



**Tax Implications of the Spinout of Petrominerales Ltd. – Petrobank Shareholders
Fair Market Value of Distribution Received and Timing of Income Inclusion – U.S. Shareholders**

Fair Market Value of Dividend Received

Pursuant to the Plan of Arrangement (the “Arrangement”) effective on December 31, 2010, each shareholder of Petrobank (“Shareholder”) received one New Petrobank Common Share and one Petrobank Special Share in exchange for each existing Petrobank Common Share. Each Petrobank Special Share was then exchanged for approximately 0.6142 of one Petrominerales Ltd. (“New Petrominerales”) share.

The exchange of Petrobank Shares for New Petrobank Shares will not be a taxable event for U.S. federal income tax purposes. Each Shareholder’s tax basis and holding period for its Petrobank Shares will become its tax basis and holding period for its New Petrobank Shares. For U.S. federal income tax purposes, the receipt of Petrobank Special Shares and their exchange for New Petrominerales Shares will be treated as a distribution by Petrobank to its Shareholders of the New Petrominerales Shares. The full amount of the distribution is expected to be taxable as a dividend as the distribution is payable out of the “earnings and profits” of Petrobank. This dividend should constitute “qualified dividend income” and may be taxable to individual and other non-corporate holders at a preferential tax rate of 15%, provided that such Shareholders have held their Petrobank Common Shares for more than 60 days during the 121-day period beginning 60 days before the “ex-dividend date” of December 29, 2010.

The amount of the dividend will be the fair market value of the New Petrominerales Shares at the time of their receipt, which amount will also become the Shareholder’s U.S. tax basis in the New Petrominerales Shares received. The Shareholder’s holding period for the New Petrominerales Shares will begin on January 1, 2011, being the day after the date of the Arrangement. Petrobank has estimated the fair market value of the distribution based on the weighted average trading price of the Petrominerales Ltd. Common Shares for the last 10 trading days prior to the Arrangement. Based on this estimate, each Petrobank Shareholder would be required to include CDN \$20.05 (US\$ 20.16) in income for each Petrobank Share held at the time of the Arrangement or alternatively CDN \$32.65 (US\$32.83) in income for each New Petrominerales Share received. This assumes a weighted average trading price of Petrominerales Ltd. of approximately CDN \$32.65 (adjusted to remove the value of the

fourth quarter dividend having a record date of December 30, 2010) and assumes that each Petrobank shareholder was entitled to approximately 0.6142 of a Petrominerales Share.

Neither the Internal Revenue Code nor the associated Regulations provide a definition of “fair market value” for U.S. federal income tax purposes. Fair market value is generally the price at which property would be sold between a willing buyer and a willing seller. It is generally acceptable to estimate fair market value using a weighted average trading price. However, please be advised that any estimate of fair market value used to compute the amount of the distribution is not binding on the Internal Revenue Service or any particular Shareholder.

Timing of Income Inclusion

As noted in our press release of December 31, 2010, the Arrangement became effective on that date. Although Shareholders may not have received their New Petrominerales Shares until on or after January 7, 2011, the Arrangement was legally effective on December 31, 2010 and all Shareholders became Shareholders of New Petrominerales on the records of New Petrominerales on that date. As a result, Petrobank’s position is that the dividend should be included in computing 2010 income. Please consult your own tax advisor for further information.

Other Information

For additional information and answers to general tax questions on the Arrangement, please visit our website at <http://www.petrobank.com/investors/tax/pmgspinout/> and click on the heading “Tax Implications of the Spinout of Petrominerales Ltd. – Petrobank Shareholders”.