

FORTRESS ENERGY INC.

REVISED ANNUAL INFORMATION FORM

Year ended December 31, 2010

Dated April 29, 2011

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SCHEDULE "A" – Form 51-101F2

SCHEDULE "B" – Form 51-101F3

SCHEDULE "C" – Audit Committee Mandate

CONVENTIONS

Unless otherwise indicated, references herein to “\$” or “dollars” are to Canadian dollars. All financial information with respect to the Corporation has been presented in Canadian dollars in accordance with generally accepted accounting principles in Canada.

ABBREVIATIONS

	Oil and Natural Gas Liquids		Natural Gas	
	Bbl	Barrel	Mcf	thousand cubic feet
	Bbls	Barrels	MMcf	million cubic feet
	MBbls	thousand barrels	Mcf/d	thousand cubic feet per day
	MMBbls	million barrels	MMcf/d	million cubic feet per day
	Mstb	1,000 stock tank barrels	MMbtu	Million British thermal units
	Bbls/d	barrels per day	Bcf	billion cubic feet
	NGLs	natural gas liquids	GJ	Gigajoule
Other				
	AECO	Alberta Energy Company’s natural gas storage facility located at Suffield, Alberta		
	API	American Petroleum Institute		
	API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil.		
	ARTC	Alberta Royalty Tax Credit		
	BOE	barrel of oil equivalent of natural gas and crude oil on the basis of 1 BOE for 6 (unless otherwise stated) Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices). BOE’S maybe misleading, particularly if used in isolation. A BOE conversion of 6 Mcf to 1Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.		
	BOE/D	barrel of oil equivalent per day		
	m³	cubic metres		
	MBOE	1,000 barrels of oil equivalent		
	WTI	West Texas Intermediate, the reference price paid is U.S. dollars at Cushing, Oklahoma for crude oil of standard grade		

CONVERSION

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls oil	6.290
Feet	Metres	0.305
Metres	Feet	3.28 1
Miles	Kilometres	1.609
Kilometers	Miles	0.62 1
Acres	Hectares	0.405
Hectares	Acres	2.471
MMbtu	Gigajoules	1.0526

DEFINITIONS

“**ABCA**” means the *Business Corporations Act* (Alberta), as amended;

“**AIF**” means this Annual Information Form;

“**Board**” means the Board of Directors of the Corporation as constituted from time to time;

“**Business Day**” means any day other than a Sunday, Saturday or a day on which banking institutions in Calgary, Alberta are authorized or obligated by law to close;

“**CCAA**” means the *Companies’ Creditors Arrangement Act* (Canada);

“**COGE Handbook**” means the “Canadian Oil and Gas Evaluation Handbook”;

“**Common Shares**” means the common shares of the Corporation, as presently constituted;

“**CRA**” means Canada Revenue Agency;

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

“**Marauder**” means Marauder Resources West Coast Inc.;

“**NI 51-101**” means National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities;

“**Person**” or “**Persons**” includes an individual, body corporate, partnership, syndicate or other form of unincorporated entity;

“**Petroleum Properties**” means a right, however derived, to explore for, develop, produce or market petroleum substances and includes the lands associated with such right and includes as well any lease,

permit, license, farm-in agreement, participation agreement or other arrangement of whatsoever kind and any right to acquire same;

“**Principal Holder**” means a person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Corporation;

“**Prospect**” means drillable prospects or lands for farm-out in a geographical area in western Canada;

“**Signal**” means SignalEnergy Inc., a corporation incorporated under the laws of the Province of Quebec and a predecessor of the Corporation;

“**Sproule**” means Sproule Associates Limited, independent petroleum reservoir engineers, Calgary, Alberta; and

“**Sproule Report**” means the independent reserve analysis and report of the Corporation’s reserves effective December 31, 2010 prepared by Sproule and dated March 1, 2011.

Unless the content otherwise requires, the “Corporation” when used in this Annual Information Form with respect to events occurring or matters as at a date prior to February 20, 2007 shall refer to Signal (the predecessor in interest of all of the assets of Fortress) and when used with respect to events occurring or matters as at a date from and after February 20, 2007 shall refer to Fortress.

Special Note Regarding Forward-looking Statements

Certain statements contained in this Annual Information Form and in certain documents incorporated by reference into this Annual Information Form, constitute forward-looking statements. In particular, the Corporation has made assumptions with respect to: the ability of the Corporation to emerge from CCAA, resolve the issue with CRA protection and continue as a going concern, listing of the Common Shares on a stock exchange, prices for oil and natural gas, oil and gas reserve quantities, the discounted present value of future net cash flows from these reserves and the ultimate recoverability of reserves, timing and amount of future production, forecasts of capital expenditures and the sources of financing thereof, the amount, nature, timing and effects of capital expenditures, plans for drilling wells and the timing and location thereof, operating and other costs, and business strategies and plans of management. These statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “**seek**”, “**anticipate**”, “**plan**”, “**continue**”, “**estimate**”, “**expect**”, “**may**”, “**will**”, “**project**”, “**predict**”, “**potential**”, “**targeting**”, “**intend**”, “**could**”, “**might**”, “**should**”, “**believe**” and similar expressions. 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. The Corporation believes that the expectations reflected in those forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Annual Information Form should not be unduly relied upon. These statements speak only 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. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by securities laws.

In particular, this AIF contains forward-looking statements pertaining to the following:

- the ability of the Corporation to successfully emerge from CCAA protection;

- the resolution of the issue with CRA;
- the ability of the Corporation to continue as a going concern;
- the listing of the Common Shares;
- oil and natural gas production levels;
- forward selling of the Corporation's production;
- capital expenditure programs;
- the quantity of oil and natural gas reserves;
- projections of market prices and costs;
- future abandonment costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- treatment under governmental regulatory regimes;
- future drilling of development locations;
- down spacing drilling plans;
- the Corporation's plans for future development of undeveloped reserves;
- expected 2011 volumes of production; and
- estimated time when taxes are payable and potential tax refunds.

In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve an implied assessment based on certain estimates of assumptions that the reserves described exist in the quantities predicted or estimated and can be profitably produced in the future.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF:

- the stay period under the CCAA not being extended;
- the lack of support of creditors of the Corporation for its plan under the CCAA;
- the failure of the Corporation to resolve the dispute with CRA;
- the failure of the Corporation to obtain listing approval from any stock exchange;
- the failure of the Corporation to acquire assets or develop strategic alternatives;

- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems; and
- fluctuations in foreign exchange or interest rates and stock market volatility; and
- change in government regulations.

These factors should not be considered exhaustive. The Corporation undertakes no obligation to publicly update or revise any forward-looking statements, except as required by securities laws.

CORPORATE STRUCTURE

Name, Address and Incorporation

Fortress is incorporated under the ABCA and is the entity resulting from the reorganization of Signal on February 20, 2007.

A Reorganization (the “**Reorganization**”) of Signal, including an arrangement (the “**Arrangement**”) under the *Companies Act* (Quebec), was approved by the shareholders of Signal at a Special General Meeting of Shareholders held on February 15, 2007 and was effective February 20, 2007. Under the Arrangement, shareholders of Signal could elect to receive cash, Common Shares of Fortress, or a combination of both, subject to the cash amount being prorated in the event that shareholders elected to receive greater than \$30 million. Shareholders representing 63,400,000 common shares of Signal elected to receive cash resulting in a cash distribution to shareholders of \$30 million and the redemption of 23,076,923 common shares of Signal at a price of \$1.30 per share. The remaining 66,539,059 common shares of Signal were exchanged for Common Shares of Fortress on the basis of one Common Share of Fortress for every five common shares of Signal, resulting in the issuance of 13,307,815 Common Shares of Fortress. Signal was then dissolved pursuant to the *Companies Act* (Québec) and Fortress became the holder of all of the assets formerly held by Signal.

Effective August 31, 2005, five subsidiaries of Signal, namely Blairmore Energy Ltd., Goose River Resources Ltd., Tyke Energy Ltd., Nanodesign Inc. and Predator Exploration Ltd. amalgamated by way of a horizontal short form amalgamation under the name Predator Exploration Ltd. Effective January 1, 2008 Fortress amalgamated, by way of a vertical short form amalgamation with its two subsidiaries Predator Exploration Ltd. and Marauder. As a result Fortress has no material subsidiaries.

The registered office of the Corporation is located at Suite 1500, 407 – 2nd Street S.W., Calgary, Alberta, T2P 2Y3. The Corporation has its head office in Calgary, Alberta located at 610, 7015 Macleod Trail SW, Calgary, Alberta, T2H 2K6.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

On April 16, 2008 the Corporation entered into an agreement with an affiliate of AltaGas Income Trust (“AltaGas”) to construct a 38 km pipeline from a central point at its Square Creek, Alberta development area to the AltaGas processing facility at Clear Prairie. AltaGas paid for 100% of the costs associated with the construction of the pipeline and in exchange the Corporation dedicated a portion of its reserves in the Square Creek area.

In July 2009, the Corporation completed a strategic asset acquisition in the Ladyfern, Mearon and Velma areas for \$12,500,000, adding proven reserves of 1,040 MBOE and proven plus probable reserves of 1,546 MBOE. The acquisition included 54,232 net acres of undeveloped land, consolidating the Corporation’s land position in its core Ladyfern, Mearon and Velma areas.

On October 23, 2009, the Corporation closed the acquisition of its partner’s 50% working interest in the Square Creek area of Alberta for cash consideration of \$7,000,000, subject to final adjustments.

In 2009, the Corporation took several key steps to materially reduce operating costs including the purchase of a rented compressor, camp, rig mats and other rented equipment at Square Creek. In addition, the Corporation replaced the field operations contractor at Square Creek, effective August 1st, 2009 and replaced the field operations contractor at the third party facility at Clear Prairie that processes the Corporation’s Square Creek production effective November 1st, 2009.

The Corporation’s properties have historically been 100% natural gas producing located in NE British Columbia and NW Alberta. Much of the Corporation’s properties have only been accessible in the winter months. Since 2009, as a result of continued low natural gas prices, the Corporation experienced consecutive losses and as at March 31, 2010 had working capital deficiency of over \$21 million including bank debt in excess of \$23 million.

The Corporation’s borrowing base continued to decrease as natural gas prices declined and its bank (the “Bank”) became more restrictive in its determination of the Corporation’s borrowing base. From June 2009, the Bank provided three extensions to the facilities. The demand non-revolving loan was due to be repaid on March 31, 2010. The repayment date was extended to May 31, 2010 and again to August 31, 2010. On the review of the credit facilities on May 31, 2010, the Bank informed the Corporation that its borrowing base was further reduced to \$13,000,000.

As a result, there was substantial doubt regarding the Corporation’s ability to continue as a going concern, which was dependent upon achieving on-going cash flow from operating activities and receiving additional support from its lenders and investors. In particular, the future operations of the Corporation were dependent on its ability to successfully raise capital and receive the continued financial support of its lender.

Based on then current market conditions and natural gas prices, the Corporation determined that it would have difficulty maintaining compliance with its working capital ratio financial covenant and the Bank could, in the event that it did not meet such covenant, demand repayment of the operating loan facility.

As a result the Corporation undertook a number of initiatives to address its borrowing base shortfall and debt repayment requirements.

On March 4, 2010, the Corporation announced that it had entered into a letter of intent to acquire a significant natural gas property located in the Boyer area of Alberta. It was a condition under the letter of intent that the Corporation file a final prospectus in relation to financing a portion of the purchase price for the Boyer assets on or before April 26, 2010. Due to market conditions, continuing low natural gas price, and the resulting delays in financing, Fortress was unable to satisfy this condition. As a result, Fortress was informed on April 27, 2010 that the letter of intent had been terminated.

As the Corporation could not raise additional equity, it then undertook a review of the strategic alternatives available to it, including the purchase of additional assets in a reverse take over transaction, corporate sale or merger and/or sale of assets. Management approached a number of management teams regarding a recapitalization, but the remote access to the Corporation's properties and its focus on natural gas made it unattractive as a recapitalization vehicle.

The Corporation approached Terra Energy Corp. ("**Terra**") to consider an acquisition of the Corporation. On June 30, 2010, the Corporation entered into a non-binding letter of intent with Terra for the purchase by Terra (the "**Transaction**") of substantially all of the oil and gas properties and related assets of Fortress excepting only the petroleum and natural gas rights attributable to the Corporation's Buick Creek and Pine Creek lands. After extensive negotiations, on July 15, 2010, a formal agreement was entered into between the Corporation and Terra.

The Transaction was approved at a special meeting of shareholders held on August 25, 2010. 99.6% of the votes cast were voted in favour of the Transaction. On September 1, 2010, Fortress announced that the Transaction closed for proceeds of \$30,437,000, consisting of cash in the amount of \$25,600,000 and 3,664,444 common shares of Terra valued at \$1.32 per share. The cash proceeds were used to repay bank indebtedness of \$21,457,000. The Terra shares trade on the TSX under the symbol "TT". Following the closing of the Transaction, the Corporation reduced staff levels to a minimum and undertook a review of the strategic alternatives available to it.

Recent Developments

On March 2, 2011, Fortress applied to the Court of Queen's Bench of Alberta for an Order under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") staying all claims and actions against the Corporation and its assets and allowing the Corporation to prepare a plan of arrangement for its creditors if necessary. The Order was granted and was in effect until March 31, 2011. The Order was subsequently extended to May 27, 2011 at which time the matter will be reviewed by the Court. While the Order is in effect the Corporation will work with a court-appointed monitor.

Fortress has taken this step to enable it to challenge a reassessment issued by the Canada Revenue Agency (the "**CRA**"), which reassessment is in the amount of approximately \$18 million. As a result of the reassessment, if the Corporation took no action, it would be compelled to immediately remit \$9 million to the CRA and the Corporation does not have the necessary funds to remit. Fortress believes that the CRA's position is not sustainable and is vigorously disputing the CRA's claim.

The reassessment denies the deduction of certain tax pools in SignalEnergy Inc.'s ("**Signal**") 2004, 2005 and 2006 taxation years on the basis that (i) those pools arose from expenses incurred prior to November of 2003 and (ii) that there was an acquisition of control of Signal (previously named SignalGene Inc.) in November of 2003. Signal was subsequently wound-up into Fortress and all references herein to Fortress should be read as references to Fortress, Signal or SignalGene as the context requires.

Following the transactions that occurred in November of 2003, Signal was developed into a successful oil and gas company with over \$140 million of oil and gas assets, and such development benefitted all

shareholders of Fortress, both those who invested in November of 2003 and those who had invested prior to November of 2003. On February 1, 2006, Signal received an unsolicited offer to acquire a substantial portion of its oil and gas assets for \$100 million which transaction subsequently closed on March 10, 2006. Fortress used its available tax pools to reduce its taxable income from the proceeds of the disposition.

Management believes that no acquisition of control has occurred. Through a series of communications, including detailed written correspondence with the CRA, Fortress attempted to correct certain apparent factual misunderstandings that had led the CRA to determine that an acquisition of control had occurred. Unfortunately, notwithstanding the explanations by Fortress, the CRA issued the reassessments. In addition to potential remedies that may be available under the CCAA, the *Income Tax Act* provides for at least two more levels at which this dispute can be considered. The first is at the appeals level with the CRA and, as a resolution at this level would resolve this matter most expeditiously; this is the avenue Fortress is pursuing at this time. On March 28, 2011, Fortress filed a Notice of Objection and has received an acknowledgment from the CRA of its receipt on April 11, 2011. CRA has not indicated that it will respond to the Notice of Objection outside of its normal timeline which it indicated to be nine to 12 months before being contacted by an Appeals Officer.

If that process does not result in a successful resolution of this matter, Fortress can, and if necessary will, file an appeal to the Tax Court of Canada. While there is no certainty in the case of a CRA challenge, Fortress strongly believes that pursuit of this matter to a higher level should result in this matter being resolved in its favour.

In addition to potential remedies that may be available under the CCAA, the Tax Act provides for at least two more levels at which this dispute can be considered. The first is at the appeals level with the CRA and, as a resolution at this level would resolve this matter most expeditiously; this is the avenue Fortress is pursuing at this time. If that process does not result in a successful resolution of this matter, Fortress can, and if necessary will, file an appeal to the Tax Court of Canada. While there is no certainty in the case of a CRA challenge, Fortress strongly believes that pursuit of this matter to a higher level should result in this matter being resolved in its favour.

Unfortunately, as Fortress was a large corporation for purposes of the Tax Act in the taxation years that have been reassessed, under the relevant legislation the CRA is empowered to take action to collect 50% of the tax owing at any time during this dispute process (notwithstanding the ability of Fortress to challenge the reassessment and that no final legal determination of the matter has occurred). Due to the vast powers afforded to the CRA to collect this amount, and the severe adverse impact it would have on Fortress and its creditors if the CRA took any collection action without providing Fortress with reasonable notice, Fortress has taken action to protect stakeholders by voluntarily applying to the court for protection under CCAA. Other than the claim by CRA, Fortress has assets in excess of its liabilities with sufficient liquid assets to pay all other liabilities and trade payables.

Additionally, the Corporation announced that it had been advised on October 17, 2010 by the TSX that the Corporation substantially discontinued its business or materially changed the nature of its business by virtue of the closing of the sale of its oil and gas assets announced on September 1, 2010 and the Corporation was required to meet original listing requirements by February 18, 2011.

On February 23, 2011, Fortress announced that that it did not meet the listing requirements of the TSX by virtue of the sale of substantially all of its oil and gas assets on September 1, 2010. Fortress was notified by the TSX that its formal listing committee determined on February 25, 2011, that Fortress would be delisted from the TSX on March 30, 2011 which it subsequently was. As a result, Fortress then commenced the application process for listing on the TSX Venture Exchange and both exchanges at that

time indicated a willingness to ensure a seamless transition to ensure no disruption of trading. Although application to the TSX Venture Exchange has started, Fortress is uncertain it will be accepted for listing until the CCAA Order is removed. As a result of the Corporation obtaining the Order under the CCAA, the TSX suspended trading of the Corporation's securities.

Fortress is considering a listing on the Canadian National Stock Exchange ("CNSX"). The CNSX has indicated its willingness to allow Fortress shares to be listed for trading on such exchange notwithstanding the CCAA Order.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

Fortress is a Calgary based junior oil and gas exploration and development corporation operating in Western Canada.

PRINCIPAL PROPERTIES

The following property descriptions provide brief overviews of the Fortress Energy Inc.'s ("**Fortress**" or the "**Corporation**") principal properties as at December 31, 2010.

Buick Creek, British Columbia

The Buick Creek area is located approximately 75 kilometers northwest of Fort St. John, British Columbia and represents the Corporation's first property in northeastern B.C. In Buick Creek, the Corporation holds an interest in 4,255 gross acres (3,636 net). The Corporation has an interest in 4 wells in this area.

The Buick Creek area produces from the Dunlevy formation (equivalent to the Lower Mannville formation) and features long-life stable reserves with declines of 10-12% per year.

Pine Creek

The Pine Creek area is located approximately 225 kilometres west of Edmonton, Alberta. At Pine Creek, the Corporation holds an interest in 640 gross acres (640 net). The Corporation has an interest in 1 well completed in the Gething formation in this area.

The Pine Creek area currently has no production. The Corporation is currently evaluating the option to drill a multistage fracture well into the Cretaceous Wilrich sand. Additional regional opportunities in the Wilrich sand are also being explored as well as the possibility of tying in the existing Gething reserves.

RESERVE ESTIMATES

Sproule Report

The following tables set forth certain information relating to the oil and natural gas reserves of the properties of Fortress and the present value of the estimated future net cash flow associated with such reserves as at December 31, 2010. The information set forth below is derived from the independent reserve analysis and report of the Corporation reserves effective December 31, 2010 (the "**Sproule Report**") prepared by Sproule Associates Limited ("**Sproule**") dated March 1, 2011 which has been prepared in accordance with the standards contained in the COGE Handbook and the reserves definitions contained in NI 51-101 and the COGE Handbook. The net present value of future net revenue attributable

to the Corporation's reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment and disconnect costs for all of the Corporation's wells assigned reserves. No allowances for reclamation salvage values or production facilities were made. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Corporation's reserves estimated by Sproule represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of the Corporation's NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

The Sproule Report is based on certain factual data supplied by the Corporation and Sproule's opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to the Corporation's petroleum properties and contracts (except for certain information residing in the public domain) were supplied by the Corporation to Sproule and accepted without any further investigation. Sproule accepted this data as presented and neither title searches nor field inspections were conducted.

The Corporation's Board of Directors reviews the qualifications and appointment of the independent qualified reserves evaluators. The Board also reviews the procedures for providing information to the evaluators. All booked reserves are based upon annual evaluation and review by the independent qualified reserves evaluators.

Reserves presented are 100% of the reserves attributable to the Corporation. All of the properties, reserves and production of the Corporation are located in Canada in the provinces of Alberta and British Columbia.

BOE's (or "McfGE's or other applicable units of equivalency) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl (or "An McfGE conversion ratio of 1 bbl: 6 Mcf") is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Summary of Oil and Gas Reserves – Forecast Prices and Costs

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

	Reserves					
	Light/Medium Oil (MBbl)		Natural Gas (MMcf)		NGL (MBbl)	
	Gross	Net	Gross	Net	Gross	Net
Proved						
Developed Producing	0.0	0.0	1,419	1,131	30.4	24.3
Developed Non-Producing	0.0	0.0	0	0	0	0
Undeveloped	0.0	0.0	0	0	0	0
Total Proved	0.0	0.0	1,419	1,131	30.4	24.3
Probable	0.0	0.0	2,172	1,822	22.5	18.0
Total Proved plus Probable	0.0	0.0	3,591	2,953	52.9	42.3

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

	Before Income Tax					After Income Tax					Unit Value \$/BOE Net Reserves Discounted at 10% before Income Tax (\$/BOE)
	Discounted At					Discounted At					
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%	
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	
Proved											
Developed	5,762	4,219	3,311	2,725	2,319	5,762	4,219	3,311	2,725	2,319	15.56
Producing Developed	0	0	0	0	0	0	0	0	0	0	0
Non- Producing Undeveloped	0	0	0	0	0	0	0	0	0	0	0
Total Proved	<u>5,762</u>	<u>4,219</u>	<u>3,311</u>	<u>2,725</u>	<u>2,319</u>	<u>5,762</u>	<u>4,219</u>	<u>3,311</u>	<u>2,725</u>	<u>2,319</u>	<u>15.56</u>
Probable	<u>7,363</u>	<u>5,336</u>	<u>4,108</u>	<u>3,276</u>	<u>2,674</u>	<u>7,363</u>	<u>5,336</u>	<u>4,108</u>	<u>3,276</u>	<u>2,674</u>	<u>12.77</u>
Total Proved plus Probable	<u>13,125</u>	<u>9,555</u>	<u>7,419</u>	<u>6,001</u>	<u>4,993</u>	<u>13,125</u>	<u>9,555</u>	<u>7,419</u>	<u>6,001</u>	<u>4,993</u>	<u>13.88</u>

Notes:

- (1) The Sproule Report estimates Fortress' share of future capital expenditures necessary to achieve the estimated present worth of future net cash flows based on escalating costs from Proved Reserves to be \$nil and Proved and Probable Reserves to be \$1,325,000.

Future Net Revenue - Forecast Prices and Costs

The following table sets forth the following elements of future net revenue attributed to Proved Reserves and Proved plus Probable Reserves of the Corporation as of December 31, 2010 estimated based on forecast prices and costs and calculated without discount:

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

Reserves Category	Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	Capital Development Costs (M\$)	Well Abandonment Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Future Income Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
Proved	12,697	2,171	4,677	0	88	5,762	0	5,762
Proved plus Probable	28,680	4,505	9,555	1,325	170	13,125	0	13,125

The following table set forth the future net revenue (before deducting future income tax expenses) of the Corporation as of December 31, 2010 estimated based on forecast prices and costs and calculated using a discount rate of 10%:

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

Reserves Category	Production Group	Future Net Revenue Before Income Taxes (discounted at 10%) (M\$)	Unit Value Before Income Taxes (discounted at 10%) (\$/BOE)
Proved	Light/Medium Oil	0	0
	Heavy Oil (including solution gas and associated by-products)	0	0
	Natural Gas (including associated by-products)	3,311	15.56
	TOTAL	3,311	15.56
Proved plus Probable	Light/Medium Oil	0	0
	Heavy Oil (including solution gas and associated by-products)	0	0
	Natural Gas (including associated by-products)	7,419	13.88
	TOTAL	7,419	13.88

Pricing Assumptions

The escalating cost and price assumptions assume the continuance of current laws and regulations and increases in wellhead selling prices, and take into account inflation with respect to future operating capital costs. In the Sproule Report operating costs are assumed to escalate at 1.5% per annum. Crude oil and natural gas base case prices as forecasted by Sproule effective January 1, 2011 are as follows:

Year	WTI Cushing Oklahoma (\$US/Bbl)	Edmonton Par Price 40° API (\$Cdn/Bbl)	Natural Gas AECO Gas Prices (\$Cdn/MMBtu)	B.C. Westcoast Station 2 (\$Cdn/MMBtu)	Pentanes Plus FOB Field Gate (\$Cdn/Bbl)	Butanes FOB Field Gate (\$Cdn/Bbl)	Inflation Rate ⁽¹⁾ (%/Yr)	Exchange Rate ⁽²⁾ (\$US/\$Cdn)
Historical								
2010	79.43	77.81	4.16	4.01	84.21	57.04	1.0	0.971
Forecast								
2011	88.40	93.08	4.04	3.98	95.32	62.44	1.5	0.932
2012	89.14	93.85	4.66	4.60	96.11	62.95	1.5	0.932
2013	88.77	93.43	4.99	4.93	95.68	62.67	1.5	0.932
2014	88.88	93.54	6.58	6.52	95.79	62.75	1.5	0.932
2015	90.22	94.95	6.69	6.63	97.24	63.69	1.5	0.932
Thereafter	Escalation Rates of 1.5%							

Notes:

- (1) Inflation rates for forecasting prices and costs.
- (2) Exchange rates used to generate the benchmark reference prices in this table.
- (3) Product sale prices will reflect those reference prices with further adjustments for quality and transportation to point of sale.

The weighted average prices received by the Corporation for 2010 were: Natural Gas - \$4.37/Mcf; Natural Gas Liquids - \$61.63/Bbl.

Definitions Applicable to Reserves Tables

“**Gross**” means the Corporation's total working interest share before deducting royalties and without including any royalty interest of Fortress.

“**Net**” means the Corporation’s total working interest and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

“**Royalties**” refers to royalties paid to others. The royalties deducted from the reserves are based on the percentage royalty calculated by applying the applicable royalty rate or formula. In the case of Crown sliding scale royalties which are dependent on selling prices, the price forecasts for the individual properties in question have been employed.

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

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

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

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

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

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

RECONCILIATIONS OF CHANGES IN RESERVES

The following table sets out the reconciliation of change in Gross Reserves (before Royalties) by principal product type for the period from December 31, 2009 to December 31, 2010 using forecast prices and costs:

	Light and Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
	First Attributed Gross (Mbbl)	Booked Gross (Mbbl)	First Attributed Gross (Mbbl)	Booked Gross (Mbbl)	First Attributed Gross (MMcf)	Booked Gross (MMcf)	First Attributed Gross (Mbbl)	Booked Gross (Mbbl)
Probable Undeveloped								
December 31, 2007	-	-	-	-	6,531	6,531	8.8	8.8
December 31, 2008	-	-	-	-	355	6,662	0.5	8.4
December 31, 2009	-	-	-	-	-	11,351	-	11.2
December 31, 2010	-	-	-	-		1,826	-	15.1

In general, undeveloped reserves of the Principal Properties of the Corporation are scheduled to be developed within the next two years.

Significant Factors or Uncertainties Affecting Reserves Data

There are numerous uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the control of the Corporation. The reserve data included or incorporated by reference herein represents estimates only.

In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. The actual production, revenues, taxes and development and operating expenditures of the Corporation with respect to these reserves will vary from such estimates, and such variances could be material.

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

Consistent with the securities disclosure legislation and policies of Canada, as interpreted by the securities regulatory authorities in Canada, the Corporation has used forecast prices and costs in calculating reserve quantities included herein. Actual future net cash flows also will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Future Development Costs

The following table sets forth development costs deducted in the estimation of the Corporation's future net revenue attributable to the reserve categories noted below.

Forecast Prices and Costs (undiscounted)		
Year	Proved (M\$)	Proven plus Probable (M\$)
2011	Nil	1,325
2012	Nil	Nil
2013	Nil	Nil
2014	Nil	Nil
2015	Nil	Nil
Total	Nil	1,325

The source of funding for future development costs of the reserves of the Corporation will be derived from a combination of funds from operations, debt and new equity. Management does not anticipate that the costs of funding, referred to above, will materially affect the disclosed reserves and future net revenues of the Corporation or will make the development of any of the properties uneconomic.

OTHER OIL AND GAS INFORMATION

Oil and Gas Wells

The following table summarizes the Corporation's interest as at December 31, 2010 in wells, which are producing, or which the Corporation considers to be capable of production:

	Gross⁽¹⁾		Net⁽²⁾	
	Producing	Shut-in⁽³⁾	Producing	Shut-in⁽³⁾
<i>Alberta</i>				
Oil	-	-	-	-
Gas	-	1	-	1
Total	-	1	-	1
<i>British Columbia</i>				
Oil	-	-	-	-
Gas	3	1	2.25	1
Total	3	1	2.25	1

Notes:

- (1) "Gross" refers to all wells in which the Corporation has an interest.
- (2) "Net" wells refer to the total number of wells in which the Corporation has an interest multiplied by the Corporation's percentage working interest therein.
- (3) "Shut-in" wells are defined as wells which have encountered crude oil or natural gas and are capable of producing crude oil or natural gas but which are not producing due to the lack of transportation facilities, available markets or other reasons.

The Corporation anticipates that the shut-in well at Pine Creek, drilled in 2008, will be tied in to existing pipelines and facilities in 2011 in conjunction with new drilling activities. This will occur if future natural gas prices remain at levels that economically justify such activity.

At Buick Creek, the Corporation is awaiting the drilling and completion of an additional well with tie in to existing pipelines and facilities in 2011 if future natural gas prices remain at economical levels.

Forward Contracts

As of December 31, 2010, the Corporation does not have any commodity contracts in place.

Land Holdings

The following table sets out the developed and undeveloped land holdings of the Corporation as at December 31, 2010.

	Developed		Undeveloped		Total		Net Area to Expire 2011
	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	
Alberta	640	640	-	-	640	640	-
B.C.	3,545	2,926	710	710	4,255	3,636	-
Total	4,185	3,566	710	710	4,895	4,276	-

Notes:

(1) "Gross" refers to the total acres in which the Corporation has an interest.

(2) "Net" refers to the total acres in which the Corporation has an interest, multiplied by the percentage working interest therein owned by the Corporation.

The Corporation's leasehold interest in Alberta and British Columbia is predominantly in the form of petroleum and natural gas leases which do not require the drilling of wells for the continuation of same past their primary term.

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

The Corporation is currently in a negative cash flow position and does not have any excess capital with which to develop its undeveloped properties. The Corporation does not anticipate having such capital unless it successfully emerges from CCAA protection and resolves its issue with CRA. (See "*General Development of the Business – Recent Developments*" and "*Risk Factors – Going Concern and CCAA Issues*" and "*CRA Issue*").

Land Evaluation

Management has completed an evaluation of the undeveloped land holdings of the Corporation resulting in an undeveloped land total net value of \$170,000.

Additional information concerning Abandonment and Reclamation Costs

The Corporation is liable for its share of the ultimate reclamation of the working interest properties upon abandonment. The Corporation typically estimates well abandonment costs by area. Such costs are included in the Sproule Report as deductions in arriving at future net revenue.

The total expected abandonment costs included in the Sproule Report for 2.25 net wells under the Proved Reserves category is \$88,000 undiscounted (\$22,000 discounted at 10%), of which a total of \$nil is estimated to be incurred in aggregate in 2011, 2012 and 2013.

The Corporation has created a liability for existing asset retirement obligations. The undiscounted estimated cash flows required to settle the obligation is \$3,100,000. The discounted amount recognized during 2010 was \$950,000. Due to use of management estimates in determining the asset retirement obligation liability, actual results could differ from those reported. The asset retirement obligation recorded in the Corporation's consolidated balance sheet at December 31, 2010 exceeds that used in the Sproule Report because the Sproule Report makes no allowances for surface lease reclamation, salvage values, or abandonment costs of suspended wells, gathering systems, batteries, plants or processing facilities.

Tax Horizon

Based on production from existing reserves, the Corporation estimates that it will not be required to pay income taxes for the next several years. At December 31, 2010, the Corporation has approximately \$55 million of available resource pools and undepreciated capital cost pools, subject to the successful defence of CRA reassessments for prior years.

For further details regarding income taxes, refer to the Corporations Management Discussion and Analysis and Annual Financial Statements as at and for the year ended December 31, 2010 filed on SEDAR at www.sedar.com.

Costs Incurred

The following table summarizes capital expenditures and including capitalized general and administrative expenses related to the Corporation's activities for the year ended December 31, 2010:

	Year ended December 31, 2010 (M\$)
Exploration	
Land and seismic	409
Development	
Drilling and completions	498
Equipment and facilities	711
Acquisitions	
Proved Property	-
Unproved Property	-
Dispositions	(30,030)
Capitalized overhead costs	293

	Production Volume (Bbls or Mcf)	Average per Unit of Volume				
		Price (\$/Bbl or Mcf)	Royalties (recoveries) (\$/Bbls or Mcf)	Operating Costs (\$/Bbls or Mcf)	Transportation Costs (\$/Bbls or Mcf)	Netback / (Loss) (1) (\$/Bbls or Mcf)
Second Quarter	-	-	-	-	-	-
Third Quarter	-	-	-	-	-	-
Fourth Quarter	-	-	-	-	-	-
Natural Gas (Mcf)						
First Quarter	918,998	5.25	0.60	2.37	0.38	1.90
Second Quarter	901,203	3.90	0.08	2.35	0.38	1.09
Third Quarter	651,722	3.81	(0.42)	2.25	0.37	1.61
Fourth Quarter	39,880	3.77	1.06	1.80	1.24	(0.32)

Natural Gas Liquids (Bbls)						
First Quarter	2,444	63.54	6.77	10.67	3.55	42.54
Second Quarter	1,802	62.09	21.89	9.08	5.02	26.10
Third Quarter	1,557	54.12	20.01	10.53	2.96	20.62
Fourth Quarter	834	69.06	27.01	5.92	4.85	31.27
Light & Medium Oil & Natural Gas Liquids Combined (Bbls)						
First Quarter	2,444	63.54	6.77	10.67	3.55	42.54
Second Quarter	1,802	62.09	21.89	9.08	5.02	26.10
Third Quarter	1,557	54.12	20.01	10.53	2.96	20.62
Fourth Quarter	834	69.06	27.01	5.92	4.85	31.27

Notes:

- (1) Netback is calculated as price realized by the Corporation (including realized gains and losses on commodity contracts), less royalties, less operating costs and less transportation costs.
- (2) The Corporation had substantially no light and medium oil production in 2010.

FURTHER DESCRIPTION OF THE BUSINESS**Employees**

As of December 31, 2010, the Corporation had 3 employees and 4 consultants.

Competitive Conditions

The Corporation 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 the Corporation. The Corporation'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. The Corporation'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 the Corporation.

Certain of the Corporation's customers and potential customers are themselves exploring for oil and natural gas, and the results of such exploration efforts could affect the Corporation's ability to sell or supply oil or gas to these customers in the future. The Corporation'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.

Business Cycle and Seasonality

The Corporation's business is generally not cyclical; however its revenue from the sale of natural gas is highly seasonal, with demand for natural gas rising during cold winter months and hot summer months. Access to the Corporation's properties for exploration and development activities is restricted to the winter months. Any unreasonable winter temperatures could adversely affect the Corporation's drilling activities.

Renegotiation or Termination of Contracts

It is not expected that the Corporation's business will be affected in the current financial year by the renegotiation or termination of contracts or sub-contracts.

Environmental Protection Requirements

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural 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 the Corporation 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 the Corporation's financial condition, results of operations or prospects.

In December, 2008, the Government of Alberta released a new land use policy for surface land in Alberta, the Alberta Land Use Framework (the "ALUF"). The ALUF sets out an approach to manage public and

private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. The ALUF calls for the development of region-specific land use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans. The *Alberta Land Stewardship Act* (the “**ALSA**”) was proclaimed in force in Alberta on October 1, 2009, providing the legislative authority for the Government of Alberta to implement the policies contained in the ALUF. Regional plans established pursuant to the ALSA are deemed to be legislative instruments equivalent to regulations and are binding on the Government of Alberta and provincial regulators, including those governing the oil and gas industry. In the event of a conflict or inconsistency between a regional plan and another regulation, regulatory instrument or statutory consent, the regional plan will prevail. Further the ALSA requires local governments, provincial departments, agencies and administrative bodies or tribunals to review their regulatory instruments and make any appropriate changes to ensure that they comply with an adopted regional plan. The ALSA also contemplates the amendment or extinguishment of previously issued statutory consents such as regulatory permits licenses approvals and authorizations in order for the purposes of achieving or maintaining an objective or policy resulting from the implementation of a regional plan. Among the measures to support the goals of the regional plans of contained in the ALSA are conservation easements, which can be granted for the protection, conversation and enhancement of land; and conservation directives, which are explicit declarations contained in a regional plan to set aside specified lands in order to protect, conserve, manage and enhance the environment. Although no regional plans have been established under the ALSA, the planning process is underway for the Lower Athabasca Region (which contains the majority of oil sands development) and the South Saskatchewan Region. While the potential impact of the regional plans established under the ALSA cannot yet be determined, it is clear that such regional plans may have a significant impact on land use in Alberta and may affect the oil and gas industry.

RISK FACTORS

Going Concern and CCAA Issues

The Corporation is experiencing negative cash flow. There is no certainty as to when it will have operating revenue or positive cash flow. As the Corporation has negative cash flow, it will be solely dependent upon outside sources and third party financings to obtain the necessary capital to implement a Plan explore and develop its properties or acquire further properties or restructure the Corporation and continue as a going concern. While the Corporation has repaid its outstanding bank debt, it does not have access to short term bank financing. If the Corporation is unable to raise the required funds then it will not be able to take any such steps. Therefore, failure to obtain such financing would, in all likelihood, lead to the liquidation of the Corporation’s assets.

The Corporation’s exploration and development activities will also require additional financing. If the Corporation is unable to secure sufficient financing, delays or postponement of future development or production of the Corporation’s properties may result. There can be no assurance that the additional capital required or other types of financing will be available if needed or even if available, the terms of such financing will be acceptable to the Corporation.

Should the stay period in the CCAA proceedings and any subsequent extensions thereof, if granted, not be sufficient to develop and present a plan (“**Plan**”) under the CCAA, or should the Plan not be accepted by affected creditors or confirmed by the Court and, in any such case, the Corporation loses the protection of the stay of proceedings, creditors may immediately enforce their rights and remedies against the Corporation and its properties which would in all likelihood lead to the liquidation of the Corporation’s assets. Failure to implement a Plan and obtain sufficient exit financing within the time granted by the Court would in all likelihood also lead to the liquidation of the Corporation’s assets.

There can be no assurance that a Plan proposed by the Corporation will be supported by the Corporation's creditors or confirmed by the Court, or that any such Plan or Plans will be consummated or successful.

CRA Assessment

The Corporation obtained the Order under the CCAA staying all claims and actions against the Corporation and its assets. Fortress took such step in order to enable it to challenge a reassessment by CRA. While Fortress believes the reassessment is not sustainable, in the event the reassessment is upheld and CRA enforces its rights, in all likelihood it would lead to a liquidation of the Corporation's remaining assets.

Delisting

As a result of the sale of substantially all its oil and gas properties in September, 2010, the Corporation was delisted from the TSX on March 30, 2011. Failure or delay in obtaining a listing on another stock exchange will drastically reduce the liquidity of the Common Shares. There can be no assurance that a listing on CNSX or another exchange will be obtained.

Substantial Capital Requirements

The Corporation will be required to acquire additional assets in order to continue as a viable entity. In order to acquire additional assets, the Corporation will require additional capital. 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 the Corporation. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on Fortress' business, financial condition, results of operations and prospects including its ability to continue in business.

There can be no assurance that current cash on hand will be able to sustain the Corporation through the conclusion of the dispute with CRA. Should the dispute continue for an extended period of time, the Corporation will be required to identify alternative sources of financing. Given the reassessment and that the Corporation is under CCAA, it may be difficult to raise the required capital to fund ongoing operations.

Volatility of Oil and Natural Gas Prices

The results of operations and financial condition are dependent on the prices received for the Corporation's natural gas production. Natural gas prices have fluctuated widely during recent years and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond the Corporation's control. These factors include, but are not limited to, worldwide political instability, foreign supply of natural gas, the level of consumer product demand, government regulations and taxes, the price and availability of alternative fuels and the overall economic environment. Any decline in natural gas prices could have a material adverse effect on the Corporation's operations, financial condition, proved reserves, borrowing capacity, profitability, cash flow from operating activities. No assurance can be given that natural gas prices will be at levels which will generate profits for the Corporation.

Capital Markets

As a result of the weakened global economic situation and the Corporation's current financial status, the Corporation will have restricted access to capital. As future capital expenditures will be financed out of

cash generated from operations, borrowings and possible future equity sales, the Corporation's ability to do so is dependent on, among other factors, the overall state of capital markets and investor demand for investments in the energy industry and the Corporation's securities in particular.

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

Need to Replace Reserves

Given the Corporation's sale of substantially all its assets, the Corporation's future oil and natural gas reserves and production, and therefore its cash flows, will be highly dependent upon the Corporation's success in acquiring or discovering additional reserves. Without reserve additions through exploration, acquisition or development activities, the Corporation's reserves and production will decline over time as reserves are exploited. The business of exploring for, developing or acquiring reserves is capital intensive. As the Corporation is currently cash flow negative, to the extent external sources of capital become limited or unavailable, the Corporation's ability to make the necessary capital investments to maintain and expand its oil and natural gas reserves will be impaired. In addition, there can be no assurance that the Corporation will be able to find and develop or acquire additional reserves at acceptable costs.

Operating Hazards and Other Uncertainties

Acquiring, developing and exploring for oil and natural gas involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, other environmental risks, fires and spills. Although the Corporation maintains insurance in accordance with customary industry practice, the Corporation is not fully insured against all of these risks. Losses resulting from the occurrence of these risks could have a material adverse impact on us. Like other oil and natural gas companies, the Corporation attempts to conduct its business and financial affairs so as to protect against political and economic risks applicable to operations in the jurisdictions where the Corporation operates but there can be no assurance that the Corporation will be successful in so protecting itself. Losses resulting from the occurrence of any of these risks could have a material effect on the Corporation's financial condition and therefore on the amounts to be distributed to shareholders.

The Corporation is also subject to deliverability uncertainties related to the proximity of its reserves to pipeline and processing facilities and the possible inability to secure space on pipelines, which deliver oil and natural gas to commercial markets.

Business Cycle and Seasonality

See "*Further Description of the Business – Business Cycle and Seasonality*".

Sale of Additional Common Shares

The Corporation may issue an unlimited number of additional Common Shares in the future to finance its activities without the approval of shareholders. The Board has the discretion to set the price and terms of the issuance of any such additional Common Shares and any issuance of additional Common Shares may have a dilutive effect on the holders of Common Shares.

Significant Factors or Uncertainties Affecting Reserves Data

See “*Additional Information Relating to Reserves Data – Significant Factors or Uncertainties Affecting Reserves Data*”.

Competitive Conditions

See “*Further Description of the Business – Competitive Conditions*”.

Environmental Protection Requirements

See “*Further Description of the Business – Environmental Protection Requirements*”.

Acquisition Risks

The Corporation’s business plan may include acquiring oil and natural gas assets. Although the Corporation performs a review of the acquired properties that the Corporation believes is consistent with industry practices, it generally is not feasible to review in depth every individual property involved in each acquisition. Ordinarily, the Corporation will focus its review efforts on the higher-value properties and will sample the remainder. However, even a detailed review of records and properties may not necessarily reveal every existing or potential problem, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the Corporation often assumes certain environmental and other risks and liabilities in connection with acquired properties. There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and actual future production rates and associated costs with respect to acquired properties, and actual results may vary substantially from those assumed in the estimates.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation’s ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired business may require substantial management effort, time and resources and may divert management’s focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Corporation.

Climate Change

Canada is a signatory to the United Nations Framework Convention on Climate change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so called “greenhouse gases”. There has been much public debate with respect to Canada’s ability to meet these targets and the Government’s strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Recently,

representatives from approximately 170 countries met in Copenhagen, Denmark to attempt to negotiate a successor to Kyoto Protocol. The result of such meeting was the Copenhagen Accord, a non-binding political consensus rather than a binding international treaty such as the Kyoto Protocol. The Corporation's exploration and production facilities and other operations and activities emit greenhouse gases and require the Corporation to comply with Alberta's greenhouse gas emissions legislation contained in the *Climate Change and Emissions Management Act* and the *Specified Gas Emitters Regulation*. The Corporation will also be required to comply with the regulatory scheme for greenhouse gas emissions ultimately adopted by the federal government, which are now expected to be consistent with the regulatory scheme for greenhouse gas emissions adopted by the United States. The direct or indirect costs of these regulations may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The future implementation or modification of greenhouse gases regulations, whether to meet the limits required by the Kyoto Protocol, the Copenhagen Accord or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Corporation. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirement, it is not possible to predict the impact on the Corporation and its operations and financial condition.

Governmental Regulation

The oil and natural gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. As well, governments may regulate or intervene with respect to prices, taxes, royalties and the exportation of oil and natural gas. Such regulation may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for oil and natural gas, increase the Corporation's costs and have a material adverse impact on us.

Third Party Credit Risk

The Corporation 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 the Corporation, such failures may have a material adverse effect on Fortress' business, financial condition, results of operations and prospects.

DIVIDENDS

No cash dividends have been declared by the Corporation in respect of any class of the Corporation's shares for any of the three most recently completed financial years. The Corporation does not currently have a policy of paying dividends.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value, of which 55,294,617 were issued and outstanding as at the date hereof as fully paid and non-assessable.

The holders of the Common Shares are entitled to dividends as and when declared by the Board of Directors, to one vote per share at meetings of shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares.

Preferred Shares

The Corporation is authorized to issue an unlimited number of preferred shares without nominal or par value (the “**Preferred Shares**”) issuable in series. No series of Preferred Shares have been created and there are no Preferred Shares outstanding.

The Preferred Shares shall be entitled to preference over the Common Shares of the Corporation and over any other shares ranking junior to the Preferred Shares with respect to distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation.

MARKET FOR SECURITIES

The Common Shares of Fortress are listed and posted for trading on The Toronto Stock Exchange under the symbol FEI. In 2010 there were 63,214,738 Common Shares traded at prices ranging from a low of \$0.08 to a high of \$0.34.

	Volume	High (\$)	Low (\$)	Close (\$)
January 2010	2,015,359	0.34	0.29	0.30
February 2010	813,480	0.32	0.26	0.28
March 2010	5,621,134	0.34	0.23	0.24
April 2010	3,699,936	0.26	0.21	0.22
May 2010	2,070,940	0.23	0.17	0.18
June 2010	1,246,169	0.19	0.12	0.18
July 2010	1,296,070	0.19	0.14	0.15
August 2010	2,587,312	0.16	0.10	0.12
September 2010	6,203,352	0.14	0.10	0.10
October 2010	2,889,924	0.11	0.08	0.09
November 2010	25,878,177	0.16	0.08	0.14
December 2010	8,892,885	0.14	0.11	0.12

PRIOR SALES

In the twelve months prior to the date hereof the Corporation did not issue any securities.

ESCROWED SECURITIES

There were no escrowed securities as at December 31, 2010.

DIRECTORS AND OFFICERS

The name, occupation and security holdings of each of the current directors and executive officers of the Corporation as of the date hereof are as follows:

Name and Municipality of Residence	Position Held with Fortress	Year First Appointed	Principal Occupation During the Last Five Years	Fortress Shares Beneficially Owned or Controlled
J. Cameron Bailey Calgary, Alberta	President and Chief Executive Officer and Director	2003	President and Chief Executive Officer, of Fortress.	895,480
Ronald McIntosh ⁽¹⁾⁽²⁾ Calgary, Alberta	Director	2009	President and CEO of Navigo Energy from 2002 until 2004. Prior thereto Senior Vice President and COO of Gulf Canada Resources, Vice President, Exploration and International of Petro Canada, Executive Vice President and COO of Amerada Hess Canada, and Senior Vice President of AEC Oil and Gas.	-
George Watson ⁽¹⁾ Calgary, Alberta	Director	2003	Chief Executive Officer of Critical Control Solutions Inc., a public technology company, since January, 2000.	30,938
Donald Leitch, Q.C. ⁽¹⁾⁽²⁾ Calgary, Alberta	Director	2007	Partner, Carscallen Leitch LLP, a law firm	50,000
Jamie Jeffs Calgary, Alberta	Vice President, Finance and Chief Financial Officer	2005	Vice President, Finance and Chief Financial Officer of Fortress and Chief Financial Officer, Mako Energy Canada Limited from September 2010 to March 2011. Prior thereto, Vice President, Finance, of CriticalControl Solutions Corp. from June 2002 to July 2005	43,445

Notes:

- (1) Member of the Audit Committee.
(2) Member of the Compensation Committee.

The current directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, 1,019,863 Common Shares of the Corporation or approximately 1.8% of the issued and outstanding Common Shares.

The term of the office of each director will expire at the next annual general meeting of the shareholders.

Conflicts of Interest

Circumstances may arise where members of the board of directors of the Corporation are directors or officers of corporations which are in competition to the interests of the Corporation. No assurances can be given that opportunities identified by such board members will be provided to the Corporation. Pursuant to the ABCA, directors who have an interest in a proposed transaction upon which the board of directors is voting are required to disclose their interests and refrain from voting on the transaction.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set out below, no director or executive officer of the Corporation is as at the date hereof, or has been, within 10 years of the date hereof, a director or chief executive officer or chief financial officer of any company:

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

Fortress is subject to a cease order for failure to file its annual financial statements, MD&A thereon and related documents within the required time period. The delay in filing such materials was due to delays in receiving the audit opinion caused by the CCAA proceedings. Fortress is filing the annual financial statements, MD&A and related documents currently with the filing of this revised AIF and is applying for a revocation order revoking the cease trade.

Other than the Order under the CCAA described elsewhere in this AIF (see “*General Development of the Business – Recent Developments*” and “*Risk Factors – Going Concern and CCAA Issues*”) and as set out below no current director or executive officer or securityholder holding a sufficient number of securities of Fortress to affect materially the control of Fortress:

- (a) is at the date hereof or has been within the last 10 years prior to the date hereof a director or executive officer of any company (including Fortress) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has within the last 10 years prior to the date hereof become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or securityholder.

George Watson was the director of RepeatSeat Ltd., an Alberta-based company until his resignation in June, 2009. To the knowledge of George Watson, RepeatSeat Ltd. became insolvent during the 2009 calendar year but did not become legally bankrupt, make a proposal under any legislation relating to bankruptcy or insolvency and was not subject to or did not institute any proceeding, arrangement or compromise with creditors, or have a receiver, receiver manager or trustee appointed to hold its assets.

Other than as described elsewhere in this AIF (see “*General Development of the Business – Recent Developments*” and “*Risk Factors – Delisting*”) no current director or executive officer or securityholder holding a sufficient number of securities of Fortress to affect materially the control of Fortress has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE INFORMATION

The full text of the audit committee mandate is included in Schedule “C” of this AIF.

Composition of the Audit Committee

George Watson

Mr. Watson holds a Bachelor of Science (Engineering) degree and MBA from Queen’s University, as well as an AMP from Harvard University. Mr. Watson served as Chief Financial Officer of TransCanada Pipelines Ltd. for several years. Mr. Watson is independent and financially literate.

Ron McIntosh

Mr. McIntosh has extensive oil and gas and board experience. His work experience has included leadership roles in Canada and the United States as well as internationally. He was President and CEO of Navigo Energy from 2002 until 2004 and oversaw its conversion into NAV Energy Trust and C1 Energy. Prior to that he held leadership roles including Senior Vice President and COO of Gulf Canada Resources, Vice President, Exploration and International of Petro Canada, Executive Vice President and COO of Amerada Hess Canada, and Senior Vice President of AEC Oil and Gas. Mr. McIntosh is independent and financially literate.

Donald R. Leitch

Mr. Leitch is a barrister and solicitor and has advised public companies for over twenty years. He has been a member of audit and finance committees for other organizations and has taken continuing education courses on financial statement presentation. He is financially literate, but not independent. (See “*Audit Committee Information – Reliance on Exemption*”).

Reliance on Exemption

During the most recently completed financial year, the Corporation relied on an exemption under Section 3.5 of National Instrument 52-110 from the requirement that every member of the audit committee be

independent. Due to certain resignations from the board of directors, the board found itself in a position where it could not appoint three (3) members to the audit committee who were all independent. As a result, the board appointed Mr. Joel Dryer to the audit committee. Mr. Dryer is financially literate and the board determined that, notwithstanding any consulting arrangement Mr. Dryer may have had with the Corporation, such arrangement would not interfere with the exercise of Mr. Dryer's independent judgment and therefore the board determined that his appointment would not materially affect the ability of the audit committee to act independently. As a result, the board appointed Mr. Joel Dryer to the audit committee. Mr. Dyer has since resigned from the Board of Directors of the Corporation and has been replaced on the audit committee by Mr. Donald Leitch. Mr. Leitch is financially literate and the board determined that, notwithstanding that Mr. Leitch is a partner in a firm which receives compensation as the Corporation's legal counsel, such arrangement would not interfere with the exercise of Mr. Leitch's independent judgment and therefore the board determined that his appointment would not materially affect the ability of the audit committee to act independently.

Pre-Approval Policies and Procedures

Under the mandate of the audit committee, the audit committee must pre-approve the retention of the auditor for any significant non-audit services permitted under applicable securities laws and the fee for such service.

External Auditor Service Fees

The following table provides information about the fees billed to the Corporation for professional services rendered by KPMG LLP, during fiscal years 2010 and 2009:

	2010	2009
	(\$)	(\$)
Audit Fees ⁽¹⁾	75,000	75,000
Audit-Related Fees ⁽²⁾	97,960	144,393
Tax Fees ⁽³⁾	25,750	199,347
All Other Fees ⁽⁴⁾	5,100	3,920
Total	203,810	422,660

Notes:

- (1) Audit fees consist of fees for the audit of the Corporation's annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported as Audit Fees. During fiscal years 2010 and 2009, the services provided in this category included research of accounting and audit-related issues and procedures related to the reorganization of Signal and the issuance of common shares.
- (3) Tax fees consist of fees for tax compliance services, tax advice and tax planning. During fiscal year 2010 and 2009, the services provided in this category included assistance and advice in relation to the preparation of corporate income tax returns.
- (4) The services provided in this category included Annual CPAB levy (Public Accountability Board).
- (5) Included in 2009 are fees paid to Ernst & Young LLP, the previous auditor to the Corporation.

PROMOTERS

There are no persons or companies, within the two most recently completed financial years or during the current financial year, acting as promoters of the Corporation.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than the reassessment by CRA described in this AIF (See “*General Development of the Business – Recent Developments*” and “*Risk Factors – CRA Assessment*”) and the Order granted under the CCAA proceedings (See “*General Development of the Business – Recent Developments*” and “*Risk Factors – Going Concern and CCAA Issues*”) there are no legal proceedings in progress for any claims for damages that exceed 10% of the current assets of the Corporation. Other than the suspension of trading on the TSX as a result of the Order under the CCAA (See “*General Development of the Business- Recent Developments*” and “*Risk Factors – Delisting*”), there have been no penalties or sanctions imposed against the Corporation by a court or regulatory body (whether relating to securities legislation or otherwise) or settlement agreements entered into with a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described above there have been no material transactions with directors, executive officers or with a beneficial owner who owns more than 10% of the Common Shares, or with any of their associates or affiliates within the last three most recently completed financial years or during the current financial year.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The Corporation’s Auditor is KPMG LLP, Chartered Accountants located at 2700, 205 – 5th Avenue S.W., Calgary, Alberta. KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

The Corporation’s Transfer Agent and Registrar is Olympia Trust Company at, its offices in Calgary and Toronto.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, there have been no material contracts entered into by the Corporation within the most recently completed financial year, or before the most recently completed financial year that are still in effect.

INTERESTS OF EXPERTS

Sproule Associates Limited has prepared a report pursuant to National Instrument 51-101 dated March 3, 2011, relating to the Corporation’s oil and gas reserves.

The Corporation has been advised that Sproule Associates Limited and its officers, directors and employees hold less than 1% of the securities issued by the Corporation.

ADDITIONAL INFORMATION

Additional information including director’s and officer’s remuneration and indebtednesses, principal holders of the Corporation’s securities and securities issued, and authorized for issuance under the Corporation’s equity compensation plan will be contained in the Corporation’s 2010 proxy materials relating to its annual shareholders meeting.

Additional financial information is provided in the Corporation's financial statements and MD&A for its most recently completed financial year.

Additional information relating to the Corporation can be found in the public documents of the Corporation which can be accessed on the SEDAR website at www.sedar.com.

SCHEDULE "A"

Form 51-101F2

**Report on Reserves Data
by Independent Qualified Reserves Evaluator or Auditor**

Report on Reserves Data

To the Board of Directors of Fortress Energy Inc. (the "Company"):

1. We have evaluated the Company's Reserves Data as at December 31, 2010. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2010, estimated using forecast prices and costs.
2. The Reserves Data are the responsibility of the Company's management. Our responsibility is to express an opinion on the Reserves Data based on our evaluation.

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

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue attributed to proved plus probable reserves, estimated using forecast prices and costs on a before tax basis and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us as of December 31, 2010, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's management and Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Report	Location of Reserves (Country)	Net Present Value of Future Net Revenue Before Income Taxes (10% Discount Rate)			
			Audited (M\$)	Evaluated (M\$)	Reviewed (M\$)	Total (M\$)
Sproule	Evaluation of the P&NG Reserves of Fortress Energy Inc., As of December 31, 2010, prepared February and March 2011	Canada				
Total			Nil	7,419	Nil	7,419

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are presented in accordance with the consistent application of the COGE Handbook.
6. We have no responsibility to update the report referred to in paragraph 4 for events and circumstances occurring after its preparation date.
7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Sproule Associates Limited
Calgary, Alberta
March 1, 2011

Original Signed by Colleen M. Rogers, C.E.T.

Colleen M. Rogers, C.E.T.
Senior Petroleum Technician and Shareholder

Original Signed by Alec Kovaltchouk, P.Geol.

Alec Kovaltchouk, P.Geol.
Manager, Geoscience and Associate

Original Signed by Harry J. Helwerda, P.Eng., FEC

Harry J. Helwerda, P.Eng., FEC
Executive Vice-President and Director

SCHEDULE "B"

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Fortress Energy Inc. (the "**Corporation**") is responsible for the preparation and disclosure of information with respect to the Corporation's oil and 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, 2010, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Corporation's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Board of Directors of the Corporation has:

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

The Board of Directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has approved:

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

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Signed, and dated effective March 30, 2011.

(signed) "J. Cameron Bailey"
J. Cameron Bailey
President and Chief Executive Officer

(signed) "Jamie Jeffs"
Jamie Jeffs
Chief Financial Officer

(signed) "Ron McIntosh"
Ron McIntosh
Director

(signed) "Donald Leitch"
Donald Leitch
Director

SCHEDULE “C”

AUDIT COMMITTEE MANDATE

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Fortress Energy Inc. (“Corporation”) shall have the oversight responsibility, authority and specific duties as described below.

I. Composition, Independence and Compensation

The Committee shall be comprised of three or more directors as determined by the Board. The members shall be independent as determined by applicable regulatory requirements.

All members of the Committee shall have a working familiarity with basic finance and accounting practices, and shall have the ability to read and understand the financial statements of the Corporation and the accounting issues raised therein and at least one member of the Committee shall have accounting or related financial management expertise.

Members of the Committee shall be appointed by the Board and shall serve until their successors are duly appointed. The Chair of the Committee may be designated by the members of the Committee.

II. Responsibility

The Committee’s primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the integrity of the annual and quarterly financial statements to be provided to shareholders and regulatory bodies; (ii) the Corporation’s compliance with accounting and finance based legal and regulatory requirements; (iii) the independent auditor’s qualifications and independence; (iv) the system of internal accounting and financial reporting controls that management has established; and, (v) performance of the external audit process and the independent auditor. The Committee shall also prepare such reports as are required to be prepared by it by applicable securities law. In addition, the Committee provides an avenue for communication between each of the internal audit, the independent auditors, financial and senior management and the Board. The Committee shall have a clear understanding with the independent auditors that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the independent auditors is to the Committee, as representatives of the shareholders. The Committee shall make regular reports to the Board concerning its activities. The Committee, in its capacity as a committee of the Board, subject to shareholder approval requirements, is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors.

The Committee shall make regular reports to the Board concerning its activities.

III. Meetings

The Committee shall meet at least four times annually and as many additional times as the Committee deems necessary to carry out its duties effectively. The Committee shall meet in separate sessions with management, the senior internal audit executive of the Corporation and the independent auditors at each regularly scheduled meeting.

IV. Specific Duties

To carry out its oversight responsibilities, the Committee shall:

A. Audit Specific Duties

(i) Auditor Qualifications and Selection

1. Subject to applicable law requiring shareholder approval of auditors, be solely responsible for selecting, retaining, compensating, overseeing and, where necessary, terminating the independent auditors, who shall be registered with the Canadian Public Accountability Board. The independent auditor shall be required to report directly to the Committee. The Committee shall be entitled to adequate funding from the Corporation for the purpose of compensating the independent auditor for completing an audit and audit report.
2. Evaluate the independent auditor's qualifications, performance and independence. As part of that evaluation, at least annually obtain and review a report by the independent auditor describing: the firm's (auditor's) internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Corporation; and ensure that the independent auditors do not provide non-audit services that would disqualify them as independent under applicable regulations.
3. Review the experience and qualifications of the senior members of the independent auditor team and the quality control procedures of the independent auditor; ensure that the lead audit partner of the independent auditor is replaced periodically, in accordance with regulatory requirements applicable to the Corporation; recommend to the Board guidelines for the Corporation's hiring of senior employees and former employees of the independent auditor who were engaged on the Corporation's account.

(ii) Audit Process

1. Pre-approve all auditing services; subject to applicable securities laws, pre-approve the retention of the independent auditor for any significant non-audit services permitted under applicable securities law and the fee for such services. All pre-approvals of such non-audit services shall be disclosed as required by applicable securities law. The Committee may delegate to one or more of its members the authority to grant pre-approvals required hereunder provided that any pre-approvals so granted are presented in writing to the Committee at the next regularly scheduled meeting.
2. Meet with the independent auditor prior to the audit to review the scope and general extent of the independent auditor's annual audit including the planning and staffing of the audit. This review should include an explanation from the independent auditors of the factors considered by the auditors in determining their audit scope, including the major risk factors.

3. Require the independent auditor to provide a timely report setting forth (i) all critical accounting policies, significant accounting judgments and practices to be used; (ii) all alternative treatments of financial information within Generally Accepted Accounting Principles (“GAAP”) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor; and, (iii) other material written communications between the independent auditor and management.
4. Upon completion of the annual audit, review the following with management and the independent auditors:
 - The annual financial statements including related footnotes and the MD&A to be included in the Corporation’s annual report to shareholders or included in the Corporation’s Annual Information Form.
 - The significant accounting judgements and reporting principles, practices and procedures applied by the Corporation in preparing its financial statements including any newly adopted accounting policies and the reasons for their adoption.
 - The results of the audit of the financial statements and the related audit report thereon. The independent auditors should confirm to the Committee that no limitations were placed on the scope or nature of their audit procedures.
 - Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit, including any problems or disagreements with management which, if not satisfactorily resolved, would have caused the independent auditors to issue a non-standard report on the Corporation’s financial statements.
 - The co-operation received by the independent auditors during their audit, including access to all requested records, data and information.
 - Any other matters not described above that are required to be communicated by the independent auditors to the Committee pursuant to Auditing Standards.
5. Generally, as part of the review of the annual financial statements, receive an oral report(s), at least annually, concerning legal and regulatory matters that may have a material impact on the financial statements. Discuss major financial risk exposures and steps management has taken to monitor and control such exposures.

B. Ongoing Duties

1. Review and reassess the adequacy of this Mandate periodically and recommend any proposed changes to the Board for approval.

2. Report regularly to the Board and review with the Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's independent auditor, or the performance of the internal audit function.
3. Discuss the types of information that it is appropriate for the Corporation to disclose in earnings press releases or other earnings guidance. Review with management and the Corporation's independent auditors all quarterly financial statements and MD&A prior to the filing of such reports with the applicable securities regulators and prior to any public announcement of financial results for the periods covered, including the results of the independent auditor's reviews of the quarterly financial statements, significant adjustments, new accounting policies, and any disagreements between the independent auditors and management. The Chair of the Committee may represent the entire Committee for purposes of this review.
4. The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties.
5. Perform any other activities consistent with this Mandate, the Corporation's By-Laws and applicable law, as the Committee or the Board deems necessary or appropriate.

C. Internal Control Supervision Duties

1. Review with the Corporation's management and the independent auditors the Corporation's internal accounting and financial reporting controls, any significant deficiencies in them and any proposed major changes to them.
2. Review with management, the Chief Financial Officer and the independent auditors the methods used to establish and monitor the Corporation's policies with respect to unethical or illegal activities by Corporation employees that may have a material impact on the financial statements.
3. Meet with management and the independent auditors to discuss any relevant significant recommendations that the independent auditors may have, particularly those characterized as "material" or "serious".
4. Review the appointment of the senior accounting executive.
5. Review with management any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.
6. Review with management and the independent auditor any off-balance sheet financing mechanisms, transactions or obligations of the Corporation.
7. Review with management and the independent auditor any related party transactions.

8. Establish, implement and, as necessary, revise the procedures for (i) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, financial reporting controls, or auditing matters; and, (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
9. Review with the independent auditors the quality of the Corporation's accounting personnel; review with management the responsiveness of the independent auditors to the Corporation's needs.

D. Regulatory Compliance Duties

1. Prepare the necessary disclosure regarding the Committee and its duties and action as is required under applicable regulatory policy.
2. Prepare such reports as are required to be prepared by the Committee pursuant to applicable securities law.

Approved: February 21, 2007