

PAINTED PONY PETROLEUM LTD.

**NOTICE OF ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS TO BE HELD
JUNE 6, 2011**

and

**INFORMATION CIRCULAR
DATED APRIL 20, 2011**

PAINTED PONY PETROLEUM LTD.

**NOTICE OF THE
ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS TO BE HELD ON JUNE 6, 2011**

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "**Meeting**") of the shareholders of Painted Pony Petroleum Ltd. (the "**Corporation**" or "**Painted Pony**") will be held at the Bennett Room, Ranchmen's Club, 710 - 13th Avenue S.W., Calgary, Alberta, on Monday, the 6th day of June, 2011 at 3:00 p.m. (Calgary time) for the following purposes:

1. To receive and consider the consolidated financial statements of the Corporation for the year ended December 31, 2010 and the auditor's report thereon;
2. To fix the number of directors to be elected at the Meeting at six (6) and to elect the Board of Directors of the Corporation;
3. To appoint auditors and to authorize the directors to fix the remuneration as such;
4. To consider and, if thought fit, to pass an ordinary resolution set out in the Information Circular approving and ratifying the Corporation's incentive stock option plan, as more particularly described in the Information Circular; and
5. To transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Information relating to the matters to be brought before the Meeting is set forth in the Information Circular which accompanies this Notice of Meeting.

DATED at Calgary, Alberta as of the 20th day of April, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Patrick R. Ward"

Patrick R. Ward

President & Chief Executive Officer

IMPORTANT

Only holders of class A shares and class B shares of the Corporation (collectively referred to as the "**Shares**") of record at the close of business on April 18, 2011 (the "**Record Date**") are entitled to notice of and to participate at the Meeting and only such persons or those who become holders of Shares after the Record Date and comply with the provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**") are entitled to vote at the Meeting. If you are unable to attend in person, kindly fill in, sign and return the enclosed proxy in the envelope provided for that purpose. Proxies, to be valid, must be deposited at the registrar and transfer agent of the Corporation, Olympia Trust Company, 2300, 125 – 9 Avenue S.E., Calgary, Alberta, T2G 0P6, Fax: (403) 265-1455 at any time, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) preceding the Meeting or any adjournment thereof.

Shareholders are cautioned that the use of mail to transmit proxies is at each shareholder's risk.

PAINTED PONY PETROLEUM LTD.

**300, 602 - 12th Avenue S.W.
Calgary, Alberta, Canada, T2R 1J3**

INFORMATION CIRCULAR

PURPOSE OF SOLICITATION

This Information Circular is furnished in connection with the solicitation of proxies by the management of Painted Pony Petroleum Ltd. (the "Corporation" or "Painted Pony") for use at the annual and special meeting (the "Meeting") of shareholders of the Corporation ("Shareholders") to be held at the Bennett Room, Ranchmen's Club, 710 - 13th Avenue S.W., Calgary, Alberta, on Monday, June 6, 2011, at 3:00 p.m., Calgary time, and at any adjournment thereof for the purposes set out in the accompanying Notice of Meeting. Unless otherwise stated, the information contained in this Information Circular is given as at April 20, 2011. Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone by directors, officers or regular employees of the Corporation. Arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of the Class A Shares (the "**Class A Shares**") and the Class B Shares (the "**Class B Shares**") of the Corporation (collectively referred to as the "**Shares**"). The cost of any such solicitation will be borne by the Corporation.

VOTING OF PROXIES

All Shares represented at the Meeting by properly executed proxies will be voted and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Shares represented by the proxy will be voted in accordance with such specifications. **In the absence of any such specifications, the management designees, if named as proxy, will vote in favour of all the matters set out herein.**

The enclosed Instrument of Proxy confers discretionary authority upon the management designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. At the date of this Information Circular, the Corporation is not aware of any amendments to, or variations of, or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the management designees intend to vote in accordance with the judgment of the management of the Corporation.

Proxies, to be valid, must be deposited at the registrar and transfer agent of the Corporation, Olympia Trust Company, 2300, 125 – 9 Avenue S.E., Calgary, Alberta, T2G 0P6, Fax: (403) 265-1455, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) preceding the Meeting or any adjournment thereof.

APPOINTMENT OF PROXY

A Shareholder has the right to designate a person (who need not be a Shareholder of the Corporation) other than Patrick R. Ward and Joan E. Dunne, the management designees who are directors and/or officers of the Corporation, to attend and act for the Shareholder at the Meeting. Such right may be exercised by inserting in the blank space provided the name of the person to be designated and deleting therefrom the names of the management designees, or by completing another proper instrument of proxy and, in either case, depositing the instrument of proxy with Olympia Trust Company, 2300, 125 – 9 Avenue S.E., Calgary, Alberta, T2G 0P6, Fax: (403) 265-1455, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) preceding the Meeting or any adjournment thereof.

REVOCATION OF PROXIES

A Shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy.

A Shareholder may revoke a proxy by depositing an instrument in writing, executed by the Shareholder or its attorney authorized in writing, or, if the Shareholder is a corporation, under its corporate seal or signed by a duly authorized officer or attorney for the corporation:

- (a) at the offices of the registrar and transfer agent of the Corporation, Olympia Trust Company, 2300, 125 – 9 Avenue S.E., Calgary, Alberta, T2G 0P6, Fax: (403) 265-1455, at any time, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) preceding the Meeting or an adjournment of the Meeting at which the proxy is to be used; or
- (b) with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

In addition, a proxy may be revoked by the Shareholder executing another form of proxy bearing a later date and depositing same at the office of the registrar and transfer agent of the Corporation within the time period set out under the heading "Voting of Proxies", or by the Shareholder personally attending the Meeting and voting its Shares.

ADVICE TO BENEFICIAL HOLDERS OF SHARES ON VOTING THEIR SHARES

The information set forth in this section is of significant importance to many Shareholders of the Corporation, as a substantial number of Shareholders do not hold their Shares in their own name. Shareholders who do not hold their Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only Shareholders whose names appear on the records of the Corporation as the registered holders of Shares or their proxyholders are permitted to vote at the Meeting. If Shares are listed in an account statement provided to a Shareholder by a broker, then, in almost all cases, those shares will not be registered in the Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the nominee of The Canadian Depository for Securities Limited, which acts as depository for many Canadian brokerage firms). Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person.**

Applicable regulatory rules require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically provides a scannable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting instruction forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or a website address where shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form or proxy to vote Shares directly at the Meeting. The voting instruction form or proxy must be returned to Broadridge well in advance of the Meeting in order to have the Shares voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of his or her broker (or an agent of the broker), a Beneficial Shareholder who wishes to attend the Meeting and indirectly vote its Shares as proxyholder for the registered Shareholder, should enter its own name in the blank space on the proxy form or voting instruction form provided to it and return the same to its broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

Beneficial Shareholders should follow the instructions on the forms that they receive and contact their intermediaries promptly if they need assistance.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The only outstanding securities of the Corporation carrying voting rights are the Class A Shares and Class B Shares. The Corporation is authorized to issue an unlimited number of Shares without nominal or par value, of which, as at the date hereof 59,214,573 Class A Shares and 1,173,600 Class B Shares are issued and outstanding and entitled to vote at the Meeting on the basis of one (1) vote for each Share held.

The holders of Shares of record at the close of business on the record date, set by the board of directors of the Corporation (the "**Board of Directors**" or "**Board**") to be April 18, 2011 (the "**Record Date**"), are entitled to vote such Shares at the Meeting, except to the extent that:

- (a) such person transfers its Shares after the Record Date; and
- (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes his or her ownership to the shares and makes a demand to the registrar of the Corporation, not later than 10 days before the Meeting, that its name be included on the Shareholders list for the Meeting.

The by-laws of the Corporation provide that one person present and representing, in person or by proxy, not less than 10% of the issued shares entitled to vote constitute a quorum for meetings of Shareholders of the Corporation.

To the knowledge of the directors and executive officers of the Corporation, as of the date hereof, no person or company beneficially owns or controls or directs, directly or indirectly, ten percent (10%) or more of the voting rights attached to any class of voting securities of the Corporation, other than as set forth below:

<u>Name and Address</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>Number of Class of Shares</u>	<u>% of Class of Shares</u>
Fidelity ⁽¹⁾	Class A	Direct	8,532,700	14.4%
Interward Asset Management Ltd. ⁽²⁾	Class B	Control or Direction	188,750	16.1%

Notes:

- (1) Fidelity may include the following: Fidelity Management & Research Company, Pyramis Global Advisors, LLC, Pyramis Global Advisors Trust Company, Strategic Advisers Incorporated and FIL Limited.
- (2) Interward Asset Management Ltd. exerts control and/or direction over both Interward Capital Corp., which owns 134,750 Class B Shares of the Corporation, and Rockhaven Holdings Ltd., which owns 54,000 Class B Shares of the Corporation.
- (3) Based on information provided by or in public filings made by the above entities and as of the date of the last public filings of or information provided by such entities, being April 20, 2011.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Board of Directors of the Corporation, the only matters to be placed before the Meeting are those matters set forth in the accompanying Notice of Meeting relating to: (i) receipt of the consolidated financial statements of the Corporation for the financial year ended December 31, 2010; (ii) fixing the number of directors to be elected at the Meeting and the election of directors until the next annual meeting of Shareholders; (iii) the appointment of auditors; and (iv) the ratification of the Corporation's incentive stock option plan.

I. Financial Statements

At the Meeting, Shareholders will receive and consider the audited consolidated financial statements of the Corporation for the most recently completed financial year ended December 31, 2010, together with the auditors' report thereon.

II. Election of Directors

There are presently six (6) directors of the Corporation, each of whose term of office shall expire at the termination of the Meeting unless such director is re-elected as a director at the Meeting.

It is proposed that the number of directors to be elected at the Meeting be set at six, and to elect the six (6) nominees set forth below. Unless otherwise directed, it is the intention of the management designees, if named as proxy, to vote proxies in the accompanying form in favour of an ordinary resolution fixing the number of directors to be elected at the Meeting at six members and in favour of the election as directors of the six nominees hereinafter set forth:

**Kevin Angus
Allan K. Ashton**

**Glenn R. Carley
Arthur J.G. Madden**

**Ronald R. Talbot
Patrick R. Ward**

Management does not contemplate that any of such nominees will be unable to serve as directors; however, if, for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion, unless the Shareholder has specified in its proxy that its shares are to be withheld from voting in the election of directors. Each director elected will hold office until the Corporation's next annual meeting of Shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation.

The names, education and residence of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned, or controlled or directed, directly or indirectly, the number of Options held, the offices held by each in the Corporation, the period served as director and the principal occupation of each are set forth below.

The following information relating to the nominees as directors is based on information received by the Corporation by the nominees.

Nominee for Election as Director	Age	Director Since	Number of Class A Shares Owned, Controlled or Directed		Options	
			Dec 31, 2010	Apr 20, 2011	Dec 31, 2010	Apr 20, 2011
<p>Patrick R. Ward Calgary, Alberta, Canada</p> <ul style="list-style-type: none"> • <i>President and Chief Executive Officer</i> 	55	April 3, 2007	1,224,688	1,217,588	531,000	651,000
<p>President of the Corporation since May 6, 2007. Mr. Ward has been President of 764503 Alberta Ltd. (a private company) since 1997. Mr. Ward was Vice-President, Exploration of Innova Exploration (a public oil and gas company) from May 2004 to May 2006. Mr. Ward co-founded Chowade Energy Ltd. (a private oil and gas company) in 2003 which merged into Innova Exploration in 2004. From 1999 to 2003 Mr. Ward was Manager, Geology & Geophysics with the NCE Resources Group and Petrofund Energy Trust (a public oil and gas energy trust). Mr. Ward was Vice-President and Chief Operating Officer at Rockport Energy Corp. (a public oil and gas company) from 1998 to 1999. Mr. Ward held various positions, lastly as Exploration Manager from 1981 to 1997 for Total Petroleum Canada (subsequently Rigel Oil & Gas, both public oil and gas companies).</p> <p>Mr. Ward, <i>P. Geol.</i>, graduated from the University of Calgary in 1978 with an Honours Degree in Geology. Mr. Ward is a member of Association of Professional Engineers, Geologists and Geophysicists of Alberta ("APEGGA").</p>						
<p>Ronald R. Talbot Calgary, Alberta, Canada</p> <ul style="list-style-type: none"> • <i>Non-Executive Chairman</i> • <i>Chairman, Compensation Committee</i> • <i>Corporate Governance Committee</i> • <i>Reserves Sub Committee</i> • <i>Audit Committee</i> 	59	April 3, 2007	90,000	50,000	109,600	109,600
<p>President of 557146 Alberta Inc. (a private investment company) since 1993. Mr. Talbot was an energy industry consultant focusing on exploration strategies from 2003 to 2008. Prior to that, Mr. Talbot was Dean of the Energy Department at the Southern Alberta Institute of Technology (SAIT) from January 2000 to 2002. Mr. Talbot served in an executive capacity at Lexxor Energy Inc. (a public oil and gas company) commencing in 1995, including roles as founding President, Chief Executive Officer, and Chairman. Mr. Talbot was co-founder, President, Chief Executive Officer and Chairman of Quadron Resources Ltd. (a public oil and gas company) from March 1990 to June 1995. Mr. Talbot was Vice-President, Exploration at Westmin Resources Ltd. (a public oil and gas company) from 1986 to 1990. Mr. Talbot was a founding director of Baytex Energy Ltd. (a public oil and gas company) from 1993 to 1995.</p> <p>Mr. Talbot, <i>P. Geol.</i>, graduated from the University of Calgary in 1974 with a Bachelor of Science in Geology and is a member of APEGGA.</p>						

Nominee for Election as Director	Age	Director Since	Number of Class A Shares Owned, Controlled or Directed		Options	
			Dec 31, 2010	Apr 20, 2011	Dec 31, 2010	Apr 20, 2011
Arthur J. G. Madden Edmonton, Alberta, Canada <ul style="list-style-type: none"> • <i>Chairman, Audit Committee</i> • <i>Chairman, Corporate Governance Committee</i> 	56	August 27, 2008	15,000	15,000	72,100	86,100
			<p>Chief Financial Officer of Crown Point Ventures Ltd. since October 2009. President of 554492 Alberta Ltd. (a private company providing consulting services to the energy sector) since 1993. Mr. Madden was Vice-President Finance, Chief Financial Officer, and Director of Adamant Energy Inc. (a private oil and gas company) from July 2004 to May 2008. Mr. Madden was Vice-President, Finance, and Chief Financial Officer of Cavell Energy Corporation (a public oil and gas company) from June 1994 to July 2004.</p> <p>Mr. Madden, <i>C.M.A., M.B.A., ICD.D.</i>, has a Certified Management Accountant designation, a Masters of Business Administration from Queens University as well as certification from the Institute of Corporate Directors. Mr. Madden is a member of Financial Executives International.</p>			
Glenn R. Carley Calgary, Alberta, Canada <ul style="list-style-type: none"> • <i>Compensation Committee</i> • <i>Audit Committee</i> 	58	April 3, 2007	41,000	41,000	109,600	109,600
			<p>Executive Chairman and Director of Galleon Energy Inc. (a public oil and gas company) since January 2003. Chairman and Director of Culane Energy Corp. (a public oil and gas company) from December 2002 to February 2011. Chairman of High Point Resources Inc. from October 2001 to August 2005. Mr. Carley has also been the President of Selinger Capital Inc., a private investment company for more than the last five years. He was the Chairman and Chief Executive Officer of Venture Energy Inc. (a private oil and gas company) from December 2002 to December 2004. Mr. Carley was Executive Chairman of Flagship Energy Inc. (a public oil and gas company) from January 2005 to September 2008. Mr. Carley was the Chairman and Chief Executive of New Venture Energy Inc. (a private oil and gas company) from December 2004 to December 2005. Mr. Carley was co-founder, Chairman and Chief Executive Officer of Magin Energy Inc. (a public oil and gas company) from January 1995 to June 2001.</p> <p>Mr. Carley, <i>B.A., J.D., M.B.A., ICD.D.</i>, holds a Masters of Business Administration, a Juris Doctor degree and a Bachelor of Arts degree.</p>			
Kevin Angus Calgary, Alberta, Canada <ul style="list-style-type: none"> • <i>Compensation Committee</i> • <i>Corporate Governance Committee</i> 	51	April 3, 2007	104,000	70,000	109,600	134,600
			<p>Mr. Angus is Vice-President, Exploration of Surge Energy Inc. (a public oil and gas company) since April 2010, and President of KD Angus & Associates Ltd. (a private company providing exploration consulting services.) Mr. Angus was Executive Vice-President and Director of Pegasus Oil and Gas Inc. (a public oil and gas company) from June 2006 to August 2009. Prior to that, Mr. Angus was Vice-President, Exploration at Mustang Resources Inc. (a public oil and gas company) from June 2003 to July 2005. Mr. Angus was at Husky Oil Operations Ltd. (a public oil and gas company) from 1983 to 1994. Thereafter, Mr. Angus worked in senior geophysical positions at three junior oil and natural gas companies, Petrorep Resources Inc. (1994 to 1995), Ulster Petroleums Ltd., (1995 to 1996) and Archean Energy Ltd. (1997). Mr. Angus was President of KD Angus & Associates Ltd. (a private company providing exploration consulting services) from 1997 to 2002.</p> <p>Mr. Angus, <i>P. Geoph.</i>, graduated in 1983 with a Bachelors of Science degree. Mr. Angus is registered as a Professional Geologist with A.P.E.G.G.A. and is a member of the CSEG and the SEG.</p>			

Nominee for Election as Director	Age	Director Since	Number of Class A Shares Owned, Controlled or Directed		Options	
			Dec 31, 2010	Apr 20, 2011	Dec 31, 2010	Apr 20, 2011
Allan K. Ashton Priddis, Alberta, Canada <ul style="list-style-type: none"> • <i>Chairman, Reserves Sub Committee</i> • <i>Audit Committee</i> 	67	April 3, 2007	159,600	159,600	109,600	134,600
<p>President of Ashton Petroleum Consultants Ltd. (a private company providing consulting services to the energy sector) since 1985. Mr. Ashton served on the Board of Directors of Cobalt Energy Ltd., (a public oil and gas company) from June 2007 to July 2009. Mr. Ashton was Chairman of the Board and co-founder of AJM Petroleum Consultants ("AJM") since co-founding it in 1999 until March 2009. AJM specializes in the evaluation of corporate reserves, acquisitions and divestitures and unconventional reserves, such as coalbed methane and tight gas. Mr. Ashton joined British American Oil (subsequently Gulf Canada, a public oil and gas company) in 1965, holding various positions lastly as Manager of Reservoir Engineering until 1983. In 1986 Mr. Ashton co-founded AMH Group Ltd., which subsequently merged with Ashton Jenkins and Associates to form AJM. Mr. Ashton co-founded and was a director of Moreland Oil and Gas Ltd., (a public oil and natural gas company) from 1987 to 1990.</p> <p>Mr. Ashton, <i>P. Eng.</i>, graduated from the University of Alberta in 1965 with a Bachelor of Science degree in Chemical Engineering. Mr. Ashton is a life member of APEGGA and was a member of the Petroleum Society of CIM.</p>						

Cease Trade Orders

To the knowledge of management, no proposed director of the Corporation is, as of the date of this Information Circular, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued (i) while that person was acting in such capacity, or (ii) after that person ceased to act in such capacity but which resulted from an event that occurred while that person was acting in such capacity.

Bankruptcies

To the knowledge of management, no proposed director of the Corporation is, as of the date of this Information Circular, or has been, within 10 years before the date hereof, a director or executive officer of any company (including the Corporation) 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 or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of management, no proposed director of the Corporation has, within the 10 years before the date of this Information Circular, 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 proposed director.

Penalties or Sanctions

To the knowledge of management, no proposed director of the Corporation has been subject to 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 has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

III. Appointment of Auditors

KPMG LLP was appointed as auditors of the Corporation at the last annual meeting of the Corporation held on May 26, 2010. KPMG LLP has been the auditor of the Corporation since August 15, 2007.

The management designees, if named as proxy, intend to vote the Shares represented by any such proxy in favour of a resolution to reappoint KPMG LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next annual general meeting of Shareholders and to authorize the directors to fix their remuneration, unless the Shareholder has specified in the Shareholder's proxy that the Shareholder's shares are to be withheld from voting in the appointment of auditors. The resolution must be approved by a simple majority approval of the votes cast at the Meeting by the holders of Shares. If elected, KPMG LLP will hold office as auditor of the Corporation until the next annual meeting of Shareholders or until their successor is duly elected or appointed pursuant to the by-laws of the Corporation, unless their position is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Alberta) (the "ABCA") or the Corporation's by-laws.

IV. Ratification of Incentive Stock Option Plan

At the Corporation's last annual and special meeting, held on May 26, 2010, the Shareholders approved the Corporation's current incentive stock option plan (the "**Stock Option Plan**"). Pursuant to the policies of the TSX Venture Exchange ("**TSXV**"), Shareholders will be asked to consider and, if thought fit, approve an ordinary resolution to approve and ratify the Stock Option Plan.

The Stock Option Plan provides that the Board of Directors may from time to time, in its discretion, grant to the directors, officers, employees, consultants and other personnel of the Corporation and its subsidiaries or affiliates options to purchase Class A Shares ("**Options**"). The number of authorized but unissued Class A Shares that may be issued upon the exercise of Options granted under the Stock Option Plan at any time plus the number of Class A Shares and Class B Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the aggregate number of Class A Shares and Class B Shares. As at the date hereof, this represents 6,038,817 Class A Shares available under the Stock Option Plan. As at the date hereof, there are Options outstanding to purchase a total of 5,398,967 Class A Shares, which have been granted to directors, officers, employees and consultants of the Corporation.

Unless disinterested Shareholder approval is obtained, the number of Class A Shares that may be reserved for issuance to any one person under Options granted in any 12 month period shall not exceed 5% of the outstanding Class A and Class B Shares determined at the date of grant. The number of Class A Shares that may be reserved for issuance to any one person under Options granted in any twelve month period shall not exceed 2% of the issued and outstanding Class A and Class B Shares in the case of an optionee who is a consultant or who performs investor relations activities for the Corporation. The Board of Directors determines the price per Class A Share and the number of Class A Shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the Options, subject to the rules of the TSXV. The price per Class A Share set by the Board of Directors is subject to minimum pricing restrictions set by the TSXV.

The Stock Option Plan provides that if an Option expires or terminates without having been exercised in full, the Class A Shares not purchased become available again under the Stock Option Plan. Options granted under the Stock Option Plan may be exercisable for a period of up to ten (10) years, and may vest at such times as determined at the time of grant, subject to acceleration in accordance with the terms of the Stock Option Plan. The exercise price must be paid in full on any exercise of Options.

If an optionee ceases to hold his position with the Corporation for any reason other than death, his Options may be exercised within the earlier of the expiry date and a reasonable period following the date the Optionee ceases to be in that role, but only to the extent the optionee was entitled to exercise the Option at the date of such cessation. In the event of death of an optionee, his Options may be exercised within the earlier of the expiry date and one (1) year after his death and only to the extent the Optionee was entitled to exercise the Options at the date of death. Options granted pursuant to the Stock Option Plan may not be transferred or assigned.

The directors are seeking ratification of the Stock Option Plan by Shareholders for the ensuing year. As a result, management of the Corporation will place before the Meeting the following resolution relating to the approval of the Stock Option Plan:

"BE IT RESOLVED THAT:

- (a) The stock option plan of the Corporation as described in the Information Circular of the Corporation dated April 20, 2011 is hereby ratified and approved as the incentive stock option plan of the Corporation;
- (b) Any one director or officer of the Corporation be authorized to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under corporate seal or otherwise, as may be considered necessary or advisable to give full force and effect to the foregoing; and
- (c) The directors of the Corporation may revoke this resolution before it is acted upon without further approval of the Shareholders, if they consider it in the best interests of the Corporation to do so."

The foregoing resolution must be passed by a simple majority of the votes cast by Shareholders who vote on the resolution at the Meeting. **It is the intention of the management designees, if named as proxy, to vote for the foregoing resolution, unless otherwise directed in the Instrument of Proxy.**

STATEMENT OF EXECUTIVE COMPENSATION

Role and Composition of the Compensation Committee

The Corporation's executive compensation program is administered by the compensation committee (the "**Compensation Committee**") of the Board. The Compensation Committee's mandate includes reviewing compensation matters relating to the executive officers, employees and directors, including the "Named Executive Officers" who are identified in the "Summary Compensation Table" below, and approving bonus payments and option grants to such personnel and making recommendations to the Board in respect of the salaries of such personnel. The Compensation Committee is comprised of:

- Ronald R. Talbot (Chairman)
- Glenn R. Carley
- Kevin Angus

All of these directors are "independent" for the purposes of National Instrument 58-201 – *Corporate Governance Guidelines*. Ronald R. Talbot and Glenn R. Carley were appointed to the Compensation Committee on May 17, 2007. Kevin Angus was appointed to the Compensation Committee on August 27, 2008.

Form 51-102F6 - *Statement of Executive Compensation* defines "Named Executive Officers" as the Chief Executive Officer, the Chief Financial Officer and each of the Corporation's three most highly compensated officers other than the Chief Executive Officer and Chief Financial Officer, whose total compensation was more than \$150,000.

Compensation Discussion and Analysis

The executive compensation program is designed to support the strategic objectives of the Corporation. It is comprised of the following components: (a) base salary; (b) annual incentive; and (c) long-term incentives. Annual incentives are short-term incentive compensation comprised of discretionary cash bonuses. Long-term incentives are comprised of share options.

Together, these components support our long-term growth strategy and the following objectives:

- to align the compensation of executive officers and other employees with shareholders' interests;
- to attract and retain highly qualified management;
- to focus performance by linking incentive compensation to the achievement of business objectives and financial results; and
- to encourage retention of key executives for leadership succession.

The compensation program is designed to pay for performance. Employees, including senior executives, are rewarded for the achievement of annual operating and financial goals, progress in executing the Corporation's long-term growth strategy and delivering strong total shareholder return performance. The Compensation Committee also recognizes that the executive compensation program must be sufficiently flexible in order to adapt to unexpected developments in the oil and gas industry and the impact of internal and market related occurrences from time to time.

The Corporation reviews the compensation practices of various companies through private conversations and the review of summary reports of a compensation survey summarizing the compensation information submitted annually by 115 exploration and development companies. Additional information in respect to certain positions is also obtained through and during the competitive hiring process of employees and is compared with those of comparable sized oil and gas exploration companies. Generally, the committee targets base salaries at levels approximating those for similar positions in companies in the industry that may be of similar size, scope and complexity and hopes to achieve superior total compensation levels through the fixed and variable components.

The Corporation's total compensation mix places a significant portion of the executive's compensation at risk. The design takes into account individual and corporate performance. Compensation practices, including the mix of base salary, short-term incentives and long-term incentives, are regularly assessed to ensure they are competitive, take into account external market trends, and support the Corporation's long-term growth strategies.

Base salary is compensation for discharging job duties and responsibilities and reflects the level of skills and capabilities demonstrated by the executive. Annual salary adjustments take into account the market value of the role and the executive's demonstrated capability during the year. Annual incentives, in the form of cash payments, are designed to add a variable component of compensation based on overall corporate performance and the executive's individual performance. The Corporation's stock option plan is designed to provide an incentive to the optionees to achieve the longer-term objectives of the Corporation.

Option-Based Awards

Stock options are granted to provide an incentive to the directors, officers, employees and consultants of the Corporation to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. Previous grants of incentive stock options are taken into account when considering new grants.

Implementation of a new incentive stock option plan and amendments to the existing stock option plan are the responsibility of the Corporation's Compensation Committee.

Summary Compensation Table

The following table sets forth the total compensation paid to or earned by the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") and the four most highly compensated officers, other than the CEO and CFO, at the end of the year ended December 31, 2010 whose total compensation was more than \$150,000 (each a "Named Executive Officer" ("NEO") and collectively, the "**Named Executive Officers**" or "**NEOs**") for the Corporation's fiscal year ended December 31, 2010.

Name and Principal Position	Year Ended Dec. 31	Salary (\$) ⁽⁵⁾	Non-Equity Incentive Plan Compensation				Total Compensation (\$)
			Option-Based Awards ⁽¹⁾ (\$)	Annual Incentive Plans ⁽²⁾ (\$)	Long-Term Incentive Plans ⁽³⁾ (\$)	All Other Compensation ⁽⁴⁾ (\$)	
Patrick R. Ward President & Chief Executive Officer	2010	189,500	607,670	80,000	N/A	Nil	877,170
	2009	115,000	581,036	40,000	N/A	Nil	736,036
	2008	100,000	832,146	35,000	N/A	Nil	967,146
Joan E. Dunne Vice President, Finance & Chief Financial Officer	2010	169,750	467,847	60,000	N/A	Nil	697,597
	2009	115,000	427,287	30,000	N/A	Nil	572,287
	2008	100,000	681,155	20,000	N/A	Nil	801,155
Michael E. Belenkie ⁽⁷⁾ Vice President, Corporate Development	2010	155,035	418,584	32,500	N/A	Nil	606,119
	2009	112,190	299,812	10,000	N/A	Nil	422,002
James H. French Vice President, Engineering	2010	164,750	321,636	40,000	N/A	Nil	526,386
	2009	115,000	312,918	20,000	N/A	Nil	447,918
	2008	100,000	510,866	20,000	N/A	Nil	630,866
James S. Thomson Vice President, Land	2010	164,750	321,636	40,000	N/A	Nil	526,386
	2009	115,000	312,918	20,000	N/A	Nil	447,918
	2008	100,000	510,866	20,000	N/A	Nil	630,866
Bruce M. Mezei ⁽⁸⁾ Vice President, Exploration, South	2010	164,750	321,636	40,000	N/A	Nil	526,386
	2009	115,000	312,918	20,000	N/A	Nil	447,918
	2008	100,000	510,866	20,000	N/A	Nil	630,866

Notes:

- (1) Based on the grant date fair value of the applicable awards. The fair value of Options granted are estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rates of 1.88% to 3.34%; dividend yield of 0%; volatility factor of the market price of the Class A shares of 80%; and an average expected life of the Options of five years. This method was selected due to its acceptance as an appropriate valuation used by similar sized oil and gas companies.
- (2) The Annual Incentive Plan is comprised of the Corporation's cash bonus.
- (3) The Corporation's only Long-Term Incentive Plan is the Stock Option Plan.
- (4) All Other Compensation, being the value of perquisites received by NEO's, including properties or other personal benefits provided to the NEO's that is not available to other employees, was not greater than \$50,000 or 10% of his salary for the financial year. The value of perquisites is based on the actual cost to the Corporation for items such as club memberships and dues. Not included in the determination perquisites are items which are generally available to all employees including health spending account, insurance allowance, health insurance, and parking.
- (5) On June 23, 2010, the Board approved a recommendation of the Compensation Committee and increased NEO salaries effective July 1, 2010.
- (6) The Corporation did not make any share based awards in the last completed financial year, nor are there any share based awards outstanding. The Corporation does not have a pension plan; therefore there is no pension value benefit.
- (7) Mr. Belenkie became an officer on November 29, 2009.
- (8) Mr. Mezei retired from the Corporation effective April 15, 2011.

Incentive Plan Awards

Stock Option Plan

The Corporation's Stock Option Plan permits the granting of Options to purchase Class A Shares to directors, officers and employees of, and consultants to, the Corporation. The Option Plan limits the total number of Class A Shares that may be issued on exercise of Options outstanding at any time under the Option Plan to 10% of the aggregate number of Class A Shares and Class B Shares outstanding.

Options granted pursuant to the Option Plan have a term not in excess of ten years as determined by the Board at the time of grant. Options vest in such manner as determined by the Board and vesting may be accelerated at the discretion of the Board, including on a change of control of the Corporation. The exercise price of Options granted pursuant to the Stock Option Plan is determined by the Board at the time of grant and may not be less than the Discounted Market Price (as defined in the policies of the TSXV) of the Class A Shares on the last trading day immediately prior to the date of grant.

Unless disinterested Shareholder approval is obtained, the number of Class A Shares that may be reserved for issuance to any one person under Options granted in any 12 month period shall not exceed 5% of the outstanding Class A and Class B Shares determined at the date of grant. The number of Class A Shares that may be reserved for issuance to any one person under Options granted in any twelve month period shall not exceed 2% of the issued and outstanding Class A and Class B Shares in the case of an optionee who is a consultant or who performs investor relations activities for the Corporation. In addition, the maximum number of securities of the Corporation issuable to insiders and their associates and affiliates at any time pursuant to all security based compensation arrangements of the Corporation shall not exceed 10% of the number of outstanding Shares. Options granted under the Stock Option Plan are not transferable or assignable.

If an optionee ceases to be a director, officer or employee of, or consultant to, the Corporation or a subsidiary (other than by reason of death) the optionee may exercise its options within a reasonable period following the date the optionee ceased to be a director, officer, employee or consultant, but only to the extent that the optionee was entitled to exercise the Options at the date of such cessation. In the event of death of the optionee, the Options shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier.

Without the prior approval of the shareholders of the Corporation, the Board may not: (i) make any amendment to the Stock Option Plan to increase the percentage of Class A Shares issuable on exercise of outstanding Options at any time, (ii) reduce the exercise price of any outstanding Options, (iii) make any amendment to extend the term of any outstanding Option beyond the original expiry date of such Option, (iv) make any amendment to increase the maximum limit on the number of securities that may be issued to insiders, or (v) amend the amending provisions of the Stock Option Plan. Subject to the restrictions set out above, the Board may amend or discontinue the Stock Option Plan and Options granted thereunder at any time without shareholder approval; provided any amendment to the Stock Option Plan that requires approval of any stock exchange on which the Class A Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Stock Option Plan or Options granted pursuant to the Stock Option Plan may be made without the consent of the optionee, if it adversely alters or impairs any Option previously granted to such optionee.

Outstanding Option-Based Awards

The following table sets forth the options granted to the Named Executive Officers to purchase or acquire securities of the Corporation outstanding at the end of the financial year ended December 31, 2010.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
Patrick R. Ward	108,000	6.51	Sept 1, 2015	240,840
	88,000	5.88	Jan 5, 2015	251,680
	180,000	3.97	Jan 22, 2013	858,600
	155,000	2.85	July 29, 2014	912,950
Joan E. Dunne	86,400	6.51	Sept 1, 2015	192,672
	66,000	5.88	Jan 5, 2015	188,760
	180,000	3.97	Jan 22, 2013	858,600
	114,000	2.85	July 29, 2014	671,460
Michael E. Belenkie	72,000	6.51	Sept 1, 2015	160,560
	60,000	5.88	Jan 5, 2015	171,600
	114,000	3.15	July 30, 2014	637,260
James H. French	57,600	6.51	Sept 1, 2015	128,448
	46,500	5.88	Jan 5, 2015	132,990
	135,000	3.97	Jan 22, 2013	643,950
	78,000	2.85	July 29, 2014	459,420
James S. Thomson	57,600	6.51	Sept 1, 2015	128,448
	46,500	5.88	Jan 5, 2015	132,990
	135,000	3.97	Jan 22, 2013	643,950
	78,000	2.85	July 29, 2014	459,420
Bruce M. Mezei ⁽⁴⁾	57,600	6.51	Sept 1, 2015	128,448
	46,500	5.88	Jan 5, 2015	132,990
	135,000	3.97	Jan 22, 2013	643,950
	78,000	2.85	July 29, 2014	459,420

Notes:

- (1) Calculated based on the difference between the closing price of the Class A Shares on December 31, 2010 of \$8.74 and the exercise price of the Options.
- (2) All option-based awards have been issued at fair market value.
- (3) The Corporation did not make any share-based awards in the last completed financial year, nor are there any share-based awards outstanding.
- (4) Mr. Mezei retired from the Corporation effective April 15, 2011. The 317,100 Options granted to Mr. Mezei will expire on May 15, 2011.

Please see "Statement of Executive Compensation – Compensation Discussion and Analysis" for a discussion of the processes that the Corporation uses in the granting of Option-based awards.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to Named Executive Officers during the financial year ended December 31, 2010.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year ⁽²⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Patrick R. Ward	407,757	Nil	80,000
Joan E. Dunne	347,264	Nil	60,000
Michael E. Belenkie	199,300	Nil	32,500
James H. French	245,741	Nil	40,000
James S. Thomson	245,741	Nil	40,000
Bruce M. Mezei ⁽³⁾	245,741	Nil	40,000

Notes:

- (1) Represents the aggregate dollar value that would have been realized if the Options under the option-based award had been exercised on the vesting date based on the closing price of the Class A Shares at the vesting dates.
- (2) The Corporation did not make any share-based awards in the last completed financial year, nor are there any share-based awards outstanding.
- (3) Mr. Mezei retired from the Corporation effective April 15, 2011. The 317,100 Options granted to Mr. Mezei will expire on May 15, 2011.

Employment Agreements, termination and change of control benefits

The Corporation has entered into an employment agreement with each of the following individuals effective May 15, 2007:

Patrick R. Ward,
Joan E. Dunne,
James H. French,
James S. Thomson, and
Bruce M. Mezei.

The Corporation also entered into an employment agreement with Michael E. Belenkie effective November 26, 2009. These agreements provide for an indefinite term of employment. The agreement may be terminated by either (i) the Corporation giving notice of termination (other than for just cause) to the executive, or (ii) the executive giving notice of termination to the Corporation following a Change of Control (as defined below), the Corporation shall pay to the executive an amount equal to twelve (12) months of the current annual salary and current annual employee benefits package and the amount of any bonus paid during the past twelve (12) months. In the case of Mr. Ward only, the agreement provides for an amount equal to eighteen (18) months of the current annual salary and current annual employee benefits package, and an amount equal to one and one-half (1.5) times Mr. Ward's most recent annual bonus, if any. The employee benefits package includes a health spending account (set at a maximum of \$6,000 for 2010), an insurance allowance (set at a maximum of \$4,800 for 2010), and parking.

For the purposes of the employment agreements, a "Change of Control" means any one of the following:

- (a) the acquisition by a person, or persons acting jointly or in concert, of fifty percent (50%) or more of the issued and outstanding shares of the Corporation, which acquisition results in a change of the members of the board of directors; or

(b) the approval by the shareholders of the Corporation of:

- (i) an amalgamation, arrangement, merger or other consolidation, or combination of the Corporation with another corporation, or
- (ii) a liquidation, dissolution or winding-up of the Corporation, which results in a change of more than fifty percent (50%) of the members of the board of directors, or
- (iii) the sale, lease or exchange of all or substantially all of the property of the Corporation other than in the ordinary course of business of the Corporation.

Director Compensation

Director Compensation Table

The following table sets forth the value of all compensation provided to directors of the Corporation, not including those directors who are also Named Executive Officers, for the Corporation's most recently completed financial year.

Name	Fees earned (\$)	Share-based awards ⁽¹⁾ (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other Compensation (\$)	Total (\$)
Ronald R. Talbot	10,000	Nil	118,043	Nil	Nil	Nil	128,043
Glenn R. Carley	10,000	Nil	118,043	Nil	Nil	Nil	128,043
Kevin Angus	10,000	Nil	118,043	Nil	Nil	Nil	128,043
Allan K. Ashton	10,000	Nil	118,043	Nil	Nil	Nil	128,043
Arthur J. G. Madden	10,000	Nil	142,557	Nil	Nil	Nil	152,557

Notes:

- (1) The Corporation did not make any share-based awards in the last completed financial year, nor are there any share-based awards outstanding.
- (2) Based on the grant date fair value of the applicable awards. The fair value of Options granted are estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rates of 1.88% to 3.34%; dividend yield of 0%; volatility factor of the market price of the Class A shares of 80%; and an average expected life of the Options of five years. This method was selected due to its acceptance as an appropriate valuation used by similar sized oil and gas companies.

Directors' Fees

The Corporation paid cash fees of \$5,000 per quarter to its outside directors as a retainer or for attendance at board and committee meetings commencing effective July 1, 2010. Directors are also entitled to be reimbursed for expenses actually incurred by them in their capacity as director.

Outstanding Option-Based Awards

The following table sets forth the options granted to the directors of the Corporation, not including those directors who are also Named Executive Officers, to purchase or acquire securities of the Corporation outstanding as at the end of the financial year ended December 31, 2010.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
Ronald R. Talbot	21,600	6.51	Sept 1, 2015	48,168
	17,500	5.88	Jan 5, 2015	50,050
	45,000	3.97	Jan 21, 2013	214,650
	25,500	2.85	July 29, 2014	150,195
Glenn R. Carley	21,600	6.51	Sept 1, 2015	48,168
	17,500	5.88	Jan 5, 2015	50,050
	45,000	3.97	Jan 21, 2013	214,650
	25,500	2.85	July 29, 2014	150,195
Kevin Angus	21,600	6.51	Sept 1, 2015	48,168
	17,500	5.88	Jan 5, 2015	50,050
	45,000	3.97	Jan 21, 2013	214,650
	25,500	2.85	July 29, 2014	150,195
Allan K. Ashton	21,600	6.51	Sept 1, 2015	48,168
	17,500	5.88	Jan 5, 2015	50,050
	45,000	3.97	Jan 21, 2013	214,650
	25,500	2.85	July 29, 2014	150,195
Arthur J. G. Madden	21,600	6.51	Sept 1, 2015	48,168
	17,500	5.88	Jan 5, 2015	50,050
	33,000	2.85	July 29, 2014	194,370

Notes:

- (1) Calculated based on the difference between the closing price of the Class A Shares on December 31, 2010 of \$8.74 and the exercise price of the Options.
- (2) The Corporation did not make any share-based awards in the last completed financial year, nor are there any share-based awards outstanding.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to directors of the Corporation, not including those directors who are also Named Executive Officers, during the most recently completed financial year.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year ⁽²⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Ronald R. Talbot	87,176	Nil	Nil
Glenn R. Carley	87,176	Nil	Nil
Kevin Angus	87,176	Nil	Nil
Allan K. Ashton	87,176	Nil	Nil
Arthur J. G. Madden	61,211	Nil	Nil

Notes:

- (1) Represents the aggregate dollar value that would have been realized if the Options under the option-based award had been exercised on the vesting date based on the closing price of the Class A Shares at the vesting dates.

- (2) The Corporation did not make any share-based awards in the last completed financial year, nor are there any share-based awards outstanding.

EQUITY COMPENSATION PLAN

The Corporation has the Stock Option Plan under which equity securities of the Corporation (being Class A Shares) are granted. The following table sets forth summary information regarding the Corporation's equity compensation plans as at December 31, 2010. As at April 20, 2011, 5,398,967 options were issued at a weighted average exercise price of \$6.39 with 639,850 options remaining available for future issuance.

Plan Category	Number of Class A Shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders:			
- Stock Option Plan	4,548,920	\$4.68	670,110
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	4,548,920		670,110

Note:

- (1) Based on the number of outstanding Class A and Class B shares as at December 31, 2010 and the number of Options outstanding as at December 31, 2010. As at December 31, 2010, there were 51,016,700 Class A shares outstanding and 1,173,600 Class B shares outstanding. Pursuant to the Option Plan, the maximum number of Class A Shares that may be subject to Options granted and outstanding thereunder at any time shall not exceed 10% of the total outstanding Shares.

CORPORATE GOVERNANCE

General

The Board of Directors believes that good corporate governance improves corporate performance and benefits all Shareholders. The Canadian Securities Administrators (the "CSA") have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), which prescribes certain disclosure by the Corporation of its corporate governance practices. This disclosure is presented below.

Board of Directors

Composition of the Board

The Board of Directors is comprised of six (6) directors, of whom each of Messrs. Talbot, Carley, Angus, Ashton and Madden are independent for the purposes of NI 58-101, so that a majority of the directors are independent. NI 58-101, when taken with section 1.4 of National Instrument 52-110 *Audit Committees* of the CSA, provides that a board member is "independent" if the member has no direct or indirect material relationship with the Corporation, a "material relationship" being one which could, in the view of the Corporation's Board of directors, reasonably interfere with the exercise of the member's independent judgment. Mr. Ward is not independent as he is an executive officer of the Corporation.

The Chairman of the Board of Directors (Mr. Talbot) is independent for the purposes of NI 58-101. As Chairman of the Board of Directors, Mr. Talbot is responsible for providing direction to the Board of Directors in overseeing operations and strategic planning. To that end, he calls meetings of the Board of Directors as required between the regularly scheduled quarterly meetings, as issues of substance arise, and is responsible for chairing meetings of the Board of Directors. He is readily available for consultation with the Corporation's Chief Executive Officer and Chief Financial Officer.

There are no special structures or processes in place to facilitate the functioning of the Board of Directors independently of the Corporation's management. However the independent directors are given full access to management so that they may express their own views and communicate their expectations of the management. In addition, the independent directors of the Corporation regularly meet for a portion of each Board meeting without non-independent directors or management being present.

Certain of the directors are also directors of other reporting issuers, as follows:

Director

Glenn R. Carley

Other Reporting Issuers

Galleon Energy Inc.

There were twelve meetings of the Board during the financial year ended December 31, 2010. Each director attended all of the meetings in 2010, except for Mr. Carley (who did not attend a meeting on September 4, 2010).

Board Mandate

The mandate of the Board of Directors, in accordance with the ABCA, is to manage or supervise the management of the business and affairs of the Corporation. The Board has a written charter, the text of which is attached as Schedule "A" hereto.

Position Descriptions

The Board has developed written position descriptions for the Chairman, the Chair of each committee and the Chief Executive Officer. These descriptions are set out fully in written charter of the Board, the text of which is attached as Schedule "A" hereto.

Orientation and Continuing Education of Board Members

New Board members receive an information package which includes reports on operations and results, the Corporation's policies and committee mandates and public disclosure filings by the Corporation. Board and committee meetings are sometimes held at the Corporation's offices and are combined with presentations by the Corporation's management and employees to give the directors additional insight into the Corporation's business. In addition, management of the Corporation makes itself available for discussion with all Board members.

Measures to Encourage Ethical Business Conduct

The Board of Directors has adopted a written code of ethics, as well as policies relating to trading in securities and non-public information of companies and whistleblower policies. The Board of Directors encourages and promotes a culture of ethical business conduct through various measures. The Board of Directors discourages transactions involving related parties. To the extent that such transactions arise, full disclosure is required in accordance with the provisions of the ABCA, the corporate statute governing the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the ABCA. The Board of Directors has delegated to executive management the appropriate financial and operational authority to execute the approved annual budget and operating plan and subsequent amendments thereof.

Nomination of Directors

The Board is responsible for fixing the size of the Board and, subject to the approval of the Shareholders, determining its membership. The Board has established a corporate governance committee, which is currently comprised of Arthur J.G. Madden (Chairman), Ronald R. Talbot and Kevin Angus, all of whom are independent directors.

The committee's mandate includes recommending to the Board of Directors appropriate criteria for the selection of new directors, periodically reviewing the criteria adopted by the Board of Directors, and, if deemed desirable, recommending to the Board of Directors changes to such criteria. The committee's mandate also includes identifying and recommending qualified candidates to the Board of Directors, although all board members are encouraged to recommend new candidates.

Determination of Compensation of Directors and Officers

The Board has appointed a compensation committee which is currently comprised of Ronald R. Talbot (Chairman), Glenn R. Carley and Kevin Angus, all of whom are independent directors. The Compensation Committee's mandate includes reviewing and approving appropriate practices for determining and establishing compensation for the directors and officers of the Corporation. In addition, the Compensation Committee has the authority to approve bonus payments and options grants to the executive officers of the Corporation. The committee has a written mandate which includes assisting the Board in carrying out its responsibilities by reviewing compensation and human resources issues in support of the achievement of the Corporation's business strategy and making recommendations to the Board as appropriate. In particular, the committee is responsible for reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation, evaluating the Chief Executive Officer's performance against those goals and objectives and making recommendations to the Board with respect to the Chief Executive Officer's compensation. The committee also approves and reports to the Board on compensation matters for the Corporation's other senior officers. The committee meets at least annually to fulfill its mandate. The committee may engage outside resources if deemed advisable and it has the authority to retain and terminate any consultant used in the evaluation of the compensation of the Corporation's directors and officers.

Other Board Committees

The Board of Directors has appointed a Reserves Sub Committee of the Audit Committee. The Board of Directors has established a mandate for the Reserves Sub Committee, which includes periodic review and updating of the Corporation's internal reserves data, meeting with the Corporation's independent reserves evaluators independent of management and reviewing the way the Corporation's reserves information is evaluated and presented.

The Reserves Sub Committee is composed of two members, Messrs. Ashton and Talbot. Mr. Ashton is the Chairman of the Reserves Sub Committee and has relevant experience in the oil and gas exploration and development industry. Mr. Ashton and Mr. Talbot meet with the Corporation's independent engineers, review the reserve report, review the Corporation's procedures for providing, assembling and reporting information associated with the Corporation's oil and gas activities and assist as required in the preparation of required securities law filings related to such matters.

The Board of Directors has appointed a Corporate Governance Committee. The Board of Directors has established a mandate for the Corporate Governance Committee, which includes, among other duties and responsibilities: monitoring the effectiveness of the system of governance within the Corporation; assessing the effectiveness of the Board of Directors as a whole, committees of the Board of Directors and the contributions of individual members; and identifying, recommending, orienting and educating new directors. The Corporate Governance Committee is comprised of Messrs. Madden (Chairman), Talbot and Angus.

Assessments

The Board of Directors assesses, on a periodic basis, the effectiveness of the Board as a whole and of the Committees of the Board and the contribution of individual members.

AUDIT COMMITTEE

Audit Committee Charter

In accordance with the policies of the TSXV, the Board has developed written terms of reference outlining the Audit Committee's roles and responsibilities and which provide appropriate guidance to Audit Committee members as to their duties. These terms of reference are reviewed annually by the Board of Directors. The Audit Committee reviews and approves the annual and interim financial statements of the Corporation and makes recommendations to the Board of Directors with respect to such statements. The Audit Committee also reviews the nature and scope of the annual audit as proposed by the auditors and management, and the adequacy of the internal accounting control procedures and systems within the Corporation. The Audit Committee is responsible to ensure that management has implemented an effective system of internal control and has oversight responsibility for management reporting on internal controls. The full text of the Audit Committee charter is attached as Schedule "B" hereto.

Composition of the Audit Committee

The Audit Committee is currently comprised of Messrs. Madden (Chairman), Talbot, Carley and Ashton, all of whom are financially literate and independent under National Instrument 52-110 *Audit Committees*.

Relevant Education and Experience

The following relevant education and experience of the members of the Audit Committee have been used in assessing their financial literacy:

Arthur J.G. Madden

Mr. Madden holds a Certified Management Accountant (CMA) designation, a Masters of Business Administration (MBA) from Queens University and certification from the Institute of Corporate Directors. Mr. Madden is a member of Financial Executives International. Mr. Madden has 32 years of experience in the oil and gas industry. Mr. Madden is Chief Financial Officer of Crown Point Ventures Ltd. since October 2009 and President of 554492 Alberta Ltd. (a private Company providing consulting services to the energy sector since 1993). Mr. Madden was Vice-President Finance, Chief Financial Officer, and Director of Adamant Energy Inc. from July 2004 to May 2008 and prior to Adamant was Vice-President, Finance, and Chief Financial Officer of Cavell Energy Corporation from June 1994 to July 2004.

Ronald Talbot

Mr. Talbot holds a Bachelor of Science degree in Geology from the University of Calgary. Mr. Talbot is a member of APEGGA and has been involved in the oil and gas industry for 30 years. Mr. Talbot is, and has been, President of 557146 Alberta Inc. (a private investment company) since 1993. Prior thereto, Mr. Talbot was an energy industry consultant focusing on exploration strategies from 2003 to 2008 and prior to that he was Dean of the Energy Department at the Southern Alberta Institute of Technology (SAIT) from January 2000 to 2002. Prior to SAIT, Mr. Talbot was an executive at Lexxor Energy Inc. (a public oil and gas company) where he acted as President, Chief Executive Officer and Chairman from 1995 to 1999.

Glenn R. Carley

Mr. Carley holds a Masters of Business Administration, a Juris Doctor degree, a Bachelor of Arts degree and certification from the Institute of Corporate Directors. Mr. Carley has been involved in the oil and gas industry for the past 33 years. Mr. Carley is Executive Chairman and a Director of Galleon Energy Inc. (a public oil and gas company) since January 2003. Mr. Carley was Chairman of the Board of Culane Energy Corp. from December 2002 to February 2011. From January 1994 to June 2001, Mr. Carley was Chairman and Chief Executive Officer of a Toronto Stock Exchange 300 listed oil and gas company with responsibility for all functions including financial oversight. From May 2003 to May 2005, Mr. Carley was Chairman and Chief Executive Officer of Galleon Energy Inc., with responsibility for all functions including financial oversight. From January 2005 to September 2008, Mr. Carley was Chairman and Chief Executive Officer of Flagship Energy Inc. with responsibility for all functions including financial oversight.

Allan K. Ashton

Mr. Ashton holds a Bachelor of Science degree in Chemical Engineering and has been involved in the oil and gas industry for the past 43 years. From 1965 to 1983 he worked for Gulf Canada Resources in areas of increasing responsibility and was Manager of Reserves and Reservoir Engineering when he left Gulf in 1983 to start his own consulting practice. For over 25 years he was involved in all aspects of the business, including financial oversight, and was instrumental in the growth of AJM Petroleum Consultants, a tier one reserve evaluation company based in Calgary with a worldwide client base and over 50 employees. Mr. Ashton served on the Board of Directors of Cobalt Energy Ltd, a public junior oil and gas company based in Calgary, from June 2007 until July 2009.

Pre-Approval Policies and Procedures

Over the course of a year there will be two approvals that will be provided. The first is the annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise. Any proposed audit and permitted non-audit services to be provided by an external auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this protocol.

The Chief Financial Officer shall act as the primary contact to receive and assess any proposed engagements from an external auditor. Following receipt and initial review for eligibility by the primary contact, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted. In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Chair of the Audit Committee would then inform the Audit Committee of any approvals granted at the next scheduled meeting.

External Auditor Service Fees (By Category)

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

	<u>2010</u>	<u>2009</u>
Audit Fees ⁽¹⁾	\$ 62,000	\$ 78,000
Audit-Related Fees ⁽²⁾	84,500	133,200
Tax Fees ⁽³⁾	29,105	10,135
All other Fees	-	-
Total:	\$ 175,605	\$ 221,335

Notes:

- (1) Audit fees for professional services rendered by KPMG LLP for the audit of the Corporation's annual consolidated financial statements.
- (2) Audit-related and review fees for professional services rendered with respect to services provided in connection with statutory and regulatory filings and fees related to the conversion to International Financial Reporting Standards.
- (3) Tax fees for tax compliance, tax advice and tax planning.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former executive officer, director or employee of the Corporation or of any of its subsidiaries is, or at any time since the beginning of the most recently completed financial year has been, indebted: (i) to the Corporation or any of its subsidiaries; or (ii) to another entity, where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by the directors and executive officers of the Corporation and are not to any substantial degree performed by any other person. The Corporation has entered into employment agreements with its officers.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth herein, management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, or of any nominee for election as a director, or of any associate or affiliate of any such persons, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The management of the Corporation is not aware of any material interest, direct or indirect, of any informed person or proposed director of the Corporation or any associate or affiliate of any such persons in any transaction since the commencement of the financial year ended December 31, 2010 or in any proposed transaction, which has materially affected or would materially affect the Corporation or any of its subsidiaries.

For the purposes of this Information Circular, an "informed person" means (i) a director or officer of the Corporation, (ii) a director or officer of a person or company that is itself an informed person, or (iii) any person or company who beneficially owns, directly or indirectly, and/or exercises control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attaching to all outstanding voting securities of the Corporation.

ADDITIONAL INFORMATION

Financial information is provided in the Corporation's audited annual consolidated financial statements and accompanying management's discussion and analysis ("**MD&A**") for the year ended December 31, 2010. The 2010 audited annual consolidated financial statements and MD&A will be mailed to all Shareholders concurrently with this Information Circular.

Under National Instrument 51-102 *Continuous Disclosure Obligations*, any person or company who wishes to receive annual or interim financial statements from the Corporation may deliver a written request for such material to the Corporation or the Corporation's agent, together with a signed statement that the person or company is the owner of securities of the Corporation. Shareholders who wish to receive annual or interim financial statements are encouraged to send the enclosed mail card, together with the completed form of proxy, in the addressed envelope provided, to the Corporation's registrar and transfer agent, Olympia Trust Company, 2300, 125 - 9th Avenue S.E., Calgary, Alberta, T2G 0P6. The Corporation will maintain a supplemental mailing list of persons or companies wishing to receive annual or interim financial statements.

Additional information relating to the Corporation is available on the SEDAR website at www.sedar.com or may be obtained by contacting the Corporation at 300, 602 - 12th Avenue S.W., Calgary, Alberta, T2R 1J3, or by telephone at (403) 475-0440.

GENERAL

All matters referred to herein for approval by the Shareholders require a simple majority of the Shareholders voting, in person or by proxy, at the Meeting. The contents and sending of this Information Circular have been approved by the Board of Directors of the Corporation.

Unless otherwise stated, the information contained herein is given as of the 20th day of April, 2011.

THIS IS SCHEDULE "A" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF PAINTED PONY PETROLEUM LTD. TO BE HELD ON JUNE 6, 2011, AND ANY ADJOURNMENT THEREOF

PAINTED PONY PETROLEUM LTD.

BOARD OF DIRECTORS CHARTER

MAJOR GOALS

The major goals and responsibilities of the Board of Directors of Painted Pony Petroleum Ltd. (the "Corporation") are to:

- Oversee the management of the business and affairs of the Corporation;
- Establish policy direction and the fundamental objectives of the Corporation;
- Protect and enhance the assets of the owners of the Corporation and to look after their interests in general;
- Ensure continuity in the governance of the Corporation.

MAJOR DUTIES

1. Determine and control in broad terms the purposes, goals, activities, and general characteristics of the Corporation. These duties range from establishing objectives, scope of operations, fundamental strategies and policies and key strategic initiatives down to approving annual budgets, long-range plans, major capital investments, mergers and acquisitions, issuance of stock options and stock, and other specific actions that are likely to have a substantial effect on the Corporation or that the Board is legally required to take. Day-to-day operation of the Corporation's business is, generally speaking, the responsibility of management.
2. Appoint a chief executive officer and other senior officers, define their respective duties, monitor and evaluate their performance, provide for adequate succession, and replace the chief executive officer or other officers when appropriate.
3. Identify the principal risks of the Corporation's business and ensure the implementation of appropriate systems to manage these risks.
4. Oversee corporate financial operations, including:
 - debt and equity financings;
 - selection of outside auditors for approval by the shareholders; and

- appoint an audit committee, oversee the activities of the audit committee and receive and consider the recommendations of the audit committee with respect to the financial statements of the Corporation and related disclosures, reports to shareholders and other related communications, establishment of appropriate financial policies and integrity of accounting systems and internal controls.
5. Set policies related to, and assist management in its relations and sensitive communications with:
- shareholders;
 - the investing public;
 - governments and regulatory agencies;
 - employees;
 - the financial community;
 - communities in which the Corporation operates; and
 - appoint a corporate governance committee, oversee the activities of the corporate governance committee and receive and consider the recommendations of the corporate governance committee.
6. Require the Corporation to comply with appropriate laws and regulations.
7. Manage Board operations:
- fix the size of the Board and, subject to the approval of the shareholders, determine its membership;
 - appoint a Chairman, appropriate committees including an audit committee, compensation committee and corporate governance committee, and committee chairmen;
 - define the duties of the Chairman and the committees;
 - be responsible, through the corporate governance committee, for developing the Corporation's approach to governance issues generally, including its response to any applicable governance guidelines;
 - formulate, through the corporate governance committee, rules and guidelines governing and regulating the affairs of the Board such as tenure, retirement and compensation of directors;
 - ensure that the information needs of the members of the Board are being met; and
 - assess any actual, apparent or perceived conflicts arising as a result of any individual business interests of directors.

ROLE AND RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER, CHAIRMAN OF THE BOARD

Chairman of the Board

The Chairman of the Board shall have, among others, the following responsibilities:

- in conjunction with the Chief Executive Officer, planning the meetings of the Board, establishing the agenda of these meetings, and coordinating the activities of the Corporate Secretary as regards the affairs of the Board and its committees;
- chairing all of the meetings of the Board, ensuring the proper and efficient conduct thereof, ensuring that all members are able to express their opinions on the topics being discussed and making sure that the decisions made by the Board are clear;
- ensuring that all strategically important issues are communicated to the Board for approval and that the Board receives the information, reports, documents it needs to allow its members to assume their role fully;
- following up on the implementation of decisions made by the Board;
- ensuring that all policies of the Board relating to compliance with regulations as well as ethics and conduct standards are communicated to all interested parties;
- receiving any complaint respecting breaches of the code of ethics on the part of the independent directors and bringing these to the attention of the Board in order that the matter may be dealt with appropriately; and
- ensuring that the Board and each of its committees respect their respective mandates (or charters).

Chief Executive Officer

The Chief Executive Officer shall have, among others, the following responsibilities:

- in conjunction with the Chairman, planning the meetings of the Board and establishing the agenda of the meetings;
- supervising the management team and employees of the Company;
- in collaboration with the management team, preparing strategic plans and budgets, financial statements and any other information respecting the affairs of the Company that must periodically be submitted to the Board for approval or verification;
- ensuring the daily management and execution of the strategic plan of the Company as well as implementing the decisions, guidelines and policies of the Board;
- ensuring the efficient use of resources available to the Company to reach its strategic objectives, including its objectives in terms of growth and short- and long-term profitability;

- representing the Company before the principal interested parties: employees, shareholders, financial world, governments and general public; and
- receiving any complaint respecting breaches of the code of ethics on the part of the officers and employees and bringing these to the attention of the Board in order that the matter may be dealt with appropriately.

Committee Chairs

Every chair of a Board committee shall have, among others, the following responsibilities:

- planning committee meetings, establishing the agenda of these meetings and coordinating the activities of the Corporate Secretary as regards the affairs of the committee; and
- chairing all of the meetings of the committee, ensuring the proper and efficient conduct hereof, ensuring that all members are able to express their opinions on the topics being discussed and making sure that the decisions or recommendations made by the committee are clear.

The chair of a committee shall report to the Board in matters relating to his mandate and to the work of his committee.

THIS IS SCHEDULE "B" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF PAINTED PONY PETROLEUM LTD. TO BE HELD ON JUNE 6, 2011, AND ANY ADJOURNMENT THEREOF

PAINTED PONY PETROLEUM LTD.

AUDIT COMMITTEE CHARTER

OVERALL ROLE AND RESPONSIBILITY

The primary role and responsibilities of the Audit Committee shall be to:

- (a) assist the Board of Directors in its oversight role with respect to:
 - (i) the quality and integrity of financial reporting and information;
 - (ii) the independent auditor's performance, qualifications and independence; and
 - (iii) the Corporation's compliance with legal and regulatory requirements and
- (b) prepare such reports of the Audit Committee required to be included in any documents in accordance with applicable laws or the rules of applicable securities regulatory authorities;
- (c) assess the processes related to the determination and mitigation of risks and the maintenance of an effective control environment; and
- (d) strengthen the role of the outside directors by facilitating in depth discussions between the directors on the Audit Committee, management and independent auditors.

MEMBERSHIP AND MEETINGS

The Audit Committee shall consist of three or more Directors of the Corporation appointed by the Board of Directors, all of whom in the opinion of the Board shall be independent and unrelated to the Corporation and as such shall not be officers (other than a non-executive Chairman or Corporate Secretary who is not an employee of the Corporation) or employees of or have a meaningful business relationship with the Corporation or any of the Corporation's affiliates or be an immediate family member of any of the foregoing. Each of the members of the Audit Committee shall satisfy the applicable independence and financial literacy requirements of the laws governing the Corporation, the applicable stock exchanges on which the Corporation's securities are listed and applicable securities regulatory authorities.

The Board of Directors shall designate one member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

Any members of the Audit Committee may be removed or replaced at any time by the Board of Directors and will cease to be a member of the Audit Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Audit Committee by appointment from among its members. If and whenever a vacancy exists on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following the appointment as a member of the Audit Committee, each member will hold such office until the Audit Committee is reconstituted.

STRUCTURE AND OPERATIONS

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution. In case of an equality of votes, the Chairman of the meeting shall be entitled to a second or casting vote.

The Chair will preside at all meetings of the Audit Committee, unless the Chair is not present, in which case the members of the Audit Committee that are present will designate from among such members the Chair for the purposes of the meeting.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. A quorum for meetings of the Audit Committee will be a majority of its members and the rules for calling, holding, conducting and adjourning meetings of the Audit Committee will be the same as those governing the Board of Directors unless otherwise determined by the Audit Committee or the Board of Directors.

The Chief Financial Officer will attend meetings of the Audit Committee where matters relating to the functions of the Audit Committee are dealt with, unless otherwise excused from all or part of any such meeting by the Chairman. The Audit Committee may invite such officers, directors and employees of the Corporation as it sees fit from time to time to attend at meetings of the Audit Committee and assist in the discussion and consideration of the matters being considered by the Audit Committee.

The Audit Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end planning and the delivery of their report on the financial statements) and at such other times as the external auditor and the Audit Committee consider appropriate. The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

Agendas, approved by the Chairman, will be circulated to the Audit Committee members along with background information on a timely basis prior to the Audit Committee meetings. Minutes of all meetings of the Audit Committee will be taken. The minutes of the Audit Committee will be recorded and maintained and the Audit Committee shall report to the Board of Directors on its activities after each of its meetings, at which time minutes of the prior Audit Committee meeting shall be available for the Board.

Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Audit Committee Chair.

SPECIFIC DUTIES

Oversight of the Independent Auditor

- Make recommendations to the board for the appointment and replacement of the independent auditor.

- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Obtain and review any of the independent auditor's reports to be included in any documents as required by the laws governing the Corporation, the applicable stock exchanges on which the Corporation's securities are listed and applicable securities regulatory authorities.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit, as required by law (currently at least every 5 years).
- When there is to be a change in the auditor, review all issues relating to the change including any reportable events, and all information to be included in the required notice to securities regulators of such change.

Financial Reporting

- Review and discuss with management and the independent auditor, as applicable,:
 - prior to the annual audit the scope, planning and staffing of the annual audit,
 - the annual audited financial statements,
 - the Corporation's annual and quarterly disclosures made in management's discussion and analysis,
 - approve any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation,
 - the Corporation's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,
 - significant accruals, reserves or other estimates, such as the ceiling test calculation,
 - accounting treatment of unusual or non-recurring transactions,
 - compliance with covenants under loan agreements,

- disclosure requirements for commitments and contingencies,
 - adjustments raised by the external auditors, whether or not included in the financial statements,
 - significant variances with comparative reporting periods.
 - significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements,
 - any significant changes in the Corporation's selection or application of accounting principles,
 - any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies, and
 - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.
 - Review the financial statements, prospectuses, management's discussion and analysis, annual information form and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Audit Committee must be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of all other financial information. The Audit Committee and will periodically access the accuracy of those procedures.
 - Providing it has a quorum, the Audit Committee will approve the Corporation's unaudited quarterly financial statements and Management's Discussion and Analysis. In the event the Audit Committee does not have a quorum, the Board of Directors shall approve the Corporation's unaudited financial statements and Management's Discussion and Analysis. All audited financial statements must be approved by the Board, subsequent to review and recommendation for approval by the Audit Committee.
 - Conduct an investigation sufficient to provide reasonable grounds for believing that the financial statements, management's discussion and analysis and any public disclosure documents containing financial information are complete in all material respects and consistent with the information known to Audit Committee members, and assess whether the financial statements reflect appropriate accounting principles.

Risk Assessment and Risk Management

- Discuss with Corporation management guidelines and policies governing the risk assessment and risk management processes.
- Review with Corporation's management and the independent auditors, significant risks and exposures, including management's plans and processes to minimize these risks, such as insurance coverage.

- Evaluate whether Corporation's management is adequately communicating the importance of internal control to all relevant personnel.
- Periodically privately consult with the independent auditor about internal controls and the completeness and accuracy of the Corporation's financial statements.
- Review whether any internal control recommendations made by the independent auditor are being implemented by the Corporation's management and, if not, why not.

Other Responsibilities

- Periodically, as the Audit Committee deems appropriate:
 - review the Chief Executive Officer and Chief Financial Officers' expenses and perquisites, and
 - may review all consulting fees paid by the Corporation where such fees exceed \$50,000 annually.
- Institute special investigations, if necessary, and hire special counsel or experts to assist, if appropriate.
- Establish, and review periodically, as the Audit Committee deems appropriate, a procedure for:
 - the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters and resolution of such concerns, if any.
- To comply with the procedure above, the Audit Committee shall ensure that the Corporation advises all employees, by way of a written code of business conduct and ethics (the "Code of Ethics"), that any employee who reasonably believes that questionable accounting, internal accounting controls, or auditing matters have been employed by the Corporation or their external auditors is strongly encouraged to report such concerns by way of communication directly to the Chair of the Audit Committee of the Corporation.
- 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 and the performance and independence of the Corporation's independent auditors.
- Perform other oversight functions as requested by the Board.

AUDIT COMMITTEE'S ROLE

The Audit Committee has the oversight role set out in this Charter. The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

Management, the Board of Directors, the independent auditor and the internal auditor (if any) all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Corporation's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles.

FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefor shall also be funded by the Corporation.

APPROVAL OF AUDIT AND PERMITTED NON-AUDIT SERVICES PROVIDED BY EXTERNAL AUDITORS

Over the course of any year there will be two approvals that will be provided.

- The first is the annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year.
- The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise. Any proposed audit and permitted non-audit services to be provided by an external auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this protocol.

The Chief Financial Officer shall act as the primary contact to receive and assess any proposed engagements from an external auditor.

Following receipt and initial review for eligibility by the primary contact, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.

PROCEDURE GOVERNING ERRORS OR MISSTATEMENTS IN FINANCIAL STATEMENTS

In the event a director or an officer of the Corporation has reason to believe, after discussion with management, that a material error or misstatement exists in financial statements of the Corporation, that director or officer shall forthwith notify the Audit Committee and the auditor of the error or misstatement of which the director or officer becomes aware in a financial statement that the auditor or a former auditor has reported on.

If the auditor or a former auditor of the Corporation is notified or becomes aware of an error or misstatement in a financial statement on which the auditor or former auditor has reported, and if in the auditor's or former auditor's opinion the error or misstatement is material, the auditor or former auditor shall inform each director accordingly.

When the Audit Committee or the Board is made aware of an error or misstatement in a financial statement, the Board shall prepare and issue revised financial statements or otherwise inform the shareholders of the Corporation and file such revised financial statements, as required.

LIMITATION ON AUDIT COMMITTEE MEMBERS' DUTIES

Nothing in this Charter is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard required by law.