

Annual Information Form
For the Period
Ended December 31, 2009

MARCH 30, 2010

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ABBREVIATIONS AND CONVERSIONS

In this Annual Information Form, the abbreviations set out below shall have the following meanings:

Crude Oil and Natural Gas Liquids (NGL)

bbls	-	barrels
bbls/d	-	barrels per day
mbbls	-	1,000 barrels
stb	-	stock tank barrel
mstb	-	1,000 stock tank barrels

Natural Gas

mcf	-	1,000 cubic feet
mcf/d	-	1,000 cubic feet per day
mmcf	-	1,000,000 cubic feet
mmcf/d	-	1,000,000 cubic feet per day
bcf	-	1,000,000,000 cubic feet
boe	-	barrels of oil equivalent: 6 mcf of natural gas equals 1 bbl of oil and is based on the relative energy content.
mboe	-	1,000 barrels of Oil Equivalent: 6 mcf of natural gas equals 1 bbl of oil and is based on the relative energy content.
mmboe	-	1,000,000 barrels of oil equivalent: 6 mcf of natural gas equals 1 bbl of oil and is based on the relative energy content.
boe/d	-	barrels of oil equivalent per day.
mmbtu	-	million British thermal units.

To Convert From	To	Multiply By
mcf	thousand cubic meters of natural gas	0.028174
cubic meters of natural gas	cubic feet	35.494
bbls	cubic meters of oil	0.159
cubic meters of oil	bbls	6.289
feet	meters	0.305
meters	feet	3.281
miles	kilometers	1.609
kilometers	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

In this Annual Information Form, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated in this Annual Information Form constitute forward-looking statements. These statements relate to future events or the future performance of Argosy Energy Inc. (“Argosy”). All statements other than statements of historical fact are forward-looking.

Such forward-looking statements or information are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "continue", "might", "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "estimate", "budget", "forecast", "predict", "project", "potential", or the negative of these terms and similar expressions. In addition, this Annual Information Form may contain forward-looking statements attributed to third party industry sources. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

Forward-looking statements in this Annual Information Form include, but are not limited to, statements with respect to:

- The performance characteristics of Argosy's oil and natural gas properties;
- oil and natural gas production levels;
- the quantity of oil and natural gas reserves;
- the performance characteristics of oil and natural gas properties;
- projection of market prices;
- other trends of the capital markets;
- the size of and future net revenues from Argosy's oil and natural gas reserves;
- capital expenditure programs;
- supply and demand for oil and natural gas and commodity prices;
- financial conditions;
- industry conditions
- capital expenditure programs;
- drilling plans;
- expectations regarding the Argosy's ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- treatment under governmental regulatory regimes and tax laws; and
- realization of the anticipated benefits of acquisitions and dispositions.

Some risks and other factors, which would cause results to differ materially from those expressed in the Forward-looking statements contained in this Annual Information Form, but are not limited to:

- general economic conditions in Canada, the United States and globally;
- industry conditions, including fluctuations in the price of oil and natural gas;
- governmental regulation of the oil and natural gas industry, including environmental regulation;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry ;
- volatility of commodity prices;
- environmental risks;

- fluctuation in foreign exchange or interest rates;
- liabilities inherent in oil and natural gas operations;
- geological, technical, drilling and processing problems;
- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- failure to obtain industry partner and other third party consents and approvals, when required;
- stock market volatility and market valuations;
- competition for, among other things, capital, acquisitions of reserves, undeveloped land, skilled personnel, and equipment and facilities;
- the need to obtain required consents, permits or approvals from regulatory authorities;
- competition for, among other things, capital, acquisition of reserves, undeveloped land, skilled personnel and equipment and facilities;
- the lack of availability of qualified personnel or management;
- uncertainties associated with estimating oil and natural gas reserves;
- aboriginal land claims;
- Stock market volatility, and
- the other factors considered under “Risk Factors”.

Readers are cautioned that the foregoing lists should not be considered to be exhaustive.

Readers are also cautioned that these factors and risks are difficult to predict and that the preparation of financial statements in accordance with Canadian GAAP requires management to make certain judgements and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Although the assumptions used in the preparation of such information and statements are considered reasonably accurate by the Corporation at the time of preparation may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material.

Statements relating to “reserves” or “resources” are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described can be profitably produced in the future.

Investors should not place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. These forward-looking statements are made as of the date of this Annual Information Form or as of the date specified in the documents incorporated by reference into this Annual Information Form, as the case may be.

OIL AND NATURAL GAS RESERVES AND PRODUCTION INFORMATION

All oil and natural gas reserve information contained herein has been prepared and presented in accordance with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”). The actual oil and natural gas reserves and future production may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the disclosed oil and natural gas reserves does not represent the fair market value of these reserves. Argosy has adopted the standard of 6 mcf to 1 boe when converting natural gas to barrels of oil equivalent. Boes may be misleading particularly if used in isolation. A boe conversion ratio of 6 mcf to 1 boe is based on an

energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

ARGOSY ENERGY INC.

1406415 Alberta Ltd. was incorporated pursuant to the Business Corporations Act (Alberta) on June 6, 2008. On July 24, 2008, the articles of incorporation 1406415 Alberta Ltd. were amended to change its name to Argosy Energy Inc. ("Argosy" or the "Corporation").

The head and registered office of the Corporation is at 2100, 500 – 4th Avenue S.W., Calgary, Alberta T2P 2V6.

Argosy shares trade on the TSX under the symbol "GSY".

GENERAL DEVELOPMENT OF THE BUSINESS

The Plan of Arrangement

Argosy was inactive from the time of its incorporation to September 30, 2008 at which time pursuant to a Plan of Arrangement between Accrete, Pengrowth Energy Trust, Pengrowth Corporation, Pengrowth Energy Partnership and Argosy ("the Arrangement"), Argosy acquired certain assets including producing and exploratory oil and natural gas properties and certain tax pools from Accrete effective on the closing date of September 30, 2008. Reference should be made to the Accrete Energy Inc. Management Information Circular dated September 2, 2008 (the "Circular") which is available at www.sedar.ca for further details.

At Claresholm, pursuant to the Arrangement, Argosy acquired 16 (13.6 net) natural gas wells, 3 (3 net) oil wells, 3 (2.6 net) potential natural gas wells, 12,682 net undeveloped acres, 47 square kilometres of 3D seismic over such lands, gathering and sales pipelines and a 75% working interest in a natural gas processing facility. Argosy also acquired 1 (.6 net) well that was in the process of being drilled. Argosy targets the Bow Island, Glauconite, Sunburst and Barons formations at depths of 2,000 to 2,300 meters in this area.

At Saxon, pursuant to the Arrangement, Argosy acquired 1 (1 net) producing natural gas well, 15,840 net undeveloped acres together with 36 square kilometers of 3D seismic and 20 kilometres of 2D seismic over the lands acquired.

At Edson, pursuant to the Arrangement, Argosy acquired 4 (4 net) natural gas wells, 2 of which are producing and 2 of which are still to be ties in together with 6,400 net undeveloped acres of land.

Argosy also acquired various interests in the Atlee Buffalo, Peco, Caroline and Saddle Hills areas pursuant to the Arrangement which would be classified as minor miscellaneous interests.

Accrete shareholders, pursuant to the Arrangement received one quarter of a share of Argosy for each Accrete share held and provided that the applicable shareholder was not an insider of Accrete as contemplated by applicable securities laws, one eighth of a warrant to acquire an Argosy share at an exercise price of \$4.60 per share.

A total of 4,494,667 common shares of the Corporation were issued to former Accrete shareholders in connection with the exchange of Argosy common shares for Accrete common shares pursuant to the Arrangement. No Argosy warrants were exercised prior to their expiry date.

On September 30, 2008 and concurrent with the closing of the Arrangement, Argosy issued 1,208,051 flow through shares at an issue price of \$5.20 per share and 156,116 common shares at an issue price of \$4.60 per share by way of private placement to certain Argosy directors, officers, employees and consultants for total gross proceeds of \$7,000,000.

General Development

Argosy is an independent public corporation engaged in the acquisition, exploration, exploitation, development and production of crude oil and natural gas in Alberta, Canada.

Argosy's production operations are primarily concentrated in the Claresholm area of Alberta. The Corporation derives minor amounts of production revenue from wells in the Saxon, Edson and Atlee Buffalo areas of Alberta as well.

At September 30, 2008, Argosy's credit facilities comprised a Revolving Operating Demand Loan with a credit limit of \$22 million, a Bridge Demand Loan with a credit limit of \$4 million and a Bridge Demand Loan with a credit limit of \$5 million. The Revolving Operating Demand Loan bore interest at the Bank prime rate plus .25% per annum. The \$4 million Bridge Demand Loan bore interest at the Bank prime rate plus 2.0% per annum and required repayment on or before October 3, 2008. The \$5 million Bridge Demand Loan bore interest at the Bank prime rate plus 1.0% per annum and required repayment in full on or before November 30, 2008. Security for the credit facilities included an assignment of book debts and a \$75 million debenture with a floating charge over all assets with a negative pledge and undertaking to provide fixed charges on the Corporation's major producing properties at the request of the bank. Proceeds from these facilities were used to repay a portion of the outstanding debt of Accrete in accordance with the terms of the Arrangement.

The \$4 million Bridge Demand Loan was repaid and the \$5 million Bridge Demand Loan was replaced with an Acquisition / Development Demand Loan with a credit limit of \$9 million pursuant to an agreement dated October 8, 2008. The Acquisition / Development Demand Loan bore interest at Bank prime rate plus 0.5%. Proceeds from this facility were used to fund development in the Claresholm area including a purchase of 3 (1.8 net) wells in the Claresholm area from an industry partner. Consideration for this purchase was \$800,000 and the effective date was September 1, 2008.

On January 22, 2009, having completed development in the Claresholm area that was financed by way of the Acquisition / Development Demand Loan and following a review of the Corporation's oil and natural gas reserves by the Bank, the \$22 million Revolving Operating Demand Loan and the \$9 million Acquisition / Development Demand Loan were replaced with a Revolving Operating Demand Loan with a credit limit of \$29 million and an Acquisition / Development Demand Loan with a credit limit of \$2 million. The Revolving Operating Demand Loan bore interest at Bank prime plus a percentage determined in accordance with the bank's pricing grid. The Bank's pricing grid is dependent on the Company's debt to cash flow ratio. The Acquisition/Development Demand Loan bears interest at a rate which is 0.25% higher than the Revolving Operating Demand Loan.

The Revolving Operating Demand Loan had no specific terms of repayment aside from the Bank's right of demand and periodic review. The Acquisition/Development Demand Loan requires unspecified monthly principal repayments over the engineering half life of the reserves being financed as determined

by the Bank with repayments commencing the month following drawdown and was also subject to the Bank's right of demand and interim review.

Security for the foregoing credit facilities did not change.

On July 7, 2009, the banking arrangements were reviewed. There was no change other than a reduction of the credit limit of the Revolving Operating Demand Loan from \$29 million to \$26 million.

On September 30, 2009, the Company completed a bought deal equity financing of special warrants. Each special warrant evidenced the right of the holder to receive for no additional consideration, one common voting share of the Company until October 16, 2009 provided certain conditions were met.

Such conditions included regulatory approvals, a receipt for the final prospectus in respect to the distribution of the underlying common voting shares and disinterested shareholder approval of the special warrant offering and issuance of the underlying common voting shares.

The gross proceeds of the special warrant were escrowed until the conditions were satisfied. The special warrants are classified as a separate component of equity because management concluded that there was less than a remote possibility that the underlying shares in respect to the special warrants would not be issued.

Disinterested shareholders approved the special warrant offering and issuance of the underlying common voting shares at a special meeting of the shareholders of the Company held on October 6, 2009. All other conditions were satisfied and on October 13, 2009, the Company announced that effective October 9, 2009, the funds related to the gross proceeds of the special warrants were released from escrow and that the Company had issued one common voting share for each special warrant held and that the special warrants were cancelled. The next Bank review is scheduled on or before April 1, 2010.

The Company's credit facility was reviewed and was renewed by the Bank on October 30, 2009. The limits under the facilities were not changed from that which had been previously in effect.

In December 2009, Argosy entered in to a Proposal for Business Combination with Radius Resources Inc. ("Radius"). The proposed business combination is part of a Proposal to be put forward by Radius pursuant to the provisions of the Bankruptcy and Insolvency Act (BIA) (the "Proposal"). If the Proposal is approved, and as originally contemplated, Argosy will acquire all of the issued and outstanding shares of Radius and result in the settlement of all claims (both secured and unsecured) for total consideration of 1.2 million common shares of Argosy, 600,000 common share purchase warrants of Argosy and \$2.5-million in cash, subject to adjustments. Each whole Argosy warrant shall entitle the holder thereof to receive one Argosy share at an exercise price of \$2.25 per share for a period of 18 months. The exercise period of the Argosy warrants may be accelerated in the event that the 20-day-trading-volume-weighted average price of the Argosy shares meets or exceeds \$3 during the period such warrants remain outstanding. Argosy also agreed to pay an additional \$250,000 in transaction expenses of Radius.

Subsequent to the foregoing and after the completion of due diligence, it was determined that Radius tax pools totaled approximately \$12.8-million rather than \$19.8 that was originally contemplated. As a result, the number of Argosy shares that may form part of the purchase price was reduced from 1.2 million to 748,000, the number of warrants that may be form part of the purchase price was reduced from 600,000 to nil and the transaction expenses to be paid on behalf of Radius was reduced to \$225,000.

On March 19, 2010, Argosy entered into a definitive purchase and sale agreement (the "Definitive Agreement") to complete the proposed business combination with Radius on the foregoing terms.

The Definitive Agreement and the Proposal are subject to the satisfaction of certain conditions and receipt of all approvals, including approval of Radius creditors, the Court and the Toronto Stock Exchange. If the Proposal is rejected, Radius will be declared bankrupt.

The Radius acquisition, if approved, will add approximately 194,000 barrels of oil equivalent of proven reserves, 396,000 proven plus probable reserves, over 19,000 acres of undeveloped land and 80 barrels of oil equivalent per day to Argosy's production. Radius's properties are primarily concentrated in the Ante Creek area of Alberta.

In addition, Radius entered into a farm-in agreement with Argosy. Pursuant to the terms of the farm-in agreement, Radius agreed to pay \$1,300,000 towards drilling costs to earn a 50% working interest in two wells that were spudded in the Saxon area in late December 2009. The farm-in agreement also specifies that if the relevant costs exceed the amount that was budgeted, and Radius is unable to reimburse Argosy that Radius' interest in the two wells would be reduced proportionately. In addition, Argosy may elect to convert Radius' working interest share to a 3% non-convertible overriding royalty in the event that Radius fails to pay when due all amounts owed by it to Argosy or on assignment or attachment by Radius of its interests in the wells or on the change of control of Radius.

Argosy advanced \$1,300,000 to Radius to enable it to pay the commitment referred to in the preceding paragraph.

In December 2009 Argosy Energy Inc. agreed to the terms for a non-brokered private placement financing of common shares and common share purchase warrants.

The financing comprised:

1,944,367 units of the corporation at a price \$1.80 per unit, each unit consisting of one Argosy share and 0.5 of an Argosy warrant;

1.75 million units at a price of \$2 per unit, each flow-through unit consisting of one Argosy share issued on a flow-through basis and 0.5 of an Argosy warrant.

Each whole Argosy warrant shall entitle the holder thereof to receive one Argosy share at an exercise price of \$2.25 per share for a period of 18 months. The exercise period of the Argosy warrants may be accelerated in the event that the 20-day trading volume weighted average price of the Argosy shares meets or exceeds \$3 during the period such warrants remaining remain outstanding.

The gross proceeds from the financing were escrowed with counsel for Argosy and were released in December 2009 to Argosy upon receipt of TSX approval except for the amount of \$2.7-million which may be used to close Radius Resources Corp. acquisition noted above. The agreements specified that this amount would be released upon the earlier of February 28, 2010 and the closing of the transaction unless Argosy is in material breach of its obligations to Radius and the transaction does not close in which event the \$2.7-million will be returned to the subscribers therefore. That amount was released to Argosy on March 8, 2010 at which time 1,500,000 units, comprising 1,500,000 Argosy shares and 750,000 warrants, were issued.

In addition, one of the subscribers that participated in the private placement financing referred to above has undertaken to purchase \$1,000,000 of flow through common shares at any time in 2010 on receipt of written notice from Argosy for a cash purchase price of the greater of \$2.00 per share and the volume weighted average price of Argosy common shares on the Toronto Stock Exchange ended on the 5th trading day prior to the proposed date of issue of such shares. Argosy served notice in respect of this private placement on March 23, 2010.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

Exploration and Development Strategy

Argosy's goal is to create sustainable value through exploitation of its principal properties at Claresholm, Saxon and Edson. The Corporation also focuses on expanding its existing asset base through the generation of lower risk development prospects, through crown land sales, farm-ins, farm-outs and the acquisition of additional properties where viewed as strategic.

Argosy's strategy is to initiate, develop and operate prospects and to maintain high working interests in all operations. Argosy primarily pursues natural gas prospects that have medium risk, have multi-zone potential, are economic even under the current market conditions and which have predictable results that can be repeated.

Principal Properties

Production for the year ended December 31, 2009 averaged approximately, 4.6 mmfc/d of natural gas, 26 bbls/d of oil, and 83 bbls/d of NGL.

Argosy employs or retains the services of 15 individuals (not including personnel hired on a consulting basis) at its head office in Calgary, Alberta.

The following is a description of the Corporation's oil and natural gas properties as at December 31, 2009. Production stated is net production to Argosy. Unless otherwise specified, gross and net acres and well count information are as at December 31, 2009.

Claresholm

This area lies 100 kilometres south of Calgary, Alberta. Accrete uses the term "Claresholm" to describe wells and exploration acreage in the Claresholm, Amelia, Granum and Pearce strike areas. As a consequence of the Arrangement, Argosy acquired 22 (19.2 net) wells comprising 16 (13.6 net) natural gas wells, 3 (3 net) oil wells and 3 (2.6 net) potential natural gas wells.

Argosy completed the drilling of 1 well (.6 net) that was spudded by Accrete just prior to the closing of the Arrangement and it drilled 3 (2.2 net) wells in 2008. In 2009, Argosy drilled 4 wells. This activity resulted in 4 (2.8 net) natural gas wells in 2008 and 2 natural gas wells (1.6 net) and 1 oil well (1 net) in 2009.

The Corporation targets Bow Island, Glauconite, Barons, Ostracod and Sunburst formations at depths from 2,000 to 2,200 meters.

Pursuant to the Arrangement, Argosy acquired 47 square kilometres of 3D seismic over such lands together with approximately 31 kilometres of sales pipe line as well as a 75% interest in compression facilities and a natural gas plant to service these wells.

Production from this area for the year ended December 31, 2009 averaged of approximately 4,162 mmcf/d of natural gas, 26 bbl/d of oil and 69 bbl / d of liquids.

An enhanced oil recovery pilot project is expected to be implemented in the Pearce strike area in the first half of the year to determine if pressure can be restored and maintained. If so, Argosy expects to direct significant capital to further development in the second half of 2010.

Argosy holds 22,712 net undeveloped acres in the area.

Saxon

This property together with related seismic data was also acquired pursuant to the Arrangement.

The Company's Saxon area is located 125 kilometers south west of Grand Prairie Alberta. This property is in the early stages of geological development. In 2007, Accrete drilled 1 (1 net) well in this area based on bypassed pay in existing wells to test the Company's geological concepts. Two separate natural gas bearing zones were completed in the well. Production averaged 170 mcf / day for 2008.

During 2007, 36 square kilometres of 3D seismic data as well as 20 kilometers of 2D seismic data were shot by Accrete over the northern portion of Argosy's land base. This data confirmed the lower Mannville trends identified in offsetting well data along with the extent of the widespread Montoney target. In total, Argosy has identified 13 locations on this part of its land base.

Two wells (1 net) were spudded in the Saxon area in December 2009 following the December financing. These wells targeted new reservoirs and were designed to provide data points for future horizontal drilling. In 2010, one well (0.5 net) was completed as a gas well producing over 1.25 million cubic feet of natural gas per day and the second well (0.5 net) was abandoned.

Argosy holds 14,560 net undeveloped acres in the area.

Edson

This property was also acquired pursuant to the Arrangement.

The Edson area is located approximately 20 kilometers south of the Town of Edson and 290 kilometers west of Edmonton. Wells in this area feature multiple productive zones.

The Company owns (4 net) sweet natural gas wells. Two of the wells have been tied in and production averaged 335 mcf/d. The other wells have not been tied in due to logistical considerations.

Further development of this area will require significant capital commitment. Argosy has postponed any drilling activity until such time that commodity prices and/or capital markets improve.

Argosy holds 8,960 net undeveloped acres in the area.

Costs Incurred

The following table summarizes the capital expenditures made by Argosy on oil and natural gas properties for the year ended December 31, 2009.

Property Acquisition Costs (\$000)		Exploration Costs (\$000)	Development Costs (\$000)	Property Disposition (\$000)
Proved Properties	Unproved Properties			
-	445	3,655	895	-

Exploration and Development Activities

The following table sets forth the number of exploratory and development wells (all of which were in Alberta) which Argosy completed during the year ended December 31, 2009.

	Exploratory Wells		Development Wells	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Oil Wells	1	1.0	-	-
Natural Gas Wells	1	1.0	1	0.6
Service Wells	-	-	-	-
Dry Holes	1	1.0	-	-
Total Completed Wells	3	3.0	1	0.6

Notes:

- (1) "Gross" wells are defined as the total number of wells in which Argosy has an interest.
 "Net" wells are defined as the aggregate of the numbers obtained by multiplying each gross well by Argosy's percentage working interest therein.

Argosy currently expects to drill 10 wells in 2010, with 7 expected to be development wells and 3 expected to be exploratory wells. To date in 2010, 3 (3 net) well has been drilled and cased. See description of "Principal Properties".

Production History

The following table sets forth certain information in respect of production, product prices received, royalties, production costs and netbacks received by Argosy for 2009.

	Three Months Ended December 31, 2009	Three Months Ended September 30, 2009	Three Months Ended June 30, 2009	Three Months Ended March 31, 2009	Year Ended December 31, 2009
Average Daily Production					
Light and Medium Oil (bbl/d)	17	27	29	30	26
Natural Gas (mcf/d)	3,869	4,316	4,921	5,476	4,640
Natural Gas Liquids (bbl/d)	62	77	86	108	83
Prices					
Light and Medium Oil (\$/bbl)	75.83	71.35	63.75	46.89	62.94
Natural Gas (\$/mcf)	5.15	3.26	3.85	5.44	4.44
Natural Gas Liquids (\$/bbl)	60.65	49.96	46.87	42.20	48.68
Royalties					
Light and Medium Oil (\$/bbl)	3.66	1.78	0.34	0.40	1.30
Natural Gas (\$/mcf)	0.26	0.07	0.45	1.49	0.58
Natural Gas Liquids (\$/bbl)	17.05	6.33	12.84	15.98	15.67
Production Costs⁽¹⁾					
Light and Medium Oil (\$/bbl)	5.72	5.93	5.44	6.41	5.90
Natural Gas (\$/mcf)	0.95	0.99	0.91	1.07	0.98
Natural Gas Liquids (\$/bbl)	5.72	5.93	5.44	6.41	5.90
Transportation Costs					
Light and Medium Oil (\$/bbl)	-	-	-	-	-
Natural Gas (\$/mcf)	0.47	0.31	0.28	0.17	0.30
Natural Gas Liquids (\$/bbl)	-	-	-	-	-
Netback Received					
Light and Medium Oil (\$/bbl)	66.45	63.63	57.97	40.08	55.74
Natural Gas (\$/mcf)	3.47	1.88	2.21	2.70	2.59
Natural Gas Liquids (\$/bbl)	37.87	37.71	28.58	19.81	27.11

Note:

- (1) The calculation of production and transportation costs by product type requires Argosy to allocate costs.

The following tables show Argosy's average gross and net daily production of light and medium crude oil and NGL and natural gas for the year ended December 31, 2009.

	Three Months Ended December 31, 2009	Three Months Ended September 30, 2009	Three Months Ended June 30, 2009	Three Months Ended March 31, 2009	Year Ended December 31, 2009
Light and medium crude oil and NGL⁽¹⁾					
(bbls/d)					
Gross ⁽²⁾	89	104	115	138	109
Net ⁽²⁾	61	94	91	97	82
Natural Gas (mcf/d)					
Gross ⁽²⁾	3,869	4,316	4,921	5,476	4,640
Net ⁽²⁾	3,677	4,219	4,341	3,971	4,035

Notes:

- (1) Light and medium crude oil includes crude oil which is 20° API gravity or higher, as well as NGL.
- (2) Gross volumes are Argosy's lessor royalty, overriding royalty and working interest share of production before deduction of royalties. Net volumes are Argosy's gross volumes, less royalties.
- (3) Comparative figures for periods ending prior to September 30, 2008 are presented in accordance with continuity of interest guidelines as if the assets acquired by Argosy had always been operated as a stand-alone entity.

Field Netback

The following table shows the Company's average netback for operations for the year ended December 31, 2009. The classification is based on the oil/gas ratio.

	Three Months Ended December 31, 2009	Three Months Ended September 30, 2009	Three Months Ended June 30, 2009	Three Months Ended March 31, 2009	Twelve Months Ended December 31, 2009
Light and medium crude oil (\$/bbl)	66.45	63.63	57.97	40.08	55.74
Natural gas (\$/mcf)	4.07	2.54	2.66	2.89	2.99

Note:

- (1) Netbacks reflect the results of operations for leases classified as oil or natural gas. Co-products have been converted to equivalent units of oil or natural gas depending on the lease classification.
- (2) Comparative figures for periods ending prior to September 30, 2008 are presented in accordance with continuity of interest guidelines as if the assets acquired by Argosy had always been operated as a stand-alone entity.

Oil and Natural Gas Properties and Wells

The following table sets forth the number and status of wells in which Argosy had a working interest as at December 31, 2009. The stated interests are subject to landowners and other royalties, where applicable, in addition to usual Crown royalties and mineral taxes. All the following wells are located in Alberta.

	Producing				Shut-in ⁽²⁾			
	Oil		Natural Gas		Oil		Natural Gas	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾
Claresholm	4	4.0	21	18.2	-	-	3	3.0
Atlee-Buffalo	-	-	2	1.1	-	-	-	-
Edson	-	-	2	2.0	-	-	2	2.0
Saxon	-	-	1	1.0	-	-	-	-
Total Corporate	4	4.0	26	22.3	-	-	5	5.0

Notes:

- (1) The number of gross wells is the total number of wells in which Argosy owns a working interest. The number of net wells is the sum of the fractional working interests owned in the gross wells.
- (2) "Shut-in" wells means wells which have encountered and are capable of producing crude oil or natural gas but which are not producing due to lack of available transportation and/or processing facilities, available markets or other reasons. Shut-in wells in which Argosy has an interest are located no further than 10 kilometers from gathering systems, pipelines or other means of transportation.

Capital Expenditures

The following tables show the dollar amounts expended by the Argosy for 2009 by the Company on property acquisitions and exploration and development for the periods indicated.

(\$000)	Three	Three	Three	Three	Year
	Months	Months	Months	Months	Ended
	Ended	Ended	Ended	Ended	December
	December	September	June 30,	March 31,	December
	31, 2009	30, 2009	2009	2009	31, 2009
Property Acquisitions	19	179	63	184	445
Property Dispositions	-	-	-	-	-
Exploration (including drilling)	2,088	52	1,374	141	3,655
Development (including facilities)	1,554	65	(829)	105	895
	3,661	296	608	430	4,995

Future Commitments

In December 2009, Argosy entered in to a Proposal for Business Combination with Radius. The proposed business combination is part of a Proposal to be put forward by Radius pursuant to the provisions of the Bankruptcy and Insolvency Act (BIA). If the Proposal is approved, Argosy may pay up to \$2.5 -million in cash, pay \$250,000 of Radius reorganization costs and issue up to 768,000 Argosy common shares to acquire all of the issued and outstanding shares of Radius.

Subsequent to the foregoing and after the completion of due diligence, it was determined that Radius tax pools totaled approximately \$12.8 million rather than \$19.8 million that was originally contemplated. As a result, the number of Argosy shares that may form part of the purchase price was reduced from 1.2 million to 748,000, the number of warrants that may be form part of the purchase price was reduced from 600,000 to nil and the transaction expenses to be paid on behalf of Radius was reduced to \$225,000.

On March 19, 2010, Argosy entered into a definitive purchase and sale agreement (the “Definitive Agreement”) to complete the proposed business combination with Radius on the foregoing terms.

The Definitive Agreement and the Proposal are subject to the satisfaction of certain conditions and receipt of all approvals, including approval of Radius creditors, the Court and the Toronto Stock Exchange. If the Proposal is rejected, Radius will be declared bankrupt.

In addition, Radius entered into a farm-in agreement with Argosy. Pursuant to the terms of the farm-in agreement, Radius agreed to pay \$1,300,000 towards drilling costs to earn a 50% working interest in two wells that were spudded in the Saxon area in late December 2009. The farm-in agreement also specifies that if the relevant costs exceed the amount that was budgeted, and Radius is unable to reimburse Argosy that Radius’ interest in the two wells would be reduced proportionately. In addition, Argosy may elect to convert Radius’ working interest share to a 3% non-convertible overriding royalty in the event that Radius fails to pay when due all amounts owed by it to Argosy or on assignment or attachment by Radius of its interests in the wells or on the change of control of Radius.

Argosy advanced \$1,300,000 to Radius to enable it to pay the commitment referred to in the preceding paragraph.

In December 2009 Argosy Energy Inc. agreed to the terms for a non-brokered private placement financing of common shares and common share purchase warrants.

The financing comprised:

- 1,944,367 units of the corporation at a price \$1.80 per unit, each unit consisting of one Argosy share and 0.5 of an Argosy warrant;
- 1.75 million units at a price of \$2 per unit, each flow-through unit consisting of one Argosy share issued on a flow-through basis and 0.5 of an Argosy warrant.

Each whole Argosy warrant shall entitle the holder thereof to receive one Argosy share at an exercise price of \$2.25 per share for a period of 18 months. The exercise period of the Argosy warrants may be accelerated in the event that the 20-day trading volume weighted average price of the Argosy shares meets or exceeds \$3 during the period such warrants remaining remain outstanding.

The gross proceeds from the financing were escrowed with counsel for Argosy and were released in December 2009 to Argosy upon receipt of TSX approval except for the amount of \$2.7-million which may be used to close Radius Resources Corp. acquisition. That amount will be released upon the earlier of February 28, 2010, the closing of the Radius acquisition, in the event that Radius accepts a competitive offer or if it is declared bankrupt. If Argosy is in material breach of its obligations to Radius the \$2.7-million will be returned to the subscribers therefore. The On release, Argosy will issue 1,500,000 units comprising 1,500,000 common shares and 750,000 common share purchase warrants. The funds received will be used to close the acquisition of Radius Resources Corp. (“Radius”). On March 8, 2010, the Company announced that the \$2.7-million had been released and the applicable units issued.

The Company issued 1,750,000 common flow through shares in 2009. The tax deductions related to these flow through shares were renounced to flow through shareholders and booked to the accounts in February 2010. The Company will be required to spend \$3,500,000 in 2010 on CEE expenditures to fulfill its flow through obligation.

The Company entered into a guaranteed day commitment with a drilling contractor. The Company is required to utilize the contractor's rigs for 120 days in year commencing on October 31, 2009. It will be required to pay \$7,000 for each day that it is short of the 120 commitment. At December 31, 2009, the company had utilized the contractor's rigs for 36 days therefore the maximum exposure under the contract is \$588,000.

The Company has entered into various commitments related to the leasing of office premises and office equipment. The payments due under such leases are as follows:

Contractual obligations						
(\$ thousands)	2010	2011	2012	2013	2014	Thereafter
Bank Indebtedness	21,700	-	-	-	-	-
Office Premises	708	741	808	879	609	-
Office equipment	1	-	-	-	-	-
	22,409	741	808	879	609	-

RISK FACTORS

Current Economic Conditions

The period of economic slowdown, scarcity of credit and volatile capital and commodity markets that grips the globe at this time further exacerbates the risks that are hereinafter enunciated. If current conditions persist for a prolonged period of time, future results of operations, liquidity and financial condition could be materially adversely affected.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration by Argosy will result in new discoveries of oil or natural gas in commercial quantities. Without the continual addition of new reserves, any existing reserves that Argosy may have at any particular time and the production there from will decline over time as such existing reserves are depleted. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The long-term commercial success of Argosy depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Argosy will be able to

continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Argosy may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

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

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on Argosy and its future results of operations, liquidity and financial condition.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of Argosy. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of Argosy's oil and gas reserves. Argosy may also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Argosy's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to Argosy are in part determined by the value of the underlying reserves of Argosy. A sustained material decline in prices from historical average prices could result in a significant decrease in the value of Argosy's reserves, thus reducing the bank credit available to Argosy, and could require that a portion of any existing bank debt of Argosy be repaid, may require the curtailment of capital programs and may result failure of the Company to meet its contractual obligations. In addition to establishing markets for its oil and natural gas, Argosy must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by Argosy will be affected by numerous factors beyond its control. Argosy will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by Argosy. The ability of Argosy to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Argosy will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. Argosy has limited direct experience in the marketing of oil and natural gas. Argosy employs the services of an outside marketing firm. The Company reviews the credit worthiness of that firm from time to time.

Substantial Capital Requirements – Liquidity

Argosy has a significant inventory of undrilled prospects. It could make substantial capital expenditures for exploration, development and production of oil and natural gas reserves in connection with these prospects. If Argosy's revenues or reserves decline, the Corporation may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Argosy. Moreover, future activities may require Argosy to alter its capitalization significantly. The inability of Argosy to access sufficient capital for its operations could have a material adverse effect on Argosy's financial condition, results of operations or prospects as well as its ability to meet its flow through obligations. The current global economic slowdown, scarcity of credit and volatile capital markets may exacerbate Argosy's liquidity risk. Management has strictly controlled capital, non-essential expense and administrative spending and continues to pursue financing opportunities to fund its future prospects.

During 2009, officers and employees agreed to voluntary reductions in pay that ranged from 15 to 25 per cent of base salaries. In addition, officers and employees agreed to reductions in certain benefits including the suspension of the Employee Stock Savings Plan.

The Company closed equity financings in October and December 2009. These financings resulted in the issuance of 6,994,363 additional common voting shares and 1,097,180 common share purchase warrants for net proceeds of \$9,789,000. Each whole Argosy warrant shall entitle the holder thereof to receive one Argosy share at an exercise price of \$2.25 per share for a period of 18 months. The exercise period of the Argosy warrants may be accelerated in the event that the 20-day trading volume weighted average price of the Argosy shares meets or exceeds \$3 during the period such warrants remaining remain outstanding.

The gross proceeds from the December financing were escrowed with counsel for Argosy and were released to Argosy upon receipt of TSX approval except for the amount of \$2.7-million which will be used to close Radius Resources Corp. acquisition noted above. That amount was scheduled to released upon the earlier of the closing of the transaction unless Argosy is in material breach of its obligations to Radius and the transaction does not close in which event it will be returned to the subscribers therefore. This \$2.7 million was released from escrow to Argosy on March 12, 2010 and 1,500,000 units comprising 1,500,000 Argosy common shares and 750,000 warrants were issued.

In addition, one of the subscribers that participated in the December financing referred to above has undertaken to purchase \$1,000,000 of flow through common shares at any time in 2010 on receipt of written notice from Argosy for a cash purchase price of the greater of \$2.00 per share and the volume weighted average price of Argosy common shares on the Toronto Stock Exchange ended on the 5th trading day prior to the proposed date of issue of such shares. Argosy expects to serve notice in respect of this private placement once the matter discussed in the previous paragraph is resolved.

Additional Funding Requirements

Argosy's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, Argosy may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Argosy to forfeit its interest in certain properties, to miss certain acquisition opportunities, to fail to meet its flow through obligations and/or to reduce or terminate its operations. If Argosy's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect Argosy's ability

to expend the necessary capital to replace its reserves or to maintain its production. If Argosy's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Argosy. This risk is also particularly important given the current economic slowdown, scarcity of credit and volatile capital markets.

Insurance

Argosy's involvement in the exploration for and development of oil and gas properties may result in Argosy becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Argosy has obtained insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Argosy may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Argosy. The occurrence of a significant event that Argosy is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Argosy's financial position, results of operations or prospects.

Competition

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

The oil and gas industry is highly competitive. Argosy's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them than Argosy. Certain of Argosy's customers and potential customers are themselves exploring for oil and natural gas, and the results of such exploration efforts could affect Argosy's ability to sell or supply oil or gas to these customers in the future. Argosy's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give

rise to liabilities to foreign governments and third parties and may require Argosy to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Argosy's financial condition, results of operations or prospects. In addition, Argosy has agreed to certain indemnities in respect to potential environmental liabilities related to assets retained by Argosy for a period of one year from the closing date of the Arrangement.

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Climate Change. Canada has ratified the Kyoto Protocol established there under. The Kyoto Protocol came into force February 16, 2005. Annex B parties to the Kyoto Protocol, which includes Canada, are required to establish legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". Argosy's exploration and production facilities and other operations and activities emit a small amount of greenhouse gases which may subject Argosy to legislation in Canada regulating emissions of greenhouse gases. Future Canadian federal legislation, together with provincial emission reduction requirements may require the reduction of emissions or emissions intensity from Argosy's operations and facilities. The direct and indirect costs of complying with these emissions regulations may adversely affect the business of Argosy.

Reserve Replacement

Argosy's future oil and natural gas reserves, production, and cash flows to be derived there from are highly dependent on Argosy successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Argosy may have at any particular time and the production there from will decline over time as such existing reserves are exploited. A future increase in Argosy's reserves will depend not only on Argosy's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects.

The current economic climate may curtail Argosy's ability to access the capital required to do so – see "Liquidity and Capital Resources". Further, there can be no assurance that Argosy's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Reliance on Operators and Key Employees

Argosy business strategy has been to operate its oil and gas properties. However, to the extent Argosy is not the operator of its oil and gas properties, Argosy will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators.

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

Corporate Matters

To date, Argosy has not paid any dividends on its common shares and may not pay dividends on them in the future. Certain of the directors and officers of Argosy are also directors and officers of other oil and gas companies involved in natural resource exploration and development, and conflicts of interest may

arise between their duties as officers and directors of Argosy and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as applicable under, the Business Corporations Act (Alberta).

Permits and Licenses

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

Issuance of Debt

From time to time Argosy may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase Argosy's debt levels above industry standards. Neither Argosy's articles nor its by-laws limit the amount of indebtedness that Argosy may incur. The level of Argosy's indebtedness from time to time could impair Argosy's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. The results could have material adverse affects given the current economic slowdown, scarcity of capital and volatile capital markets.

Dilution

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

Title to Properties

Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Corporation which could result in a reduction of the revenue received by the Corporation.

Aboriginal Claims

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

Delays in Business Operations

In addition to the usual delays in payments by purchasers of oil and natural gas to Argosy or to the operators, and the delays by operators in remitting payment to Argosy, payments between these parties may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, adjustment for prior periods, or recovery by the operator of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the business of Argosy in a given period and expose Argosy to additional third party credit risks.

Changes in Legislation

The return on an investment in securities of Argosy is subject to changes in Canadian federal and provincial tax laws and government incentive programs and there can be no assurance that such laws or programs will not be changed in a manner that adversely affects Argosy or the holding and disposing of the securities of Argosy.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas such as Saxon are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of Argosy.

Income Taxes

To its knowledge, the Corporation believes that it is in compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, income tax returns filed by Argosy may be subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Assessments of Value of Acquisitions

Acquisitions of oil and gas issuers and oil and gas assets are typically based on engineering and economic assessments made by independent engineers and Argosy's own assessments. Both of these assessments will include a series of assumptions regarding such factors as recoverability and marketability of oil and gas, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond Argosy's control. In particular, the prices of and markets for oil and natural gas products may change from those anticipated at the time of making such assessment. In addition, all such assessments involve a measure of geologic and engineering uncertainty which could result in lower production and reserves than anticipated. Initial assessments of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm that Argosy uses for its year end reserve evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by Argosy. Any such instance may offset the return on and value of the Argosy shares.

Accounting Write-Downs as a Result of GAAP

Canadian Generally Accepted Accounting Principles ("GAAP") requires that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in Argosy's financial statements. The accounting policies may result in non-cash charges to net income and write-downs of net assets in the financial statements. Such non-cash charges and write-downs may be viewed unfavorably by the market and result in an inability to borrow funds and may result in a decline in the trading price of the Argosy shares.

Under GAAP, the net amounts at which petroleum and natural gas costs on a property or project basis are carried are subject to a cost-recovery test which is based in part upon estimated future net cash flow from reserves. If net capitalized costs exceed the estimated recoverable amounts, Argosy will have to charge the amounts of the excess to earnings. A decline in the net value of oil and natural gas properties could cause capitalized costs to exceed the cost ceiling, resulting in a charge against earnings.

Hedge accounting and accounting for derivative financial instruments may result in non-cash charges against net income as a result of changes in the fair market value of hedging instruments. A decrease in the fair market value of the hedging instruments as a result of fluctuations in commodity prices and foreign exchange rates may result in a write-down of net assets and a non-cash charge against net income. Such write-downs and non-cash charges may be temporary in nature if the fair market value subsequently increases.

Borrowing

Argosy's Bank has been provided with security over substantially all of the assets of Argosy. The Bank reviews the engineering values underlying such security from time to time using its own forecast of commodity prices and production. A sustained decline in prices could reduce the value of the Bank's security thereby reducing the amount of credit available to the Company and could possibly result in a portion of the bank indebtedness to be repaid. Furthermore, there is a risk that the lines of credit may not be renewed on terms that would be favorable to the Company, if at all. This risk is also particularly important given the current economic slowdown, scarcity of credit and volatile capital markets.

The availability of bank credit is generally reducing and related costs are increasing. As a consequence the Company may consider other sources of debt with different characteristics than existing bank debt, adjust exploration and development capital expenditures and dispose of assets. Equity financing may not be readily available to junior oil and gas producers given current market conditions.

If Argosy becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, or if the value of the underlying security, as determined by the Bank, is less than that which would be acceptable to it, the Bank may demand payment and it may foreclose on or sell Argosy's properties. The proceeds of any such sale would be applied to satisfy amounts owed to Argosy's Bank and other creditors and only the remainder, if any, would be available to Argosy.

Third Party Credit Risk

Argosy is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to Argosy, such failures could have a material adverse effect on Argosy and its cash flow from operations. Argosy mitigates third party risk by controlling the operation of all of its properties. It reviews the credit worthiness of its marketer periodically.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

GLJ Petroleum Consultants, independent petroleum engineers of Calgary, Alberta ("GLJ") prepared a report dated March 3, 2010 (the "GLJ Report") appraising the oil and gas reserves owned by Argosy effective December 31, 2009, based on escalating cost assumptions.

The values in the GLJ Report do not include the value of the Company's undeveloped land holdings or the tangible value of its interests in plant and well site facilities. The cash flow forecasts account for well and/or facility abandonment or reclamation costs or for the offsetting salvage value of the tangible equipment after abandonment.

The GLJ Report is summarized in the tables below. The following tables summarize the evaluation of reserves prior to provision for income taxes and indirect costs. It should not be assumed that the discounted future net cash flows estimated by GLJ represent the fair market value of the reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized in the notes following the tables.

Disclosure of Reserves Data

The following is a summary of Argosy's crude oil, natural gas and NGL reserves and the discounted value of future net cash flow as evaluated in the GLJ Report. The pricing used in the forecast is set forth in the notes to the tables. **NOTE: Argosy Energy conducts business in Canada only so all Tables and analysis that follow are for Canadian Properties only.**

All evaluations of future revenue are after the deduction of future income tax expenses (unless otherwise noted in the tables), royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The estimated future net revenue contained in the following tables does not necessarily represent the fair market value of Argosy's reserves. There is no assurance that the forecast price and cost assumptions contained in the GLJ Report will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are summarized in the notes to the following tables. The recovery and reserves estimates on Argosy's properties described herein are estimates only. The actual reserves on Argosy's properties may be greater or less than those calculated.

Form 51-101F3 and Form 51-101F2 are attached as Schedules "A" and "B", respectively.

Reserves Data - Forecast Prices and Cost**Oil and Gas Reserves
Based on Forecast Prices and Costs⁽¹⁰⁾⁽¹¹⁾**

Reserves Category	Light and Medium Oil		Natural Gas		Natural Gas Liquids	
	Gross⁽¹⁾	Net⁽²⁾	Gross⁽¹⁾	Net⁽²⁾	Gross⁽¹⁾	Net⁽²⁾
	(mdbl)	(mdbl)	(mmcf)	(mmcf)	(mdbl)	(mdbl)
Proved Developed Producing ⁽²⁾⁽⁶⁾	45	43	9,938	8,743	178	118
Proved Developed Non-Producing ⁽²⁾⁽⁷⁾	24	22	1,950	1,647	54	36
Proved Undeveloped ⁽²⁾⁽⁸⁾	-	-	372	351	6	5
Total Proved ⁽²⁾	69	65	12,261	10,740	238	159
Total Probable ⁽⁴⁾	46	39	7,033	6,066	134	89
Total Proved Plus Probable ⁽²⁾⁽⁴⁾	116	104	19,294	16,806	371	248

**Net Present Values of Future Net Revenue
Based on Forecast Prices and Costs⁽¹⁰⁾⁽¹¹⁾**

Reserves Category	Before Deducting Income Taxes Discounted At					After Deducting Income Taxes Discounted At				
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Proved Developed Producing ⁽³⁾⁽⁶⁾	59,606	43,236	34,227	28,563	24,676	54,834	40,431	32,298	27,191	23,653
Proved Developed Non-Producing ⁽³⁾⁽⁷⁾	9,916	6,867	5,073	3,923	3,136	7,415	5,058	3,679	2,801	2,202
Proved Undeveloped ⁽²⁾⁽⁸⁾	1,463	1,078	821	640	508	1,092	787	583	441	337
Total Proved ⁽²⁾	70,986	51,181	40,120	33,127	28,321	63,341	46,186	36,560	30,432	26,191
Total Probable ⁽⁴⁾	47,285	22,594	13,693	9,449	7,033	35,403	16,844	10,132	6,923	5,094
Total Proved Plus Probable	118,271	73,775	53,813	42,576	35,354	98,744	63,030	46,692	37,356	31,285

**Total Future Net Revenue
(Undiscounted)
Based on Forecast Prices and Costs⁽¹⁰⁾⁽¹¹⁾**

Reserves Category	Revenue (\$000)	Royalties (\$000)	Operating Costs (\$000)	Development Costs (\$000)	Abandonment and Reclamation Costs (\$000)	Future Net Revenue Before Income Taxes (\$000)	Income Taxes (\$000)	Future Net Revenue After Income Taxes (\$000)
Total Proved ⁽²⁾	133,074	15,078	42,085	3,124	1,630	70,986	7,645	63,341
Total Proved Plus Probable ⁽²⁾⁽⁴⁾	232,160	28,857	76,269	6,353	2,175	118,271	19,527	98,744

**Future Net Revenue by Production Group
Based on Forecast Prices and Costs⁽¹⁰⁾**

<u>Reserves Category</u>	<u>Production Group</u>	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) ⁽¹²⁾ (\$000)	\$/Mcf	\$/Boe
Total Proved ⁽³⁾	Light and medium crude oil	-	-	-
	Associated gas and non-associated gas ⁽⁹⁾	40,120	3.32	19.93
Total Proved Plus Probable ⁽²⁾⁽⁴⁾	Light and medium crude oil	-	-	-
	Associated gas and non-associated gas ⁽⁹⁾	53,813	2.84	17.07

Reconciliations of Changes in Reserves and Future Net Revenue

The following tables set forth a reconciliation of the changes in Argosy's net light and medium crude oil, heavy oil and associated and non-associated gas (combined) reserves as at December 31, 2009 against Accrete's proved plus probable reserves as at December 31, 2008 based on the forecast price and cost assumptions set forth in note 10 above under the heading "Statement of Reserves Data and Other Oil and Gas Information" – Notes to All Reserves Data tables.

Reconciliation of Reserves by Principal Product Type Based on Forecast Prices and Costs

Light and Medium Oil			
	Proved (mbbl)	Probable (mbbl)	Proved & Probable (mbbl)
At December 31, 2008	138	71	209
Extensions	-	-	-
Infill Drilling	-	-	-
Improved Recovery	-	-	-
Technical Revisions	(73)	(50)	(123)
Discoveries	13	25	38
Acquisitions	-	-	-
Dispositions	-	-	-
Economic Factors	-	-	-
Production	(9)	-	(9)
At December 31, 2009	69	46	116

Natural Gas Liquids			
	Proved (mbbl)	Probable (mbbl)	Proved & Probable (mbbl)
At December 31, 2008	230	132	362
Extensions	6	14	20
Infill Drilling	-	-	-
Improved Recovery	-	-	-
Technical Revisions	23	(2)	21
Discoveries	11	(10)	1
Acquisitions	-	-	-
Dispositions	-	-	-
Economic Factors	(1)	-	(1)
Production	(31)	-	(31)
At December 31, 2009	238	134	372

	Conventional Natural Gas			Coal Bed Methane		
	Proved (mmcf)	Probable (mmcf)	Proved & Probable (mmcf)	Proved (mmcf)	Probable (mmcf)	Proved & Probable (mmcf)
At December 31, 2008	13,174	7,893	21,067	-	-	-
Extensions	372	827	1,199	-	-	-
Improved Recovery	-	-	-	-	-	-
Infill Drilling	-	-	-	-	-	-
Technical Revisions	(226)	(1,039)	(1,265)	-	-	-
Discoveries	680	(599)	82	-	-	-
Acquisitions	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors	(45)	(49)	(95)	-	-	-
Production	(1,694)	-	(1,694)	-	-	-
At December 31, 2009	12,261	7,033	19,294	-	-	-

	Total Natural Gas		
	Proved (mmcf)	Probable (mmcf)	Proved & Probable (mmcf)
At December 31, 2008	13,174	7,893	21,067
Extensions	372	827	1,199
Infill Drilling	-	-	-
Improved Recovery	-	-	-
Technical Revisions	(226)	(1,039)	(1,265)
Discoveries	680	(599)	82
Acquisitions	-	-	-
Dispositions	-	-	-
Economic Factors	(46)	(49)	(95)
Production	(1,694)	-	(1,694)
At December 31, 2009	12,261	7,033	19,294

	Total BOE		
	Proved (mdbl)	Probable (mdbl)	Proved & Probable (mdbl)
At December 31, 2008	2,563	1,518	4,081
Extensions	68	151	219
Infill Drilling	-	-	-
Improved Recovery	-	-	-
Technical Revisions	(87)	(226)	(313)
Discoveries	137	(84)	53
Acquisitions	-	-	-
Dispositions	-	-	-
Economic Factors	(9)	(7)	(16)
Production	(322)	-	(322)
At December 31, 2009	2,350	1,352	3,702

ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Timing of Initial Undeveloped Reserves Booking – Company Gross Reserves

		Reserves First Attributed By Year				
		2006	2007	2008	2009	Total
Proved Undeveloped						
Light & Medium Oil	Mbbl	-	-	-	-	-
Heavy Oil	Mbbl	-	-	-	-	-
Natural Gas	MMcf	-	-	-	372	372
Natural Gas Liquids	Mbbl	-	-	-	6	6
Total Oil Equivalent	Mboe	-	-	-	68	68
Probable Undeveloped						
Light & Medium Oil	Mbbl	-	-	-	-	-
Heavy Oil	Mbbl	-	-	-	-	-
Natural Gas	MMcf	-	-	2,137	1302	3,439
Natural Gas Liquids	Mbbl	-	-	34	21	
Total Oil Equivalent	Mboe	-	-	390	238	628

Of Argosy's total proved reserves in 2009 17.1% were classified as proved non-producing. All of Argosy's proved non-producing reserves are attributed to wells already drilled. These wells have all shown production capability and will be placed on production in 2010 as they are tied in. Argosy expects all of the proved developed non-producing reserves to be classified as proved developed producing reserves at that time.

Of Argosy's total proved reserves in 2009, 3% were undeveloped.

Of Argosy's total probable reserves in 2009, 17.6% are classified as undeveloped. The probable undeveloped reserves are associated with drilling in the existing Company properties. Argosy expects to develop the probable undeveloped reserves by the end of 2010.

Significant Factors or Uncertainties

The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and natural gas prices and costs change. Argosy's reserves are evaluated by GLJ, an independent engineering firm. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions. These factors and assumptions include among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative.

Future Development Costs

The table below sets out the future development costs deducted in the estimation of future net revenue attributable to proved reserves (using both constant and forecast prices and costs) and proved plus probable reserves (using forecast prices only).

Period	Proved Producing (\$000)	Total Proved (\$000)	Total Proved Plus Probable (\$000)
2009	-	-	-
2010	-	2,000	4,566
2011	-	-	-
2012	-	-	-
2013	-	191	191
2014	-	65	65
2015	-	221	221
2016	-	-	-
2017	-	-	-
2018	-	117	117
2019	-	-	-
Total for all years undiscounted	-	3,124	6,353
Total for all years discounted at 10%/year	-	2,399	4,860

The future development costs are capital expenditures required in the future for Argosy to convert proved undeveloped reserves and probable reserves into proved developed producing reserves.

On an ongoing basis Argosy will typically use internally generated cash flow from operations, debt (where deemed appropriate) and new equity issues if available on favourable terms to finance its capital expenditure program. When financing corporate acquisitions, Argosy may also assume certain future liabilities.

For additional information respecting Argosy's important properties, plants and facilities and the reserves attributed to each property and production information see "Description of the Business and Operations - Principal Properties".

Tax Horizon

The income taxes deducted in the calculation of future net revenue on pages 22 and 23 assume a "blow down" scenario whereby the Company produces out its existing reserves. Under this scenario the Company is taxable in 2012.

The Company forecasts its tax horizon assuming a continuing business model whereby it reinvests cash flow at historic capital rates. Under this scenario the Company does not forecast being in a taxable position in 2010.

Properties with No Attributed Reserves

Argosy's undeveloped land position includes 8,578,212 undeveloped acres. These lands have exploration drilling potential in the Claresholm, Peco, Saddle Hills, Bonanza and Saxon areas of Alberta. Argosy has no material interests in lands with 2010 expiry dates.

Abandonment and Reclamation Costs

No material abandonment and reclamation costs have been incurred.

Well abandonment cost estimates are made by management and are based upon individual well characteristics, location, and lease reclamation estimates are based on Argosy's ownership interest, the estimated cost to abandon and reclaim, the estimated future value of salvaged equipment and the estimated timing of the costs and recoveries. In the case of facilities, the type of facility is used to assign a multiplier that is applied to determine the relevant facility abandonment and reclamation cost.

The following table discloses future abandonment and reclamation costs of Argosy, calculated both undiscounted and at a 10% discount rate with a portion thereof anticipated to be paid in each of the next three years that have been deducted from the reserve GLJ Reserve Report. Argosy currently anticipates incurring abandonment and reclamation costs in respect of 34 (34.0 net) wells.

Abandonment and Reclamation Costs Net of Salvage Value After Tax

(\$000)	2010	2011	2012	2013	2014	2015	2016	Remainder	Total	Discounted at 10%
Proved Producing	-	18	50	32	-	33	36	949	1,117	264
Total Proved	-	18	81	32	-	33	70	310	1,630	425
Total Proved Plus Probable	-	18	31	51	32	-	-	2,041	2,175	349

Production Estimates

The following table sets forth the volume of daily production (Company interest before royalty) estimated for 2010 in the 2009 Reserves Report for Argosy's principal properties (proved plus probable reserves, GLJ price forecast).

Total Proved	Light and Medium Oil (bbl/d)	Natural Gas (mcf/d)	Natural Gas Liquids (bbl/d)
Claresholm	20	3,780	61
Other Properties	-	606	19
Total	20	4,387	80

Total Proved plus Probable	Light and Medium Oil (bbl/d)	Natural Gas (mcf/d)	Natural Gas Liquids (bbl/d)
Claresholm	5	676	11
Other Properties	-	17	1
Total	5	693	12

Marketing

The Company sells its crude oil to major crude oil aggregators under short-term floating price crude oil sales contracts, with the majority of production pipeline-connected. The Company's natural gas production is sold to natural gas aggregators at spot market prices.

Argosy has not entered into any contracts that would have reduced its exposure to fluctuating foreign exchange rates. As at December 31, 2009, the following derivative contracts were outstanding:

Type of Hedge	Commodity Hedged	Volume	Price	Period	December 31, 2009 Fair Value \$	Unrealized Gain(Loss) \$
Financial fixed price put	Natural Gas	2,000 GJ/day	Cdn \$5.00 /Gj	January 1, 2010 to March 31, 2011	(155,000)	(155,000)
Financial fixed price call	Natural Gas	2,000 GJ/day	Cdn \$7.70/Gj	January 1, 2010 to March 31, 2011	(197,000)	(197,000)
					<u>(352,000)</u>	<u>(352,000)</u>

Note: A gigajoule (GJ) converts to a mcf at the rate of 1.055056 GJs per mcf.

The following table sets forth selected financial information for Argosy for 2009, the last quarter of 2008. The table also sets forth selected financial information for the three quarters ended September 30, 2008 computed on a continuity of interest basis:

	Revenues	Net Income	Net Income
000's	Net of Royalties	(Loss)	(Loss)
	\$	\$	Per Share
			\$
2009			
1st Quarter	2,323	(1,490)	(0.25)
2nd Quarter	1,951	(1,726)	(0.30)
3rd Quarter	1,748	(1,257)	(0.21)
4th Quarter	2,102	(1,757)	(0.16)
2008			
1st Quarter	3,821	742	0.18
2nd Quarter	4,067	357	0.09
3rd Quarter	4,526	285	0.07
4th Quarter	3,650	(1,337)	(0.23)

AUDIT COMMITTEE MATTERS

Mandate of the Audit Committee

The mandate of the Audit Committee is to provide assistance to the Board of Directors of the Company in fulfilling its oversight responsibility to the shareholders of Argosy, the investment community and others, relating to the integrity of Argosy's financial statements and the financial reporting process, the system of internal accounting and financial controls, the external auditor's qualifications, independence, performance and reports. The Audit Committee is responsible for maintaining open communication between it, the external auditors and Argosy's management.

The Audit Committee's function is oversight. Management is responsible for the preparation, presentation and integrity of the Argosy's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policy and internal controls and procedures for compliance with accounting standards and applicable laws and regulations.

While the Audit Committee has the responsibilities and powers set forth herein, it is not the duty of the Audit Committee to plan or conduct audits or to determine that Argosy's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the external auditors.

Management is responsible for preparing Argosy's interim and annual financial statements and financial disclosure and for maintaining a system of accounting control to provide reasonable assurance that assets are adequately safeguarded and that transactions are authorized, executed, recorded and reported properly. The Audit Committee's role is to provide direct, meaningful and effective oversight of Argosy's financial

reporting and to counsel management without assuming responsibility for management's day-to-day duties.

Audit Committee Charter

Argosy has established an audit committee (the "Audit Committee") to assist the Board of Directors in carrying out its oversight responsibilities with respect to financial reporting, internal controls and the external audit process of the Company. The Audit Committee terms of reference are set out in Schedule "C" to this Annual Information form.

Composition of the Audit Committee

The following table sets forth the name of each member of the Audit Committee, whether such member is independent, whether such member is financially literate and the relevant education and experience of such member. In 2009, the Audit Committee met four times (once for 2008). All of the members attended all of the meetings.

Name	Independent	Financially Literate	Relevant Education and Experience
Brian Mellum	Yes	Yes	Mr. Mellum holds a Bachelor of Commerce and is a Chartered Financial Analyst ("CFA"). As a CFA Mr. Mellum gained considerable experience in analysing and evaluating financial statements. Mr. Mellum has also obtained significant experience and exposure to accounting and financial issues in his former career as a bank manager, in his role as Managing Director of various financial service corporations as well as in his previous role as a director and audit committee member of Accrete Energy Inc.
Kenneth Faircloth	Yes	Yes	Mr. Faircloth gained significant financial experience during his 34 years in the securities business as a financial analyst. Mr. Faircloth has also obtained significant exposure to accounting and financial issues in his previous role as a director of Accrete Energy Inc., as well as other Canadian publicly listed Corporations. Mr. Faircloth holds a B.A. degree from the University of Manitoba.
Jacob Roorda	Yes	Yes	Mr. Roorda has over 30 years of financial and industry experience gained through working in the investment banking business as well as a director, officer and audit committee member of several public companies, investment-banking firms and trusts. Mr. Roorda is also a graduate of the MBA program from the Haskayne School of Business of the University of Calgary.

Each member of the Audit Committee is financially literate in that each has the ability to read and understand financial statements that present the results and information of the complexity that can reasonably be expected to be reported by the Company.

External Audit Service Fees

During the period ended December 31, 2009 Argosy's external auditors, KPMG LLP billed the following fees to the Company:

	<u>2008</u> <u>(000's)</u>	<u>2009</u> <u>(000's)</u>
Audit Services (1)	105.0	164.9
Audit-related services (2)	-	-
Tax Services (3)	-	-
Other	-	-
	<u>105.0</u>	<u>164.9</u>

Notes:

- (1) Audit fees comprise professional fees for services rendered for the audit of the Company's financial statements and services provided in connection with the review of internal financial statements and statutory or regulatory filings or engagements.
- (2) Audit related fees comprise fees for assurance and related services reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the heading "Audit Fees".
- (3) Tax fees comprise fees for tax compliance, tax advice and tax planning, including the preparation of tax returns.

DIVIDENDS

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

DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of common voting shares and an unlimited number of preferred shares issuable in series.

The common shares have attached to them the following rights, privileges and conditions:

- (i) except for the meetings at which only holders of another specified class or series of share is entitled to vote separately as a class or series, each holder of a common share is entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Company;
- (ii) subject to the rights, privileges restrictions and conditions attached to any preferred share, the holders of the Argosy shares are entitled to receive dividends if, as and when declared by the directors of the Company; and subject to the rights, privileges, restrictions and conditions

attached to any other class of shares of the Company, the holders of common shares are entitled to share equally in the remaining property of the Company upon liquidation, dissolution or winding-up of the Company.

The directors are authorized to fix the number of preferred shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. The preferred shares are entitled to a priority over the common shares with respect to the payment of dividends and the distribution of assets upon the liquidation, dissolution or winding-up of Argosy.

The Company has also issued common share purchase warrants. Each whole Argosy warrant shall entitle the holder thereof to receive one Argosy share at an exercise price of \$2.25 per share for a period of 18 months. The exercise period of the Argosy warrants may be accelerated in the event that the 20-day trading volume weighted average price of the Argosy shares meets or exceeds \$3 during the period such warrants remaining remain outstanding.

The following tables summarize information about issued and outstanding share capital and warrants:

	Number of Shares	\$ Thousands
Issued on incorporation, June 6, 2008	1	.1
Cancelled on closing of the Arrangement	(1)	(.1)
Issued pursuant to the Arrangement	4,494,667	29,986
Issued on private placement to officers , directors and employees – flow through shares	1,208,051	6,282
Issued on private placement to officers, directors and employees – common shares	156,116	718
Balance, December 31, 2008	5,858,834	36,986
Tax effect flow through shares	-	(1,570)
Issued on conversion of special warrants	4,800,000	6,000
Issued on private placement	444,363	738
Issued on private placement , flow through	1,750,000	3,245
Share issuance costs, net of tax	-	(382)
Balance, December 31, 2009	12,853,197	45,017

Warrants

	Number of Warrants	\$ Thousands
Opening Balance December 31, 2008	-	
Private placement	1,097,180	316
Balance, December 31, 2009	1,097,180	316

In December 2009 Argosy Energy Inc. agreed to the terms for a non-brokered private placement financing comprising:

- 1,944,367 units of the corporation at a price \$1.80 per unit, each unit consisting of one Argosy share and 0.5 of an Argosy warrant, of which 1,500,000 were issued subsequent to year end;
- 1.75 million units at a price of \$2 per unit, each flow-through unit consisting of one Argosy share issued on a flow-through basis and 0.5 of an Argosy warrant.

The gross proceeds from the financing were escrowed with counsel for Argosy and were released in December 2009 to Argosy upon receipt of TSX approval except for the amount of \$2.7-million (1,500,000 units at \$1.80 per unit) which may be used to close Radius acquisition. That amount was scheduled to be released upon the earlier of February 28, 2010, the closing of the Radius acquisition, the event that Radius accepts a competitive offer or if it is declared bankrupt. If Argosy is in material breach of its obligations to Radius the \$2.7-million will be returned to the subscribers therefore. On March 8, 2010, the Company announced that the \$2.7-million had been released from escrow. 1,500,000 units comprising 1,500,000 common shares and 750,000 warrants were issued at that time.

One of the subscribers that participated in the private placement financing referred to above has undertaken to purchase \$1,000,000 of flow through common shares at any time in 2010 up to 14 days following the receipt of written notice from Argosy for a cash purchase price of the greater of \$2.00 per share and the volume weighted average price of Argosy common shares on the Toronto Stock Exchange ended on the 5th trading day prior to the proposed date of issue of such shares. Argosy served notice in respect of this private placement on March 23, 2009.

MARKET FOR, PRICE RANGE AND TRADING VOLUME OF ARGOSY SHARES

The Argosy shares are listed for trading on the TSX under the trading symbol “GSY”. Argosy shares commenced trading on October 17, 2008. The following table sets out the price range for and trading volume of the Argosy shares for the periods indicated:

Period	High	Low	Volume
2008			
October	3.75	1.00	285,215
November	2.49	1.30	450,353
December	1.91	1.37	416,507
2009			
January	1.95	1.49	232,113
February	1.68	1.20	177,525
March	1.40	1.00	361,821
April	1.51	1.11	52,078
May	1.60	1.15	131,085
June	1.54	1.37	131,735
July	1.45	1.30	54,890
August	1.40	1.11	147,600
September	1.40	1.25	127,002
October	1.49	1.27	186,353
November	1.29	1.17	157,651
December	1.39	1.17	182,452
2010			
January	1.45	1.25	180,499
February	1.30	1.15	132,031
March	1.26	1.02	133,731

DIRECTORS AND OFFICERS

The following table sets forth the name, municipality of residence, principal occupation for the last five

years, and year first elected to the board of directors of each of the current directors of the Company. The term of office of each director will expire at the end of the next annual meeting of the shareholders of the Company or until his successor is duly elected or appointed.

<u>Name and Municipality of Residence</u>	<u>Date Since Served as a Director</u>	<u>Principal Occupation During the Past Five Years</u>	<u>Number of Common Shares Held⁽⁴⁾</u>
Brian Mellum ⁽¹⁾⁽³⁾ Calgary, Alberta	2008	Managing Director and Principal of Toscana Capital Corporation (Financial Services) since January, 2003; Managing Director and principal of Formation Capital Management Ltd. (a private consulting company) since February 1, 2001; prior thereto Banker, National Bank of Canada	851,750 (5.9%)
Peter Salamon ⁽²⁾⁽³⁾ Calgary, Alberta	2008	President and Chief Executive Officer of the Corporation	931,952 (6.5%)
Ray Dobek Calgary, Alberta	2008	Executive Vice-President of the Corporation	962,667 (6.7%)
John Poetker ⁽³⁾ Calgary, Alberta	2008	Partner, Borden Ladner Gervais LLP, Barristers & Solicitors	143,967 (1.0%)
Michael Kanovsky ⁽²⁾ Victoria, British Columbia	2008	President, Sky Energy Corporation, Director, Devon Energy Corporation, ARC Energy Trust, TransAlta Utilities Corporation (all in the energy business) and Pure Technologies Inc. (Technology business).	966,250 (6.7%)
Kenneth Faircloth ⁽¹⁾ Calgary, Alberta	2008	Retired. Prior thereto financial analyst, Raymond James Ltd.	123,800 (0.9%)
Jacob Roorda ⁽¹⁾⁽²⁾ Calgary, Alberta	2008	President and CEO, Enervest Management Ltd.(Financial Services) since September 2008 Prior thereto Vice President and President of Harvest Energy Trust since July 2002; prior thereto Managing Director Research Capital since June 1999; prior thereto Vice President and Director PrimeWest Energy Trust.	126,751 (0.9%)

Notes:

- (1) Member of the Audit Committee. The Company does not have an executive committee.
- (2) Member of the Reserves Committee.
- (3) Member of the Compensation Committee.
- (4) "Number of Common Shares Held" includes shares beneficially owned or controlled or directed directly or indirectly or over which control or direction is exercised. The percentage is calculated based on the number of shares of Argosy are outstanding at the date hereof (14,353,201).

The following table sets forth all of the current officers of the Company, their current positions with the Company, and where not already disclosed above, their principal occupation for the last five years.

Name and Municipality of Residence	Position	Principal Occupation During the Past Five Years
Peter Salamon Calgary, Alberta	President and Chief Executive Officer	President of the Corporation since October 1, 2008, prior thereto President of Accrete Energy Inc. from June 1, 2004 to September 30, 2008, prior thereto, President of Olympia Energy Inc.
Ray Dobek Calgary, Alberta	Executive Vice President	Executive Vice President of the Corporation since October 1, 2008, prior thereto, Executive Vice President Exploration, Accrete Energy Inc. from June 1, 2004 to September 30, 2008, prior thereto, Senior Vice President Olympia Energy Inc.
Tom Dalton Calgary, Alberta	Vice-President, Finance and Chief Financial Officer	Vice-President, Finance and Chief Financial Officer of the Corporation since October 1, 2008, prior thereto, Vice-President, Finance and Chief Financial Officer, Accrete Energy Inc. from June 1, 2004 to September 30, 2008, prior thereto, Vice-President, Finance and Chief Financial Officer Olympia Energy Inc.
Richard Campbell Calgary, Alberta	Vice-President, Engineering & Business Development	Vice-President, Engineering & Business Development of the Corporation since October 1, 2008, prior thereto, Vice-President, Engineering & Business Development, Accrete Energy Inc. from December 2004 to September 30, 2008, prior thereto, Manager of Production and Operations, Silver Bay Resources Ltd., prior thereto, Manager of Engineering and Business Development, National Fuel Exploration Corp.
Norman George Calgary, Alberta	Vice-President, Production & Operations	Vice-President, Production & Operations of the Corporation since October 1, 2008, prior thereto Vice-President, Production & Operations, Accrete Energy Inc. from June 1, 2004 to September 30, 2008, prior thereto Vice-President, Production & Operations Olympia Energy Inc.

As at the date hereof, the directors and officers of the Company, as a group, owned directly or indirectly 4,289,097 common shares or approximately 29.9% of the 14,353,201 issued and outstanding common shares of the Company.

The information as to the common shares beneficially owned not being within the knowledge of the Company, has been furnished by the respective directors and officers of the Company individually.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not and was not a party to, nor were any of its properties the subject of any legal proceedings during the 2010 financial year, and to the best of management's knowledge, no legal proceedings are contemplated. In addition, during the 2010 financial year, the Company did not have any penalties or sanctions imposed by a court or regulatory body against it that would likely be considered important to a reasonable investor in making an investment decision, or has entered into any settlement agreements with a court relating to securities legislation or with a security regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Certain officers and directors of Argosy are also officers and/or directors of other companies engaged in the oil and natural gas business generally. As a result, situations arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws which require that directors act honestly, in good faith and with a view to the best interests of Argosy and, in the case of the *Business Corporations Act* (Alberta), Argosy's governing statute, that directors declare, and refrain from voting on, any matter in which a director may have a conflict of interest.

No director or executive officer of the Company, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over more than 10% of the outstanding Common Shares of the Company and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction during the current financial year that has materially affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

Valiant Trust Company, at its principal offices in Calgary, Alberta and Equity Transfer Services, Inc., Toronto, Ontario is the transfer agent and registrar of the Argosy Shares.

MATERIAL CONTRACTS

In December 2009, Argosy entered in to a Proposal for Business Combination with Radius Resources Inc. ("Radius"). The proposed business combination is part of a Proposal to be put forward by Radius pursuant to the provisions of the Bankruptcy and Insolvency Act (BIA) (the "Proposal"). If the Proposal is approved, and as originally contemplated, Argosy will acquire all of the issued and outstanding shares of Radius and result in the settlement of all claims (both secured and unsecured) for total consideration of 1.2 million common shares of Argosy, 600,000 common share purchase warrants of Argosy and \$2.5-million in cash, subject to adjustments. Each whole Argosy warrant shall entitle the holder thereof to receive one Argosy share at an exercise price of \$2.25 per share for a period of 18 months. The exercise period of the Argosy warrants may be accelerated in the event that the 20-day-trading-volume-weighted average price of the Argosy shares meets or exceeds \$3 during the period such warrants remain outstanding. Argosy also agreed to pay an additional \$250,000 in transaction expenses of Radius.

Subsequent to the foregoing and after the completion of due diligence, it was determined that Radius tax pools totaled approximately \$12.8-million rather than \$19.8 that was originally contemplated. As a result, the number of Argosy shares that may form part of the purchase price was reduced from 1.2 million to 748,000, the number of warrants that may be form part of the purchase price was reduced from 600,000 to nil and the transaction expenses to be paid on behalf of Radius was reduced to \$225,000.

On March 19, 2010, Argosy entered into a definitive purchase and sale agreement (the “Definitive Agreement”) to complete the proposed business combination with Radius on the foregoing terms.

The Definitive Agreement and the Proposal are subject to the satisfaction of certain conditions and receipt of all approvals, including approval of Radius creditors, the Court and the Toronto Stock Exchange. If the Proposal is rejected, Radius will be declared bankrupt.

The Radius acquisition, if approved, will add approximately 194,000 barrels of oil equivalent of proven reserves, 396,000 proven plus probable reserves, over 19,000 acres of undeveloped land and 80 barrels of oil equivalent per day to Argosy's production. Radius's properties are primarily concentrated in the Ante Creek area of Alberta.

In addition, Radius entered into a farm-in agreement with Argosy. Pursuant to the terms of the farm-in agreement, Radius agreed to pay \$1,300,000 towards drilling costs to earn a 50% working interest in two wells that were spudded in the Saxon area in late December 2009. The farm-in agreement also specifies that if the relevant costs exceed the amount that was budgeted, and Radius is unable to reimburse Argosy that Radius' interest in the two wells would be reduced proportionately. In addition, Argosy may elect to convert Radius' working interest share to a 3% non-convertible overriding royalty in the event that Radius fails to pay when due all amounts owed by it to Argosy or on assignment or attachment by Radius of its interests in the wells or on the change of control of Radius.

Argosy advanced \$1,300,000 to Radius to enable it to pay the commitment referred to in the preceding paragraph.

In December 2009 Argosy Energy Inc. agreed to the terms for a non-brokered private placement financing of common shares and common share purchase warrants.

The financing comprised:

1,944,367 units, of which 444,367 were issued prior to December 31, 2009, of the corporation at a price \$1.80 per unit, each unit consisting of one Argosy share and 0.5 of an Argosy warrant;
1.75 million units at a price of \$2 per unit, each flow-through unit consisting of one Argosy share issued on a flow-through basis and 0.5 of an Argosy warrant.

Each whole Argosy warrant entitles the holder thereof to receive one Argosy share at an exercise price of \$2.25 per share for a period of 18 months. The exercise period of the Argosy warrants may be accelerated in the event that the 20-day trading volume weighted average price of the Argosy shares meets or exceeds \$3 during the period such warrants remaining remain outstanding.

The gross proceeds from the financing were escrowed with counsel for Argosy and were released in December 2009 to Argosy upon receipt of TSX approval except for the amount of \$2.7-million which represented 1,500,000 shares at \$1.80 per unit, which may be used to close Radius Resources Corp. acquisition as noted in “*Radius and Financing Transactions*”. That amount was released to Argosy on March 8, 2010.

In addition, one of the subscribers that participated in the private placement financing referred to above has undertaken to purchase \$1,000,000 of flow through common shares at any time in 2010 on receipt of written notice from Argosy for a cash purchase price of the greater of \$2.00 per share and the volume weighted average price of Argosy common shares on the Toronto Stock Exchange ended on the 5th

trading day prior to the proposed date of issue of such shares. Argosy served notice in respect of this private placement on March 23, 2009.

There are no other material contracts entered into by the Company during the most recently completed year which are still in effect other than contracts entered into in the ordinary course of business.

INTEREST OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Company during or related to, our most recently completed financial year other than GLJ, the of the Company either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them. None of the principals of GLJ had any registered or beneficial interests, direct or indirect, in any of the Company's securities or their property or of any associates or affiliates or its associates or affiliates.

KPMG, LLP is independent in accordance with the rule of professional conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to Argosy may be found on SEDAR at www.sedar.com. Additional information related to the remuneration and indebtedness of the directors and officers of Argosy, and the principal holders of Argosy shares and options to purchase Argosy shares and securities authorized for issuance under Argosy's option plan, where applicable, will be contained in the information circular of Argosy in respect of its most recent annual meeting of its shareholders. Additional financial information is provided in Argosy's audited financial statements and management's discussion and analysis for the period ended December 31, 2008.

Additional copies of this annual information form may be obtained from Argosy, please contact:

Peter M. Salamon
President and Chief Executive Officer
Argosy Energy Inc.
2100, 500 - 4th Avenue S.W.
Calgary, Alberta T2P 2V6

SCHEDULE "A"

FORM 51-101 F3

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Argosy Energy Inc. (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and natural gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2009, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator is presented as "Schedule "B"" immediately following this report.

The Reserves Committee of the board of directors of the Company has:

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation;
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and natural gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and natural gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Signed "*Peter Salamon*"

Peter Salamon, President and Chief Executive Officer and Member of the Reserves Committee

Signed "*Richard Campbell*"

Richard Campbell, Vice President , Engineering & Business Development

Signed "Jacob Roorda "

Jacob Roorda, Director and Member of the Reserves Committee

Signed "*Michael Kanovsky*"

Michael Kanovsky, Director and Chairman of the Reserves Committee

Signed "*Brian Mellum*"

Brian Mellum, Director

SCHEDULE "B"

FORM 51-101F2

REPORT ON RESERVES DATA BY

INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

To the board of directors of Argosy Energy Inc. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2009. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2009, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2009, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate - \$M)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	March 3, 2010	CANADA	-	53,813	-	53,813

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

EXECUTED as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, March 10, 2010.

“Bryan M. Joa, P. Eng”

Bryan M. Joa, P. Eng.

Vice-President

**SCHEDULE “C”
ARGOSY ENERGY INC.
AUDIT COMMITTEE
TERMS OF REFERENCE**

Constitution

A standing committee of the Board consisting of members of the Board is hereby appointed by the Board from among their number and complying with all other legislations, regulations, and TSX listing standards agreements, articles and policies for which the Company and its business is subject is hereby established and designated as the “Audit Committee” (“the Committee”)

Overall Purpose / Objectives

The Committee will assist the Board in fulfilling its oversight responsibilities, including:

- the integrity of the Company’s financial statements
- the integrity of the financial reporting process
- the system of internal control and management of financial risks
- the external auditors’ qualifications and independence
- the external audit process and the Company’s process for monitoring compliance with laws and regulations

In performing its duties, the Committee will maintain effective working relationships with the Board, management and the external auditors. To perform his or her role effectively, each Committee member will obtain an understanding of the Company’s business, operations, risks and related legislation, regulations and industry standards. So that the Audit Committee can discharge the duties as a whole, all Audit Committee members must be financially literate, and at least one member must have significant accounting or related financial management experience.

Authority

The Board authorizes the Committee within its scope of duties and responsibilities, to:

- seek any information it requires from any employee of the Company (whose employees are directed to co-operate with any request made by the Committee);
- seek any information it requires directly from external parties including the external auditors and independent reservoir engineering firm; and
- obtain outside legal or professional advice without seeking Board approval (however providing notice to the Chair of the Board).

Organization

The following provisions and regulations shall apply to the composition of the Committee:

- The Committee shall consist of three members of the Board of the Company;
- The members of the Committee shall be independent members of the Board (i.e. non-management directors);
- The Chairman of the Committee shall be determined by the Committee;
- Two members of the Committee shall constitute a quorum thereof;
- No business shall be transacted by the Committee except at a meeting of its members at which a quorum is present in person or by telephone or by a resolution in writing signed by all members of the Committee;

- The meetings and proceedings of the Company that regulate meetings and proceedings of the Board shall apply to the Committee;
- The Committee may invite such directors, officers or employees of the Company, the external auditors and the independent reservoir engineering firm as it may see fit, to attend its meetings and take part in the discussion and consideration of the affairs of the Committee;
- Meetings shall be held not less than four times per year, generally coinciding with the release of interim or year-end financial information including consecutive sessions with Management and the External Auditors. Special meetings may be convened as required upon the request of the Committee. The external auditors and independent reservoir engineering firm may convene a meeting if they consider that it is desirable or necessary; and the proceedings of all meetings will be minuted; and
- Meet separately, at least annually, with the independent reservoir engineering firm and/or the engineering reserve audit committee of the Company.

Duties and Responsibilities

The Board hereby delegates and authorizes the Committee to carry out the following duties and responsibilities to the extent that these activities are not carried out by the Board as a whole:

Corporate Information and Internal Control

- review and recommend for approval of quarterly and annual financial statements, MD&A, press releases and annual reports of the Company
- review of internal control systems maintained by the Company
- review of major changes to the Information Systems
- review of spending authority and approval limits
- review of significant accounting and tax compliance issues where there is choice among various alternatives or where application of a policy has a significant effect on the financial results of the Company
- review of significant proposed non-recurring events such as mergers, acquisitions or divestitures; and
- review of press releases or other publicly circulated documents containing financial information.

External Auditors

- retain and/or terminate the external auditors (subject to regulatory and shareholder notification);
- review the terms of the external auditors' engagement and the appropriateness and reasonableness of the proposed engagement fees;
- annually, obtain and review a report by the external auditors describing the firm's internal quality control procedures; any material issues raised by the most recent internal quality control review (or peer review) of the firm by any inquiry or investigation by governmental or professional authorities;
- annually, obtain and review a certificate attesting to the external auditors' independence, identifying all relationships between the external auditors and the Company;
- annually, evaluate the external auditors' qualifications, performance and independence;
- annually, to assure continuing auditors' independence, consider the rotation of the lead audit partner or the external audit firm;
- where there is a change of auditor; review all issues related to the change, including information to be included in the notice of change of auditors (National Policy #31 as adopted by the Canadian Securities Regulatory Authorities), and the planned steps for an orderly transition;

- review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Policy #31, on a routine basis, whether or not there is a change of auditors;
- pre-approve engagements for non-audit services provided by the external auditors or their affiliates together with estimated fees and potential issues of independence; and
- review hiring policies for employees or former employees of the external auditors

Audit

- review the audit plan for the coming year with the external auditors and with management;
- review with management and the external auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
- query management and the external auditors regarding significant financial reporting issues during the fiscal period and the method of resolution;
- review any problems experienced by the external auditors in performing the audit, including any restrictions imposed by management of significant accounting issues in which there was a disagreement with management;
- review audited annual financial statements and quarterly financial statements with management and the external auditors (including disclosures under “Management Discussion & Analysis”), in conjunction with the report of the external auditors and obtain explanation from management of all significant variances between comparative reporting periods;
- review the auditors’ report to management, containing recommendations of the external auditors, and management’s response and subsequent remedy of any identified weaknesses; and
- confirm with the external auditors, grants and payouts made under the Company’s incentive plan(s), including those made to the senior officers.

Risk Management and Controls

- review long term debt strategy
- review hedging strategies, policies, objectives and controls relating to commodity products (both financial and physical), foreign exchange and interest rate
- review, not less than quarterly, a mark to market assessment of the Company’s hedge positions and counter party credit risk and exposure;
- review the Company’s risk management policy, guidelines and resulting exposure to the Company;
- review adequacy of insurance coverage;
- review loss prevention policies and programs in the context of competitive and operational consideration, and
- annually review authority limits for capital expenditures and sales and purchase
- review the Company’s Environment and Safety guidelines

Reclamation Fund

- review annually the Company’s reclamation fund policy;
- review annually, the Company’s reclamation fund and contribution rate to ensure adequate funding will be available for the future abandonment and reclamation of all wells, plants and facilities;
- review the investment policies relating to funds held in the reclamation fund; and
- review acquisitions for environmental assessments where a material potential liability may be assumed.

Other Duties and Responsibilities

- The responsibilities, practices and duties of the Committee outlined herein are not intended to be comprehensive. The Board may, from time to time charge the Committee with the responsibility of reviewing items of a financial or control, risk management or reserves nature, and
- The Committee shall periodically report to the Board the results of reviews undertaken and any associated recommendations.

Authorization

These Committee Terms of Reference are hereby approved on behalf of the Board of Directors of Argosy Energy Inc. on the 18th day of March, 2009.

“Brian Mellum”

Brian Mellum

Lead Director

