petrobank (a "**Change of Control**").

Vice President, Finance and Chief Financial Officer, Vice President, Operations and Production, Vice-President, Land and Regulatory; and Controller

Pursuant to the employment agreements with the Vice President Finance and Chief Financial Officer, the Vice President, Operations and Production, Vice President, Land and Regulatory, and the Controller, if any of such Executive's employment agreement is terminated without cause or if a Change of Control occurs (provided that the Executive is constructively dismissed as a result), then he is entitled to a payment of an amount equal to the cash equivalent of his base salary for a period of twelve (12) months, the cash equivalent amount of the benefits that would have otherwise been paid by Petrobank on behalf of the Executive during the Executive's severance period, the cash equivalent of the average of his prior two year's annual bonus (both cash and share-based compensation components), as well as the right to exercise, during the Executive's severance period, any outstanding, but not expired, Stock Options or Incentive Shares.

Estimated Payment Made to Named Executive Officers upon Termination or Change of Control

The following table sets forth the payments that would be made to each of the Named Executive Officers (other than those who are no longer employed by Petrobank), pursuant to their respective employment agreements, upon a termination without cause or a Change of Control. No payments would be made in the event of a termination for cause, or the retirement or death of the Executive. All payments are calculated assuming the date of the termination event was, and if applicable, a Change of Control occurred, on December 31, 2013. The disclosed values represent payments made pursuant to the terms of the employment agreements, as described above. In all cases and pursuant to any termination event, other than such payments described herein, all salary, bonuses, perquisites, insurance premiums, share-based compensation grants, and benefit programs cease as at the effective date of termination.

Name	Payment on Termination or Change of Control⁽¹⁾
Peter Cheung	\$326,948
Dwight Mervold	\$255,548
Ken Rossi	\$243,260
Chad Magus	\$211,360

Note:

1. Assuming constructive dismissal in connection with the Change of Control.

Summary Termination and Change of Control Benefits – Share-based Compensation Plans

Depending on the conditions of termination, a summary of the impact of such termination event on the Executive's Stock Options and Incentive Shares is summarized below.

Stock Options and Incentive Shares

Termination Event	Description
<i>Resignation</i>	Stock Options and Incentive Shares that are unvested and outstanding on the date notice of resignation is given are cancelled. Stock Options and Incentive Shares that are vested and outstanding on the date notice of resignation is given may be exercised within thirty (30) days from the effective date of resignation, subject to any earlier ordinary expiry date for the exercise of such Stock Option or Incentive Share.
<i>Retirement</i>	Stock Options and Incentive Shares that are unvested and outstanding on the date notice of retirement is given are cancelled. Stock Options and Incentive Shares that are vested and outstanding on the date notice of retirement is given may be exercised within thirty (30) days from the effective date of retirement, subject to any earlier ordinary expiry date for the exercise of such Stock Option or Incentive Share.
<i>Death</i>	Stock Options and Incentive Shares, vested or unvested, that are outstanding on the date of death may be exercised within six (6) months from the date of death, or in the case of Stock Options such other date determined by the Board, which period in any case may not exceed the ordinary expiry date for the exercise of such Stock Option or Incentive Share.
<i>Termination without cause</i>	Stock Options and Incentive Shares that are unvested and outstanding on the date notice of termination is given are cancelled. Stock Options and Incentive Shares that are vested and outstanding on the date notice of termination is given may be exercised within thirty (30) days from the date notice of termination is given, subject to any earlier ordinary expiry date for the exercise of such Stock Option or Incentive Share.
<i>Termination for cause</i>	Stock Options and Incentive Shares outstanding on the date notice of termination is given, whether vested or unvested, are cancelled.

Incremental Payment pursuant to Share-based Compensation Plans upon Triggering Event

The following table outlines the estimated incremental payments the Named Executive Officers (other than those who are no longer employed by Petrobank) would have received upon a change of control, as defined in the respective share-based compensation plans of Petrobank. In connection with the PetroBakken Reorganization, all stock based compensation was exercised or cancelled prior to December 31, 2012. As a result, no benefit would have accrued to the Named Executive Officers if a change of control had occurred on December 31, 2012. The table below outlines the estimated benefit that would be received by the Named Executive Officers if a change of control occurred on December 31, 2013.

Name	Value of Accelerated Stock Option vesting ⁽¹⁾ (\$)	Value of Accelerated Incentive Share vesting ⁽²⁾ (\$)
John D. Wright	Nil	Nil
Peter Cheung	Nil	Nil
Dwight Mervold	Nil	Nil
Ken Rossi	Nil	Nil
Chad Magus	Nil	Nil

Notes:

1. Represents the incremental aggregate net benefit relating to Stock Options that the Named Executive Officer would have received upon the triggering event, based on the closing price of the Shares on the TSX on December 31, 2013, being \$0.35.
2. Represents the incremental aggregate net benefit relating to Incentive Shares that the Named Executive Officer would have received upon the triggering event, based on the closing price of the Shares on the TSX on December 31, 2013, being \$0.35.

COMPENSATION OF DIRECTORS

General

The Compensation Committee is responsible to recommend for consideration and approval by the Board as a whole the compensation program for Petrobank's directors. The main objectives of Petrobank's compensation program for directors is to attract and retain the services of the most qualified directors, compensate such directors in a manner that is commensurate with the risks and responsibilities assumed in Board membership, compensate directors in a manner that is competitive with Petrobank's peers and align the interests of Petrobank's directors with Shareholders. Petrobank's compensation program for its directors will be reviewed on a periodic basis. For 2014, the cash base retainer for Petrobank's directors is \$10,000 per director.

For 2014, the current Stock Option compensation policy for Petrobank's directors is set forth below.

Position	Annual Options Granted
Board	75,000
Chairman	25,000
Lead Independent Director	12,500
Committee Chair – Audit	12,500
Committee Chair – Compensation	12,500

Position	Annual Options Granted
Committee Chair – Reserves	7,500
Audit Committee Member	7,500
Reserves Committee Member	5,000
Compensation Committee Member	5,000

Directors' Compensation Table

The Board approved the following compensation to directors in 2013, other than those that are also NEOs of Petrobank and were not compensated as directors in 2013.

Name	Cash Amount (\$)	Share-Based Awards ⁽¹⁾ (\$)	Option-Based Awards ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)	Total (\$)
Ian S. Brown	10,000	15,013	47,345	nil	72,358
M. Neil McCrank	10,000	15,013	47,345	nil	72,358
Kenneth R. McKinnon	10,000	15,013	58,166	nil	83,179
Corey C. Ruttan	10,000	15,013	43,287	nil	78,308
Dr. Harrie Vredenburg	10,000	15,013	47,345	nil	72,358

Notes:

- Share-Based awards consist of Incentive Shares granted pursuant to the Incentive Share Plan. The fair value Incentive Shares has been calculated based on the grant date using the Black-Scholes option-pricing model. For a description of the terms of the Incentive Share Plan, see "Securities Authorized for Issuance Under Equity Compensation Plans – Incentive Share Plan".
- Option-Based Awards consist of Stock Options granted pursuant to the Stock Option Plan. The fair value of Stock Options granted has been calculated based on the grant date using the binomial option-pricing model. For a description of the terms of the Stock Option Plan, see "Securities Authorized for Issuance Under Equity Compensation Plans – Stock Option Plan".

Directors' Share-based Compensation Plan Awards – Value Vested or Earned During the Year

The following table sets forth, for each director of Petrobank, other than directors who are also Named Executive Officers, the value of Stock Options, Incentive Shares and non-equity incentive plan compensation vested or earned during the year ended December 31, 2013.

Name	Option-Based Awards – Value Vested During the Year ⁽¹⁾ (\$)	Share-Based Awards – Value Vested During the Year ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
Ian S. Brown	Nil	4,050	nil
M. Neil McCrank	Nil	4,050	nil
Kenneth R. McKinnon	Nil	4,050	nil
Corey C. Ruttan	Nil	6,750	nil
Dr. Harrie Vredenburg	Nil	4,050	nil

Notes:

1. This column represents the aggregate net benefit the director would have received had the director exercised their vested Stock Options in 2013, on the date of vesting.
2. This column represents the aggregate net benefit the director would have received had the director exercised their vested Incentive Shares in 2013, on the date of vesting.

Directors' Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth, for each of the directors of Petrobank other than directors who were also Named Executive Officers, details regarding Stock Option and Incentive Share awards outstanding as at December 31, 2013.

Name	Stock Option Awards				Incentive Share Awards		
	Number of Securities Underlying Unexercised Stock Options (#)	Stock Option Exercise Price (\$)	Stock Option Expiration Date	Value of Unexercised In-the-Money Stock Options ⁽¹⁾ (\$)	Number of Incentive Shares that have not Vested (#)	Market or Payout Value of Incentive Shares that have not Vested ⁽²⁾ (\$)	Market or Payout Value of vested Incentive Shares not paid out or distributed ⁽³⁾ (\$)
Ian S. Brown	87,500	1.05	14-Jan-2020	Nil	Nil	Nil	4,500
M. Neil McCrank	87,500	1.05	14-Jan-2020	Nil	Nil	Nil	4,500
Kenneth R. McKinnon	107,500	1.05	14-Jan-2020	Nil	Nil	Nil	4,500
Corey C. Ruttan	80,000	1.05	14-Jan-2020	Nil	Nil	Nil	7,500
Dr. Harrie Vredenburg	87,500	1.05	14-Jan-2020	Nil	Nil	Nil	4,500

Notes:

1. The value of unexercised in-the-money Stock Options is calculated for outstanding vested and unvested Stock Options based on the difference between the noted exercise price for the applicable grant and the closing price of Petrobank Shares on the TSX on December 31, 2013, being \$0.35.
2. The value of Incentive Shares that have not yet vested is calculated based on the difference between \$0.05 and the closing price of the Shares on the TSX on December 31, 2013, being \$0.35.
3. The value of Incentive Shares that have vested, but have not been paid out or distributed, is calculated based on the difference between \$0.05 and the closing price of the Shares on the TSX on December 31, 2013, being \$0.35.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information with respect to compensation plans under which equity securities are authorized for issuance as at December 31, 2013, which reflects the grant of new share-based compensation following the completion of the PetroBakken Reorganization.

Plan Category	Number of securities to be issued upon exercise of Stock Options and Incentive Shares	Weighted-average exercise price of outstanding Stock Options and Incentive Shares	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by shareholders:			
• Stock Option Plan	2,721,250	\$1.05/share	7,023,033
• Incentive Share Plan	730,750	\$0.05/share	1,264,250
Equity compensation plans not approved by shareholders			
	N/A	N/A	N/A
Total	3,452,000	\$0.84/share	

Stock Option Plan

In connection with the PetroBakken Reorganization, the vesting of all outstanding Stock Options was accelerated, and all outstanding Stock Options were exercised or cancelled prior to December 31, 2012. New Stock Options were first issued in January 2013 pursuant to a revised Stock Option Plan which is described as follows.

The purpose of the Stock Option Plan is to provide the employees, directors, officers and consultants of Petrobank and its subsidiaries (in this section, collectively the "**Participants**") with an opportunity to purchase Petrobank Shares and to benefit from the appreciation thereof. This provides an increased incentive for the Participants to contribute to the future success and prosperity of Petrobank, thus enhancing the value of Petrobank Shares for the benefit of all Shareholders and increasing the ability of Petrobank to attract and retain individuals of exceptional skill.

The Stock Option Plan is administered by the Board, but the Board may delegate administration to a committee of not less than three directors. The Board may, from time to time, adopt such rules and regulations for administering the Stock Option Plan as it may deem proper and in the best interests of Petrobank, and may, subject to Applicable Law, delegate its Stock Option Plan powers to a committee of the Board.

Under the Stock Option Plan, the Board may, from time to time, grant Stock Options to purchase Petrobank Shares to such Participants as it chooses and, subject to the restrictions described below, in such numbers as it chooses.

The aggregate number of Shares that may be reserved for issuance at any time under the Stock Option Plan, together with any Shares reserved for issuance under any other share compensation arrangement implemented by Petrobank (including the Incentive Share Plan), is equal to 10% of Petrobank Shares (on a non-diluted basis) outstanding at that time. In addition, any grant of Stock Options under the Stock Option Plan is subject to the following restrictions:

- the aggregate number of Shares reserved for issuance pursuant to Stock Options granted to any one person, when combined with any other share compensation arrangement (including the Incentive Share Plan), may not exceed 5% of Petrobank's outstanding Shares (on a non-diluted basis);
- the aggregate number of Shares reserved for issuance pursuant to Stock Options granted to Insiders (as defined in the TSX Company Manual) pursuant to the Stock Option Plan, when

combined with any other share compensation arrangement (including the Incentive Share Plan), may not exceed 10% of Petrobank's outstanding Shares (on a non-diluted basis);

- the aggregate number of Shares issued within any one year period to Insiders (as defined by Applicable Canadian Securities Laws) pursuant to Stock Options, when combined with any other share compensation arrangement (including the Incentive Share Plan), may not exceed 10% of Petrobank's outstanding Shares (on a non-diluted basis); and
- the aggregate number of Share reserved for issuance pursuant to Stock Options granted to directors of Petrobank that are not officers or employees of Petrobank, when combined with any other share compensation arrangement (including the Incentive Share Plan), may not exceed 1% of Petrobank's outstanding Shares (on a non-diluted basis).

The exercise price of each Stock Option will be fixed by the Board when the Stock Option is granted, provided that such price shall not be less than the volume weighted average trading price per share on the TSX for the five (5) consecutive trading days ending on the last trading day preceding the date that the Stock Option is granted.

A Stock Option must be exercised within ten (10) years from the date of grant, or such other date set by the Board. The vesting period or periods of Stock Options granted under the Stock Option Plan is determined by the Board at the time of grant. The Board may, in its sole discretion at any time, accelerate vesting of Stock Options previously granted.

Participants may exercise vested Stock Options by providing a notice in writing signed by the Participant to Petrobank together with payment in full of the exercise price for the Shares that are the subject of the exercise. A Participant may offer to dispose of vested Stock Options to Petrobank for cash in an amount not to exceed the fair market value thereof, and Petrobank has the right, but not the obligation, to accept the Participant's offer.

The Stock Option Plan provides that appropriate adjustments in the number of Shares subject to the Stock Option Plan, the number of Shares optioned and the exercise price shall be made by the Board to give effect to adjustments in the number of Petrobank's outstanding Shares resulting from subdivisions, consolidations or reclassifications of the Shares, the payment of stock dividends by Petrobank (other than dividends in the ordinary course) or other relevant changes in the authorized or issued capital of Petrobank.

Stock Options granted to Participants are non-assignable

In the event of the Participant ceasing to be a director, officer, employee or consultant of Petrobank or its subsidiaries for any reason other than death (including the resignation or retirement of the Participant as a director, officer or employee of Petrobank, or the termination by Petrobank of the employment of the Participant or the termination by Petrobank or the Participant of the consulting arrangement with the Participant), unvested Stock Options shall cease and terminate on the date notice of ceasing to be a director, officer, employee or consultant is given, and vested Stock Options held by such Participant shall cease and terminate and be of no further force or effect on the earlier of the expiry time of the Stock Option and the 30th day following: (i) the effective date of such resignation or retirement; (ii) the date the notice of termination of employment is given by Petrobank; or (iii) the date the notice of termination of the consulting agreement is given by Petrobank or the Participant, as the case may be. Notwithstanding the foregoing, in the event of termination for cause, such Stock Option shall cease and terminate immediately upon the date notice of termination of employment for cause is given by Petrobank and shall be of no further force or effect whatsoever as to the Shares in respect of which Stock Option has not previously been exercised.

If a Participant dies, the legal representatives of the Participant may exercise the Stock Options held by the Participant within a period after the date of the Participant's death as determined by the Board, provided that such period shall not extend beyond six (6) months following the death of the Participant or exceed the expiry date of such Stock Option.

In the event a change of control of Petrobank, as defined in the Stock Option Plan, is contemplated or has occurred, all Stock Options that have not otherwise vested in accordance with their terms shall vest and be exercisable at such time as is determined by the Board for a period of time ending on the earlier of the expiry of the Stock Option and the 30th day following the change of control.

The Board may amend the Stock Option Plan and any Stock Options granted thereunder in any manner, or discontinue it at any time, without Shareholder approval, provided that:

- the consent of the applicable Participants must be obtained for any amendment that would adversely affect any outstanding Stock Options; and
- the approval of the Petrobank Shareholders present and voting in person or by proxy at a meeting of shareholders must be obtained for any amendment that would have the effect of:
 - increasing the maximum percentage of Shares that may be reserved for issuance under the Stock Option Plan;
 - increasing the maximum percentage of Shares that may be reserved for issuance under the Stock Option Plan to non-employee directors, Insiders or any one person;
 - increasing the maximum percentage of Shares that may be issued under the Stock Option Plan within any one year period to Insiders;
 - changing the amendment provisions of the Stock Option Plan;
 - changing the terms of any Stock Options held by Insiders;
 - reducing the exercise price of any outstanding Stock Option (including the reissue of a Stock Option within 90 days of cancellation which constitutes a reduction in the exercise price);
 - amending the definition of Participants to expand the categories of individuals eligible for participation in the Stock Option Plan;
 - extending the expiry date of an outstanding Stock Option or amending the Stock Option Plan to allow for the grant of a Stock Option with an expiry date of more than ten (10) years from the grant date; or
 - amending the Stock Option Plan to permit the transferability of Stock Options, except to permit a transfer to a family member, an entity controlled by the Participant or a family member, a charity or for estate planning or estate settlement purposes.

In the event that any Stock Option expires during, or within two (2) Business Days after, a self-imposed blackout period on trading securities of Petrobank, such expiry date will be deemed to be extended to the tenth day following the end of the blackout period.

Incentive Share Plan

In connection with the PetroBakken Reorganization, the vesting of all outstanding Incentive Shares was accelerated, and all outstanding Incentive Shares were exercised or cancelled prior to December 31, 2012. New Incentive Shares were first issued in January 2013 pursuant to a revised Incentive Share Plan which is described as follows.

The purpose of the Incentive Share Plan is to provide an effective incentive for the employees, directors, officers and service providers of Petrobank and its affiliates and such other persons determined by Petrobank's Board (in this section, collectively the "**Participants**") to promote the success and business of Petrobank and its affiliates, and to reward such Participants in relation to the long-term performance and growth of Petrobank by encouraging ownership of Petrobank Shares.

Compensation is payable pursuant to the Incentive Share Plan in the form of a grant of Incentive Shares. Under the Incentive Share Plan, the Board (or a committee of the Board that has been delegated the authority to administer the Incentive Share Plan) may grant Incentive Shares to such Participants as it chooses in such numbers as it chooses. The Incentive Shares vest over time and, upon vesting, each one (1) vested Petrobank Incentive Share is entitled to be redeemed for one (1) Petrobank Share.

Incentive Shares will vest over time in accordance with the vesting provisions set forth in the incentive agreement between the Participant and Petrobank. A Participant will not be entitled to elect to be issued any of the Shares which underlay the granted Incentive Shares until such time as the granted Incentive Shares have vested in accordance with the vesting terms provided for in the incentive agreement between the Participant and Petrobank. The Board may, in its sole discretion at any time, accelerate vesting of Incentive Shares previously granted.

Upon the vesting of Incentive Shares, the Shares to which a Participant is entitled to receive pursuant to the Incentive Shares will not be issued until the Participant has delivered to Petrobank an election in writing that the Shares be issued together with payment of \$0.05 for each such Share to be issued.

In the event of the Participant ceasing to be a director, officer, employee or consultant of Petrobank or its subsidiaries for any reason other than death (including the resignation or retirement of the Participant as a director, officer or employee of Petrobank or the termination by Petrobank of the employment of the Participant or the termination by Petrobank or the Participant of the consulting arrangement with the Participant), unvested Incentive Shares shall cease and terminate on the date notice of ceasing to be a director, officer, employee or consultant is given, and vested Incentive Shares held by such Participant shall cease and terminate and be of no further force or effect the earlier of the 30th day following: (i) the effective date of such resignation or retirement; (ii) the date the notice of termination of employment is given by Petrobank; or (iii) the date the notice of termination of the consulting arrangement is given by Petrobank or the Participant, as the case may be. Notwithstanding the foregoing, in the event of termination for cause, such Incentive Shares shall cease and terminate immediately upon the date notice of termination of employment for cause is given by Petrobank, and shall be of no further force or effect whatsoever as to the Shares underlying a Petrobank Incentive Share that has not previously been exercised.

If a Participant dies, the legal representatives of the Participant may exercise the Incentive Shares held by the Participant within a 6 month period following the death of the Participant, provided that such period shall not exceed the expiry date of such Incentive Shares.

A Participant shall have no right to receive Shares underlying Incentive Shares granted to him or her that have not been issued on the date that is 10 years following the date of grant or such earlier date as determined by the Board.

In the event that any Incentive Share expires during, or within two (2) Business Days after, a self-imposed blackout period on trading securities of Petrobank, such expiry date will be deemed to be extended to the tenth day following the end of the blackout period.

The Incentive Share Plan provides that the number of Shares issuable to a Participant with respect to the vested Incentive Shares held by such Participant may, at Petrobank's election in its sole discretion, be increased on each date on which a cash dividend (if applicable) is paid to Shareholders by an amount equal to the product of the number of the vested Incentive Shares held by the Participant and the fraction which has as its numerator the cash dividend paid, expressed as an amount per Share, and which has as its denominator the weighted average trading price of the Shares on the TSX for the 5 trading days preceding the record date for such dividend.

A maximum of 2,000,000 Shares may be issued pursuant to the exercise of Incentive Shares. In addition, no Incentive Shares may be issued to a Participant under the Incentive Share Plan if such issuance could result, at any time, in (i) the number of Shares reserved for issuance pursuant to the Incentive Share Plan and all other established or proposed share compensation arrangements in respect of Petrobank Shares granted to Insiders exceeding 10% of the aggregate issued and outstanding Shares of Petrobank, (ii) the issuance to Insiders pursuant to the Incentive Share Plan and all other established or proposed share compensation arrangements, within a one (1) year period, of a number of Shares exceeding 10% of the aggregate issued and outstanding Shares of Petrobank, or (iii) the issuance pursuant to the Incentive Share Plan and all other established or proposed share compensation arrangements to any one Insider, or such Insider's associates, within a one (1) year period, of a number of Shares exceeding 5% of the aggregate issued and outstanding Shares of Petrobank. Grants of Incentive Shares and Stock Options to non-employee directors pursuant to the Incentive Share Plan and pursuant to the Stock Option Plan must not exceed an annual value in excess of \$100,000 annually, based on the value at the time of the grant of such share-based compensation.

In the event a change of control of Petrobank, as defined in the Share Incentive Plan, is contemplated or has occurred, all Incentive Shares which have not otherwise vested in accordance with their terms shall vest and be exercisable at such time as is determined by the Board, notwithstanding the other terms of the Incentive Shares.

A Participant may offer to dispose of his or her vested Incentive Shares to Petrobank for cash in an amount not to exceed the fair market value, and Petrobank has the right, but not the obligation, to accept the Participant's offer. Fair market value is to be determined by the Board, but cannot exceed the five (5) day weighted average trading price of Petrobank Shares on the TSX.

Incentive Shares granted to Participants under the Incentive Share Plan are non-assignable without the consent of Petrobank.

The Board may amend, modify or terminate the Incentive Share Plan and amend or modify any Incentive Share agreement at any time, without Shareholder approval, provided that:

- the consent of the applicable Participants must be obtained for any amendment that would adversely affect any outstanding Incentive Shares; and
- the approval of the holders of a majority of Petrobank Shares must be obtained for any amendment that would have the effect of:
 - increasing the number of Incentive Shares that may be granted under the Incentive Share Plan;
 - increasing the number of Shares that may be reserved for issuance under the Incentive Share Plan;
 - permitting the transferability of Incentive Shares, except pursuant to normal estate settlement purposes;
 - reducing the payment required to be made by a Participant to Petrobank in the amount of \$0.05 for each Share issued pursuant to each Incentive Share held;

- extending the term of Incentive Shares granted beyond their original expiry date;
- changing the limits to the grant of Incentive Shares already established pursuant to the Incentive Share Plan with respect to non-employee director participation and Insiders; and
- amending the amendment provisions of the Petrobank Incentive Share Plan.

The Petrobank Incentive Share Plan provides that appropriate adjustments in the number of Shares issuable on the vesting of an Incentive Share shall be made by the Board to take into account any capital reorganizations of Petrobank.

GOVERNANCE

The Board and management of Petrobank consider sound corporate governance to be a key component in the effective and efficient operation of Petrobank.

Board of Directors

The Board has the responsibility to oversee the conduct of the business of Petrobank and to supervise management who is responsible for the day-to-day conduct of the business of Petrobank. The Board's fundamental objectives are to enhance and preserve long-term Shareholder value and to ensure Petrobank meets its obligations on an ongoing basis.

While the Board has delegated the responsibility for day-to-day management of Petrobank to management, the Board has implicitly and explicitly acknowledged its responsibility for the stewardship of Petrobank, including the responsibility for:

- (a) approving and monitoring Petrobank's strategic planning through a regular reporting and review process;
- (b) the identification of the principal risks of Petrobank's business and ensuring the implementation of appropriate systems to manage these risks;
- (c) the appointment of the senior executive officers and succession planning; and
- (d) ensuring timely and accurate communications to Shareholders of financial and other matters in accordance with Applicable Laws.

At Petrobank's expense, individual directors may engage outside advisors on any matter, when they consider it necessary or desirable. The Board or any committee of the Board has the sole authority to retain and terminate any such advisors, including sole authority to review an advisor's fees and other retention terms.

Majority Voting Policy

Shareholders should note that the form of proxy or VIF allows for voting for individual directors rather than for directors as a slate. In addition, the Board adopted a Majority Voting Policy effective March 11, 2013, pursuant to which, in an uncontested election of directors, a director who receives more "withhold" votes than "for" votes at the annual meeting of shareholders will tender his or her resignation to the Chair of the Board, to be effective upon acceptance by the Board. The Nominating Committee will expeditiously consider the director's offer to resign and make a recommendation to the Board whether or not to accept the offer. The Board will make its decision and announce it in a news release within 90 days following the annual meeting, including the reasons for its decision. A director who tenders a resignation pursuant to this policy will not participate in any meeting of the Board or the Nominating Committee at which the resignation is considered. Petrobank expects that any such resignation will be accepted by the Board

unless special circumstances exist that warrant the resigning director continuing to serve on the Board. For this reason, unless such special circumstances exist, a withhold vote in respect of a director is equivalent to voting against the election of such director.

Mandate of the Board

The Board and each of its committees have written mandates. Refer to Schedule "A" of this Appendix M to the Circular for the full text of the mandate of the Board. The Board has the responsibility to oversee the conduct of the business of Petrobank and has delegated the responsibility for the day-to-day conduct of the business to the Chief Executive Officer and other members of management, subject to compliance with plans and objectives that may be approved from time to time by the Board.

Composition of the Board

The Board is currently comprised of six (6) members, a majority of five (5) of whom are considered independent. Messrs. Brown, McCrank, McKinnon, Ruttan and Dr. Vredenburg are independent directors. Petrobank has proposed seven (7) nominees for election at the Petrobank Meeting, conditional on the Arrangement becoming effective, pursuant to the terms of the Arrangement Agreement (the "**Petrobank Board Resolution**") four (4) of whom are independent. The six (6) current directors sitting on the Board are proposed as nominees for election at the Petrobank Meeting, a majority five (5) of whom are considered independent, to serve as directors until the earlier of the next annual meeting of shareholders and such time as the Arrangement is completed.

Mr. Wright is not considered an independent director as he would be considered to have a "material relationship", as defined in National Instrument 52-110 — *Audit Committees* ("**NI 52-110**"), with Petrobank as Mr. Wright is the current Chief Executive Officer. In order to provide leadership to the independent directors, Petrobank has designated Mr. Ken McKinnon as the lead independent director.

Should Mr. R. Gregg Smith be elected to the Board, he would not be considered an independent director as he would be considered to have a "material relationship" as defined in NI 52-110, with Petrobank as Mr. Smith is the former Chief Operating Officer of PetroBakken.

Should Mr. Paul R. Baay be elected to the Board, he would not be considered an independent director once appointed President and Chief Executive Officer of New Touchstone.

Board Meetings

The Board is scheduled to meet on a quarterly basis, with additional meetings held as appropriate or required. The Board also meets as necessary to consider specific developments or opportunities as they arise. Where appropriate, key management personnel and professional advisors are invited to attend meetings to speak to these issues.

While the Board does not hold regularly scheduled meetings comprised solely of independent directors, a portion of many Board meetings consist of an 'in camera' session of the independent directors, where members of management of Petrobank are not in attendance.

Board Meeting Attendance

During 2013, the Board held a total of six (6) meetings, the Audit Committee held four (4) meetings, the Compensation Committee held one (1) meeting, the Reserves Committee held one (1) meeting, and the Nominating Committee did not hold any meetings. The following table sets forth the attendance for the existing directors of Petrobank.

Director	Board Meeting Attended	Audit Committee Attended	Compensation Committee Attended	Reserves Committee Attended	Overall Attendance
Ian Brown	6/6 (100%)	4/4 (100%)	-	-	10/10 (100%)
Neil McCrank	6/6 (100%)	-	1/1 (100%)	1/1 (100%)	8/8 (100%)
Ken McKinnon	6/6 (100%)	4/4 (100%)	1/1 (100%)	-	11/11 (100%)
Corey Ruttan	6/6 (100%)	-	-	1/1 (100%)	7/7 (100%)
Dr. Harrie Vredenburg	6/6 (100%)	4/4 (100%)	1/1 (100%)	-	11/11 (100%)
John Wright ⁽¹⁾⁽²⁾	6/6 (100%)	-	-	-	6/6 (100%)
Chris Bloomer ⁽³⁾	1/1 (100%)	-	-	1/1 (100%)	2/2 (100%)

Note:

1. In addition, on a non-voting basis, in 2013, Mr. Wright attended one (1) Compensation Committee meeting, one (1) Reserves Committee meeting and four (4) Audit Committee meetings.
2. Mr. Wright was appointed to the Reserves Committee on May 7, 2013.
3. Mr. Bloomer resigned from the Board effective April 11, 2013.

Members of the Board who are Directors of Other Reporting Issuers

The following table sets forth the Board members' directorship of other reporting issuers.

Director	Other Public Company Directorships
Ian Brown	Bonavista Energy Corporation Cathedral Energy Services Ltd. Consolidated Westview Resource Corp. Karnalyte Resources Inc. Lightstream Resources Ltd.
Neil McCrank	AltaGas Ltd.
Ken McKinnon	Lightstream Resources Ltd. Alvopetro Energy Ltd.
Corey Ruttan	Lightstream Resources Ltd. Alvopetro Energy Ltd.
Dr. Harrie Vredenburg	-
John Wright	Hawk Exploration Ltd. Lightstream Resources Ltd. Alvopetro Energy Ltd. Spyglass Resources Corp.

Committees of the Board

The Board has four (4) committees: the Audit Committee, the Reserves Committee, the Compensation Committee and the Nominating Committee. All of the committees of the Board operate under written mandates. The Board may also form independent or special committees from time to time to evaluate certain transactions.

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities by reviewing: the financial reports and other financial information provided by Petrobank to any regulatory body or the public; Petrobank's systems of internal controls regarding preparation of those financial statements and related disclosures that management and the Board have established; and Petrobank's auditing, accounting and financial reporting processes generally.

The purpose of the Compensation Committee is to assist the Board in fulfilling its responsibility by reviewing and evaluating matters relating compensation of the directors, officers and employees of Petrobank in the context of the budget and business plan of Petrobank.

The primary function of the Reserves Committee is to assist the Board in the selection, engagement and instruction of an independent reserves evaluator for Petrobank, ensuring there is a process in place to provide all relevant reserves data to the independent reserves evaluator and monitoring the preparation of the independent reserves evaluation of Petrobank.

The purpose of the Nominating Committee is to review and report to the Board from time to time on matters pertaining to composition of the Board and the committees of the Board and to receive recommendations from the Board and management with respect to director nominees, identify potential director nominees, and in consultation with the Chief Executive Officer, recommend director nominees with appropriate skills to the Board for their consideration.

Position Descriptions

The Board has adopted a formal written position description for the Chief Executive Officer of Petrobank and for the Chairman of the Board, which sets out the duties and responsibilities of such positions. The Chief Executive Officer is charged with the general oversight and management of Petrobank. The Chair of each committee of the Board is charged with leading and assessing each committee to ensure it fulfills its mandate as set out in the committee terms of reference.

Orientation and Continuing Education

The Board provides an informal orientation program for all new directors. New members of the Board are provided with background information about Petrobank's business, current issues and corporate strategy. New members of the Board also receive a copy of Petrobank's vision and values statement (the "**Vision and Values statement**"). In addition, Petrobank expects Petrobank's directors to be informed about issues affecting Petrobank's business and the industry in which Petrobank operates and, as such, all directors are encouraged to attend, at the expense of Petrobank, applicable educational programs. Educational programs are also provided for directors on an 'as requested' basis. As well, any director has unrestricted direct access to any member of senior management and their staff at any time.

The Board believes that these procedures are practical and effective in light of Petrobank's particular circumstances, including the size of the Board, the size of Petrobank, the nature and scope of Petrobank's business and operations and the experience and expertise of Board members.

Code of Ethics

Petrobank has in place a written Vision and Values statement, which outlines Petrobank's commitment to safety, Shareholder value, its employees, the environment and integrity. Management of Petrobank and the Board are of the view that the Vision and Values statement encourages and promotes a culture of

ethical business conduct within Petrobank. A copy of the Vision and Values statement can be obtained free of charge by writing to the Vice President Finance and Chief Financial Officer of Petrobank.

The Board has adopted an extensive disclosure, confidentiality and trading policy (the "**Disclosure, Confidentiality and Trading Policy**") to which all such persons are subject. This policy encourages ethical conduct in that it reflects the importance of confidentiality in respect of Petrobank's activities and restricts trading in the securities of Petrobank at times when individuals may be in possession of material non-public information.

Petrobank also has written policies in place in respect of conduct, privacy, harassment and whistleblowing. Compliance with Petrobank's various policies is monitored by management of Petrobank, with reports to the Board, if necessary.

Management prepares informational memos that are distributed to all staff members and made available on Petrobank's intranet on topics that are relevant to Petrobank and the applicable legislation under which Petrobank operates. In light of the foregoing, Petrobank has not adopted a formal written code of ethics.

Board members must disclose any potential conflicts of interest in respect of matters addressed at Board meetings. Each member of the Board must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest.

Nomination of Board Members

The Nominating Committee is charged with the responsibility for the recommendation to the Board of nominees for appointment as directors. In addition, all directors are encouraged to identify and put forth potential nominees. The Nominating Committee considers the skills and qualifications of existing directors and the long-term needs of Petrobank in respect of the Board and each of the committees of the Board. The Nominating Committee typically meets in the first quarter of each year to identify potential candidates for the Board and review the qualifications of such potential candidates. In particular, the Nominating Committee assesses, among other factors, industry experience, functional expertise, financial literacy and expertise, board experience and diversity of background, and considers potential conflicts arising in connection with potential candidates for the Board. Upon such review, and after conducting appropriate due diligence, the Nominating Committee makes recommendations on candidates to the Board.

Compensation of Board Members

The Compensation Committee periodically reviews the compensation of the directors, which is discussed under the heading "*Compensation of Directors*".

Board Assessments

The Board and the Nominating Committee will periodically review the effectiveness of the Board, its committees, and the contributions of individual Board members. Assessments are conducted through informal discussion and evaluation of members' contributions. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. The assessments consider, in the case of the Board or a committee, the applicable mandate, and the competencies and skills each individual director is expected to bring to the Board and the committees on which they are members of. Petrobank does not have a formal retirement policy for directors.

Indebtedness of Directors and Senior Officers

No director, executive officer or proposed nominee for election as a director, any of their associates or affiliates, or any employee, is or has been at any time since the beginning of the most recently completed financial year of Petrobank, indebted to Petrobank or any of its subsidiaries, nor is, or at any time since

the beginning of the most recently completed financial year of Petrobank has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Petrobank or any of its subsidiaries.

Interest of Informed Persons in Material Transactions

The management of Petrobank is not aware of any material interest, direct or indirect, of any director, any proposed nominee for director or officer of Petrobank, any person beneficially owning, directly or indirectly, more than 10% of Petrobank's voting securities, or any associate or affiliate of any such person in any transaction which was commenced in the last completed financial year of Petrobank or in any proposed transaction which in either case has materially affected or will materially affect Petrobank or its subsidiaries.

Audit Committee

Reference is made to Appendix E of the Petrobank AIF dated March 26, 2014, and such Appendix E is hereby incorporated by reference. The AIF can be found on SEDAR at www.sedar.com or on Petrobank's website at www.petrobank.com.

Additional Information

Additional information relating to Petrobank is available on SEDAR at www.sedar.com. Financial information is provided in the Petrobank Annual Financial Statements and the Petrobank Annual MD&A for its most recently completed financial year. Copies of the documents incorporated herein by reference may be obtained on SEDAR or on request without charge from the Vice President and Chief Financial Officer of Petrobank by submitting a request to Petrobank by telephone (403.750.4400), by fax (403.266.5794), by email: ir@petrobank.com, or by mail to Petrobank Energy and Resources Ltd., 1100, 332 – 6th Avenue S.W., Calgary, Alberta, T2P 0B2 Attention: Vice President Finance and Chief Financial Officer.

OTHER MATTERS

Petrobank's management knows of no amendment, variation or other matter to come before the Petrobank Meeting other than the matters referred to in the Notice of Annual Meeting. However, if any other matter properly comes before the Petrobank Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgement of the person voting the proxy.

SCHEDULE "B"

MANDATE OF THE BOARD OF DIRECTORS

PETROBANK ENERGY AND RESOURCES LTD.

The Board of Directors (the "**Board**") of Petrobank Energy and Resources Ltd. (the "**Corporation**") is responsible for the stewardship of Petrobank. In general terms, the Board will:

- A. in consultation with the chief executive officer of Petrobank (the "**CEO**"), periodically approve the general business strategy of Petrobank;
- B. supervise the management of the business and affairs of Petrobank with the goal of achieving Petrobank's general business strategy as approved by the Board;
- C. discharge the duties imposed on the Board by applicable laws; and
- D. for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will perform the following duties:

Strategic Direction, Operating, Capital and Financial Plans

- 1. require the CEO to periodically present to the Board a strategic plan for Petrobank's business, which plan must:
 - (a) be designed to implement Petrobank's general business strategy,
 - (b) identify the principal strategic and operational opportunities and risks of Petrobank's business, and
 - (c) be approved by the Board as a pre-condition to the implementation of such plans;
- 2. review progress towards the achievement of the goals established in the strategic, operating and capital plans;
- 3. identify the principal risks of Petrobank's business and take all reasonable steps to ensure the implementation of the appropriate systems to manage these risks;
- 4. approve the annual operating and capital plans;
- 5. approve issuances of additional common shares or other securities to the public;
- 6. monitor Petrobank's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances;

Management and Organization

- 1. appoint the CEO and determine the terms of the CEO's employment with Petrobank;
- 2. evaluate the performance of the CEO;
- 3. in consultation with the CEO, establish the limits of management's authority and responsibility in conducting Petrobank's business;

4. in consultation with the CEO, appoint all officers of Petrobank and approve the terms of any unique or long-term compensation arrangements or severance terms agreed to with senior management;
5. develop a succession plan for senior management positions;
6. generally provide advice and guidance to management;

Finances and Controls

1. use reasonable efforts to ensure that Petrobank maintains appropriate systems to manage the risks of Petrobank's business;
2. monitor the appropriateness of Petrobank's capital structure;
3. in consultation with the CEO, establish and confirm that appropriate ethical standards are observed by all officers and employees of Petrobank;
4. require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by Petrobank and its officers and employees;
5. recommend to the shareholders of Petrobank a firm of chartered accountants to be appointed as Petrobank's auditors;
6. take all necessary actions to gain reasonable assurance that all material financial information made public by Petrobank (including Petrobank's annual and quarterly financial statements) represents fairly Petrobank's financial position and performance in accordance with Canadian generally accepted accounting principles;

Governance

1. facilitate the continuity, effectiveness and independence of the Board by, amongst other things,
 - (a) selecting nominees for election to the Board,
 - (b) appointing a Chairman of the Board who is not a member of management;
 - (c) appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate,
 - (d) defining the mandate of each committee of the Board,
 - (e) assessing the size and effectiveness of the Board as a whole, each committee of the Board and each director individually,
 - (f) providing an appropriate opportunity for any director to engage an outside adviser at the expense of Petrobank;
2. periodically review the adequacy and form of the compensation of directors.

Delegation

The Board may delegate its duties to and receive reports and recommendations from any committee of the Board.

Meetings

1. The Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair;
2. minutes of each meeting shall be prepared;
3. the Chief Executive Officer or his designate(s) may be present at all meetings of the Board;
4. Vice Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board;
5. The Board may call meetings without members of management, including members of management who are also directors of Petrobank, in attendance for purposes of discussing and evaluating management's performance and addressing other material issues at the Board's discretion.

Shareholders of:



If you have any questions about the information contained in this document or require assistance in completing your proxy form, please contact our proxy solicitation agent at:



North American Toll-free Number:

1-800-775-1986

Email:

contactus@kingsdaleshareholder.com