

**Twoco Petroleums Ltd.**

**Notice of Annual and Special Meeting of Shareholders  
To be held on June 4, 2009**

**and**

**Management Information Circular  
Dated May 8, 2009**

## TWOCO PETROLEUMS LTD.

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

**TAKE NOTICE THAT** an Annual and Special Meeting (the “**Meeting**”) of the shareholders (“**Shareholders**”) of Twoco Petroleums Ltd. (the “**Corporation**”) will be held in the President’s Room of the Calgary Petroleum Club, 319 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0L5 on Thursday, June 4, 2009 at 10:00 a.m. (Calgary time) for the following purposes:

1. receiving and considering the financial statements of the Corporation for the year ended December 31, 2008 and the report of the auditors thereon;
2. to fix the number of directors to be elected at the Meeting at five;
3. electing directors of the Corporation for the ensuing year;
4. appointing Deloitte & Touche LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year, at a remuneration to be fixed by the board of directors;
5. considering, and if thought advisable, passing a resolution confirming the Corporation’s stock option plan; and
6. transacting such other business as may properly come before the Meeting or any adjournment(s) or postponement thereof.

The details of all matters proposed to be put before the Shareholders at the Meeting are set forth in the Management Information Circular accompanying this Notice of Annual and Special Meeting of Shareholders.

**A Shareholder may attend the Meeting in person or may be represented thereat by proxy. A form of proxy for use at the Meeting or any adjournment or postponement thereof is enclosed with this notice. Shareholders who are unable to attend the Meeting are requested to date, sign and return the enclosed form of proxy to the Corporation's transfer agent (the “Transfer Agent”), CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1, Attention: Proxy Department, in the enclosed self-addressed envelope. In order to be valid, proxies must be received by the Transfer Agent at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or any adjournment or postponement thereof.**

Only Shareholders of record as of May 5, 2009, the record date, are entitled to receive notice of the Meeting.

**DATED** at Calgary, Alberta, this 8<sup>th</sup> day of May, 2009.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) “*Wayne A. Malinowski*”

President and Chief Executive Officer

**TWOCO PETROLEUMS LTD.**  
**MANAGEMENT INFORMATION CIRCULAR**  
**FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON JUNE 4, 2009**  
**SOLICITATION OF PROXIES**

This Management Information Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of Twoco Petroleum Ltd. ("**Twoco**" or the "**Corporation**") for use at the Annual and Special Meeting of the holders ("**Shareholders**") of common shares ("**Common Shares**") of the Corporation (the "**Meeting**"). The Meeting will be held in the President's Room of the Calgary Petroleum Club, 319 - 5<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0L5 on Thursday, June 4, 2009 at 10:00 a.m. (Calgary time) for the purposes set forth in the Notice of Annual and Special Meeting accompanying this Management Information Circular (the "**Notice**"). It is expected that such solicitation will be primarily by mail. Proxies may also be solicited personally by officers of the Corporation at nominal cost. The information contained in this Management Information Circular is given as of May 8, 2009, except where otherwise indicated.

**APPOINTMENT OF PROXY**

Those Shareholders who wish to be represented at the Meeting by proxy must complete and deliver a proper form of proxy to the Corporation's transfer agent (the "**Transfer Agent**"), CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1, Attention: Proxy Department, in the enclosed self-addressed envelope. In order to be valid, proxies must be received by the Transfer Agent at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the Meeting or any adjournment thereof.

**The persons named as proxyholders in the enclosed form of proxy are directors or officers of the Corporation (the "Management Designees"). A Shareholder desiring to appoint some other person as his or her representative at the Meeting may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Transfer Agent, at the place and within the time specified above for the deposit of proxies.**

**REVOCABILITY OF PROXY**

A Shareholder who has given a proxy has the power to revoke it. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing signed by the Shareholder or by his or her attorney authorized in writing and either delivered to the Transfer Agent at the place specified above, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof or deposited with the chairman of the Meeting on the day of the Meeting prior to the commencement of the Meeting.

## ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold shares in their own name. Shareholders who do not hold their shares in their own name (referred to in this Management Information Circular 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 Common Shares will not be registered in the Shareholder's name on the records of the Corporation. Such Common 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 acts as nominee for many Canadian brokerage firms). In the United States, the majority of such shares are registered in the name of CEDE & Co., which company acts as a nominee for many U.S. brokerage firms. Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the broker's clients. The directors and officers of the Corporation do not know for whose benefit the shares registered in the name of CDS & Co. or CEDE & Co. or of other brokers/agents are held. Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a beneficial Shareholder by its broker (or the agent of the broker) is similar to the form of proxy provided to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to Broadridge. Often, Beneficial Shareholders are alternatively provided with a toll-free telephone number or internet voting instructions to vote their shares. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction request or a Broadridge proxy cannot use that proxy to vote Common Shares directly at the Meeting. Beneficial Shareholders who receive their meeting materials via Broadridge must return the proxy forms, once voted, to Broadridge well in advance of the Meeting in order to have the Common Shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by Broadridge well in advance of the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend at the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or their broker's agent) in

accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

All references to Shareholders in this Management Information Circular and the accompanying Instrument of Proxy and Notice are to Shareholders of record, unless specifically stated otherwise.

### **EXERCISE OF DISCRETION WITH RESPECT TO PROXIES**

**The Common Shares represented by the enclosed proxy will be voted or withheld from voting on any motion, by ballot or otherwise, in accordance with any indicated instructions. In the absence of such direction, such shares will be voted FOR the resolutions referred to in items 1, 2, 3 and 4 of the proxy.**

If any amendment or variation to matters identified in the Notice is proposed at the Meeting or any adjournment or postponement thereof, or if any other matters properly come before the Meeting or any adjournment or postponement thereof, the enclosed proxy confers discretionary authority to vote on such amendments or variations or such other matters according to the best judgment of the appointed proxyholder. Unless otherwise stated, the Common Shares represented by this proxy will be voted in favour of the election of nominees set forth in this Management Information Circular except where a vacancy among such nominees occurs prior to the Meeting, in which case, such Common Shares may be voted in favour of another nominee in the proxyholder's discretion. As at the date of this Management Information Circular, the management of the Corporation is not aware of any amendments or variations or other matters to come before the Meeting.

### **Signature on Proxies**

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

### **Solicitation of Proxies**

This solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of both the form of proxy and this Management Information Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of the Corporation who will not be directly compensated therefor.

In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, 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. The costs thereof will be borne by the Corporation.

## INTEREST OF DIRECTORS AND OFFICERS IN MATTERS TO BE ACTED UPON

No director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any other insider of the Corporation, nor any associate or affiliate of any one of them, has or has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting except as described in this Management Information Circular under the heading "Fixing Number of Directors and Election of Directors".

### VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at the date of this Management Information Circular, Twoco had 14,941,406 issued and outstanding Common Shares. Shareholders of record as of May 5, 2009 (the "**Record Date**") are entitled to receive notice of and attend and vote at the Meeting.

On a show of hands, every Shareholder present in person or represented by proxy (and entitled to vote) has one vote. On a poll or ballot, every Shareholder present in person or by proxy has one vote for each Common Share held. All votes on special resolutions (if any) will be conducted by a poll and no demand for a poll is required.

Holders of all Common Shares acquired subsequent to the Record Date and prior to the date of the Meeting are also entitled to attend and vote at the Meeting. However, if a Shareholder has transferred the ownership of any of his, her or its Common Shares after the Record Date and the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he, she or it owns the shares and demands, not later than ten days before the Meeting, that his, her or its name be included in the list before the Meeting, the transferee shall be entitled to vote such shares at the Meeting.

To the best of the knowledge of the directors and officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the voting rights attached to all of the issued and outstanding Common Shares as at the date of this Management Information Circular, other than as set forth below:

Name and Municipality of Residence	Type of Ownership	Number of Common Shares as at Record Date	Percentage of Outstanding Common Shares as at Record Date
Wayne A. Malinowski Calgary, Alberta	Beneficial and of Record	3,616,688 <sup>(1)</sup>	24.2%
Richard A. N. Bonnycastle Calgary, Alberta	Beneficial and of Record	1,518,800 <sup>(2)</sup>	10.2%

**Notes:**

- (1) Includes 412,500 Common Shares owned by Mr. Malinowski's spouse.
- (2) Includes 989,600 Common Shares owned by Cavendish Investing Ltd. and 499,200 Common Shares owned by 858449 Alberta Ltd.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The Compensation Committee of the board of directors of the Corporation (the “**Compensation Committee**”) is responsible for setting the overall compensation strategy of the Corporation and administering the Corporation’s executive compensation program with input from the Chief Executive Officer of the Corporation in respect of all executive officers other than the Chief Executive Officer. As part of its mandate, the Compensation Committee approves the remuneration of the Corporation’s executive officers, including the Named Executive Officers of the Corporation which is defined by securities legislation to mean each of the following individuals, namely: (i) the Chief Executive Officer of the Corporation; (ii) the Chief Financial Officer of the Corporation; (iii) each of the Corporation’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and (iv) each individual who would be a “Named Executive Officer” under (iii) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year-end (the “**Named Executive Officer**”). The Named Executive Officers of the Corporation are identified in the Summary Compensation Table. The Compensation Committee is also responsible for reviewing the Corporation’s compensation policies and guidelines generally.

The objective of the Corporation’s executive compensation program is to motivate, reward and retain management talent that is needed to achieve the Corporation’s business objectives. The compensation program is designed to ensure that compensation is competitive with other companies of similar size and is commensurate with the experience, performance and contribution of the individuals involved and the overall performance of the Corporation. In evaluating performance, the Compensation Committee gives consideration to the Corporation’s long-term interests and quantitative financial objectives, as well to the qualitative aspects of the individual’s performance and achievements.

The executive compensation program is comprised of three principal components: base salaries, a bonus plan and a stock option plan which are designed to provide a combination of cash and equity-based compensation to effectively retain and motivate the executive officers to achieve the corporate goals and objectives. Each component of the executive compensation program is described below.

#### *Base Salaries*

Executive officers are paid a base salary to compensate them for providing the leadership and specific skills needed to fulfill their responsibilities. The payment of base salaries is an important component of the Corporation’s compensation program and serves to attract and retain qualified individuals. The base salaries for the executive officers are reviewed annually by the Compensation Committee and are determined by considering the contributions made by the executive officers, how their compensation levels related to compensation packages that would be achievable by such officers from other opportunities and publicly available salary data. Salaries of the executive officers are not determined based on benchmarks or a specific formula.

#### *Bonus Plan*

The Compensation Committee approves bonus payments to reward executive officers for their contribution to the achievement of annual corporate goals and objectives. Bonuses

also serve as a retention incentive for executive officers so that they remain in the employ of the Corporation. The payment of bonuses is consistent with the overall objective of the Corporation to reward performance. Bonuses were not awarded for 2008.

### **Stock Option Plan**

Twoco established a stock option plan for its directors, officers, employees, and consultants effective July 30, 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 the Plan is attached hereto as Schedule "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% stock option plans such as the Plan 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 by aligning the interests of executives and employees with the growth and profitability of the Corporation. The longer-term focus of the Plan complements and balances the short-term elements of the compensation program of the Corporation.

The Plan is administered by 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 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. The aggregate number of Common Shares reserved for issuance pursuant to stock options granted to any one individual in any 12 month period may not exceed five percent of the issued and outstanding Common Shares at the date of grant. The aggregate number of Common Shares reserved for issuance pursuant to stock options granted to any one consultant or granted to employees conducting investor relations activities in any 12 month period may not exceed two percent of the issued and outstanding Common Shares at the date of grant. In addition, the issuance to any one insider and such insider's associates pursuant to the Plan and other share compensation arrangements within a 12 month period may not exceed five percent of the outstanding Common Shares at the date of grant. For more information, refer to Schedule "A" where the Plan is set out in full.

As of the date hereof: (i) the Corporation has issued under the Plan stock options pursuant to which 832,000 Common Shares are issuable which represents 5.6% of the currently outstanding Common Shares; and (ii) there remains for issuance under the Plan stock options pursuant to which 662,140 Common Shares may be issued which represents 4.4% of the currently outstanding Common Shares.

### Option-Based Awards

The process that the Corporation uses to grant option-based awards to executive officers, including the Named Executive Officers, is for the Board to approve option grants based on recommendations made by the Compensation Committee from time to time. Option awards are determined based on the factors described above under the heading "Stock Option Plan".

### Summary Compensation Table

Securities legislation requires the disclosure of the compensation received by each Named Executive Officer for the most recently completed financial year. The following table sets forth information concerning the total compensation during the Corporation's most recently completed financial year for the Named Executive Officers, namely, the President and Chief Executive Officer, and the Vice President Exploration and Secretary-Treasurer, who, as at December 31, 2008, were the only executive officers of the Corporation.

Name and principal position	Year	Salary (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation <sup>(2)</sup> (\$)		All other compensation (\$) <sup>(3)</sup>	Total compensation (\$)
				Annual incentive plans	Long term incentive plans		
Wayne A. Malinowski <sup>(4)</sup> President and Chief Executive Officer	2008	145,000	nil	55,000	nil	nil	200,000
Timothy A. Bashforth <sup>(4)</sup> Vice President Exploration, Secretary and Treasurer	2008	145,000	nil	55,000	nil	nil	200,000

**Notes:**

- (1) No option-based awards were granted to the Named Executive Officers in 2008.
- (2) Amounts paid under the Bonus Plan, which were earned in 2007 and paid in 2008.
- (3) The value of perquisites and benefits for each Named Executive Officer is less than \$50,000 and less than 10% of each Named Executive Officer's total salary for the financial year.
- (4) Messrs. Malinowski and Bashforth also serve as directors of the Corporation. All of the compensation paid to Messrs. Malinowski and Bashforth relate to their positions as Named Executive Officers and none of the compensation relates to their roles as directors.

## Incentive Plan Awards

### *Outstanding Option-Based Awards*

The following table sets forth information in respect of all option-based awards outstanding at the end of the financial year ended December 31, 2008 to the Named Executive Officers.

Name	Option-based Awards			
	Number of securities underlying unexercised options(#)	Option exercise price(\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
Wayne A. Malinowski President and Chief Executive Officer	100,000	2.20	Aug. 12, 2009	nil
	55,000	3.00	Jan. 6, 2010	nil
	70,000	3.75	Apr. 28, 2010	nil
	40,000	7.10	Dec. 7, 2010	nil
Timothy A. Bashforth Vice President Exploration, Secretary and Treasurer	100,000	2.20	Aug. 12, 2009	nil
	55,000	3.00	Jan. 6, 2010	nil
	70,000	3.75	Apr. 28, 2010	nil
	40,000	7.10	Dec. 7, 2010	nil

**Note:**

- (1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Common Shares on the TSX Venture Exchange on December 29, 2008, the last day in 2008 on which the Common Shares traded, of \$1.05.

### *Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets forth information relating to the value vested or earned during the Corporation's financial year ended December 31, 2008 in respect of option-based awards for Named Executive Officers if the options under the option-based award had been exercised on the vesting date.

Name	Number of options vested during the year (#)	Exercise price of options (\$)	Vesting date	Closing price of Common Shares on vesting date (\$)	Value (implied gain if option was exercised) vested during the year (\$)
Wayne A. Malinowski, President and Chief Executive Officer	nil	N/A	N/A	N/A	N/A
Timothy A. Bashforth, Vice-President Exploration, Secretary and Treasurer	nil	N/A	N/A	N/A	N/A

## Pension Plan Benefits

The Corporation does not have a pension plan or any other plan that provides for payments or benefits at, following or in connection with retirement. The Corporation does not have a deferred compensation plan.

## Termination of Employment, Change in Responsibilities and Employment Contracts

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 benefits program. 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. The estimated incremental payments, payables and benefits which might be paid by the Corporation for the Named Executive Officers, assuming a termination of employment without cause or a change of control occurred on the last business day of the most recently completed financial year of the Corporation, would be, in the aggregate, approximately \$492,500.

## Compensation of Directors

### *Director Compensation Table*

The following table sets forth information in respect of all amounts of compensation provided to the directors of the Corporations during the Corporation's financial year ended December 31, 2008.

<b>Name</b>	<b>Fees earned(\$)</b>	<b>Option-based awards(\$)<sup>(1)</sup></b>	<b>All other compensation (\$)</b>	<b>Total(\$)</b>
Richard A.N. Bonnycastle	nil	nil	nil	nil
Larry C. Mah <sup>(3)</sup>	nil	nil	nil	nil
James A.W. Williams <sup>(4)</sup>	nil	nil	nil	nil

#### **Notes:**

- (1) No option-based awards were granted to directors in 2008.
- (2) Except as set forth above, the directors of the Corporation do not receive any compensation as directors of the Corporation, however, they are reimbursed for all reasonable expenses incurred in order to attend meetings of the Board or any committee of the Board.
- (3) Larry C. Mah, a director of the Corporation, is the President and shareholder of Lawrence C. Mah Professional Corporation which corporation may provide consulting services to the Corporation from time to time.
- (4) James A.W. Williams, C.A., LL.B., a director of the Corporation, is a lawyer with a law firm which has received fees from the Corporation for legal services provided to the Corporation for the year ended December 31, 2008 and such law firm provides legal services to the Corporation from time to time.
- (5) Compensation information for Wayne A. Malinowski, President, Chief Executive Officer and a director of the Corporation and for Timothy A. Bashforth, Vice President Exploration, Secretary, Treasurer and a director of the Corporation has been previously provided herein under the section entitled "Summary Compensation Table".

### Outstanding Option-Based Awards

The following table sets forth information in respect of all option-based awards outstanding at the end of the financial year ended December 31, 2008 to the directors of the Corporation.

Name	Option-based Awards			
	Number of securities underlying unexercised options(#)	Option exercise price(\$)	Option expiration date	Value of unexercised in-the-money options(\$) <sup>(1)</sup>
Richard A. N. Bonnycastle	36,000	3.00	Jan. 6, 2010	nil
	8,000	7.10	Dec. 7, 2010	nil
Larry C. Mah	36,000	3.00	Jan. 6, 2010	nil
	8,000	7.10	Dec. 7, 2010	nil
James A.W. Williams	30,000	2.20	Aug. 12, 2009	nil
	36,000	3.00	Jan. 6, 2010	nil
	8,000	7.10	Dec. 7, 2010	nil

**Notes:**

- (1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Common Shares on the TSX Venture Exchange on December 29, 2008, the last day in 2008 on which the Common Shares traded, of \$1.05.
- (2) Compensation information for Wayne A. Malinowski, President, Chief Executive Officer and a director of the Corporation and for Timothy A. Bashforth, Vice President Exploration, Secretary, Treasurer and director of the Corporation has been previously provided hereunder the section entitled "Incentive Plan Awards".

### Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth information in respect of the value vested or earned during the Corporation's financial year ended December 31, 2008 of option-based awards for directors of the Corporation if the options under the option-based awards had been exercised on the vesting date.

Name	Number of options vested during the year (#)	Exercise price of options (\$)	Vesting date	Closing price of Common Shares on vesting date (\$)	Value (implied gain if option was exercised) vested during the year (\$)
Richard A.N. Bonnycastle	nil	N/A	N/A	N/A	N/A
Larry C. Mah	nil	N/A	N/A	N/A	N/A
James A.W. Williams	nil	N/A	N/A	N/A	N/A

**Note:**

- (1) Compensation information for Wayne A. Malinowski, President, Chief Executive Officer and a director of the Corporation and for Timothy A. Bashforth, Vice President Exploration, Secretary, Treasurer and director of the Corporation has been previously provided hereunder the section entitled "Incentive Plan Awards".

## Equity Compensation Plan Information

The following table provides details as at the end of the year ended December 31, 2008 with respect to all compensation plans of the Corporation under which equity securities of the Corporation are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected herein)
Equity compensation plans approved by securityholders <sup>(1)</sup>	832,000	\$3.47	662,140
Equity compensation plans not approved by securityholders	nil	nil	nil
<b>Total</b>	832,000	\$3.47	662,140

### Notes:

- (1) See description of the Plan above.
- (2) As at the date hereof, the Plan is a rolling 10% stock option 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 at that date. As at the date hereof, there are options to acquire 832,000 Common Shares outstanding with a weighted average exercise price of \$3.47.

## CORPORATE GOVERNANCE DISCLOSURE

In 2005, the Canadian Securities Administrators created National Policy 58-201 *Corporate Governance Guidelines* (the “**Policy**”) and National Instrument 58-101 *Disclosure of Corporate Governance Practices*, Form 58-101F1 and Form 58-101F2 (collectively, the “**Instrument**”). The Instrument and the Policy came into force on June 30, 2005 and apply to information circulars or annual information forms, as the case may be, which are filed following financial years ending on or after June 30, 2005. Pursuant to the Instrument and Exchange Policy 3.1, as a Tier 1 issuer listed on the Exchange, if the Corporation solicits a proxy from a security holder of the Corporation for the purpose of electing directors to the Corporation’s board of directors, the Corporation must disclose in its management information circular the disclosure required by Form 58-101F1. The Policy addresses matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. Attached to this Management Information Circular as Schedule “B” is the Corporation’s corporate governance disclosure prescribed by Form 58-101F1 *Corporate Governance Disclosure* with respect to matters set out under the Policy.

## AUDIT COMMITTEE

Under Multilateral Instrument 52-110 *Audit Committee*, the Corporation is required to include in its information circular the disclosure required under Form 52-110F2 with respect to its audit committee, including the composition of the audit committee, the text of its audit committee charter and the fees paid to the external auditor which is attached hereto as Schedule “C”.

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

No director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate of any of them is or was indebted to the Corporation at any time since the beginning of the most recently completed financial year of the Corporation, nor, at any time since the beginning of the most recently completed financial year of the Corporation has any indebtedness of such person 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**

Except as disclosed in this Management Information Circular, the management of the Corporation is not aware of any material interest, direct or indirect, of any informed person of the Corporation, any proposed director of the Corporation, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Corporation's most recently completed financial year, or in any proposed transaction which has materially affected or would materially affect the Corporation.

## **NORMAL COURSE ISSUER BID**

On October 16, 2008, the Corporation implemented a normal course issuer bid ("**NCIB**") through the facilities of the Exchange following acceptance of the Corporation's notice (the "**Notice**") to the Exchange to conduct the NCIB. The Corporation may acquire up to 750,000 Common Shares (the "**Bid Shares**") under the NCIB which expires on October 15, 2009 or the date when all of the Bid Shares are purchased. HSBC Securities (Canada) Inc. will complete any purchases of Bid Shares in the market on behalf of the Corporation. A shareholder of the Corporation may obtain a copy of the Notice, without charge, by contacting the Corporation. See "*Additional Information*" for such contact information.

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

### **1. Receipt of the Financial Statements and Auditors' Report**

At the Meeting, Shareholders will receive and consider the financial statements of the Corporation for the year ended December 31, 2008 and the auditors' report thereon, but no vote by the Shareholders with respect thereto is required or proposed to be taken.

### **2. Fixing Number of Directors and Election of Directors**

The Corporation is required to have a minimum of three and a maximum of nine directors. The Board presently consists of five directors, each of whose term expires at the Meeting. At the Meeting, Shareholders will be asked to fix the number of directors to be elected at the Meeting at five. The persons named in the enclosed form of proxy intend to have nominated and to vote for the election of, as a director, each of the persons whose name is set forth below all of whom are currently members of the Board. Each director elected will hold office until the next annual meeting of the Corporation or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation.

The following table sets forth the name and province and country of residence of each of the persons to be nominated for election as directors, the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which each nominee exercises control or direction, the period served as director and the principal occupation of each nominee as of the date hereof. The information contained herein is based upon information furnished by the respective nominees.

Name and Municipality of Residence	Number of Common Shares Beneficially Owned	Offices Held and Time as Director or Officer	Principal Occupation During the Last Five Years
Wayne A. Malinowski <sup>(3)</sup> Alberta, Canada	3,616,688 <sup>(7)</sup>	President, Chief Executive Officer and Director since September 21, 2000	Mr. Malinowski is the President and Chief Executive Officer of Twoco since September 2000. He was the President of Prelude Oil & Gas Inc. from July 1999 to July 2003.
Timothy A. Bashforth <sup>(5)</sup> Alberta, Canada	1,021,668 <sup>(8)</sup>	Vice President Exploration, Secretary, Treasurer and Director since September 21, 2000	Mr. Bashforth is the Vice President Exploration, Secretary and Treasurer since September 2000. He was the President of Predator Resources Ltd. from September 2000 to July 2003.
Larry C. Mah, C.A. <sup>(2)(3)(4)(5)</sup> Alberta, Canada	245,600 <sup>(10)</sup>	Director since August 21, 2003	Mr. Mah is a chartered accountant and is the President of Lawrence C. Mah Professional Corporation. Mr. Mah was previously a senior partner with Collins Barrow Calgary LLP, Chartered Accountants.
Richard A.N. Bonnycastle <sup>(2)(4)</sup> Alberta, Canada	1,518,800 <sup>(11)</sup>	Director since August 21, 2003	Mr. Bonnycastle is the President of Cavendish Investing Ltd., an investment company involved in providing venture and development capital and investing for its own account.
James A.W. Williams, C.A., LL.B., <sup>(2)(3)(4)(5)</sup> Alberta, Canada	77,400 <sup>(9)</sup>	Director since July 14, 2004	Mr. Williams is a chartered accountant and a lawyer and practices law in the offices of Stones Carbert Waite LLP, a Calgary law firm he joined in 2007. Prior thereto, Mr. Williams practiced law with another law firm in Calgary.

**Notes:**

- (1) In addition to the Common Shares beneficially owned or controlled, the nominees for director hold an aggregate of 692,000 stock options as of the date hereof.
- (2) Member of the Audit Committee which is required pursuant to the *Business Corporations Act* (Alberta).
- (3) Member of the Corporate Governance, Environment and Safety Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Reserve Committee.
- (6) Twoco does not have an Executive Committee.
- (7) Includes 412,500 Common Shares owned by Mr. Malinowski's spouse.
- (8) Includes 320,104 Common Shares owned by Mr. Bashforth's spouse.
- (9) Includes 32,400 Common Shares owned by Mr. Williams' spouse.
- (10) Includes 60,000 Common Shares owned by 314585 Alberta Ltd.
- (11) Includes 989,600 Common Shares owned by Cavendish Investing Ltd. and 499,200 Common Shares owned by 858449 Alberta Ltd.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

None of those persons who are proposed directors of the Corporation is, or has been within the past 10 years, a director, chief executive officer or chief financial officer of any company, including the Corporation, that while such person was acting in that capacity, was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, or after such persons ceased to be a director, chief executive officer or chief financial officer of the company, was the subject of a cease trade order, an order similar to a cease trade 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, which resulted from an event that occurred while acting in such capacity. In addition, none of those persons who are proposed directors of the Corporation is, or has been within the past 10 years, a director or executive officer of any company, including the Corporation, that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. None of the persons who are proposed directors of the Corporation have, within the past 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 his assets. None of those persons who are proposed directors of the Corporation have 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 with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

**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.**

### **3. Appointment of Auditors**

The persons named in the enclosed form of proxy intend to have nominated and to vote for the reappointment of, as auditors of the Corporation, Deloitte & Touche LLP, Chartered Accountants, of Calgary, Alberta at a remuneration to be fixed by the Board and to hold such office until the next annual meeting of the Corporation. Deloitte & Touche LLP was first appointed auditors of the Corporation 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.**

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

To remain in compliance with the policies of the TSX Venture Exchange, which require annual shareholder approval of 10% rolling stock option plans, the Corporation will be presenting to the Shareholders for approval the Plan of the Corporation in the form attached as Schedule "A", which was approved by Shareholders on June 5, 2008.

The Corporation's Plan reserves a maximum of 10% (on a non-diluted basis) of the issued and outstanding Common 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 14,941,406 Common Shares issued and outstanding, and therefore as at the date hereof, 1,494,140 Common Shares are available for issuance under the Plan, with such number increasing in accordance with the number of issued and outstanding Common Shares. Of these, options to purchase 832,000 Common Shares have already been granted to employees, consultants, directors and officers, at exercise prices ranging from \$1.75 to \$7.10 per share. Options to purchase 662,140 Common Shares are available for future grants.

The Shareholders will be asked to consider, and if thought fit, to pass the following resolution (the “**Stock Option Resolution**”):

“BE IT RESOLVED THAT the rolling stock option plan of the Corporation dated effective July 30, 2003, in the form attached as Schedule “A” to the Management Information Circular of the Corporation dated May 8, 2009, which provides that a maximum of 10% of the issued and outstanding shares of the Corporation as at the date of any stock option grant (on a non-diluted basis) 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.**

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available under the Corporation’s profile on the Canadian Securities Administrators’ System for Electronic Document Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com). and on the Corporation’s website at [www.twoco.ca](http://www.twoco.ca). Financial information relating to Twoco is provided in the Corporation’s financial statements and management discussion and analysis (“**MD&A**”) for the period ended December 31, 2008. Shareholders may contact the Corporation to request copies of the financial statements, MD&A and Notice by (i) mail to 1050, 1122 - 4<sup>th</sup> Street S.W., Calgary, Alberta, Canada T2R 1M1; (ii) telephone: (403) 233-0345; or (iii) fax to (403) 237-6048.

## **SCHEDULE "A"**

### **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 therefor. 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.

#### **TWOCO PETROLEUMS LTD.**

"Timothy A. Bashforth"

"Wayne A. Malinowski"

## SCHEDULE "B"

### CORPORATE GOVERNANCE DISCLOSURE

#### 1. Board of Directors

The Corporation's Board, which is responsible for supervising the management of the business and affairs of the Corporation, is comprised of five directors, of which three are independent within the meaning of independent in Section 1.4 of Multilateral Instrument 52-110 Audit Committees and accordingly a majority of the directors of the Corporation are independent. In order to facilitate independent judgment, members of the Board recuse themselves from the discussion of and voting on any matters of the Corporation which may be perceived to place them in a conflict of interest. The independent directors are Richard A.N. Bonnycastle, Larry C. Mah and James A.W. Williams. The President and Chief Executive Officer of the Corporation, Wayne A. Malinowski, is not independent by virtue of being a member of the Corporation's management. The Vice President Exploration, Secretary and Treasurer of the Corporation, Timothy A. Bashforth, is not independent by virtue of being a member of the Corporation's management. Mr. Bonnycastle is a director with another reporting issuer, namely, Century Energy Ltd.

#### Meetings of Independent Directors

During the year ended December 31, 2008, the independent directors did not hold regularly scheduled meetings at which non-independent directors and management were not in attendance. The independent directors have decided, in order to facilitate open and candid discussion amongst the independent directors, to hold meetings of independent directors only, on a regular basis, either immediately before or immediately after all regularly scheduled meetings of the entire Board.

#### Chair of the Board

The Chair of the Board, Wayne A. Malinowski, is not an independent director. The Board does not have a lead director. The role of the Chair is to provide leadership to the Board and assist the Board in reviewing and monitoring the strategy, goals, objectives and policies of the Corporation. The Chair presides at each meeting of the Board and is responsible for matters which include (i) ensuring that the Board is alert to its obligations and responsibilities and fully discharges its duties, (ii) communicating with the Board to keep it up to date on all major developments and ensure the Board has sufficient knowledge and adequate material on a timely basis to permit it to make informed decisions, (iii) identify guidelines for the conduct of the directors and encourage each director to make a significant contribution, (iv) act as a liaison between the Board and management, ensure proper committee structure, and (v) carry out such other duties as requested by the Board as a whole, depending on need and circumstance. Each of the committees of the Board is chaired by an independent director, each of whom provide leadership to their respective committees and to the entire Board.

#### Board Meetings

During the year ended December 31, 2008, all directors attended the five meetings held by the Board.

#### 2. Board Mandate

The mandate of the Board ("**Board Mandate**") is attached hereto as Appendix 1.

### 3. Position Descriptions

The Board has developed written position descriptions for the chair of the Board and for the chair of each Board Committee. The Board together with the CEO has developed a written position description for the CEO.

The Board has established the following Board Committees comprised of the members and chaired by the individuals set out in the following table.

<b>Committee</b>	<b>Members</b>	<b>Independent</b>
Audit Committee	James A.W. Williams, Chair Richard A.N. Bonnycastle Larry C. Mah	Yes Yes No <sup>(1)</sup>
Compensation Committee	Richard A.N. Bonnycastle, Chair Larry C. Mah James A.W. Williams	Yes Yes Yes
Corporate Governance, Environment and Safety Committee	James A.W. Williams, Chair Wayne Malinowski Larry C. Mah	Yes No Yes
Reserve Committee	Larry C. Mah, Chair Timothy Bashforth James A.W. Williams	Yes No Yes

**Note:**

- (1) Mr. Mah is not considered independent under Multilateral Instrument 52-110 Audit Committees by virtue of the fact that he is the President and shareholder of a professional firm that may receive compensation from the Corporation for consulting services from time to time. As a “venture issuer” (as defined in MI 52-110), the Corporation is exempt from having an Audit Committee comprised entirely of “independent” members.

### 4. Orientation and Continuing Education

The Corporation has developed an orientation program for new directors by providing each new director with a director’s manual (“**Director’s Manual**”) containing information regarding the roles and responsibilities of the Board, each Committee, the Board chair, the chair of each Committee and the CEO. The Director’s Manual contains information regarding the nature and operation of the Corporation’s business, its organizational structure, governance policies, including the Board Mandate and each Board committee mandate, the Whistleblower Policy and the Corporation’s code of business conduct and ethics which is available on the System for Electronic Dissemination and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). The Director’s Manual is updated as the Corporation’s business, governance documents and policies change. The Corporation arranges for presentations to be made to the Board to inform directors regarding corporate developments and changes in legal, regulatory and industry requirements affecting the Corporation. As well, directors are encouraged to interact with management and employees and to stay abreast of industry developments and the evolving business of the Corporation.

### 5. Ethical Business Conduct

The Corporation has adopted a written code of business conduct and ethics (the “**Code**”). Reasonable steps to monitor compliance with the Code by requiring directors, officers and employees to sign a written acknowledgment that they have read the Code. The Code applies to the Corporation’s directors, officers and employees, each of whom is expected to ensure that his or her behaviour accords with the letter and the spirit of the Code. The Corporate Governance, Environment and Safety Committee is responsible for reviewing departures from the Code by executive officers, management, employees and consultants, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. The Code also encourages contact with the Chair of the

Corporate Governance, Environment and Safety Committee regarding any perceived and all actual breaches by the Corporation's directors, officers, employees and consultants of the Code. The Chair of the Corporate Governance, Environment and Safety Committee is responsible for investigating complaints, presenting complaints to such committee and any other applicable committee of the Board or the Board as a whole, and developing a plan for promptly and fairly resolving complaints. Upon conclusion of the investigation and resolution of a complaint, the Chair of the Corporate Governance, Environment and Safety Committee will advise the complainant of the corrective action measures that have been taken or advise the complainant that the complaint has not been substantiated. The Code prohibits retaliation by the Corporation, its directors, executive officers and management, against complainants who raise concerns in good faith and requires the Corporation to maintain the confidentiality of complainants to the greatest extent practicable. Complainants may also submit their concerns anonymously in writing.

In addition to the Code, the Corporation has an Audit Committee Charter regarding the collection and dissemination of accounting information, and a Whistleblower Policy with respect to reporting accounting and auditing irregularities.

Since the beginning of the Corporation's most recently completed financial year, no material change reports have been filed that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

#### Exercise of Independent Judgement

The Board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Code and are expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere.

#### Conflicts of Interest

The Board as a whole is responsible for responding to conflict of interest situations involving directors, particularly with respect to existing or proposed transactions and agreements in respect of which directors advise they have a material interest. The Corporation's directors and officers abide by the disclosure of conflict of interest provisions contained in the *Business Corporations Act* (Alberta) which are incorporated in the Code by reference. By taking these steps the Board strives to ensure that directors at Board meetings exercise independent judgement, unclouded by the relationships of the directors and officers to each other and the Corporation, in considering transactions and agreements in respect of which directors and executive officers have an interest.

#### 6. Nomination of Directors

The Board does not have a nominating committee and responsibility for identifying new candidates to join the Board belongs to the entire Board. The Board is responsible for identifying qualified candidates, recommending nominees for election as directors, and appointing directors to committees. The Board considers a candidate's independence, financial acumen, skills and available time to devote to the duties of the Board in making their recommendations for nomination. The Board reviews the composition and size of the Board and tenure of directors in advance of annual general meetings when directors are most commonly elected by the Corporation's shareholders, as well as when individual directors indicate that their terms may end or that their status may change. The Board encourages all directors to participate in assessing the need for and identifying and recruiting new nominees for the Board.

## 7. Compensation

The Compensation Committee annually recommends the compensation to be received by the Corporation's directors and officers. The Compensation Committee is comprised entirely of independent directors. Compensation is determined in the context of the Corporation's goals, shareholder returns and other achievements, and considered in the context of position descriptions, goals and the performance of each individual director and officer. The Compensation Committee tasks include: (i) recommending to the Board human resources and compensation policies and guidelines for application to the Corporation, (ii) setting the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer and to approve compensation for all other designated officers of the Corporation after considering the recommendations of the Chief Executive Officer, in accordance with the human resources and compensation policies and guidelines approved by the Board, (iii) implementing and administering human resources and compensation policies approved by the Board concerning the following: (A) executive compensation, contracts, stock plans or other incentive plans; and (B) proposed personnel changes involving officers reporting to the Chief Executive Officer, (iv) from time to time, to review the Corporation's policies and programs in relation to benefits, (v) from time to time, to review, with the Chief Executive Officer, the Corporation's policies on compensation and overall labour relations strategy for all employees, (vi) periodically reviewing the adequacy and form of the compensation of directors and to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director and to report and make recommendations to the Board accordingly, and (vii) reporting regularly to the Board on all of the Compensation Committee's activities and findings during that year. The compensation of directors and officers of competitors are considered, to the extent publicly available, in determining compensation.

## 8. Other Board Committees

In addition to the Audit Committee and the Compensation Committee, the Board has a Corporate Governance, Environment & Safety Committee and a Reserve Committee. The function of the Corporate Governance, Environment & Safety Committee is to recommend governance policies for adoption by the Corporation, including the Code, amend, administer and monitor compliance with the Corporation's governance policies and the Code and ensure that the written and oral communications by the Corporation to the public and applicable regulatory authorities are disseminated in a timely, factual and accurate manner and to assist the Corporation in maintaining and complying with its disclosure policy. In addition, such committee is also responsible for monitoring the Corporation's compliance with applicable environmental laws and implementing and monitoring the Corporation's safety program. The function of the Reserve Committee is to recommend the engagement of a reserves evaluator, ensure the reserves evaluator's independence, review the procedures for disclosure of reserves evaluation, meet independently with the reserves evaluator to review the scope of the annual review of reserves, discuss findings and disagreements with management, annually assess the work of the reserves evaluator and approve the Corporation's annual reserve report and consent forms of management and the reserves evaluator thereto and to assist the Corporation in fulfilling its duties and obligations under National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

## 9. Assessments

The Board has no formal process in place to assess the effectiveness of the Board, its committees and individual members. However, through the regular interaction between Board members, the Board satisfies itself that the Board, its committees and individual members are performing effectively.

## APPENDIX 1

### TWOCO PETROLEUMS LTD.

#### BOARD OF DIRECTORS MANDATE/POSITION DESCRIPTION

*(Adopted by the Board of Directors on June 8, 2004)*

##### A. PURPOSE

The Board of Directors (the “**Board**”) has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management, who are responsible for the day-to-day conduct of the business. The Board’s fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests its other stakeholders such as employees, customers and communities may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

##### B. PROCEDURES AND ORGANIZATION

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, nominating candidates for election to the Board, constituting committees of the Board and determining director compensation. Subject to the Articles and By-Laws of the Corporation and the *Business Corporations Act* (Alberta) (the “**Act**”), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to, committees of the Board.

##### C. DUTIES AND RESPONSIBILITIES

The Board’s principal duties and responsibilities fall into a number of categories which are outlined below:

###### 1. Legal Requirements

- (a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;
- (b) The Board has the statutory responsibility to:
  - (i) manage the business and affairs of the Corporation;
  - (ii) act honestly and in good faith with a view to the best interests of the Corporation;
  - (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and

- (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation's Articles and By-Laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations;
- (c) The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:
  - (i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
  - (ii) the filling of a vacancy among the directors or in the office of auditor;
  - (iii) the issuance of securities;
  - (iv) the declaration of dividends;
  - (v) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
  - (vi) the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
  - (vii) the approval of management proxy circulars;
  - (viii) the approval of any take-over bid circular or directors' circular;
  - (ix) the approval of annual financial statements of the Corporation; and
  - (x) the adoption, amendment or repeal of By-Laws of the Corporation.

## **2. Independence**

The Board has the responsibility to ensure that appropriate structures and procedures are in place to permit the Board to function independently of management. Every Board must have at least three directors, at least two of whom are neither employees, senior officers, control persons or management consultants of the Corporation, its associates or affiliates.

## **3. Strategy Determination**

The Board has the responsibility to ensure there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing the mission of the business of the Corporation and approving, on at least an annual basis, the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation's business.

#### **4. Managing Risk**

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

#### **5. Division of Responsibilities**

The Board has the responsibility to:

- (a) appoint and delegate responsibilities to committees where appropriate to do so; and
- (b) develop position descriptions for:
  - (i) the Board;
  - (ii) the Chair of the Board;
  - (iii) the Chief Executive Officer;
  - (iv) the Chief Financial Officer; and
  - (v) the Chief Operating Officer.

#### **6. Appointment, Training and Monitoring Senior Management**

The Board has the responsibility to:

- (a) appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance, to determine the Chief Executive Officer's compensation, and to provide advice and counsel in the execution of the Chief Executive Officer's duties;
- (b) approve the appointment and remuneration of all corporate officers, acting upon the advice of the Chief Executive Officer;
- (c) ensure that adequate provision has been made to train and develop management and for the orderly succession of management; and
- (d) ensure that management is aware of the Board's expectations of management.

#### **7. Nomination, Appointment and Training of Directors**

The Board has the responsibility to:

- (a) consider new nominees to the Board and to assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of the individual directors on an ongoing basis;
- (b) ensure that an adequate orientation and education program is in place;
- (c) examine its size on a regular basis with a view to facilitating the most effective decision making; and

- (d) review the adequacy and form of compensation of the directors, taking into account the responsibilities and risks of the directors.

## **8. Policies, Procedures and Compliance**

The Board has the responsibility to:

- (a) ensure that the Corporation operates at all times in accordance with applicable laws and regulations and conforms to the highest ethical and moral standards;
- (b) approve and monitor compliance with significant operating policies and procedures of the Corporation;
- (c) ensure the Corporation sets high environmental standards in its operations and is in compliance with environmental laws and legislation; and
- (d) ensure the Corporation has in place appropriate programs and policies for the health and safety of its employees in the workplace.

## **9. Reporting and Communication**

The Board has the responsibility:

- (a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
- (b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- (c) to ensure that the financial results are reported fairly and in accordance with generally accepted accounting standards;
- (d) to ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation; and
- (e) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year; and
- (f) to develop appropriate measures for receiving shareholder feedback.

Each individual director has the responsibility to:

- (g) disclose any conflicts of interest in any proposed contract or transaction and follow appropriate procedures for disclosure.

## **10. Monitoring and Acting**

The Board has the responsibility:

- (a) to monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;

- (b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant;
- (c) to ensure that the Corporation has implemented adequate control and information systems which ensure the effective discharge of its responsibilities;
- (d) to develop the Corporation's approach to corporate governance and to make appropriate disclosure of the same; and
- (e) to make regular assessments of the Board's effectiveness.

## **SCHEDULE "C"**

### **I. THE AUDIT COMMITTEE'S CHARTER**

#### **A. PURPOSE**

The overall purpose of the Audit Committee (the "**Committee**") is to ensure that the Corporation's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements of the Corporation and to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts. In particular, the Committee must ensure compliance with Multilateral Instrument 52-110 Audit Committees ("**MI 52-110**").

#### **B. COMPOSITION, PROCEDURES AND ORGANIZATION**

1. The Committee shall consist of at least three members of the Board of Directors (the "**Board**"), all of whom are to be appointed in accordance with applicable provisions of MI 52-110.
2. All members of the Committee shall be "financially literate" (ie. able to read and understand a balance sheet, an income statement and a cash flow statement).
3. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their number.
5. The secretary of the Committee shall be selected by the Committee, and shall be "financially literate" unless otherwise determined by the Committee.
6. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
7. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's internal and external auditors, and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
8. The Committee shall be entitled to engage independent counsel and other advisors as it considers necessary to carry out its duties and to set and pay the compensation for any such advisors.
9. Meetings of the Committee shall be conducted as follows:
  - (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;

- (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee;
  - (c) the following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:
    - (i) Chief Financial Officer or person acting in such capacity;
  - (d) other management representatives shall be invited to attend as necessary.
10. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

### **C. DUTIES AND RESPONSIBILITIES**

1. The overall duties and responsibilities of the Committee shall be as follows:
  - (a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements;
  - (b) to establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;
  - (c) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and
  - (d) to report regularly to the Board on the fulfilment of its duties and responsibilities.
2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
  - (a) to recommend to the Board a firm of external auditors to be nominated for the purpose of preparing or issuing an auditors report or performing other audit, review or attest services for the Corporation, and to verify the independence of such external auditors;
  - (b) to review and recommend to the Board the scope and timing of the audit and other related services rendered by the external auditors and the compensation therefor;
  - (c) review the audit plan of the external auditors prior to the commencement of the audit;
  - (d) to directly oversee the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting;
  - (e) to review with the external auditors, upon completion of their audit:

- (i) contents of their report;
  - (ii) scope and quality of the audit work performed;
  - (iii) adequacy of the Corporation's financial and auditing personnel;
  - (iv) co-operation received from the Corporation's personnel during the audit;
  - (v) internal resources used;
  - (vi) significant transactions outside of the normal business of the Corporation;
  - (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
  - (viii) the non-audit services provided by the external auditors;
- (f) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles;
  - (g) to pre-approve all non-audit services to be provided to the Corporation by the external auditors unless otherwise provided for in MI 52-110;
  - (h) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management;
  - (i) to review the Corporation's financial statements, MD&A and annual and interim earnings press releases before the issuer publicly discloses the information;
  - (j) to ensure that procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in subsection (i) above, and periodically assess the adequacy of the procedures;
  - (k) to implement procedures for:
    - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;
    - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
  - (l) to review and approve the Corporation's hiring policies regarding partners, employees or former partners and employees of the present and former external auditors of the Corporation.
3. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:
- (a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information

services and systems and financial controls, management reporting and risk management;

- (b) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and
- (c) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

4. The Committee is also charged with the responsibility to:

- (a) review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
- (b) review and approve the financial sections of:
  - (i) the annual report to shareholders;
  - (ii) the annual information form;
  - (iii) prospectuses; and
  - (iv) other public reports requiring approval by the Board,and report to the Board with respect thereto;
- (c) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;
- (d) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
- (e) review and report on the integrity of the Corporation's consolidated financial statements;
- (f) review the minutes of any audit committee meeting of subsidiary companies;
- (g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;
- (h) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts; and
- (i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board following each annual general meeting of shareholders.

## 2. Composition of the Audit Committee

As at May 8, 2009, the Audit Committee of the Corporation was composed of the following individuals:

Richard A.N. Bonnycastle	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Larry C. Mah, C.A.	Not Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
James A.W. Williams, C.A., LL.B.	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>

### Notes:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. Mr. Mah is not considered to be independent under MI 52-110 by virtue of the fact that he is the President and shareholder of a professional corporation that may receive compensation from the Corporation for consulting services from time to time. As a "venture issuer" (as defined in MI 52-110), the Corporation is exempt from having an Audit Committee comprised entirely of "independent" members.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

## 3. Relevant Education and Experience

Mr. Bonnycastle is the President and director of an investment company involved in providing venture and development capital and investing for its own account. He serves on several boards and has over 35 years of public issuer experience.

Mr. Mah is a chartered accountant and formerly a senior partner with Collins Barrow Calgary LLP, Chartered Accountants, where he was the partner in charge of the oil and gas practice group of such firm.

Mr. Williams, the Chairman of the Audit Committee, is a chartered accountant and a lawyer and practices law at the offices of Stones Carbert Waite LLP, a Calgary law firm.

## 4. Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Corporation's board of directors.

## 5. Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on any exemption from 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 MI 52-110.

## 6. Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

## 7. External Auditor Service Fees (By Category)

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

<b>Financial Period Ending December 31</b>	<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees<sup>(1)</sup></b>	<b>All Other Fees</b>
2008	\$54,378	\$920	Nil	Nil
2007	\$80,454	\$1,587	Nil	Nil

**Note:**

(1) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

## 8. Exemption

The Corporation is relying upon the exemption in section 6.1 of MI 52-110.