

**TWOCO PETROLEUMS LTD.**

**NOTICE OF ANNUAL AND SPECIAL  
MEETING OF SHAREHOLDERS  
WEDNESDAY, JULY 14, 2004**

**AND**

**INFORMATION CIRCULAR  
JUNE 14, 2004**

**TWOCO PETROLEUMS LTD.**  
1050, 1122 – 4th Street SW  
Calgary, Alberta T2R 1M1

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO THE SHAREHOLDERS OF TWOCO PETROLEUMS LTD.**

**NOTICE IS HEREBY GIVEN** that an Annual and Special Meeting of the holders of common shares (the "Common Shares") of Twoco Petroleum Ltd. (the "Corporation") will be held in the main boardroom at the offices of Gowling Lafleur Henderson LLP, 1400, 700 - 2<sup>nd</sup> Street SW, Calgary, Alberta on Wednesday, July 14, 2004 at 10:00 a.m. (Calgary time), and any adjournments thereof (the "Meeting") for the purposes of:

- 1. receiving and considering the audited financial statements of the Corporation dated December 30, 2003 and the auditors' report thereon;**
- 2. considering and, if thought advisable, passing a resolution fixing the number of directors at five (5) and authorizing the board of directors to increase or decrease the number of directors within the minimum and maximum provided in the Corporation's articles;**
- 3. electing directors for the ensuing year, as described in the Information Circular;**
- 4. appointing the auditors for the ensuing year and authorizing the board of directors to fix the remuneration to be paid to the auditors;**
- 5. considering, and if thought advisable, passing a resolution confirming the Corporation's stock option plan; and**
- 6. transacting such other business as may be properly brought before the Meeting or any adjournment thereof.**

Specific details on the matters referred to above are set forth in the Information Circular of the Corporation which accompanies this Notice.

**Proxies are being solicited by the management of the Corporation. Shareholders of the Corporation who are unable to attend the Meeting in person are requested to complete, date and sign the enclosed form of proxy and to mail it or deposit it with Twoco Petroleum Ltd. c/o CIBC Mellon Trust Company at 600, 333 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 2Z1. In order to be effective, forms of proxy must be returned to the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof provided, however, that the Chairman of the Meeting may in his discretion accept proxies received after this time up to and including the time of the Meeting or any adjournment thereof.**

Pursuant to the *Business Corporations Act* (Alberta), a record date for the Meeting has been set for June 11, 2004 and only shareholders of record at the close of business on the record date are entitled to receive notice of and to vote at the Meeting unless after that date a shareholder of record transfers his shares and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he owns such shares, demands at any time not later than ten (10) days before the Meeting that the transferee's name be included in the list of shareholders before the Meeting, in which case such transferee is entitled to vote such shares at the Meeting. In accordance with National Instrument 54-101, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so.

**DATED** at the City of Calgary, Alberta, this 14<sup>th</sup> day of June, 2004.

**BY ORDER OF THE BOARD OF DIRECTORS**

(Signed) "Wayne A. Malinowski"

Wayne A. Malinowski

President, Chief Executive Officer and Director

## TWOCO PETROLEUMS LTD.

*(Information is as of June 14, 2004 unless otherwise specified)*

### INFORMATION CIRCULAR FOR THE JULY 14, 2004 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

THIS INFORMATION CIRCULAR (the "Circular") IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES ON BEHALF OF THE MANAGEMENT OF TWOCO PETROLEUMS LTD. ("Twoco" or the "Corporation") for use at the Annual and Special Meeting of holders of common shares of the Corporation ("Shareholders") to be held in the main boardroom at the offices of Gowling Lafleur Henderson LLP, 1400, 700 - 2<sup>nd</sup> Street S.W., Calgary, Alberta on July 14, 2004 at the hour of 10:00 a.m. (Calgary time), and any adjournment or adjournments thereof (hereinafter called the "Meeting") for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Shareholders (the "Notice").

### PROXIES

#### Solicitation of Proxies

Although the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone or telecopy by directors and officers of the Corporation. The costs of any such solicitation will be borne by the Corporation. No solicitation will be made by specifically engaged employees or soliciting agents. Enclosed with the Notice and Circular is an Instrument of Proxy for use at such Meeting.

#### Record Date

Shareholders in the capital of the Corporation (the "Common Shares") of record on June 11, 2004 are entitled to notice of, and to attend and vote at, the Meeting.

#### Appointment and Revocation of Proxies

A duly completed proxy will constitute the person(s) named in the Instrument of Proxy as the Shareholder's proxyholder. An instrument appointing a proxy shall be in writing and shall be executed by the Shareholder or an attorney authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized.

The persons named in the Instrument of Proxy accompanying this Information Circular are officers and directors of the Corporation (the "Management Designees"). **A Shareholder submitting an Instrument of Proxy shall have the right to appoint a person to represent the Shareholder at the Meeting other than the person or persons designated in the Instrument of Proxy furnished by the Corporation. To exercise this right, the Shareholder must either cross out the names of the Management Designees and legibly insert the name of the desired representative in the blank space provided in the Instrument of Proxy or submit another appropriate form of proxy.** An Instrument of Proxy will not be valid unless it is deposited at the offices of CIBC Mellon Trust Company at 600, 333 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 2Z1, not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, or any adjournment thereof, or unless it is delivered to the Chairman of the Meeting at the Meeting, or any adjournment thereof.

**A person giving a proxy has the power to revoke it.** In addition to revocation in any other manner permitted by law, an Instrument of Proxy may be revoked by instrument in writing executed by the Shareholder or by an attorney authorized in writing or, if the Shareholder is a corporation, by an officer or attorney duly authorized, and delivered to the offices of CIBC Mellon Trust Company at 600, 333 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 2Z1, at any time up to and including 4:00 p.m. (Calgary time) on the last business day preceding the day of the Meeting, or any adjournment thereof at which such Instrument of Proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deliveries, the Instrument of Proxy shall be revoked. No Instrument of Proxy shall be valid after expiration of twelve months from the date of its execution.

## Exercise Of Discretion By Proxyholder

All Common Shares represented by properly appointed proxies in the accompanying form will be voted, and where a choice with respect to any matter to be acted upon has been specified in the proxy, the Common Shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder appointing them on any ballot that may be called for. **IN THE ABSENCE OF INSTRUCTIONS, SUCH SHARES WILL BE VOTED IN FAVOUR OF THE MATTERS REFERRED TO IN THE ACCOMPANYING NOTICE OF MEETING.** The enclosed Instrument of Proxy confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting.

As at the date of this Circular, management of the Corporation knows of no amendments, variations or other matters to come before the Meeting, other than those matters referred to in the Notice.

## Advice To Beneficial Shareholders

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

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholder's meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided by the Corporation to the registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications Corporation ("ADP").

ADP typically mails voting instruction forms ("VIF's") to the Beneficial Shareholders and asks Beneficial Shareholders to return the VIF's to ADP. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at a meeting. **A Beneficial Shareholder receiving a VIF cannot use that VIF to vote Common Shares directly at the Meeting. The VIF must be returned to ADP well in advance of the Meeting in order to have such shares voted at the Meeting.**

## INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as disclosed herein, no director or executive officer of the Corporation who has held the position at any time since the beginning of the last completed financial year of the Corporation, nor any proposed nominee of the management of the Corporation for election as a director of the Corporation, nor any associate or affiliate 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 upon at the Meeting.

## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at June 11, 2004, there are 11,354,656 Common Shares of the Corporation issued and outstanding, each carrying the right to one vote per share. On a show of hands, each Shareholder present in person or by proxy has one vote. Only Shareholders registered on June 11, 2004 (the "Record Date") are entitled to receive notice of and to vote at the Meeting, unless after that date, a Shareholder of record transfers shares and the transferee, upon producing properly endorsed certificates evidencing such Common Shares or otherwise establishing ownership of such shares, requests not later than ten (10) days before the Meeting that the transferee's name be included in the list of Shareholders entitled to vote, in which case such transferee is entitled to vote such shares at the Meeting.

Voting at the Meeting shall be by a show of hands, except when a ballot is demanded by a Shareholder or proxyholder entitled to vote at the Meeting. The By-Laws of the Corporation provide that two (2) individuals present in person at the Meeting, each being a Shareholder entitled to vote thereat or a duly appointed proxy or representative for an absent Shareholder so entitled, representing in the aggregate not less than 5% of the outstanding Common Shares, constitute a quorum for the purpose of the Meeting.

To the best of the knowledge of the directors and executive officers of the Corporation, the following are the only Shareholders beneficially owning, directly or indirectly, Common Shares carrying more than ten (10%) percent of the voting rights of the outstanding shares of the Corporation:

Name of Shareholder	Number of Common Shares beneficially owned, directly or indirectly	Percentage of Common Shares beneficially owned, directly or indirectly
Wayne A. Malinowski	2,740,738 <sup>(1)</sup>	24%

Note:

(1) Of these, 257,750 are held by his spouse.

## EXECUTIVE COMPENSATION

Disclosure is required for the Chief Executive Officer, the Chief Financial Officer and the three most highly compensated executive officers of the Corporation other than the Chief Executive Officer and Chief Financial Officer, but only if their total salary and bonus exceeds \$150,000 (the "Named Executive Officers"). The following table sets forth the remuneration of the Named Executive Officers of Twoco for the fiscal years of Twoco ended December 30, 2003, December 30, 2002 and December 30, 2001. The annual salary and bonus for each of the remaining executive officers of Twoco was less than \$150,000 for the fiscal years in question.

### Compensation Summary

Name and Principal Position	ANNUAL COMPENSATION				LONG-TERM COMPENSATION	
	Year Ended Dec. 30	Salary(\$)	Bonus(\$)	Other Annual Compensation <sup>(1)</sup>	Securities Under Option/ SARs Granted(#)	All Other Compensation
Wayne A. Malinowski President and Chief Executive Officer	2003	60,832	Nil	Nil	250,000 <sup>(2)</sup>	Nil
	2002	12,500	Nil	Nil	Nil	Nil
	2001	Nil	Nil	Nil	Nil	Nil
Timothy A. Bashforth Vice-President Exploration and Secretary-Treasurer	2003	83,938	Nil	Nil	250,000 <sup>(2)</sup>	Nil
	2002	79,605	Nil	Nil	Nil	Nil
	2001	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Perquisites and other personal benefits do not exceed 10% of the total salary of the Named Executive Officers.
- (2) After giving effect to a share split on December 18, 2003.

The following table discloses the options to purchase or acquire securities of Twoco granted to the Named Executive Officers during the fiscal year ended December 30, 2003:

## Option Grants During the Year Ended December 30, 2003

Name	Number of Securities Under Options Granted (#)	Exercise Price (\$/share)	Expiration Date	% of Total Options Granted to Employees in Financial Year	Market Value of Share Underlying Options (\$/share)
Wayne A. Malinowski	250,000	\$1.25	July 30, 2008	41%	N/A <sup>(1)</sup>
Timothy A. Bashforth	250,000	\$1.25	July 30, 2008	41%	N/A <sup>(1)</sup>

Note:

- (1) As at December 30, 2003, the Common Shares were not listed and posted on any stock exchange or over-the-counter market; however, such shares were listed and posted on the TSX Venture Exchange on April 28, 2004.

## Aggregated Options Exercised During the Year Ended December 30, 2003 and Year-End Options Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 30, 2003 (#) Exercisable/Unexercisable	Value of Unexercised in-the-Money Options as at December 30, 2003 (\$) Exercisable/Unexercisable
Wayne A. Malinowski	Nil	N/A	250,000 / 0	N/A <sup>(1)</sup>
Timothy A. Bashforth	Nil	Nil	250,000 / 0	N/A <sup>(1)</sup>

Note:

- (1) As at December 30, 2003, the Common Shares were not listed and posted on any stock exchange or over-the-counter market.

## Employment Contracts and Termination of Employment

The Corporation has entered into employment contracts dated July 30, 2003 with each of the Named Executive Officers for terms of five years, renewable annually thereafter. The terms and conditions of the employment contracts for each of the Named Executive Officers are identical. In the event of a termination of employment without cause, or a change of control situation whereby the Named Executive Officer is either terminated or determines within 6 months of such change of control to terminate his employment, the Named Executive Officer is entitled to receive an amount equal to 1.5 times his annual base salary, plus 1.5 times the amount of his average annual past bonus payments, plus 18 times the Corporation's latest monthly premium contributions relating to the Corporation's employee benefits program. Additionally in such cases, any unvested stock options shall immediately vest and become exercisable. The Corporation has also entered into confidentiality agreements with each of the Named Executive Officers, as well as certain other employees and consultants, the provisions of which survive terminations of employment.

## Compensation of Directors

The directors of Twoco are not currently entitled to receive any cash compensation for acting as directors but are eligible to participate in the stock option plan of Twoco (the "Plan"). As at the date hereof, stock options exercisable into 60,000 Common Shares at an exercise price of \$1.25 per share have been granted under the Plan to directors who are not employees. It is anticipated that options to acquire Common Shares will be granted to directors of the Corporation from time to time under the Plan and that cash compensation consistent with industry practice may be provided to directors who are not officers or employees of Twoco.

## Stock Option Plan

Twoco established a Stock Option Plan for its directors, officers, employees, and consultants effective August 21, 2003 (the "Plan"), the material terms of which were included in the prospectus of the Corporation pursuant to its initial public offering, and a copy of which is attached hereto as Appendix "A". The number of authorized but unissued Common Shares that may be subject to options granted to optionees under the Plan shall not exceed

10% of the Common Shares issued and outstanding at the date of grant. Rolling 10% Plans such as this one require annual shareholder approval.

The purpose of the Plan is to provide directors, officers, employees and consultants of Twoco with an opportunity to purchase Common Shares and benefit from the appreciation thereof. This proprietary interest in Twoco provides an incentive to contribute to the future success and prosperity of Twoco, thus enhancing the value of the Common Shares for the benefit of all Shareholders and increasing the ability of Twoco to attract and retain persons of experience. The Plan is administered by Twoco's board of directors (the "Board") and all decisions and interpretations of the Board respecting the Plan or stock options granted thereunder shall be conclusive and binding on the Corporation and on the optionees. The Board may, at any time and from time to time, grant options under the Plan on terms and conditions to be determined by the Board from time to time, subject to the conditions contained in the Plan and subject to the policies of the TSX Venture Exchange (the "Exchange").

The exercise price of the stock options shall be fixed by the Board at the date of grant, provided that such price shall not be less than that permitted by any stock exchange upon which the Common Shares are then listed and posted for trading. The maximum term for which stock options may be exercisable is five years, but such term may be shortened by the Board in any stock option agreement, and all stock options will be subject to early termination in accordance with the provisions of the Plan relating to the cessation of the optionee as a director, officer, employee or consultant, either due to termination of employment or due to death or permanent disability. At no time will any one person be entitled to stock options exceeding five percent of the issued and outstanding Common Shares in a one year period. Furthermore, stock options reserved for issuance to insiders (as defined in the Plan) within a one year period may not exceed ten percent of the issued and outstanding Common Shares unless disinterested shareholder approval is obtained, and of that, the number that may be granted to consultants or to employees conducting investor relation activities, may not exceed two percent of such shares. In addition, the issuance to any one insider and such insiders' associates pursuant to the Plan and other share compensation arrangements within a one year period may not exceed five percent of the outstanding shares unless disinterested shareholder is approved. For more information, refer to Appendix "A" where the Plan is set out in full.

#### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

Plan Category	# of Shares to be Exercised Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	# of Shares Remaining Available for Future Issuance
Equity Compensation Plans Approved by Securityholders <sup>(1)</sup>	630,000	\$1.26	505,465 <sup>(2)</sup>
Equity Compensation Plans Not Approved by Securityholders	N/A	N/A	N/A
<b>TOTAL</b>			<b>505,465<sup>(2)</sup></b>

Notes:

- (1) See description of the Plan above.
- (2) As at the date hereof; however the Plan is a rolling 10% plan, so this number will increase as the number of shares available for issuance is determined at the date of the option grant based on the number of issued and outstanding shares as at that date.

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No directors or officers of the Corporation, any proposed director of the Corporation or any of their associates, is or has been indebted to the Corporation since the commencement of the last completed fiscal year of the Corporation or has indebtedness to another entity that is, or at any time since the commencement of the last completed fiscal year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of senior management, there are no material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of directors and officers of the Corporation, any shareholder who beneficially owns more than ten (10%) percent of the Common Shares of the Corporation, or any known associate or affiliate of these persons in any transaction since the commencement of the Corporation's last completed fiscal year or in any proposed transaction, which has materially affected or would materially affect the Corporation other than as disclosed herein.

## **CORPORATE GOVERNANCE PRACTICES**

The Board assumes responsibility for the stewardship of the Corporation. As a Tier 1 issuer on the Exchange, the Corporation is required to disclose its corporate governance practices and processes with reference to the guidelines contained in the Toronto Stock Exchange (the "TSX") Company Manual (the "Guidelines"). Management and the Board are dedicated to meeting or exceeding the Guidelines and, in furtherance thereof, have adopted position descriptions for the Board and its senior officers, charters for its various committees, and policies in relation to business conduct, disclosure and share trading.

Attached to this Information Circular, as Appendix "A", is a summary of the corporate governance practices of the Corporation as compared to the Guidelines.

## **AUDITORS, REGISTRAR AND TRANSFER AGENT**

Deloitte & Touche LLP, Chartered Accountants, Calgary, Alberta are the auditors of the Corporation and have been so since February, 2004. The registrar and transfer agent for the Corporation's common shares is CIBC Mellon Trust Company at its principal offices in Calgary, Alberta.

## **MATTERS TO BE ACTED UPON AT MEETING**

### **1. Financial Statements & Auditor's Report**

The financial statements of the Corporation for the year ended December 30, 2003 and the Auditors Report thereon, will be given consideration at the Meeting. No vote by the Shareholders with respect to this matter will be required.

### **2. Fixing The Number Of Directors**

The Articles of the Corporation state that the Corporation may have a minimum of three (3) and maximum of fifteen (15) directors. The Shareholders will be asked to consider, and if thought fit, to pass the following resolution:

"BE IT RESOLVED THAT the number of directors of the Corporation be and the same is hereby fixed at five (5) directors until such time as the directors determine by resolution to increase or decrease that number in accordance with the Corporation's Articles and By-Laws".

**IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE IN FAVOUR OF FIXING THE NUMBER OF DIRECTORS TO BE ELECTED AT FIVE UNLESS OTHERWISE DIRECTED.**

### **3. Election Of Directors**

It is proposed that the following persons will be nominated to the Corporation's Board at the Meeting. Four of the nominees are currently directors of the Corporation. Each director elected will hold office until the next annual meeting or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the *Business Corporations Act* (Alberta). The names and municipalities of residence of the nominees, the number of voting securities of the Corporation beneficially held, or over which such nominee exercises control or direction, the positions held by each and their principal occupation for the last five years is set out in the table below:

Name and Country of Residence	Position Presently Held <sup>(2)</sup>	Director Since	Principal Occupation	Shares Beneficially Held
Wayne A. Malinowski Alberta, Canada	President, Chief Executive Officer and Director	September 21, 2000	Prior to his current position with Twoco, Mr. Malinowski was President and director of Rhodie Petroleums Ltd., a private company from 1982-2000.	2,740,738 <sup>(3)</sup>
Timothy A. Bashforth <sup>(1)</sup> Alberta, Canada	VP Exploration, Secretary-Treasurer and Director	September 21, 2000	Prior to his current position with Twoco, Mr. Bashforth was the Exploration Manager of Rhodie Petroleums Ltd. from 1992-2000.	642,818 <sup>(4)</sup>
Larry C. Mah, C.A. <sup>(1)</sup> Alberta, Canada	Director	August 21, 2003	Mr. Mah is a chartered accountant and senior partner with Collins Barrow and has been at Collins Barrow since 1974.	101,600
Richard A. N. Bonnycastle <sup>(1)</sup> Alberta, Canada	Director	August 21, 2003	Mr. Bonnycastle is the Chairman, President and a director of Cavendish Investing Ltd. and has been for over 5 years.	631,500
James A.W. Williams, C.A. Alberta, Canada	Proposed Director	N/A	Mr. Williams is a lawyer and chartered accountant and practices law with Borden Ladner Gervais LLP. Mr. Williams previously practiced law with Gowling Lafleur Henderson LLP and its predecessor firm Ballem MacInnes from 1999 until June, 2004.	4,000

Notes:

- (1) Member of the Audit Committee. Twoco does not have an Executive Committee.
- (2) The implementation of three new committees was approved by the Board on June 8, 2004. Provided that the above nominees are elected as directors, the Corporate Governance, Environment and Safety Committee will be comprised of Wayne A. Malinowski, Larry C. Mah and James A. W. Williams, the Compensation Committee will be comprised of Richard A. N. Bonnycastle, , Larry C. Mah and James A. W. Williams, and the Reserve Committee will be comprised of Timothy A. Bashforth, Larry C. Mah and James A. W. Williams. Each of the committees is made up of a majority of unrelated directors.
- (3) Of these 257,750 Common Shares are held by Mr. Malinowski's spouse.
- (4) Of these 278,004 Common Shares are held by Mr. Bashforth's spouse.

Other than as disclosed herein, no proposed director:

- (a) is, or has been, within the last 10 years, a director or executive officer of any company that, while that person was acting in that capacity,
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- (b) has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

The Shareholders will be asked to consider, and if thought fit, to pass the following resolution:

"BE IT RESOLVED THAT the persons nominated to hold office as directors of the Corporation until the close of the next annual meeting of shareholders, as set out in the Information Circular of the Corporation dated June 14, 2004, be and are hereby appointed as such".

**IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE ELECTION OF SAID PERSONS TO THE BOARD UNLESS OTHERWISE DIRECTED.**

#### **4. Appointment of Auditor**

At the Meeting, the Shareholders will be asked to appoint an auditor to serve until the close of the next annual meeting of the shareholders of the Corporation and to authorize the Board to fix the remuneration payable to the auditor. The directors of the Corporation have recommended that Deloitte & Touche LLP, Chartered Accountants, be appointed as the auditor of the Corporation. Deloitte & Touche LLP was first appointed auditor on February 27, 2004.

**ALL PROXIES NAMING THE MANAGEMENT DESIGNEES WILL BE VOTED IN FAVOUR OF THE ELECTION OF DELOITTE & TOUCHE LLP, CHARTERED ACCOUNTANTS, AS THE AUDITOR FOR THE ENSUING YEAR UNLESS THE PROXIES ARE DIRECTED TO BE WITHHELD FROM VOTING.**

#### **5. Confirmation of Stock Option Plan**

To remain in compliance with the policies of the Exchange, which require annual shareholder approval of 10% rolling plans, the Corporation will be presenting to the Shareholders for approval the Plan of the Corporation in the form attached as Appendix "B", which was approved on August 21, 2003.

The Corporation's Plan reserves a maximum of 10% of the issued and outstanding shares of the Corporation (determined at the time of the stock option grant) for issuance upon the exercise of stock options granted pursuant to the Plan. Currently there are 11,354,656 Common Shares issued and outstanding, and therefore as at the date hereof, 1,135,465 Common Shares are available for issuance under the Plan, with such number increasing in accordance with the number of issued and outstanding shares. Of these, 630,000 have already been granted to employees, directors and officers, at exercise prices ranging from \$1.25 to \$1.75 per share.

The Shareholders will be asked to consider, and if thought fit, to pass the following resolution:

"BE IT RESOLVED THAT the rolling stock option plan of the Corporation dated August 21, 2003, in the form attached as Appendix "B" to the Information Circular of the Corporation dated June 14, 2004, which provides that a maximum of 10% of the issued and outstanding shares as at the date of any stock option grant shall be reserved for issuance upon the exercise of stock options be and is hereby confirmed."

The Stock Option Resolution must be passed by a majority of the votes cast by the Shareholders who vote at the Meeting either in person or by proxy. **IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE CONFIRMATION OF THE STOCK OPTION PLAN OF THE CORPORATION UNLESS OTHERWISE DIRECTED.**

## **6. Other Business**

Management of the Corporation knows of no other matters nor of any variations or amendments to the matters set out herein which will be presented at the Meeting.

### **AVAILABILITY OF CERTAIN DOCUMENTS**

Under National Instrument 54-101, adopted by the Canadian Securities Administrators, a person or company who wishes to receive interim financial statements from the Corporation must deliver a written request for such material to the Corporation, together with a signed statement that the person or company is the owner of securities (other than debt instruments) of the Corporation. The Corporation's policy is to provide interim financial statements to registered Shareholders, however, non-registered Shareholders who wish to receive interim financial statements are encouraged to send the enclosed return form, together with the completed Instrument of Proxy, in the addressed envelope provided to the Corporation's agent, CIBC Mellon Trust Company. The Corporation's agent will maintain a supplemental list of persons and companies wishing to receive interim financial statements.

### **ADDITIONAL INFORMATION**

Any Shareholder of the Corporation may obtain copies of the Corporation's Annual Report, Interim Quarterly Reports and MD&A, without charge, by writing to the Corporation at its head office. Additional copies of the Circular are available upon request. Such documents are also available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com).

Financial information on the Corporation is provided in the Corporation's financial statements and MD&A for the year ended December 30, 2003.

### **APPROVAL**

The contents and sending of this Information Circular have been approved in substance by the Board of the Corporation.

## CERTIFICATE OF THE CORPORATION

**Dated:** June 14, 2004

*The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.*

IT IS AN OFFENCE UNDER THE *SECURITIES ACT* (ALBERTA) AND THE *ALBERTA SECURITIES COMMISSION RULES* FOR A PERSON OR COMPANY TO MAKE A STATEMENT IN A DOCUMENT REQUIRED TO BE FILED OR FURNISHED UNDER THE ACT OR THE RULES THAT, AT THE TIME AND IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH IT IS MADE, IS A MISREPRESENTATION.

(Signed) "Wayne A. Malinowski"

Wayne A. Malinowski  
President, Chief Executive Officer

(Signed) "Timothy A. Bashforth"

Timothy A. Bashforth  
VP Exploration and Secretary-Treasurer

## APPENDIX "A"

Corporate Guideline of the Toronto Stock Exchange	Compliant?	Comments
1. The Board should explicitly assume responsibility for stewardship of the Corporation, and specifically for:	Yes	<p>The Board of Directors (the "Board") has the duty of managing the business and affairs of the Corporation in accordance with the provisions of the <i>Business Corporations Act</i> (Alberta) and other requirements of law including those applicable to the directors of a public company. In order to fulfil its mandate, the Board has adopted a position description for the Board (the "Board Position Description") detailing the purpose, procedures and organization, and the duties and responsibilities with regard to legal requirements, independence, strategies, risk management, appointment, training and monitoring of senior management and nomination of directors, compliance, reporting and communication matters.</p> <p>The Board holds scheduled meetings at least once per fiscal quarter and additionally as required to consider specific issues. The directors are stewards of the Corporation and it is the responsibility of the Board and management to establish the general strategic direction of the Corporation and to oversee management's conduct of the business and affairs of the Corporation. The Board approves the operating objectives of the Corporation through assessing the general strategic direction of the Corporation and by establishing annual capital and operating budgets. Management is responsible for the day-to-day operations of the Corporation.</p>
(a) Adoption of a strategic planning process;	Yes	One of the duties of the Board as per the Board Position Description, is the responsibility to oversee the strategic planning of the Corporation. The Board receives, reviews and authorizes the strategic plan of the Corporation on at least an annual basis.
(b) Identification of principal risks, and implementing risk-management systems;	Yes	<p>One of the duties of the Board as per the Board Position Description, is the responsibility to oversee the identification of the principal risks, and to oversee the implementation of risk-management systems.</p> <p>The Board considers all of the principal risks facing the Corporation's operations and business at its regularly scheduled Board meetings and through its various committees. Each of these committees has adopted a charter governing the particular committee.</p>
(c) Succession planning and monitoring senior management;	Yes	One of the duties of the Board, as per the Board Position Description, is the responsibility to oversee and monitor senior management and to ensure management's aware of the Board's expectations. It is the responsibility of the Board to ensure that a formal succession plan is in place.

Corporate Guideline of the Toronto Stock Exchange	Compliant?	Comments
(d) Communications policy;	Yes	<p>The Board has adopted a Disclosure and Confidentiality Policy detailing various procedures and practices pertaining to disclosure of "material information", trading restrictions, blackout periods, confidentiality, news releases, contacts with analysts, investors and the media, and other communications related matters.</p> <p>The Board authorizes all quarterly press releases and is responsible for authorizing all continuous disclosure documents and extraordinary disclosure documents such as prospectuses or take-over bid circulars. Management is responsible for normal course press releases, regulatory reporting and compliance and shareholder and market communications.</p>
(e) Integrity of the Corporation's internal control and management information systems.	Yes	The Board evaluates the integrity of the Corporation's internal control and management information through its various committees. The Board has adopted audit, corporate governance (including health, safety and environmental responsibilities), reserve and compensation committees. Each of these committees have charters governing them.
2. Majority of the Board should be "unrelated" (free from conflicting interest).	See comments	The Board currently consists of four directors, two inside directors who are part of management and two outside directors. A third outside director has been nominated for election. Wayne A. Malinowski and Timothy A. Bashforth are considered related directors and Larry C. Mah and Richard A. N. Bonnycastle are considered unrelated directors. Other than Mr. Malinowski, the Corporation does not have a significant shareholder (one who holds sufficient votes to elect a majority of the directors). The Board intends to add additional members to its Board and committees as suitable.
3. Disclose for each director whether he or she is related, and how that conclusion was reached.	Yes	Wayne A. Malinowski and Timothy A. Bashforth are considered related directors due to the fact they are also officers of the Corporation.
4. Appoint a committee responsible for the appointment/assessment of directors.	Yes	The Corporation has established a corporate governance, environment and safety committee formally responsible for the assessment of directors. Board members are selected for the contribution they can make given their diversity of experience. The entire Board addresses proposals for new nominees on an ongoing basis.
5. Implement a process for assessing the effectiveness of the Board, its committees and individual directors.	Yes	The corporate governance, environment and safety committee is formally responsible for assessing the effectiveness of the Board, its committees and the individual directors.
6. Provide orientation and education programs for new directors.	See Comments	The Corporation has established a corporate governance committee formally responsible for the orientation and education programs for new directors. Orientation is limited to an overview of the business and a review of practices of the Corporation, however, management and the Board will provide additional information as requested. Every new director will be provided with a copy of the corporate governance manual which includes position descriptions, charters and policies. The Corporation has not yet established a formal orientation program.

Corporate Guideline of the Toronto Stock Exchange	Compliant?	Comments
7. The Board should, on an ongoing basis, examine its size to ensure that it is an effective decision making unit.	Yes	The Corporation believes the Board must have enough directors to carry out its duties efficiently while presenting a diversity of views and experiences. The Board as constituted, with the addition of the new nominee, is sufficient to effectively and efficiently fulfill its duties.
8. Review the compensation of the Board in light of their risks and responsibilities.	Yes	The compensation committee is responsible for making recommendations to the Board with respect to compensation related matters. It is difficult to compensate directors fully for the risks and responsibilities they assume. The compensation of directors is assessed annually with comparison to industry standards. At the present time, the Corporation does not remunerate its directors for acting in such capacity. All directors have been allocated stock options.
9. Committees should generally be composed of outside directors, a majority of whom are unrelated.	See Comments	<p>The Corporation seeks to appoint those persons to committees that, by virtue of their background and experience, can offer the greatest assistance in discharging the mandate of such committee.</p> <p>The Corporation has established an audit committee of the Board. The members of the audit committee are Timothy A. Bashforth, Larry C. Mah and Richard A. N. Bonnycastle, the majority of whom are unrelated directors.</p> <p>The Corporation has established a corporate governance, environment and safety committee. The proposed members of the corporate governance, environment and safety committee are Wayne A. Malinowski, Larry C. Mah and James A. W. Williams, the majority of whom are unrelated directors.</p> <p>The Corporation has established a reserves committee, the proposed members of which are Timothy A. Bashforth, Larry C. Mah and James A. W. Williams. The majority of the directors to comprise this committee will be unrelated.</p> <p>The Corporation has established a compensation committee, the proposed members which are Richard A. N. Bonnycastle, Larry C. Mah and James A. W. Williams, all of whom are considered unrelated directors.</p>
10. The Board should expressly assume, or assign to a committee, the responsibility for developing the Corporation's approach to corporate governance issues.	Yes	The entire Board has expressly assumed responsibility for developing, implementing and overseeing the Corporation's corporate governance practices. The Corporation has established a corporate governance, environment and safety committee (see above). This committee has adopted a charter detailing the purpose, organization, duties, responsibilities and mandate of the corporate governance, environment and safety committee.
11. The Board should develop position descriptions for the Board and for the Chief Executive Officer and the Board should approve or develop corporate objectives the Chief Executive Officer is responsible in meeting.	Yes	The Board Position Description details its responsibilities given the broad mandate and responsibilities of the Board in law and in determining the strategic direction of the Corporation. There are also position descriptions for the Chief Executive Officer, the Chief Financial Officer and Chief Operating Officer. The Board expects the Chief Executive Officer to implement its initiatives as set out in the position description. Management's objectives are reflected in the operating and capital budgets prepared and presented to the Board.

<b>Corporate Guideline of the Toronto Stock Exchange</b>	<b>Compliant?</b>	<b>Comments</b>
12. Establish procedures to enable the Board to function independently of management.	See Comments	The Board has established the various committees described above, and, with the exception of the compensation committee, the committees are comprised of a majority of unrelated directors. The Board meets independently of management when and if necessary. To date, the Board has not had reason to meet without management.
13. Establish an Audit Committee with a specifically defined mandate. All members should be non-management members.	See Comments	<p>The Corporation has established an audit committee of the Board. As discussed in 9. above, the audit committee is comprised of a majority of unrelated directors. Given the current size of the board, it is not possible to have all non-management director as the committee must not be less than three. However, the Board intends to appoint further directors to ensure that going forward this committee is comprised of only unrelated directors. The audit committee has adopted a charter detailing the purpose, organization, duties, responsibilities and mandate of the audit committee.</p> <p>The audit committee has direct access to the Corporation's external auditors. The external auditors provide a report to the Board commenting on the internal control environment within the Corporation on an annual basis.</p> <p>The Corporation's audit committee is generally mandated to: monitor audit functions and the preparation of financial statements; review all prospectuses, material change reports and any annual information form; and meet with the outside auditors independently of management.</p>
14. Implement a system to enable individual directors to engage outside advisors, at the Corporation's expense.	Yes	Individual directors may engage outside advisors as required or as appropriate and each of the committee charter specifically permit the committees to engage outside advisors at the Corporation's expense.

## APPENDIX "B"

### TWOCO PETROLEUMS LTD.

#### STOCK OPTION PLAN

##### 1. Purpose

The purpose of the Stock Option Plan (the "Plan") of Twoco Petroleum Ltd., a corporation incorporated under the *Business Corporations Act* (Alberta) (the "Corporation") is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation, and of its subsidiaries and affiliates, to acquire shares in the Corporation, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

##### 2. Administration

The Plan shall be administered by the Board of Directors of the Corporation or by a committee of the directors appointed from time to time by the Board of Directors of the Corporation pursuant to rules of procedure fixed by the Board of Directors (such committee or, if no such committee is appointed, the Board of Directors of the Corporation is hereinafter referred to as the "Board"). A majority of the Board, or of the committee if so appointed, shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the Board.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

##### 3. Shares Subject to Plan

Subject to adjustments as provided in Section 14 hereof, the shares to be offered under the Plan shall consist of shares of the Corporation's authorized but unissued common shares. The aggregate number of shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the outstanding shares of the Corporation at the time of granting of options (on a non-diluted basis). If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the un-purchased shares subject thereto shall again be available for the purpose of this Plan.

##### 4. Maintenance of Sufficient Capital

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of shares as will be sufficient to satisfy the requirements of the Plan.

##### 5. Eligibility and Participation

Directors, officers, consultants, and employees of the Corporation or any of its subsidiaries and affiliates, and employees of a person or company which provides management services or investor relations services to the Corporation or any of its subsidiaries and affiliates ("Management Company Employees") shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as "Participants").

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of shares to be subject to each option and exercise price therefore. In the case of employees or consultants of the Corporation or Management Company Employees, the option agreements to which they are party must contain a representation of the Corporation that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or any of its subsidiaries or affiliates.

An individual who has been granted an option may, if he is otherwise eligible, be granted an additional option or options if the Board shall so determine.

#### **6. Exercise Price**

- (a) The exercise price of the shares subject to each option shall be determined by the Board, subject to any applicable approvals required by any exchange upon which the shares are then listed and posted for trading or any other regulatory body having jurisdiction as may be selected for such purpose by the Board (the "Exchange").
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange, if applicable, and the option has been granted, the exercise price of an option may only be reduced, in the case of options held by insiders of the Corporation (as defined in the *Business Corporations Act* (Alberta)), if disinterested shareholder approval is obtained at a meeting of the shareholders of the Corporation.

#### **7. Number of Optioned Shares**

The number of shares subject to an option granted to any one Participant shall be determined by the Board, but any grant of options under the Plan shall be subject to the following restrictions:

- (a) the aggregate number of shares reserved for issuance pursuant to options granted to any one individual in any 12 month period may not exceed 5% of the issued and outstanding shares (on a non-diluted basis) at the date of grant;
- (b) the aggregate number of shares reserved for issuance pursuant to options granted to any one consultant in any 12 month period may not exceed 2% of the issued and outstanding shares (on a non-diluted basis) at the date of grant;
- (c) the aggregate number of shares reserved for issuance pursuant to options granted to employees conducting investor relations activities in any 12 month period may not exceed 2% of the issued and outstanding shares (on a non-diluted basis) at the date of grant; and
- (d) the issuance of shares to any one insider and such insider's associates' pursuant to the Plan and other share compensation arrangements in any 12 month period may not exceed 5% of the issued and outstanding shares (on a non-diluted basis) at the date of grant.

#### **8. Duration of Option**

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement, but shall be subject to earlier termination as provided in Sections 10 and 11 of the Plan.

#### **9. Option Period, Consideration and Payment**

- (a) The option period shall be a period of time fixed by the Board not to exceed five years from the date of grant, but may be reduced in accordance with Sections 10 and 11 with respect to any options held by a director, officer, consultant, employee or Management Company Employee of the

Corporation or any of its subsidiaries and affiliates who has ceased to act as such, whether by reason of resignation, termination or death.

- (b) Subject to the policies of the Exchange, if applicable, and to any exceptions provided herein, an option shall vest and may be exercised (in each case to the nearest full share) during the option period:
  - (i) in the circumstance where the number of shares reserved for issuance by the Board pursuant to the exercise of options granted is less than or equal to 10% of the number of issued and outstanding shares of the Corporation, in such manner as the Board may determine; and
  - (ii) in the circumstance where the Corporation is a Tier 2 Issuer, as defined in the policies of the TSX Venture Exchange Inc., and the number of shares reserved for issuance by the Board pursuant to the exercise of options granted is greater than 10% of the issued and outstanding shares of the Corporation, in accordance with a vesting schedule which shall be established by the Board and set out in each stock option agreement. The vesting schedule will be reasonably structured and equitable, and in no case will permit vesting over a period of less than 18 months.
- (c) Subject to the policies of the Exchange, any options granted to consultants performing investor relations activities must vest over a 12 month period with no more than 25% of the options vesting every 3 months.
- (d) Options which have vested may be exercised in whole or in part at any time and from time to time during the option period. No options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Corporation.
- (e) Except as set forth in Sections 10 and 11, no option may be exercised unless the Participant is at the time of such exercise a director, officer, consultant, or employee of the Corporation or any of its subsidiaries and affiliates, or a Management Company Employee of the Corporation or any of its subsidiaries and affiliates.
- (f) The exercise of any option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of common shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such common shares with respect to which the option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any shares subject to an option under this Plan, unless and until the certificates for such shares are issued to him or them under the terms of the Plan.

#### **10. Ceasing To Be a Director, Officer, Consultant or Employee**

If a Participant ceases to be a director, officer, consultant, or employee of the Corporation or any of its subsidiaries and affiliates or a Management Company Employee of the Corporation or any of its subsidiaries and affiliates for any reason (other than death), any option granted under this Plan, to the extent that it has not been exercised, shall expire on the earlier of the date set out in the option agreement and 5:00 p.m. (Calgary time) on the ninetieth (90<sup>th</sup>) day following the date notice of termination is given by the Corporation or the Participant, whether such termination is with or without reasonable notice, unless such Participant was engaged in investor relations activities, in which case any option shall expire at such time on the thirtieth (30<sup>th</sup>) day after notice of such termination is given. Notwithstanding the foregoing, in the event of termination of employment for cause, such option shall cease and terminate immediately upon the date notice of termination of employment for cause is given by the Corporation and shall be of no further force or effect whatsoever as to such of the optioned shares in respect of which such option has not previously been exercised.

Nothing contained in the Plan, nor in any option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Corporation or of any of its subsidiaries or affiliates.

#### **11. Death of Participant**

In the event of the death of a Participant, any option previously granted to him shall be exercisable only within the earlier of the expiry date of any option previously granted and one (1) year after such death and then only:

- (a) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that he was entitled to exercise the option at the date of his death.

#### **12. Rights of Optionee**

No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any shares issuable upon exercise of such option until certificates representing such shares shall have been issued and delivered.

#### **13. Proceeds from Sale of Shares**

The proceeds from the sale of shares issued upon the exercise of options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

#### **14. Adjustments**

If the outstanding shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares of securities of the Corporation through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board in its discretion in the number or kind of shares optioned and the exercise price per share, as regards previously granted and unexercised options or portions thereof, and as regards options which may be granted subsequent to any such change in the Corporation's capital.

Upon the liquidation or dissolution of the Corporation or upon a re-organization, merger or consolidation of the Corporation with one or more corporations as a result of which the Corporation is not the surviving corporation, or upon the sale of substantially all of the property or more than eighty (80%) percent of the then outstanding shares of the Corporation to another corporation, the Plan shall terminate, and any options theretofore granted hereunder shall terminate unless provision is made in writing in connection with such transaction for the continuance of the Plan and for the assumption of options theretofore granted, or the substitution for such options of new options covering the shares of a successor employer corporation, or a parent or subsidiary thereof, with appropriate adjustments as to number and kind of shares and exercise prices, in which event the Plan and options theretofore granted shall continue in the manner and upon the terms so provided. If the Plan and unexercised options shall terminate pursuant to the foregoing sentence, the shares subject to all options granted shall immediately vest and all Participants then entitled to exercise an unexercised portion of options then outstanding shall have the right at such time immediately prior to consummation of the event which results in the termination of the Plan as the Corporation shall designate, to exercise their options to the full extent not theretofore exercised.

Adjustments under this Section shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional share shall be required to be issued under the Plan on any such adjustment.

**15. Transferability**

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or to the extent, if any, permitted by the Exchange, if applicable. During the lifetime of a Participant, any benefits, rights and options may only be exercised by the Participant.

**16. Amendment and Termination of Plan**

The Board may, at any time, suspend or terminate the Plan. The Board may also at any time amend or revise the terms of the Plan, provided that no such amendment or revision shall alter the terms of any options theretofore granted under the Plan.

**17. Necessary Approvals**

The ability of a Participant to exercise options and the obligation of the Corporation to issue and deliver shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such shares shall terminate and any option exercise price paid to the Corporation will be returned to the Participant.

**18. Effective Date of Plan**

The Plan has been adopted by the Board of the Corporation subject to the approval of the shareholders of the Corporation and, if so approved, the Plan shall become effective upon such approval being obtained. Any option granted prior to such approval shall be conditional upon such approval, and no option may be exercised unless such approval is given.

**19. Interpretation**

The Plan will be governed by and construed in accordance with the laws of the Province of Alberta.

**20. Compliance with Applicable Law**

If any provision of the Plan or any option contravenes any law or any order, policy, by-law or regulation of any Exchange, if applicable, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith, without the requirement for any additional approval of such amendment by the shareholders of the Corporation.

**MADE** by the Board of Directors of the Corporation as evidenced by the signatures of the following directors duly authorized in that behalf effective July 30, 2003.

Approved by the shareholders of the Corporation at a meeting held August 21, 2003.