



## **Tax Implications of the Spinout of Petrominerales Ltd. – Petrobank Shareholders Allocation of Adjusted Cost Base and Example Calculation – Canadian Shareholders**

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### **Allocation of Adjusted Cost Base**

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.

### **Exchange of Petrobank Common Shares for New Petrobank Common Shares and Petrobank Special Shares**

For Canadian tax purposes, on the exchange of the Petrobank Common Shares for New Petrobank Common Shares and Petrobank Special Shares, each Shareholder was deemed to have disposed of Petrobank Common Shares for proceeds of disposition equal to the adjusted cost base<sup>1</sup> of such shares at the time of the exchange. Each Shareholder’s existing adjusted cost base in their Petrobank Shares will be allocated between their New Petrobank Shares and Petrobank Special Shares in proportion to the relative fair market value of such shares at the time of the Arrangement.

Petrobank’s estimate of the allocation of the adjusted cost base in each Petrobank Shareholder’s Common Shares between the New Petrobank Common Shares and the Petrobank Special Shares immediately after the exchange is as follows:

New Petrobank Common Shares	54.35%
Petrobank Special Shares	45.65%

**For a detailed example calculation, please refer to the heading “Example for Shareholders Choosing an Automatic Tax-Deferred Rollover” below.**

The estimate of the allocation was determined based on the weighted average trading price of the Petrobank Common Shares and the weighted average trading price of the Petrominerales Common Shares for the last 10 trading days prior to the exchange of Petrobank Common Shares for New Petrobank Common Shares and Petrobank Special Shares and assumes that the fair market value of a Petrobank Special Share is approximately 0.6142 of the fair market value of a New Petrominerales Share. The fair market value of New

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<sup>1</sup>Please be advised that neither Petrobank nor New Petrominerales has the information to determine your adjusted cost base in the Petrobank Common Shares. You must determine your adjusted cost base using your own records. The adjusted cost base of shares is generally based on the amount paid to acquire such shares, subject to possible adjustments under certain circumstances (e.g. shares received from an estate, shares received on a tax-deferred exchange, etc.). If you have any doubt as to the adjusted cost base of your shares please consult your tax advisor.

Petrominerales has been adjusted to remove the value of the fourth quarter dividend having a record date of December 30, 2010.

**Please be advised that any estimate of fair market value used to calculate the above noted allocation is not binding on the Canada Revenue Agency or any particular Shareholder. However it is recommended that the allocations made by Petrobank Shareholders for Canadian tax purposes be consistent with that estimated by Petrobank.**

### **Exchange of Petrobank Special Shares for New Petrominerales Shares**

The adjusted cost base of a Shareholder's New Petrominerales Shares will depend on whether the Shareholder chooses an automatic tax-deferred rollover on the disposition of the Petrobank Special Shares in exchange for New Petrominerales Shares or chooses to recognize any gain or loss on the disposition. For those Shareholders who choose an automatic tax-deferred rollover, the adjusted cost base of their New Petrominerales Shares will be deemed to be equal to the adjusted cost base of their Petrobank Special Shares and will therefore equate to 45.65% of the existing adjusted cost base in their Petrobank Common Shares. This is discussed in further detail in the general tax information which can be found at <http://www.petrobank.com/investors/tax/pmgspinout/> by clicking on the heading "Tax Implications of the Spinout of Petrominerales Ltd. – Petrobank Shareholders".

**For a detailed example calculation, please refer to the heading "Example for Shareholders Choosing an Automatic Tax-Deferred Rollover" below.**

### **Example for Shareholders Choosing an Automatic Tax-Deferred Rollover**

This example is provided for illustrative purposes for those Shareholders who wish to allow for an automatic tax-deferred rollover and do not wish to recognize any portion of any inherent gain or loss on their existing Petrobank Common Shares. Actual tax results will differ depending on each Shareholder's own tax situation. Please consult your tax advisor for specific advice on this matter.

#### Assumptions

- Shareholder X purchased 500 Petrobank Common Shares on February 17, 2009 at a cost of \$19.62 per share for a total cost of \$9,810.
- Shareholder X holds the Petrobank Common Shares as capital property.
- No other shares of Petrobank were purchased either before or after this acquisition. Shareholder X's adjusted cost base in their Petrobank Common Shares therefore equates to \$9,810.

### **Exchange of Petrobank Common Shares for New Petrobank Common Shares and Petrobank Special Shares**

On December 31, 2010, Shareholder X's 500 Petrobank Common Shares are exchanged for 500 New Petrobank Common Shares and 500 Petrobank Special Shares. Because of the automatic tax-deferred rollover, Shareholder X will be deemed to dispose of the 500 Petrobank Common Shares for the adjusted cost base of \$9,810.

- Disposition of Petrobank Common Shares:

Proceeds of Disposition	\$9,810
Adjusted Cost Base	<u>(\$9,810)</u>
Capital Gain	\$nil

- Allocation of adjusted cost base – Pursuant to the above-noted allocation of Adjusted Cost Base, the original \$9,810 in Adjusted Cost Base will be allocated between the New Petrobank Common Shares and the Petrobank Special Shares as follows:
  - Adjusted cost base in New Petrobank Common Shares:
    - 500 New Petrobank Common Shares = \$5,332 (or \$10.66 per share). This represents 54.35% of the total original adjusted cost base in the Petrobank Common Shares.
  - Adjusted cost base in Petrobank Special Shares:
    - 500 Petrobank Special Shares = \$4,478. This represents 45.65% of the total original adjusted cost base in the Petrobank Common Shares.

#### Exchange of Petrobank Special Shares for New Petrominerales Shares

Immediately following the exchange of Petrobank Common Shares for New Petrobank Common Shares and Petrobank Special Shares, Shareholder X's 500 Petrobank Special Shares are exchanged for 307 New Petrominerales Shares (computed as 0.6142 New Petrominerales Share for each Petrobank Special Share). Because of the automatic tax-deferred rollover, Shareholder X will be deemed to dispose of the Petrobank Special Shares for the adjusted cost base of \$4,478.

- Disposition of Petrobank Special Shares:
 

Proceeds of Disposition	\$4,478
Adjusted Cost Base	<u>(4,478)</u>
Capital Gain	\$nil
- Adjusted cost base of New Petrominerales Shares – Following the exchange, the adjusted cost base of the 307 New Petrominerales Shares will be \$4,478 (or \$14.59 per share).

Shareholder X's original adjusted cost base in the Petrobank Common Shares is now allocated between the New Petrobank Common Shares and the New Petrominerales Shares as follows:

New Petrobank Common Shares	\$5,332 (representing 54.35% of original adjusted cost base)
New Petrominerales Common Shares	<u>\$4,478</u> (representing 45.65% of original adjusted cost base)
Total	\$9,810 (100% of the original adjusted cost base)

#### Other Tax Information on the Petrominerales Spinout

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".

For detailed step-by-step instructions on completion of the Joint Tax Election Form, please visit our website at <http://www.petrobank.com/investors/tax/pmgspinout/> and click on the heading "Tax Election Toolkit and Step-by-Step Guide".

For answers to frequently asked questions on preparing the Joint Tax Election Form, please visit our website at <http://www.petrobank.com/investors/tax/pmgspinout/> and click on the heading "Joint Tax Election on the Spinout of Petrominerales Ltd. – Frequently Asked Questions".