

JADELA OIL CORP.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

to be held on January 31, 2014

at 8:00 a.m. (Calgary time)

at Jadela Oil Corp.

Suite 203, 221 – 10th Avenue SE,

Calgary, Alberta

T2G 0V9

MANAGEMENT PROXY CIRCULAR

December 31, 2013

JADELA OIL CORP.

NOTICE OF ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS

TAKE NOTICE THAT an Annual and Special Meeting (the "Meeting") of the shareholders of JADELA OIL CORP. (the "Corporation") will be held at Jadela Oil Corp., Suite 203, 221 – 10th Avenue SE, Calgary, Alberta T2G 0V9 on Friday, January 31, 2014 at 8:00 a.m. (Calgary time) for the following purposes:

1. to receive and consider the consolidated financial statements of the Corporation as at and for the year ended December 31, 2012, together with the report of the auditors thereon;
2. to fix the number of directors of the Corporation to be elected at the Meeting at up to five members;
3. to elect the directors of the Corporation for the ensuing year;
4. to appoint the auditors of the Corporation for the ensuing year and to authorize the directors of the Corporation to determine the remuneration to be paid to the auditors;
5. to consider and, if deemed advisable, to pass an ordinary resolution, the full text of which is set forth in the accompanying Management Proxy Circular, ratifying, adopting and re-approving the stock option plan of the Corporation and authorizing the Corporation's board of directors to make any amendments thereto that may be required for the purpose of obtaining the approval of applicable securities regulatory authorities or stock exchanges; and
6. to transact such other business as may properly come before the Meeting.

Information relating to matters to be acted upon by the shareholders at the Meeting is set forth in the accompanying Management Proxy Circular.

A shareholder may attend the Meeting in person or may be represented at the Meeting by proxy. Shareholders who are unable to attend the Meeting in person and wish to be represented by proxy are requested to date, sign and return the accompanying Instrument of Proxy, or other appropriate form of proxy, in accordance with the instructions set forth in the accompanying Management Proxy Circular and Instrument of Proxy. An Instrument of Proxy will not be valid unless it is deposited at the offices of Olympia Trust Company (Attention: Proxy Department), Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time of the Meeting, or any adjournment thereof. An instrument of proxy may also be deposited by facsimile at (403) 265-1455 or by email at proxy@olympiatrust.com. Alternatively, a registered shareholder can complete internet voting by logging on at <https://secure.olympiatrust.com/proxy/> and entering the WEB VOTING ID NUMBER located on the address box of the shareholder's instrument of proxy. A person appointed as proxy holder need not be a shareholder of the Corporation.

In the event of a strike, lockout or other work stoppage involving postal employees, all documents required to be delivered by a shareholder should be delivered by facsimile to Olympia Trust Company at (403) 265-1455.

SHAREHOLDERS ARE CAUTIONED THAT THE USE OF THE MAIL TO TRANSMIT PROXIES IS AT EACH SHAREHOLDER'S RISK.

DATED at Calgary, Alberta as of the 31th day of December, 2013.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Gregory J. Leia
President and Chief Executive Officer

JADELA OIL CORP.

MANAGEMENT PROXY CIRCULAR

(Unless otherwise stated, information contained herein is given as of December 31, 2013)

INFORMATION REGARDING PROXIES AND VOTING AT THE MEETING

Solicitation of Proxies

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the management of Jadela Oil Corp. (the "Corporation") for use at the Annual and Special Meeting of the holders (the "Shareholders") of common shares ("Common Shares") of the Corporation to be held at 203, 221 10th Avenue SE, Calgary, Alberta T2G 0V9 on Friday, January 31, 2014 at 8:00 a.m. (Calgary time) (the "Meeting"), for the purposes set forth in the Notice of Annual and Special Meeting (the "Notice") accompanying this Management Proxy Circular. Solicitation of proxies will be primarily by mail, but may also be undertaken by way of telephone, facsimile, electronic or oral communication by the directors, officers and regular employees of the Corporation, at no additional compensation. Costs associated with the solicitation of proxies will be borne by the Corporation.

Appointment of Proxyholders

Accompanying this Management Proxy Circular is an instrument of proxy for use at the Meeting. Shareholders who are unable to attend the Meeting in person and wish to be represented by proxy are required to date and sign the enclosed instrument of proxy and return it in the enclosed return envelope. **All properly executed instruments of proxy for Shareholders must be mailed so as to reach or be deposited at the offices of Olympia Trust Company at (Attention: Proxy Department), Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6, not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment thereof. An instrument of proxy may also be deposited by facsimile at (403) 265-1455 or by email at proxy@olympiitrust.com. Alternatively, a registered shareholder can complete internet voting by logging on at <https://secure.olympiitrust.com/proxy/> and entering the WEB VOTING ID NUMBER located on the address box of the Shareholder's instrument of proxy.**

The persons designated in the instrument of proxy are officers and directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) other than the persons designated in the accompanying instrument of proxy, to attend at and represent the Shareholder at the Meeting.** To exercise this right, a Shareholder should insert the name of the designated representative in the blank space provided on the instrument of proxy and strike out the names of management's nominees. Alternatively, a Shareholder may complete another appropriate instrument of proxy.

Signing of Proxy

The instrument of proxy must be signed by the Shareholder or the Shareholder's duly appointed attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney of the Corporation. An instrument of proxy signed by a person acting as attorney or in some other representative capacity (including a representative of a corporate Shareholder) should indicate that person's capacity (following his or her signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has previously been filed with the Corporation).

Revocability of Proxies

A Shareholder who has submitted an instrument of proxy may revoke it at any time prior to the exercise thereof. In addition to any manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or by his or her duly authorized attorney or, if the Shareholder is a corporation, under its corporate seal or executed by a duly authorized officer or attorney of the corporation and deposited either: (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournments thereof, at which the instrument of proxy is to be used; or (ii) with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof. In addition, an instrument of proxy may be revoked: (i) by the Shareholder personally attending the Meeting and voting the securities represented thereby or, if the Shareholder is a corporation, by a duly authorized representative of the corporation attending at the Meeting and voting such securities; or (ii) in any other manner permitted by law.

Voting of Proxies and Exercise of Discretion by Proxyholders

All Common Shares represented at the Meeting by properly executed proxies will be voted on any ballot that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Common Shares represented by the instrument of proxy will be voted in accordance with such instructions. The management designees named in the accompanying instrument of proxy will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholder appointing him or her on any ballot that may be called for at the Meeting. **In the absence of such direction, such Common Shares will be voted "FOR" the proposed resolutions at the Meetings. The accompanying instrument of proxy confers discretionary authority upon the persons named therein with respect to amendments of or variations to the matters identified in the accompanying Notice and with respect to other matters that may properly be brought before the Meeting.** In the event that amendments or variations to matters identified in the Notice are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the management designees to vote in accordance with their best judgment on such matters or business. At the time of printing this Management Proxy Circular, the management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the accompanying Notice.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED ON

Except as disclosed in this Management Proxy Circular, none of the directors or senior officers of the Corporation at any time since the beginning of the Corporation's last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted on, other than the election of directors, and the appointment of auditors.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Voting Shares and Record Date

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of first preferred shares ("Preferred Shares"). The record date for the determination of Shareholders entitled to receive notice of and to vote at the Meeting is December 31, 2013 (the "Record Date"). As at the Record Date, there were 28,443,341 Common Shares issued and outstanding as fully paid and non-assessable. No Preferred Shares were outstanding as of the Record Date.

Common Shares

The holders of Common Shares are entitled to notice of and to vote at all annual and special meetings of shareholders and are entitled to one vote per Common Share. Subject to any prior rights of the holders of Preferred Shares, the holders of Common Shares are entitled to receive such dividends as the board of directors of the Corporation (the "Board of Directors" or the "Board") declare and, upon liquidation, to receive such assets of the Corporation as are distributable to holders of Common Shares.

Voting of Common Shares – General

Only Shareholders whose names are entered in the Corporation's register of shareholders at the close of business on the Record Date and holders of Common Shares issued by the Corporation after the Record Date and prior to the Meeting will be entitled to receive notice of and to vote at the Meeting, provided that, to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to the Record Date; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than ten days before the Meeting, that his or her name be included on the Shareholder list before the Meeting, in which case the transferee shall be entitled to vote his or her Common Shares at the Meeting.

Voting of Common Shares – Advice to Non-Registered Holders

Only registered holders of Common Shares, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a holder (a "Non-Registered Holder") are registered either:

- a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the Common Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or
- b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited or "CDS").

In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice, this Management Proxy Circular and the instrument of proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, Intermediaries will use a service company (such as Broadridge Financial Solutions Inc. ("Broadridge")) to forward Meeting Materials to Non-Registered Holders.

Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will:

- a) have received as part of the Meeting Materials a voting instruction form which must be completed, signed and delivered by the Non-Registered Holder in accordance with the directions on the voting instruction form; voting instruction forms sent by Broadridge permit the completion of the voting instruction form by telephone or through the Internet based voting procedures; or
- b) less typically, be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with Olympia Trust Company at the address referred to above.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.**

Only registered Shareholders have the right to revoke a proxy. Non-Registered Holders who wish to change their vote must, in sufficient time in advance of the Meeting, arrange for their respective Intermediaries to change their vote, and if necessary, revoke their proxy in accordance with the revocation procedures set above.

Principal Holders of Common Shares

To the knowledge of the directors and executive officers of the Corporation, as at the date hereof, other than Gregory J. Leia (directly and indirectly through corporations owned or controlled by Gregory J. Leia) no single shareholder beneficially owns, directly or indirectly, or exercises control or direction over voting securities carrying more than 10% of the voting rights attached to the shares of the Corporation.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Compensation is required to be disclosed for each (i) Chief Executive Officer (or individual who served in a similar capacity during the most recently completed financial year), (ii) each Chief Financial Officer (or individual who served in a similar capacity during the most recently completed financial year), (iii) each of the three most highly compensated executive officers (other than the Chief Executive Officer and the Chief Financial Officer) who were serving as executive officers at the end of the most recently completed fiscal year (or three most highly compensated individuals) and whose total compensation was, individually, more than \$150,000; and (iv) each individual who would meet the definition set forth in (iii) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year (the "Named Executive Officers"). The Named Executive Officers of the Corporation for the most recently completed financial year are Gregory J. Leia, President and Chief Executive Officer from May 11, 2011 and Dwayne Vinck, Chief Financial Officer. There were no other Named Executive Officers for the year ending on December 31, 2012, as no other employees earned in excess of \$150,000 in 2012. Named Executive Officers are also eligible to participate in the Corporation's stock option plan (the "Option Plan") as described herein.

Philosophy and Objectives

As the Corporation does not have a compensation committee, the functions of a compensation committee are performed by the Board of Directors as a whole and the compensation of the Named Executive Officers is reviewed and approved annually by the Board of Directors. The objective of the Board of Directors in setting compensation levels is to attract and retain individuals of high calibre to serve as officers of the Corporation, to motivate their performance in order to achieve the Corporation's strategic objectives and to align the interests of executive officers with the long-term interests of the Shareholders. These objectives are designed to ensure that the Corporation continues to grow on an absolute basis as well as to grow cash flow and earnings for Shareholders. The Board of Directors set the compensation received by Named Executive Officers so as to be generally competitive with the compensation received by persons with similar qualifications and responsibilities who are engaged by other companies of corresponding size, stage of development, having similar assets, number of employees, market capitalization and profit margin. In setting such levels, the Board of Directors rely primarily on their own experience and knowledge.

Compensation

Compensation provided to Named Executive Officers consists of: (i) base compensation; (ii) other compensation; and (iii) stock options granted pursuant to the Option Plan. Employment or management agreements entered into with Named Executive Officers provide that the salary or other compensation is subject to normal periodic review on or about the anniversary date of any such agreement. In addition to the salary or other compensation, the Board of Directors may from time to time pay a bonus to Named Executive Officers for either the accomplishment of specific performance criteria or for exceptional performance. Pursuant to the Option Plan, the Board of Directors, at its discretion, determines all grants of stock options to Named Executive Officers. Such grants are considered incentives intended to align the Named Executive Officers' and Shareholders' interests in the long term. The Corporation emphasizes stock options in executive compensation as they allow the Named Executive Officers to share in corporate results in a manner that is relatively cost-effective despite the effects of treating stock options as a compensation expense.

Compensation of Gregory J. Leia, President

Mr. Leia was not paid a salary by the Corporation. Mr. Leia practices law, through a professional corporation, in association with other lawyers and administrative staff under the trade name "Wolff Leia". Wolff Leia billed the Corporation the sum of \$302,535 inclusive of all fees, disbursements and GST for the fiscal year ending December 31, 2012 (468,715 for the fiscal period ended December 31, 2011), almost all of which was billed by Mr. Leia at an hourly rate of \$250 plus GST for Mr. Leia's services to the Corporation for legal fees for the fiscal year ending December 31, 2012. During the fiscal year ending December 31, 2012, Mr. Leia did not receive any other compensation for his role as an officer of the Corporation nor did he receive compensation for his role as a director of the Corporation. For a summary of compensation paid to Mr. Leia in respect of the years ended December 31, 2012 and 2011 please refer to the Summary Compensation Table below.

Compensation of Dwayne Vinck, Chief Financial Officer

A corporation controlled by Mr. Vinck receives an hourly rate of \$150 plus GST for Mr. Vinck's services to the Corporation, based on the part time nature of his duties and responsibilities. For the fiscal year ending December 31, 2012, Mr. Vinck received an aggregate of \$78,890 inclusive of GST for his services to the Corporation (\$104,865 for the fiscal period ended December 31, 2011). During the fiscal year ending December 31, 2012, Mr. Vinck did not receive any other compensation for his role as an officer of the Corporation. For a summary of compensation paid to Mr. Vinck in respect of the years ended December 31, 2012, 2011 and 2010, please refer to the Summary Compensation Table below.

Summary Compensation Table

The following table sets forth information concerning the total compensation paid during the years ended December 31, 2012, 2011 and 2010 to the Named Executive Officers. As a result of the one new for ten old share consolidation on July 21, 2011 the number of options and the exercise price thereof has been adjusted for all periods presented.

Name and Principal Position	Fiscal Year Ended Dec. 31	Annual Compensation			Non-Equity Incentive Plan Compensation (\$)			All Other Compensation (\$)	Total Compensation (\$)
		Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Annual Incentive Plans	Long-Term Incentive Plans	Pension Value (\$)		
<i>Gregory J. Leia</i> <i>President and Director</i> ⁽¹⁾⁽²⁾	2012	Nil	Nil	\$39,750 ⁽¹⁾	Nil	Nil	Nil	302,535 ⁽¹⁾	\$342,285 ⁽¹⁾
	2011	Nil	Nil	\$691,185 ⁽²⁾	Nil	Nil	Nil	\$395,375 ⁽²⁾	\$1,086,560
<i>Dwayne Vinck</i> <i>Chief Financial Officer and a Past Director</i> ⁽³⁾⁽⁴⁾	2012	\$78,890	Nil	\$39,750 ⁽³⁾	Nil	Nil	Nil	Nil	\$118,640
	2011	\$104,865	Nil	\$47,999 ⁽⁴⁾	Nil	Nil	Nil	Nil	\$152,864
	2010	\$72,030	Nil	Nil	Nil	Nil	Nil	Nil	\$72,030
<i>Steve Price</i> <i>Past President, Past Vice President Engineering and a Past Director</i> ⁽⁵⁾	2011	\$75,020	Nil	\$107,998 ⁽⁵⁾	Nil	Nil	Nil	Nil	\$183,018
	2010	\$90,000	Nil	Nil	Nil	Nil	Nil	Nil	\$90,000
<i>Brian Stainthorpe</i> <i>Past Operations Manager</i> ⁽⁶⁾	2011	\$180,019	Nil	413,991 ⁽⁶⁾	Nil	Nil	Nil	Nil	\$594,010

Notes:

- (1) Mr. Gregory Leia was appointed to the office of President and Chief Executive Officer of the Corporation on May 11, 2011. On December 6, 2012, the Board of Directors granted 275,000 stock options to Mr. Leia with an exercise price of \$0.20 per share and a 5 year term. The trading price on the date of the grant was \$0.13 per common share. The fair value of the options (\$39,750) was determined using the Black-Scholes option-pricing model using a risk free rate of 1.4% per annum, an expected life of 5 years, expected share volatility of 275% and an expected dividend yield of 0%. The sum of \$39,750 was not received by Mr. Leia. None of the 275,000 options have been exercised. The sum of \$302,535 in "All Other Consideration" was billed by Mr. Leia as legal fees.
- (2) On July 27, 2011, the Board of Directors granted 576,000 stock options to Mr. Leia with an exercise price of \$1.00 per share and a 5 year term. The trading price on the date of the grant was \$1.20 per common share. The fair value of the options (\$691,185) was determined using the Black-Scholes option-pricing model using a risk free rate of 1.4% per annum,

an expected life of 5 years, expected share volatility of 275% and an expected dividend yield of 0%. The sum of \$691,185 was not received by Mr. Leia. None of the 576,000 options have been exercised. The sum of \$395,375 in "All Other Consideration" was billed by Mr. Leia as legal fees.

- (3) Mr. Vinck was appointed as Chief Financial Officer on May 1, 2007. On May 10, 2011, Mr. Vinck resigned as a Director of the Corporation. On June 28, 2013, Mr. Vinck resigned as Chief Financial Officer. On December 6, 2011, the Board of Directors granted 275,000 stock options to Mr. Vinck with an exercise price of \$0.20 per share and a 5 year term. The fair value of the options (\$39,750) was determined using the Black-Scholes option-pricing model using a risk free rate of 1.4% per annum, an expected life of 5 years, expected share volatility of 275% and an expected dividend yield of 0%. None of the options have been exercised. The options expired on September 2013.
- (4) On July 27, 2011, the Board of Directors granted 40,000 stock options to Mr. Vinck with an exercise price of \$1.00 per share and a 5 year term. The fair value of the options (\$47,999) was determined using the Black-Scholes option-pricing model using a risk free rate of 1.4% per annum, an expected life of 5 years, expected share volatility of 275% and an expected dividend yield of 0%. None of the options have been exercised. The options expired in September 2013.
- (5) Mr. Price was appointed as President on June 29, 2006. He resigned on May 10, 2011 and was appointed to the office of Vice President, Engineering. On July 27, 2011, the Board of Directors granted 90,000 stock options to Mr. Price with an exercise price of \$1.00 per share and a 5 year term. The fair value of the options (\$107,998) was determined using the Black-Scholes option-pricing model using a risk free rate of 1.4% per annum, an expected life of 5 years, expected share volatility of 275% and an expected dividend yield of 0%. None of the options have been exercised. The options expired in February 2012.
- (6) Mr. Stainthorpe was appointed as Operations Manager on June 1, 2011. On July 27, 2011, the Board of Directors granted 345,000 stock options to Mr. Stainthorpe with an exercise price of \$1.00 per share and a 5 year term. The fair value of the options (\$413,991) was determined using the Black-Scholes option-pricing model using a risk free rate of 1.4% per annum, an expected life of 5 years, expected share volatility of 275% and an expected dividend yield of 0%. None of the options have been exercised. The options expired in April 2012.

Incentive Awards

Outstanding Share-Based Awards and Option-Based Awards

The Corporation's Option Plan was approved by the Shareholders of the Corporation on January 31, 2013. The Option Plan has been established to provide an incentive to the directors, officers, employees, consultants and other personnel 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 to and retain in the employ of the Corporation, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

The following is a summary of the material terms of the Option Plan and is qualified in its entirety by the full text of the Option Plan, which is attached hereto as Schedule "C":

- The aggregate number of Common Shares to be reserved and authorized for issuance pursuant to options granted under the Option Plan shall not exceed ten percent (10%) of the total number of issued and outstanding shares in the Corporation.
- Under the Option Plan, the aggregate number of optioned Common Shares granted to any one optionee in a 12 month period must not exceed 5% of the Corporation's issued and outstanding shares. The number of optioned Common Shares granted to any one consultant in a 12 month period must not exceed 2% of the Corporation's issued and outstanding shares. The aggregate number of optioned Common Shares granted to an optionee who is employed to provide investor relations' services must not exceed 2% of the Corporation's issued and outstanding Common Shares in any 12 month period.
- The exercise price for options granted under the Option Plan will not be less than the market price of the Corporation's Common Shares at the time of the grant, less applicable discounts permitted by the policies of the TSX Venture Exchange (the "TSXV").
- Options will be exercisable for a term of up to five years, subject to earlier termination in the event of the optionee's death or the cessation of the optionee's services to the Corporation.
- Options granted under the Option Plan are non-assignable, except by will or by the laws of descent and distribution.

No share-based (as opposed to option-based) awards have been granted to the Corporation's Named Executive Officers. As of December 31, 2012, 738,500 options (December 31, 2011 – 1,171,000) were awarded to Named Executive Officers under the Option Plan.

Incentive Awards – Value Vested or Earned During the Year

The following table summarizes the value of options held by Named Executive Officers that vested during the year ended December 31, 2012.

Name and Principal Position	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 (\$)
<i>Gregory J. Leia President and Director</i>	Nil	Nil	Nil
<i>Dwayne Vinck Past Chief Financial Officer and a Past Director</i>	Nil	Nil	Nil

Notes:

- (1) All of the options granted on December 6, 2012 vested immediately and were not "in-the-money" on the date of grant as the market closing price on day immediately prior to date of grant was \$0.13 with the exercise price of \$0.20. None of the options described were exercised or sold. None of the parties listed above received the monies listed
- (2) The Corporation has no share-based awards.

Pension Plan Benefits

The Corporation does not have any defined benefit or defined contribution pension plans in place which provide for payments or benefits at, following, or in connection with retirement.

Termination and Change of Control Benefits

Pursuant to the terms of the Option Plan, in the event the optionholder resigns his employment, a consultant's contract terminates, or if an optionholder is terminated without cause, the optionholder may exercise such part of the option as is exercisable immediately prior to the time of such termination within a period which is the earlier of the normal expiry date of the option and 90 days following such resignation or termination and all unexercised options of the optionee will immediately terminate forthwith without further notice. If the optionee reaches the mandatory age of retirement or his services cease due to permanent disability, the optionholder may exercise such part of the option as is exercisable immediately prior to the time of retirement or cessation within a period which is the earlier of the normal expiry date of the option and 6 months following the date of retirement or cessation of services and all unexercised options of the optionee will immediately terminate forthwith without further notice. In the event of the death of the optionee, any options which the optionee could have exercised immediately prior to death are exercisable by the executors or personal representatives of the optionee within the earlier of the normal expiry date of the option and six months of the optionee's death and all unexercised options of the optionee will immediately terminate forthwith without further notice. All options which remain unvested will vest and become fully exercisable by the optionee for 30 days following the consummation of a change of control.

Other than the aforementioned agreements, there are no compensatory plans, contracts or arrangements with any Named Executive Officer (including payments to be received from the Corporation or any subsidiary), which result or will result from the resignation, retirement or any other termination of employment of such Named Executive Officer or from a change of control of the Corporation or any subsidiary thereof or any change in such Named Executive Officer's responsibilities, where the Named Executive Officer is entitled to payment or other benefits.

Compensation of Directors

The Corporation has no standard arrangement pursuant to which directors of the Corporation are compensated by the Corporation for their services in their capacity as directors, however, all Board members are reimbursed for expenses incurred as part of their role as directors. Further, the Board of Directors may provide consulting fees to the directors as the Board sees fit. Each director who is not otherwise a full time employee of the Corporation is eligible to receive stock options of the Corporation.

The following table summarizes all amounts of compensation provided to the directors, in their capacities as directors, during the year ended December 31, 2012.

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
Gregory J. Leia ⁽¹⁾⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gerald Roe ⁽²⁾⁽³⁾	Nil	Nil	\$39,750	Nil	Nil	Nil	\$39,750
Randolph Aldridge ⁽²⁾⁽³⁾⁽⁴⁾	\$36,000	Nil	\$39,750	Nil	Nil	Nil	\$39,750

Notes:

- (1) For a description of all compensation paid to Mr. Leia please refer to the sections herein entitled "Compensation of Gregory J. Leia, President", "Summary Compensation Table" and "Incentive Awards".
- (2) Messrs. Gregory Leia, Gerald Roe and Randolph Aldridge were appointed to the Board of Directors of the Corporation effective May 10, 2011, May 24, 2011 and June 8, 2011, respectively.
- (3) On December 6, 2011, the Board of Directors granted 275,000 stock options to Mr. Roe with an exercise price of \$0.20 per share and a 5 year term. The fair value of the options (\$39,750) was determined using the Black-Scholes option-pricing model using a risk free rate of 1.4% per annum, an expected life of 5 years, expected share volatility of 275% and an expected dividend yield of 0%. The sum of \$39,750 was not received by Mr. Roe. None of the 275,000 options have been exercised.
- (4) On December 6, 2012, the Board of Directors granted 275,000 stock options to Mr. Aldridge with an exercise price of \$0.20 per share and a 5 year term. The fair value of the options (\$39,750) was determined using the Black-Scholes option-pricing model using a risk free rate of 1.4% per annum, an expected life of 5 years, expected share volatility of 275% and an expected dividend yield of 0%. The sum of \$39,750 was not received by Mr. Aldridge. None of the 275,000 options have been exercised.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information as at the end of the Corporation's most recently completed financial year with respect to compensation plans under which equity securities of the Corporation are authorized for issuance. As a result of the one new for ten old share consolidation on July 21, 2011 the number of options and the exercise price thereof has been adjusted for all periods presented.

Plan Category	Number of securities 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	2,400,000	\$0.62	263,833
Equity compensation plans not approved by securityholders	263,000	N/A	N/A
Total	2,663,000	\$0.62	263,833

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors and officers of the Corporation, any proposed management nominee for election as a director of the Corporation or any associate of any director, officer or proposed management nominee is or has been indebted to the Corporation at any time during the last completed financial year.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Management Proxy Circular, none of the informed persons of the Corporation (as defined in National Instrument 51-102), nor any proposed nominee for election as a director of the Corporation, nor any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to the issued shares of the Corporation, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which, in either case, has or will materially affect the Corporation and none of such persons has any material interest in any transaction proposed to be undertaken by the Corporation that will materially affect the Corporation.

Mr. Leia is an officer, director and shareholder of El Indio Investments Corp ("EIIC") (formerly known as Batoche Resources Ltd.). EIIC and Mr. Leia entered into a series of transactions with the Corporation with respect to Maverick County, Texas assets of the Corporation.

MANAGEMENT CONTRACTS

The Corporation does not have in place any management contracts between the Corporation and any directors or officers and there are no management functions of the Corporation that are to any substantial degree performed by a person or company other than the directors or officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

CORPORATE GOVERNANCE

Please see the attached Schedule "A" for information on the Corporation's Corporate Governance (Form 58-101F2).

AUDIT COMMITTEE

Audit Committee Charter

The Charter of the Corporation's Audit Committee is attached to this Management Proxy Circular as Schedule "B".

Composition of the Audit Committee

The following are the members of the Committee as of the date of this Management Proxy Circular:

Name	Independent ⁽¹⁾	Financially literate ⁽²⁾
Gerald Roe	Yes	Financially literate
Randolph Aldridge	Yes	Financially literate
Gregory J. Leia	No	Financially literate

Notes:

(1) As defined in Multilateral Instrument 52-110 ("MI 52-110").

(2) As defined by MI 52-110.

Education and Experience

Mr. Roe is currently a Director and Chairman of the Board of GasFrac Energy Services Inc. and has over 44 years of experience in the upstream oil and gas industry. Mr. Roe was the Chief Operating Officer (from January 2005 to November 2007) and the Vice-President, Operations (from May 2004 and January 2005) of Oilexco Incorporated, an oil and gas company that was listed on the Toronto Stock Exchange and the London Stock Exchange. Since October 2003, Mr. Roe has been a director of Boxxer Gold Corp., a mining company listed on the TSXV and since May 2009 he has been the Chief Operating Officer of Canadian Overseas Petroleum Limited, an oil and gas

company listed on the TSXV. Mr. Roe received a Bachelor of Science in Mechanical Engineering in 1965 from the Montana State University.

Mr. Aldridge has over 35 years of diversified engineering, marketing and management experience in the energy industry. He has served as a director of several companies, both public and private, including Terasen Inc., a publicly traded pipeline and utility business headquartered in Vancouver, Canada (acquired by Houston's Kinder Morgan in 2005), Abraxas LLC (an affiliate of Abraxas Petroleum) from 2007 to 2009, Husky Oil Holdings and Husky Oil Toledo, subsidiaries of Husky Energy Inc., from March 2008 to present, and Underground Energy Corporation from December 3, 2007 to present. From 1980 to 2003, Mr. Aldridge served in a number of project management, marketing and leadership positions with Koch Industries, a diversified, privately held energy and trading company, including being the President (from 1995 to 1998) of Koch Oil Co., US and Koch Oil International in Wichita, Kansas. Koch Oil was the one of the largest crude oil purchasing and gathering company in the United States with trading offices in London, Houston and Singapore. Mr. Aldridge was also on the Board of Directors of the Canadian Association of Petroleum Producers and the Board of Directors of the Alberta Chamber of Resources. Mr. Aldridge has a BS degree in Chemical Engineering from Texas A&M University and an MS degree in International Management Science from the University of Texas at Dallas.

Mr. Leia is the President of Batoche Oil & Gas Exploration Ltd. and El Indio Investment Corp. both private oil and gas exploration firms. From June 2007 to May 2010, Mr. Leia was the President of Batoche Energy Corp which amalgamated with Antler Creek Energy Corp whose common shares were listed on the TSXV. Antler Creek Energy Corp has since changed its name to Pinecrest Energy Inc. Mr. Leia has practiced law in the Province of Alberta for over 30 years and with the law firm Wolff Leia, Edmonton and Calgary, Alberta since 1990. Mr. Leia has a Bachelor Commerce and an LLB from the University of Saskatchewan

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of MI 52-110 (*De Minimis Non-audit Services*), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of Multilateral Instrument 52-110.

Pre-Approval Policies and Procedures

The Committee has not adopted specific policies and procedures for the engagement of non-audit services as described below under the heading "External Auditors", however it is within the mandate of the Audit Committee to arrange for the engagement of such services.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees⁽¹⁾	Audit Related Fees	Tax Fees⁽²⁾	All Other Fees
2011	\$66,300	\$30,000	\$1,200	\$Nil
2012	\$40,162	\$Nil	\$14,800	\$Nil

Notes:

- (1) Fees associated with the audit of the financial statements.
- (2) Fees incurred for the preparation of the Corporation's income tax returns and the filing of returns.

Exemption

The Corporation is relying on the exemption provided in Section 6.1 of MI 52-110.

PARTICULARS OF MATTERS TO BE ACTED UPON

Financial Statements

The audited restated consolidated financial statements of the Corporation for the year ended December 31, 2012 and the Auditors' Report thereon accompanying this Management Proxy Circular will be placed before the Shareholders at the Meeting for their consideration. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed notice, in the addressed envelope to Olympia Trust Company. No formal action will be taken at the Meeting to approve the financial statements, which have been approved by the Board of Directors of the Corporation in accordance with applicable corporate and securities legislation. Any questions regarding the financial statements may be brought forward at the Meeting.

Election of Directors

The term of office of each of the present directors expires at the Meeting. At the Meeting, the shareholders will be asked to fix the number of directors of the Corporation to be elected at the Meeting at five. Management of the Corporation proposes to nominate the three persons named below ("**Management Nominees**") for election as directors of the Corporation at the Meeting to serve until the next annual meeting of the Shareholders of the Corporation, unless his office is earlier vacated. All of the Management Nominees are currently members of the Board of Directors of the Corporation. The final two directors are expected to be nominated and elected at the Meeting.

Approval of the election of the Management Nominees as directors will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Shareholders present in person or by proxy at the Meeting. **Unless otherwise directed, the management designees named in the accompanying instrument of proxy intend to vote in favour of the election, as directors, of the Management Nominees whose names are set forth below.** In the event that prior to the Meeting, any vacancies occur on the slate of Management Nominees submitted herewith, it is intended that discretionary authority will be granted to vote proxies solicited by or on behalf of management for the election of any other person or persons as directors. Management is not currently aware that any such Management Nominees would not be willing to serve as director if elected. Approval of the election of the final two directors will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Shareholders present in person at the Meeting.

The following information concerning the proposed Management Nominees has been furnished by each of them:

Name, Residence and Present Office Held	Principal Occupation or Employment	Director Since	Number of Common Shares Beneficially Owned or Controlled ⁽¹⁾ and percentage of total issued and outstanding
GREGORY J. LEIA ⁽²⁾ Calgary, Alberta Canada President and Chief Executive Officer and a Director	Mr. Leia is the President of Batoche Oil & Gas Exploration Ltd. and El Indio Investment Corp. both private oil and gas exploration firms. From June 2007 to May 2010, Mr. Leia was the President of Batoche Energy Corp which amalgamated with Antler Creek Energy Corp whose common shares were listed on the TSXV. Antler Creek Energy Corp has since changed its name to Pinecrest Energy Inc. Mr. Leia has practiced law in the Province of Alberta for over 30 years and with the law firm Wolff Leia, Edmonton and Calgary, Alberta since 1990.	May 10, 2011	3,182,500 (11.19%)

<u>Name, Residence and Present Office Held</u>	<u>Principal Occupation or Employment</u>	<u>Director Since</u>	<u>Number of Common Shares Beneficially Owned or Controlled⁽¹⁾ and percentage of total issued and outstanding</u>
GERALD ROE ⁽²⁾ Calgary, Alberta Canada Director	Mr. Roe is currently a Director and Chairman of the Board of GasFrac Energy Services Inc. and has over 44 years of experience in the upstream oil and gas industry. Mr. Roe was the Chief Operating Officer (from January 2005 to November 2007) and the Vice-President, Operations (from May 2004 and January 2005) of Oilexco Incorporated, an oil and gas company that was listed on the Toronto Stock Exchange and the London Stock Exchange. Since October 2003, Mr. Roe has been a director of Boxxer Gold Corp., a mining company listed on the TSXV and since May 2009 he has been the Chief Operating Officer of Canadian Overseas Petroleum Limited, an oil and gas company listed on the TSXV.	May 24, 2011	200,000 (0.70%)
RANDOLPH ALDRIDGE ⁽²⁾ Dallas, Texas USA Director	Mr. Aldridge has over 35 years of diversified engineering, marketing and management experience in the energy industry. He served as a director of Abraxas LLC (an affiliate of Abraxas Petroleum) from 2007 to 2009, and Husky Oil Holdings and Husky Oil Toledo, subsidiaries of Husky Energy Inc., from March 2008 to present. Mr. Aldridge has also served as a director of Underground Energy Corporation since December 3, 2007. Mr. Aldridge was also on the Board of Directors of the Canadian Association of Petroleum Producers and the Board of Directors of the Alberta Chamber of Resources.	June 8, 2011	635,000 (2.23%)

Notes:

- (1) The information as to the number of Common Shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective Management Nominees. These figures do not include any securities that are convertible into or exercisable for Common Shares. These figures are based on the number of Common Shares issued and outstanding as of the date of this Management Proxy Circular.
- (2) Member of the Audit Committee.

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below, no proposed director of the Corporation is, or has been within the past ten years, a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity:

- (i) was the subject of 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, and that was in effect for a period of more than 30 consecutive days; or
- (ii) was the subject of 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 issued after that individual ceased to be a director or chief executive officer or chief financial officer and which resulted from an event that occurred while such person was acting in a capacity as a director, chief executive officer or chief financial officer.

Other than as set forth below, no proposed director of the Corporation is, or has been within the past ten years, a director or executive officer of any other company that, while such person was acting in that capacity, or within a year of that individual 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.

Mr. Gerald Roe was a director of Queve Group Inc., which was ceased traded on October 1, 2002 for failure to file financial statements.

Individual Bankruptcies

No proposed director of the Corporation is or has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Penalties or Sanctions

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. No proposed director of the Corporation 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.

Conflicts of Interest

The directors and officers of the Corporation may, from time to time, be involved with the business and operations of other oil and gas issuers, in which case a conflict of interest may arise between their duties as officers and directors of the Corporation and as officer and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such procedures and remedies, as applicable, under the *Business Corporations Act* (Alberta).

Appointment of Auditors

KPMG LLP was appointed as auditors on December 8, 2008 and unless otherwise directed, the management designees named in the accompanying instrument of proxy intend to vote in favour of the re-appointment of KPMG LLP as auditors of the Corporation, to hold office until the close of the next annual meeting, at a remuneration to be determined by the Board of Directors of the Corporation. Approval of the appointment of the auditors will require the affirmative votes of the holders of not less than half of the votes cast in respect thereof by Shareholders present in person or by proxy at the Meeting. **Unless instructed otherwise, the persons named in the accompanying Instrument of Proxy intend to vote FOR the resolution.**

Ratification and Re-Approval of Stock Option Plan

Pursuant to Policy 4.4 of the TSXV, corporations that have a rolling stock option plan reserving a maximum of 10% of the issued and outstanding shares of the corporation must receive yearly shareholder approval of the stock option plan. For a summary of the Option Plan, please refer to the section herein entitled "*Incentive Awards*" or refer to Schedule "C" where the text of the Option Plan is attached in its entirety. The TSXV requires such approval before it will allow the adoption of the Option Plan. Options to purchase Common Shares that were previously granted to directors, officers and employees of the Corporation will be deemed to be granted under the Option Plan.

The text of the resolution regarding this matter is as follows:

“BE IT RESOLVED THAT the stock option plan of the Corporation, as described in the Management Proxy Circular of the Corporation dated December 31, 2013, as may be amended by the board of directors as required by applicable securities regulatory authorities or stock exchanges, is hereby ratified, adopted and approved. The form of the stock option plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation. The shareholders of the Corporation hereby expressly authorize the board of directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard.”

The approval by Shareholders requires a favourable vote of a majority of the Common Shares voted in respect thereof at the Meeting. **Unless instructed otherwise, the management designees in the accompanying instrument of proxy intend to vote FOR the resolution to ratify, adopt and approve the resolutions described above.**

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. Financial information on the Corporation is provided in the comparative financial statements and management discussion and analysis of the Corporation which can also be accessed at www.sedar.com or which may be obtained upon request from the Corporation at 203, 221-10th Avenue SE, Calgary, Alberta, T2G 0V9.

SCHEDULE "A"

CORPORATE GOVERNANCE POLICY

CORPORATE GOVERNANCE DISCLOSURE (FORM 58-101F2)

1. **Board of Directors** — Disclose how the board of directors (the board) facilitates its exercise of independent supervision over management, including

- (i) the identity of directors that are independent, and

Gerald Roe and Randolph Aldridge

- (ii) the identity of directors who are not independent, and the basis for that determination.

Gregory J. Leia

In determining whether a director is independent, the Corporation chiefly considers whether the director has a relationship which could, or could be perceived to interfere with the director's exercise of independent judgement.

Gregory J. Leia is an executive officers of the Corporation and is therefore not considered to be independent.

2. **Directorships** — If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

None of the directors of the Corporation are directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction except for the following:

Randolph Aldridge has served as a director of Underground Energy Corporation since December 3, 2007.

Gerald Roe has been a director of GasFrac Energy Services Inc. since May 10, 2006 and a director of Boxxer Gold Corp since October 2003.

Gregory J. Leia is a director of several Canadian subsidiaries of Kentz Corporation a company which is listed on the London Stock Exchange.

3. **Orientation and Continuing Education** — Describe what steps, if any, the board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors.

The Corporation has not developed an official orientation or training program for new directors as required, new directors will have the opportunity to become familiar with the Corporation by meeting with other directors and its officers and employees. Orientation activities will be tailored to the particular needs and expertise of each director and the overall needs of the Board.

4. **Ethical Business Conduct** — Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct.

The Corporation does not currently have a formal code of business conduct or policy in place for its directors, officers, employees and consultants. The Board believes that the Corporation's size facilitates informal review of and discussions with employees and consultants.

The Board monitors ethical conduct of the Corporation and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

5. Nomination of Directors — Disclose what steps, if any, are taken to identify new candidates for board nomination, including:

- (i) who identifies new candidates, and
- (ii) the process of identifying new candidates.

The Board has not appointed a nominating committee as the Board fulfills these functions. When the Board identifies the need to fill a position on the Board, the Board requests that current Directors forward potential candidates for consideration.

6. Compensation — Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:

- (i) who determines compensation, and

Management of the Corporation is responsible for making recommendations to the Board with respect to compensation for the directors and the CEO. The Board has the ability to adjust and approve such compensation.

- (ii) the process of determining compensation.

Market comparisons as well as evaluation of similar positions in different industries in the same geography are the criteria used in determining compensation.

7. Other Board Committees — If the board has standing committees other than the audit and compensation identify the committees and describe their function.

There are no other standing committees.

8. Assessments — Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.

The Board takes responsibility for monitoring and assessing its effectiveness and the performance of individual directors, its committees, including reviewing the Board's decision making processes and the quality of information provided by management.

SCHEDULE "B"

JADELA OIL CORP.

AUDIT COMMITTEE CHARTER

1. **Establishment of Audit Committee:** The directors of the Corporation (the "**Directors**") hereby establish an audit committee (the "**Audit Committee**").
2. **Membership:** The membership of the Audit Committee shall be as follows:
 - (a) The Audit Committee shall be composed of three members or such greater number as the Directors may from time to time determine.
 - (b) The majority of the members of the Audit Committee shall be independent Directors.
 - (c) Each member of the Audit Committee shall be financially literate. For purposes hereof "financially literate" has the meaning set forth under NI 52-110 (as amended from time to time) and currently means the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably be expected to be raised by the Corporation's financial statements.
 - (d) Members shall be appointed annually from among members of the Directors. A member of the Audit Committee shall *ipso facto* cease to be a member of the Audit Committee upon ceasing to be a Director of the Corporation.
3. **Oversight Responsibility:** The external auditor is ultimately accountable to the Directors and the Audit Committee, as representatives of the shareholders and such shareholders representatives have the ultimate authority and responsibility to select, evaluate, and where appropriate, replace the external auditors (or to nominate the external auditors to be proposed for shareholder approval in any management information circular and proxy statement). The external auditor shall report directly to the Audit Committee and shall have the responsibilities as set forth herein.
4. **Mandate:** The Audit Committee shall have responsibility for overseeing:
 - (a) the accounting and financial reporting processes of the Corporation; and
 - (b) audits of the financial statements of the Corporation.

In addition to any other duties assigned to the Audit Committee by the Directors, from time to time, the role of the Audit Committee shall include meeting with the external auditor and the senior financial management of the Corporation to review all financial statements of the Corporation which require approval by the Directors, including year end audited financial statements. Specifically, the Audit Committee shall have authority and responsibility for:

- (a) reviewing the Corporation's financial statements, MD&A and earnings press releases before the information is publicly disclosed;
- (b) overseeing the work of the external auditors engaged for purpose of preparing or issuing , an audit report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- (c) reviewing annually and recommending to the Directors:
 - (i) the external auditors to be nominated for purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; and
 - (ii) the compensation of the external auditors.
- (d) discussing with the external auditor:
 - (i) the scope of the audit, in particular their view of the quality of the Corporation's accounting principles as applied in the financials in terms of disclosure quality and evaluation methods, inclusive of the clarity of the Corporation's financial disclosure and reporting, degree of conservatism or aggressiveness of the Corporation's accounting principles and underlying estimates and other significant decisions made by management in preparing the financial disclosure and reviewed by the auditors;
 - (ii) significant changes in the Corporation's accounting principles, practices or policies; and

- (iii) new developments in accounting principles, reporting matters or industry practices which may materially affect the Corporation.
- (e) reviewing with the external auditor and the Corporation's senior financial management the results of the annual audit regarding:
 - (i) the financial statements;
 - (ii) MD&A and related financial disclosure contained in continuous disclosure documents;
 - (iii) significant changes, if any, to the initial audit plan;
 - (iv) accounting and reporting decisions relating to significant current year events and transactions;
 - (v) the management letter, if any, outlining the auditor's findings and recommendations, together with management's response, with respect to internal controls and accounting procedures; and
 - (vi) any other matters relating to the conduct of the audit, including such other matters which should be communicated to the Audit Committee under Canadian generally accepted auditing standards.
- (f) reviewing and discussing with the Corporation's senior financial management and, if requested by the Audit Committee, the external auditor:
 - (i) the interim financial statements;
 - (ii) the interim MD&A; and
 - (iii) any other material matters relating to the interim financial statements, including, inter alia, any significant adjustments, management judgments or estimates, new or amended accounting policies.
- (g) receipt from external auditor of a formal written statement delineating all relationships between the auditor and the Corporation and considering whether the advisory services performed by the external auditor during the course of the year have impacted their independence, and also ensuring that no relationship or services between) the external auditor and the Corporation is in existence which may affect the objectivity and independence of the auditor or recommending appropriate action to ensure the independence of the external auditor.
- (h) pre-approval of all non-audit services to be provided to the Corporation or its subsidiary entities by the external auditors or the external auditors of the Corporation's subsidiary entities, unless such pre-approval is otherwise appropriately delegated or if appropriate specific policies and procedures for the engagement of non-audit services have been adopted by the Audit committee.
- (i) reviewing and discussing with the external auditors and senior financial management: the adequacy of procedures for review of disclosure of financial information extracted or derived from financial statements, other than the disclosure referred to in subparagraph (a) above.
- (j) establishing and reviewing of procedures for:
 - (i) receipt, retention and treatment of complaints received by the Corporation and its subsidiary entities regarding internal accounting controls, or auditing matters;
 - (ii) anonymous submission by employees of the Corporation and its subsidiary entities of concerns regarding questionable accounting or auditing matters; and
 - (iii) hiring policies regarding employees and former employees of present and former external auditors of the Corporation and its subsidiary entities.
- (k) reviewing with the external auditor, the adequacy of management's internal control over financial reporting relating to financial information and management information systems and inquiring of management and the external auditor about significant risks and exposures to the Corporation that may have a material adverse impact on the Corporation's financial statements, and inquiring of the external auditor as to the efforts of management to mitigate such risks and exposures.
- (l) reviewing and/or considering that, with regard to the previous fiscal year,
 - management has reviewed the Corporation's audited financial statements with the Audit Committee, including a discussion of the quality of the accounting principles as applied and significant judgments affecting the financial statements;

- the external auditors and the Audit Committee have discussed the external auditors' judgments of the quality of the accounting principles applied and the type of judgments made with respect to the Corporation's financial statements;
- the Audit Committee, on its own (without management or the external auditors present), has considered and discussed all the information disclosed to the Audit Committee from the Corporation's management and the external auditor; and
- in reliance on review and discussions conducted with senior financial management and the external auditors, the Audit Committee believes that the Corporation's financial statements are fairly presented in conformity with the with Canadian Generally Accepted Accounting Principles (GAAP) in all material respects and that the financial statements fairly reflect the financial condition of the Corporation.

5. **Administrative Matters:** The following general provisions shall have application to the Audit Committee:

- (a) A quorum of the Audit Committee shall be the attendance of a majority of the members thereof. No business may be transacted by the Audit Committee except at a meeting of its members at which a quorum of the Audit Committee is present or by a resolution in writing signed by all the members of the Audit Committee.
- (b) Any member of the Audit Committee may be removed or replaced at any time by resolution of the Directors of the Corporation. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Audit Committee shall hold such office until the close of the annual meeting of shareholders next following the date of appointment as a member of the Audit Committee or until a successor is duly appointed.
- (c) The Audit Committee may invite such Directors, directors, officers and employees of the Corporation or affiliates thereof as it may see fit from time to time to attend at meetings of the Audit Committee and to assist thereat in the discussion of matters being considered by the Audit Committee. The external auditors are to appear before the Audit Committee when requested to do so by the Audit Committee.
- (d) The time and place for the Audit Committee meetings, the calling and the procedure at such meetings shall be determined by the Audit Committee having regard to the Articles and By-Laws of the Corporation.
- (e) The Chair shall preside at all meetings of the Audit Committee and shall have a second and deciding vote in the event of a tie. In the absence of the Chair, the other members of the Audit Committee shall appoint a representative amongst them to act as Chair for that particular meeting.
- (f) Notice of meetings of the Audit Committee may be given to the external auditors and shall be given in respect of meetings relating to the annual audited financial statements. The external auditors have the right to appear before and to be heard at any meeting of the Audit Committee. Upon the request of the external auditors, the Chair of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters which the external auditors believes should be brought to the attention of the Directors or shareholders of the Corporation.
- (g) The Audit Committee shall report to the Directors of the Corporation on such matters and questions relating to the financial position of the Corporation or any affiliates of the Corporation as the Directors of the Corporation may from time to time refer to the Audit Committee.
- (h) The members of the Audit Committee shall, for the purpose of performing their duties, have the right to inspect all the books and records of the Corporation and its affiliates, and to discuss such books and records that are in any way related to the financial position of the Corporation with the Directors, directors, officers, employees and external auditors of the Corporation and its affiliates.
- (i) Minutes of the Audit Committee meetings shall be recorded and maintained. The Chair of the Audit Committee will report to the Directors on the activities of the Audit Committee and/or the minutes of the Audit Committee meetings will be promptly circulated to the Directors or otherwise made available at the next meeting of Directors.
- (l) The Audit Committee shall have the authority to:
 - (i) engage independent counsel and other advisors or consultants as it determines necessary to carry out its duties;
 - (ii) set and pay the compensation for any advisors employed by the Audit Committee; and
 - (iii) communicate directly with the internal (if any) and external auditors and qualified reserves evaluators or auditors.

SCHEDULE "C"
JADELA OIL CORP.
STOCK OPTION PLAN

ARTICLE 1 - PURPOSE OF THE PLAN

1.01 **Purpose**

The purpose of the Jadela Oil Corp. (the "Corporation") Stock Option Plan is to assist and encourage directors, officers, employees and Consultants of the Corporation and its Subsidiaries to work towards and participate in the growth and development of the Corporation and its Subsidiaries by providing such persons with the opportunity, through stock options, to acquire an ownership interest in the Corporation.

ARTICLE 2 - INTERPRETATION

2.01 **Definitions**

In this Plan:

"**Board**" means the board of directors of the Corporation.

"**Cause**" for the purpose of this Plan includes:

- (i) the continued failure by the Optionholder to substantially perform his or her duties in connection with his or her employment by, or service to, the Corporation (other than as a result of physical or mental illness) after the Corporation has given the Optionholder reasonable written notice of such failure and a reasonable opportunity to correct it;
- (ii) the engaging by the Optionholder in any act which is injurious to the Corporation or its reputation financially or otherwise;
- (iii) the engaging by the Optionholder in any act resulting or intended to result, directly or indirectly, in personal gain to the Optionholder at the expense of the Corporation;
- (iv) the conviction of the Optionholder by a court of competent jurisdiction on any charge involving fraud, theft or moral turpitude by the Optionholder in connection with the business of the Corporation; or
- (v) any other conduct that constitutes cause at common law.

"**Change of Control**" includes:

- (i) the acquisition by any persons acting jointly or in concert (as determined by the *Securities Act* (Alberta)), whether directly or indirectly, of voting securities of the Corporation which, together with all other voting securities of the Corporation held by such persons, constitute in the aggregate more than 20% of all outstanding voting securities of the Corporation;
- (ii) an amalgamation, arrangement or other form of business combination of the Corporation with another corporation which results in the holders of voting securities of that other corporation holding, in the aggregate, more than 20% of all outstanding voting securities of the corporation resulting from the business combination; or
- (iii) the sale, lease or exchange of all or substantially all of the property of the Corporation to another person or corporation, other than in the ordinary course of business of the Corporation, or to a Subsidiary.

"**Common Shares**" means common shares of the Corporation.

"**Consultant**" means a person other than a director or employee of the Corporation, engaged to provide on an ongoing *bona fide* basis, management, technical or consulting services for the Corporation or any Subsidiary.

"**Corporation**" means Jadela Oil Corp. and any successor corporation thereto.

"**Date of Termination**" means the actual date of termination of: (i) the office of the Optionholder; (ii) the employment of the Optionholder; or (iii) the provision of services by an Optionholder, as applicable, and does not include any period during which the Optionholder is in receipt of or is eligible to receive any statutory, contractual or common law notice or compensation in lieu thereof or severance payments following the actual date of termination or resignation.

"**Discounted Market Price**" has the meaning ascribed in TSX Venture Exchange – Policy 1.1 – *Interpretation* or such other applicable exchange policy *mutatis mutandis*.

"**Eligible Person**" means any *bona fide* director, officer, employee or Consultant of the Corporation or any Subsidiary.

"**Exchange**" means the TSX Venture Exchange or such other Exchange that the other Common Shares of the Corporation trade on at the applicable time.

"**Exercise Price**" means the price per Common Share at which Common Shares may be subscribed for by an Optionholder pursuant to a particular Option Agreement.

"**Expiry Date**" means the date on which an Option expires pursuant to the Option Agreement relating to that Option.

"**Grant Date**" means the date on which an Option is granted, which date may be on or, if determined by the Board at the time of grant, after the date that the Board resolves to grant the Option.

"**Investor Relations Activities**" has the meaning ascribed in TSX Venture Exchange – Policy 1.1 – *Interpretation* or such other applicable exchange policy *mutatis mutandis*.

"**Notice of Exercise**" means a notice, substantially in the form of the notice set out in Schedule B, from an Optionholder to the Corporation giving notice of the exercise or partial exercise of an Option previously granted to the Optionholder.

"**Option**" means an option to purchase Common Shares granted to an Eligible Person pursuant to the terms of the Plan.

"**Option Agreement**" means an agreement, substantially in the form of the agreement set out in Schedule A to this Plan, between the Corporation and an Eligible Person setting out the terms of an Option granted to the Eligible Person.

"**Optioned Shares**" means the Common Shares that may be subscribed for by an Optionholder pursuant to an Option Agreement.

"**Optionholder**" means an Eligible Person to whom an Option has been granted.

"**Plan**" means the Jadela Oil Corp. Stock Option Plan, as amended from time to time.

"**Share Compensation Arrangement**" means any stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise.

"**Subsidiary**" has the meaning attributed thereto in the *Securities Act* (Alberta).

2.02 Extended Meanings

In this Plan, words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and unlimited partnerships, associations, trusts, incorporated organizations, joint ventures and governmental authorities.

ARTICLE 3 - GRANT OF OPTIONS

3.01 Authority of Board

Subject to the limitations of the Plan, the Board has the authority:

- (a) to determine which Eligible Persons are to be granted Options and to grant Options to those Eligible Persons;
- (b) to determine the terms of such Options; and
- (c) to prescribe the form of Option Agreement and Notice of Exercise with respect to a particular Option, if other than substantially as set forth in Schedules A and B to this Plan.

3.02 **Shares Reserved**

- (1) The maximum number of Common Shares that may be reserved for issuance pursuant to Options granted under the Plan within a one-year period is ten percent (10%) of the issued and outstanding Common Shares of the Corporation from time to time.
- (2) The maximum number of Common Shares that may be reserved for issuance to any one Eligible Person within a one-year period pursuant to Options granted under the Plan is five percent (5%) of the number of Common Shares outstanding at the time of reservation, subject to Subsections 3.02(3) and 3.03(4).
- (3) The maximum number of Common Shares that may be reserved for issuance to any one Consultant within a one-year period may not exceed two percent (2%) of the common shares outstanding at the time of Reservation.
- (4) The maximum number of Common Shares that may be reserved for issuance to anyone engaged in Investor Relations Activities within a one-year period may not exceed two percent (2%) of the common shares outstanding at the time of Reservation.

In addition to the restrictions in Section 3.02, during the period that the Corporation is considered a Capital Pool Company, the Corporation may reserve for issuance Options under the Plan only in accordance with the requirements of TSX Venture Exchange Company Manual – Policy 2.4 – Capital Pool Companies - Sections 7.3

Any Common Shares subject to an Option that expires or terminates without having been fully exercised may be made the subject of a further Option. No fractional Common Shares may be issued under the Plan.

3.03 **Eligibility**

Options may be granted by the Board to any Eligible Person, subject to the limitations set forth in Sections 3.02, prior to his or her Date of Termination.

ARTICLE 4 - TERMS OF OPTIONS

4.01 **Option Agreement**

As soon as practicable following the grant of an Option, the Corporation will deliver to the Optionholder an Option Agreement dated the Grant Date, containing the terms of the Option and executed by the Corporation, and upon delivery to the Corporation of the Option Agreement executed by the Optionholder such Optionholder will be a participant in the Plan and have the right to purchase the Optioned Shares on the terms set out in the Option Agreement and the Plan.

4.02 **Exercise Price**

The Exercise Price of the Common Shares subject to an Option will be determined by the Board at the time of grant and shall in no event be less than the greater of: i) the closing market price of the Common Shares of the Corporation on the TSX Venture Exchange Inc. on the trading day immediately prior to the grant of the option (or, if no trades occurred on such day, then on the next previous day on which trading took place) less the maximum discount permitted under the regulations of the Exchange (the "Discounted Market Price"); or ii) \$0.10 or such other Discounted Market Price minimum approved by the Exchange and as may be agreed to by the Corporation.

4.03 **Time of Exercise**

- (1) The Board may determine at the time of grant that a particular Option will be exercisable in whole or in part on different dates and to determine after the Grant Date that a particular Option will be exercisable in whole or in part on earlier dates for any reason, including the occurrence of a proposal by the Corporation or any other person to implement a transaction that would, if implemented, result in a Change of Control.
- (2) Notwithstanding anything herein to the contrary, if there occurs a Change of Control at any time when an Option granted under the Plan remains unvested with respect to any Optioned Shares, such unvested portion will vest

and become fully exercisable, as to all the Optioned Shares in respect of which such Option was not previously exercisable, by the Optionee at any time up to and including a date 30 days following the consummation of such Change of Control.

- (3) Notwithstanding the provisions of Sections 4.03(1) and (2), no unvested portion of an Option will vest as a result of a Change in Control that occurs after the Date of Termination of an Optionholder.

4.04 Expiry Date

- (1) The Expiry Date of an Option will be five years after the Grant Date, subject to:
 - (a) the right of the Board to determine at the time of grant that a particular Option will have a shorter or longer term, in accordance with applicable Exchange requirements and securities laws and not to exceed 10 years from the Grant Date; and
 - (b) the provisions of Section 4.05 relating to early expiry.

4.05 Early Expiry

- (1) An Option will expire before its Expiry Date in the following events and manner:
 - (a) if an Optionholder dies, only the portion of the Option that is exercisable at the date of death of the Optionholder may be exercised by the personal representatives of the Optionholder during the period ending six (6) months after the death of the Optionholder, after which period all Options terminate;
 - (b) if an Optionholder resigns his or her office or employment (other than as provided for in Section 4.05(e)), or an Optionholder's contract as a Consultant terminates at its normal termination date, only the portion of the Option that is exercisable at the date of resignation or termination may be exercised by the Optionholder during the period ending ninety (90) days after the date of resignation or termination, after which period all Options terminate;
 - (c) if an Optionholder is terminated without Cause, including a constructive dismissal, or an Optionholder's contract as a Consultant is terminated by the Corporation before its normal termination date without Cause, only the portion of the Option that is exercisable at the Date of Termination may be exercised by the Optionholder during the period ending ninety (90) days after the Date of Termination, after which period all Options terminate, subject to Subsection 4.05(1)(d);

- (d) if an Optionholder who is engaged in Investor Relations Activities on behalf of the Corporation is terminated without Cause, including a constructive dismissal, or the contract with such Optionholder is terminated by the Corporation before its normal termination date without Cause, only the portion of the Option that is exercisable at the Date of Termination may be exercised by the Optionholder during the period ending ninety (30) days after the Date of Termination, after which period all Options terminate.
- (e) if an Optionholder attains the mandatory retirement age established by the Corporation from time to time or an Optionholder's employment or service ceases due to permanent disability, only the portion of the Option that is exercisable at the date of retirement or cessation may be exercised by the Optionholder during the period ending six (6) months after the date of retirement or cessation, after which period all Options terminate; and
- (f) an Option will expire immediately upon the Optionholder ceasing to be an Eligible Person as a result of being dismissed from his or her office or employment for Cause or an Optionholder's contract as a Consultant being terminated before its normal termination date for Cause, including where an Eligible Person resigns his or her office or employment or terminates his or her contract as a Consultant after being requested to do so by the Corporation as an alternative to being dismissed or terminated by the Corporation for Cause

subject in all cases to the earlier expiration of an Option on its applicable Expiry Date.

4.06 Non-Assignable

Except as provided in Section 4.05(a), an Option may be exercised only by the Optionholder and is not assignable in law or in equity, and any purported assignment is void and of no force and effect whatsoever.

4.07 No Rights as Shareholder or to Remain an Eligible Person

- (1) An Optionholder will only have rights as a shareholder of the Corporation with respect to Optioned Shares that the Optionholder acquires through the exercise of an Option in accordance with its terms.
- (2) Nothing in this Plan or in any Option Agreement will confer on any Optionholder any right to remain as a director, officer, employee or Consultant of the Corporation or any Subsidiary.

4.08 Adjustments to Common Shares

- (1) The number of Common Shares delivered to an Optionholder upon exercise of an Option will be adjusted as determined by the Board in the following events and manner, subject to the right of the Board to make such additional or other adjustments as are appropriate in the circumstances:
 - (a) upon a subdivision of the Common Shares into a greater number of Common Shares, a consolidation of the Common Shares into a lesser number of Common Shares or the issue of a stock dividend to holders of the Common Shares (other than dividends in the ordinary course), the Corporation will deliver upon the exercise of an Option, in addition to or in lieu of the number of Optioned Shares in respect of which the right to purchase is being exercised and without the Optionholder making any additional payment, such greater or lesser number of Common Shares as results from the subdivision, consolidation or stock dividend;
 - (b) upon the distribution by the Corporation to holders of the Common Shares of shares of any class (whether of the Corporation or another corporation, but other than Common Shares), rights, options or warrants, evidences of indebtedness or cash (other than dividends in the ordinary course), other securities or other assets, the Corporation will deliver upon exercise of an Option, in addition to the number of Optioned Shares in respect of which the right to purchase is being exercised and without the Optionholder making any additional payment, such other securities, evidence of indebtedness or assets as result from such distribution; and

- (c) upon a capital reorganization, reclassification or change of the Common Shares, a consolidation, amalgamation, arrangement or other form of business combination of the Corporation with another corporation or a sale, lease or exchange of all or substantially all of the assets of the Corporation, the Corporation will deliver upon exercise of an Option, in lieu of the Optioned Shares in respect of which the right to purchase is being exercised, the kind and amount of shares or other securities or assets as result from such event.

The purpose of such adjustments is to ensure that any Optionholder exercising an Option after any such event will be in the same position as such Optionholder would have been in if he or she had exercised the Option prior to such event.

- (2) An adjustment will take effect at the time of the event giving rise to the adjustment, and the adjustments provided for in this Section are cumulative.
- (3) The Corporation will not be required to issue fractional Common Shares or other securities under the Plan and any fractional interest in a Common Share or other security that would otherwise be delivered upon the exercise of an Option will be cancelled.

ARTICLE 5 - EXERCISE OF OPTIONS

5.01 Manner of Exercise

An Optionholder (or the personal representatives of a deceased Optionholder) who wishes to exercise an Option may do so by delivering the following to the Corporation on or before the Expiry Date of the Option:

- (a) a completed Notice of Exercise; and
- (b) subject to the provisions of Section 5.03, a certified cheque, cash or bank draft payable to the Corporation for the aggregate Exercise Price for the Optioned Shares being acquired.

If the Optionholder is deceased, the personal representatives of the Optionholder must also deliver to the Corporation evidence of their status.

5.02 Delivery of Share Certificate

Not later than five business days after receipt of the Notice of Exercise and payment in full for the Optioned Shares being acquired, the Corporation will direct its transfer agent to issue a certificate in the name of the Optionholder (or, if deceased, the Optionholder's estate) for the number of Optioned Shares purchased by the Optionholder (or the Optionholder's estate), which will be issued as fully paid and non-assessable Common Shares.

5.03 Withholding

The Corporation will withhold taxes to the extent required by applicable law in respect of any amounts under this Plan.

ARTICLE 6 - ADMINISTRATION

6.01 Administration

- (1) The Plan will be administered by the Board or, if determined by the Board, by a compensation committee of the Board consisting of not less than three directors. If a compensation committee is appointed to administer the Plan, all references in this Plan to the Board will be deemed to be references to the compensation committee.
- (2) The Board may interpret the Plan and determine all questions arising out of the Plan and any Option granted pursuant to the Plan, which interpretations and determinations will be conclusive and binding on the Corporation and all other affected persons.

6.02 **Amendment of Plan and Options**

- (1) The Board may amend, suspend or terminate the Plan at any time, provided that no such amendment, suspension or termination may:
 - (a) be made without obtaining any required Exchange, regulatory or shareholder approvals; or
 - (b) prejudice the rights of any Optionholder under any Option previously granted to the Optionholder without the consent or deemed consent of the Optionholder.

- (2) The Board may amend the terms of any outstanding Option (including, without limitation, the cancellation of an Option or an amendment to the date or dates on which an Option or a portion thereof vests and so becomes exercisable), provided that:
 - (a) any required regulatory, Exchange and shareholder approvals are obtained;
 - (b) the Board would have had the authority to initially grant the Option under terms as so amended; and
 - (c) the consent or deemed consent of the Optionholder is obtained if the amendment would prejudice the rights of the Optionholder under the Option.

6.03 **Compliance with Laws and Exchange Rules**

The Plan, the grant and exercise of Options under the Plan and the Corporation's obligation to issue Common Shares on exercise of Options will be subject to all applicable federal, provincial and foreign laws, rules and regulations and the rules of any stock exchange on which the Common Shares are listed for trading. No Option will be granted and no Common Shares will be issued under the Plan where such grant or issue would require registration of the Plan or of such Common Shares under the securities laws of any foreign jurisdiction and any purported grant of any Option or issue of Common Shares in violation of this provision will be void. Common Shares issued to Optionholders pursuant to the exercise of Options may be subject to limitations on sale or resale under applicable securities laws.