



**ANNUAL GENERAL AND SPECIAL MEETING
OF SHAREHOLDERS**

TO BE HELD ON FRIDAY, MARCH 9, 2012

**NOTICE OF MEETING AND
MANAGEMENT PROXY AND INFORMATION CIRCULAR**

THIS NOTICE OF MEETING AND MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF BLACKHAWK RESOURCE CORP. OF PROXIES TO BE VOTED AT THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF BLACKHAWK RESOURCE CORP. TO BE HELD ON FRIDAY, MARCH 9, 2012.

TO BE HELD AT:

**1000, 250 - 2nd Street S.W.
Livingston Place
Calgary, Alberta**

at 10:00 a.m.

Dated: February 6, 2012

BLACKHAWK RESOURCE CORP.

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MARCH 9, 2012**

NOTICE IS HEREBY GIVEN THAT AN ANNUAL GENERAL AND SPECIAL MEETING (the “**Meeting**”) of holders of common shares (“**Common Shares**”) of Blackhawk Resource Corp. (the “**Corporation**”) will be held at 1000, 250 - 2nd Street S.W., Livingston Place, Calgary, Alberta, at 10:00 a.m., on Friday, March 9, 2012 for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the financial year ended June 30, 2011 and the report of the auditor thereon;
2. to fix the number of directors of the Corporation to be elected at the Meeting at five (5);
3. to elect the Board of Directors of the Corporation for the ensuing year;
4. to appoint the auditor of the Corporation for the ensuing year and to authorize the Board of Directors to fix the auditor’s remuneration;
5. to consider, and if thought fit, approve the ordinary resolution, as more particularly set forth in the accompanying Management Information Circular, relating to the approval of the stock option plan of the Corporation;
6. to consider, and if thought fit, approve the special resolution, as more particularly set forth in the accompanying Management Information Circular, authorizing and approving the consolidation of the issued and outstanding Common Shares on the basis of one (1) new Common Share for up to every existing three (3) Common Shares issued and outstanding immediately prior to the consolidation; and
7. to transact such other business as may be properly brought before the meeting or any adjournment thereof.

DATED this 6th day of February, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

“David Antony”

David Antony

Chief Executive Officer and Director

IMPORTANT

It is desirable that as many shares as possible be represented at the Meeting. If you do not expect to attend and would like your shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. All proxies, to be valid, must be received by Olympia Trust Company, 2300, 125 - 9th Avenue S.E., Calgary, Alberta, T2G 0P6, at least 48 hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

BLACKHAWK RESOURCE CORP.

MANAGEMENT INFORMATION CIRCULAR
SOLICITATION OF PROXIES

THIS MANAGEMENT INFORMATION CIRCULAR (“MANAGEMENT INFORMATION CIRCULAR”) IS PROVIDED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF BLACKHAWK RESOURCE CORP. (THE “CORPORATION”) of proxies from the holders of common shares (“**Common Shares**”) for the annual general and special meeting of the shareholders of the Corporation (the “**Meeting**”) to be held on Friday, March 9, 2012 at 10:00 a.m. at 1000, 250 - 2nd Street S.W., Livingston Place, Calgary, Alberta, or at any adjournment thereof for the purposes set out in the accompanying notice of meeting (“**Notice of Meeting**”).

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other proxy solicitation services. 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 Beneficial Shareholders (as defined below) 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.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named (the “Management Designees”) in the enclosed instrument of proxy (“Instrument of Proxy”) have been selected by the directors of the Corporation and have indicated their willingness to represent as proxy the shareholder who appoints them. A shareholder has the right to designate a person (whom need not be a shareholder) other than the Management Designees to represent him or her at the Meeting. Such right may be exercised by inserting in the space provided for that purpose on the Instrument of Proxy the name of the person to be designated and by deleting therefrom the names of the Management Designees, or by completing another proper form of proxy and delivering the same to the transfer agent of the Corporation. Such shareholder should notify the nominee of the appointment, obtain the nominee’s consent to act as proxy and should provide instructions on how the shareholder’s shares are to be voted. The nominee should bring personal identification with him to the Meeting. In any case, the form of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form). In addition, a proxy may be revoked by a shareholder personally attending at the Meeting and voting his shares.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered to the Corporation’s transfer agent, Olympia Trust Company, 2300, 125 - 9th Avenue S.E., Calgary, Alberta, T2G 0P6, at least 48 hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the shareholder or by his authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, either at the registered office of the Corporation or with Olympia Trust Company, 2300, 125 - 9th Avenue S.E., Calgary, Alberta, T2G 0P6, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof at which the proxy is to be used, or by depositing the instrument in writing with the Chairman of such Meeting on the day of the Meeting, or any adjournment thereof. In addition, a proxy may be revoked by the shareholder personally attending the Meeting and voting his shares.

ADVICE TO BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Management Information Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation’s registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, *not* be registered in the shareholder’s name. 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). Common Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their 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 substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). 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 who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

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, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend 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 form of proxy provided to them and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Management Information Circular and the accompanying Instrument of Proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

VOTING OF PROXIES

Each shareholder may instruct his proxy how to vote his Common Shares by completing the blanks on the Instrument of Proxy. All Common Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been

specified in the Instrument of Proxy, the Common Shares represented by the proxy will be voted in accordance with such specification. **In the absence of any such specification as to voting on the Instrument of Proxy, the Management Designees, if named as proxy, will vote in favour of the matters set out therein. In the absence of any specification as to voting on any other form of proxy, the Common Shares represented by such form of proxy will be voted in favour of the matters set out therein.**

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

QUORUM

The by-laws of the Corporation provide that a quorum of shareholders is present at a meeting of shareholders of the Corporation if at least two (2) persons are present in person or by proxy, each of whom is entitled to vote at the meeting, and who holds or represents by proxy not less than five (5%) percent of the shares entitled to vote at the meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. As at the effective date of this Management Information Circular (the “**Effective Date**”), which is February 6, 2012, the Corporation has 60,039,144 Common Shares issued and outstanding. There are no other shares of any class issued and outstanding. The Common Shares are the only shares entitled to be voted at the Meeting, and holders of Common Shares are entitled to one (1) vote for each Common Share held.

Holders of Common Shares of record at the close of business on February 6, 2012 (the “**Record Date**”) are entitled to vote such Common Shares at the Meeting on the basis of one vote for each Common Share held except to the extent that, (a) the holder has transferred the ownership of any of his Common Shares after the Record Date, and (b) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he owns the Common Shares, and demands not later than 10 days before the day of the Meeting that his name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote his Common Shares at the Meeting.

To the knowledge of the directors and the executive officers of the Corporation, as at the Effective Date, no person or company beneficially owns, directly or indirectly, or controls or directs, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The compensation program of the Corporation is designed to attract, motivate, reward and retain knowledgeable and skilled executives required to achieve the Corporation’s corporate objectives and increase shareholder value. The main objective of the compensation program is to recognize the contribution of the executive officers to the overall success and strategic growth of the Corporation. The compensation program is designed to reward management performance by aligning a component of the compensation with the Corporation’s business performance and share value. The philosophy of the Corporation is to maintain a close monitoring over costs during its start-up phase and then to pay the management a total compensation amount that is competitive with other junior oil and gas companies in Canada and is consistent with the experience and responsibility level of the management. The purpose of executive compensation is

to reward the executives for their contributions to the achievements of the Corporation on both an annual and long term basis.

The Corporate Governance and Compensation Committee has adopted a compensation program that covers three key elements: (i) a base amount of salary and benefits; (ii) a performance based cash bonus; and (iii) stock options. A description of the criteria used in each element of compensation is set forth below.

Base Salary

The objective of base salary compensation is to reward and retain Named Executive Officers (defined below). The program is designed to reward Named Executive Officers for maximizing shareholder value in a volatile commodity based business in a safe, environmentally responsible, regulatory compliant and ethical manner. In setting base compensation levels, consideration is given to such factors as level of responsibility, experience, expertise and the amount of time devoted to the affairs of the Corporation. The goal is to maintain modest base salaries during the start-up phase of the Corporation.

Bonus Plan

The Corporation's compensation philosophy will be to encourage the maximization of shareholder value at all levels of the organization by making cash bonuses a component of compensation, taking into consideration performance by both the Corporation and the respective executive officer.

Although no formal bonus plan has been implemented, all executive officers are eligible to receive a bonus. Bonus levels, if any, will be established by the Corporate Governance and Compensation Committee. Bonus awards for executive officers are discretionary and bonuses are not foreseen to be paid until the Corporation grows significantly.

Stock Options

The maximization of shareholder value is encouraged by the granting of stock options at all levels. The Corporation has in place a stock option plan (the "**Plan**") under which awards have been made to executive officers in amounts relative to positions, performance, and what is considered competitive in the industry. The objective of the Plan is to reward and retain Named Executive Officers. The program is designed to reward Named Executive Officers for maximizing shareholder value in a volatile commodity based business in a safe, environmentally responsible, regulatory compliant and ethical manner.

The Corporation has reviewed the public disclosure available for other junior oil and gas companies in Canada to assist in determining the competitiveness of stock option awards. The Chief Executive Officer makes recommendations to the Corporate Governance and Compensation Committee based on this information. The recommendations do not generally take into account awards made in the previous year. The Corporate Governance and Compensation Committee assesses the Chief Executive Officer's recommendations and then makes recommendations to the board of directors of the Corporation (the "**Board**") who ratify the recommendations. The Corporate Governance and Compensation Committee makes its own recommendations directly to the Board with respect to Chief Executive Officer stock option awards. In general, stock options are granted under the Plan to executive officers upon their commencement of service. Additional grants are made periodically to recognize the exemplary performance of, or the special contribution by eligible individuals. An annual grant may be made to eligible individuals based on individual performance and performance of the Corporation during the most recently completed financial year in relation to performance expected

Summary Compensation Table

The following table sets forth all annual and long term compensation for the financial years ended June 30, 2011, 2010 and 2009 for services in all capacities to the Corporation and its subsidiaries in respect of individual(s) who were acting as, or were acting in a capacity similar to, a chief executive officer or chief financial officer and the three (3) most highly compensated individuals whose total compensation exceeded \$150,000 per annum for the year ended June 30, 2011 (the “**Named Executive Officers**”).

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Year Ended June 30	Salary (\$)	Share-Based Awards (\$) ⁽¹⁾	Option-Based Awards (\$) ⁽²⁾⁽³⁾	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
David Antony ⁽⁴⁾ Chief Executive Officer	2011	60,000 ⁽⁷⁾	Nil	Nil	Nil	Nil	Nil	Nil	60,000
	2010	50,000 ⁽⁷⁾	Nil	18,000	Nil	Nil	Nil	Nil	68,000
	2009	40,000 ⁽⁷⁾	Nil	10,122	Nil	Nil	Nil	Nil	50,122
Charidy Lazorko Chief Financial Officer	2011	46,500 ⁽⁸⁾	Nil	Nil	Nil	Nil	Nil	Nil	46,500
	2010	32,500	Nil	6,750	Nil	Nil	Nil	Nil	39,250
	2009	18,000	Nil	6,266	Nil	Nil	Nil	Nil	24,266
Hillar Lilles ⁽⁴⁾⁽⁵⁾ Former President	2011	16,270 ⁽⁹⁾	Nil	Nil	Nil	Nil	Nil	Nil	16,270
	2010	80,000 ⁽⁹⁾	Nil	72,000	Nil	Nil	Nil	Nil	152,000
	2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mark Lenson ⁽⁶⁾ Former Vice President, Exploration	2011	100,950 ⁽¹⁰⁾	Nil	Nil	Nil	Nil	Nil	Nil	100,950
	2010	80,000 ⁽¹⁰⁾	Nil	54,000	Nil	Nil	Nil	Nil	134,000
	2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) “**Share-Based Award**” means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) “**Option-Based Award**” means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (3) The “grant date fair value” has been determined by using the Black-Scholes option pricing model. See discussion below.
- (4) Mr. Antony and Mr. Lilles did not receive any additional compensation for serving as directors of the Corporation.
- (5) Mr. Lilles resigned as President of the Corporation effective September 1, 2010. Mr. David Bryson was appointed President of the Corporation effective December 7, 2011.
- (6) Mr. Lenson resigned as Vice President, Exploration of the Corporation effective March 14, 2011.
- (7) Represents compensation paid to RHM Management Inc., a company which is wholly-owned by Mr. Antony, for services provided to the Corporation. The Corporation paid no salary directly to Mr. Antony.
- (8) Represents compensation paid to FCross Consulting Ltd., a company which is wholly-owned by Mrs. Lazorko, for services provided to the Corporation. The Corporation paid no salary directly to Mrs. Lazorko during the year ended June 30, 2011.

- (9) Represents compensation paid to Greenhouse Gas & Oil Ltd., a company which is wholly-owned by Mr. Lilles, for services provided to the Corporation. The Corporation paid no salary directly to Mr. Lilles.
- (10) Represents compensation paid to Scorch Energy Ltd., a company which is wholly-owned by Mr. Lenson, for services provided to the Corporation. The Corporation paid no salary directly to Mr. Lenson.

Narrative Discussion

During the financial year ended June 30, 2011, the Corporation did not granted stock options to the Named Executive Officers. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple “in-the-money” value calculation. In fact, stock options that are well out-of-the-money can still have a significant “grant date fair value” based on a Black-Scholes option pricing model, especially where, as in the case of the Corporation, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of all awards outstanding for each Named Executive Officer of the Corporation as of the most recent financial year end, including awards granted before the most recently completed financial year.

Name and Title	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Option ⁽¹⁾⁽²⁾ (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)
David Antony	200,000	0.15	September 1, 2014	Nil	N/A	N/A
Chief Executive Officer	210,000	0.10	February 23, 2014	Nil	N/A	N/A
Charidy Lazorko	75,000	0.15	September 1, 2014	Nil	N/A	N/A
Chief Financial Officer	130,000	0.10	February 23, 2014	Nil	N/A	N/A
Hillar Lilles	Nil	N/A	N/A	N/A	N/A	N/A
Former President						
Mark Lenson	Nil	N/A	N/A	N/A	N/A	N/A
Former Vice President, Exploration						

Notes:

- (1) Unexercised “in-the-money” options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the Common Shares as at June 30, 2011, being \$0.08 per Common Share, and the exercise price of the options.

None of the awards disclosed in the table above have been transferred at other than fair market value.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for each Named Executive Officer.

Name and Title	Option-Based Awards - Value vested during the year (\$)⁽¹⁾	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
David Antony Chief Executive Officer	Nil	N/A	N/A
Charidy Lazorko Chief Financial Officer	Nil	N/A	N/A
Hillar Lilles Former President	Nil	N/A	N/A
Mark Lenson Former Vice President, Exploration	Nil	N/A	N/A

Note:

(1) Based on the difference between the market price of the options at the vesting date and the exercise price.

Narrative Discussion

The Corporation has a stock option plan (defined herein as the “**Plan**”) previously approved by the shareholders of the Corporation on January 14, 2011. The details of the Plan are described under “*PARTICULARS OF MATTERS TO BE ACTED UPON - Approval of 2012 Stock Option Plan*”.

Pension Plan Benefits

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

Termination and Change of Control Benefits

During the year ended June 30, 2011, the Corporation was not a party to any contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation, its subsidiaries or affiliates or a change in a Named Executive Officer’s responsibilities.

DIRECTOR COMPENSATION

The Corporation currently has five (5) directors, one (1) of which, David Antony, was also Named Executive Officer during the year ended June 30, 2011. Hillar Lilles, was also a Named Executive Officer and a director during the year ended June 30, 2011. For a description of the compensation paid to the Named Executive Officers who also act or acted as directors of the Corporation, see “*EXECUTIVE COMPENSATION*”.

Director Compensation Table

The following table sets forth all compensation provided to directors who are not also Named Executive Officers (“**Outside Directors**”) of the Corporation for the financial year ended June 30, 2011.

Name	Fees Earned (\$)	Share-Based Awards (\$) ⁽¹⁾	Option-Based Awards (\$) ⁽²⁾⁽³⁾	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Raymond Antony	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Michael Bowie	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Scott Price	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) “**Share-Based Award**” means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) “**Option-Based Award**” means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (3) The “grant date fair value” has been determined by using the Black-Scholes option pricing model. See discussion below.
- (4) Mr. Hillar Lilles was a director of the Corporation during the year ended June 30, 2011; however, Mr. Lilles did not stand for re-election at the Corporation’s last annual general and special meeting held on January 14, 2011.
- (5) Mr. David Bryson was appointed to the Board effective December 7, 2011.

Narrative Discussion

The Corporation has no arrangements, standards or otherwise, pursuant to which directors are compensated by the Corporation for their services in their capacity as directors, or for committee participation, except for the granting from time to time of stock options pursuant to the option plan of the Corporation and in accordance with the policies of the TSX Venture Exchange (the “**TSXV**”). The purpose of granting such stock options is to assist the Corporation in compensating, attracting, retaining and motivating the directors of the Corporation and to closely align the personal interests of such person to that of the shareholders.

During the financial year ended June 30, 2011, the Corporation did not grant stock options to the Outside Directors. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple “in-the-money” value calculation. In fact, stock options that are well out-of-the-money can still have a significant “grant date fair value” based on a Black-Scholes option pricing model, especially where, as in the case of the Corporation, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of all awards outstanding for each Outside Director of the Corporation as of the most recent financial year end, including awards granted before the most recently completed financial year.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Option ⁽¹⁾⁽²⁾ (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)
Raymond Antony	100,000	0.15	September 1, 2014	Nil	N/A	N/A
	185,000	0.10	February 23, 2014	Nil	N/A	N/A
Michael Bowie	100,000	0.15	September 1, 2014	Nil	N/A	N/A
	185,000	0.10	May 6, 2014	Nil	N/A	N/A
Scott Price	200,000	0.15	September 1, 2014	Nil	N/A	N/A

Notes:

- (1) Unexercised “in-the-money” options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the Common Shares as at June 30, 2011, being \$0.08 per Common Share, and the exercise price of the options.

None of the awards disclosed in the table above have been transferred at other than fair market value.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for the Outside Directors of the Corporation.

Name	Option-Based Awards - Value vested during the year (\$) ⁽¹⁾	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
Raymond Antony	Nil	N/A	N/A
Michael Bowie	Nil	N/A	N/A
Scott Price	Nil	N/A	N/A

Note:

- (1) Based in the difference between the market price of the options at the vesting date and the exercise price.

Narrative Discussion

The significant terms of the Plan are disclosed in this Management Information Circular under “*PARTICULARS OF MATTERS TO BE ACTED UPON – Approval of 2012 Stock Option Plan*”.

Other Compensation

Other than as set forth herein, the Corporation did not pay any other compensation to executive officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed financial year other than benefits and perquisites which did not amount to \$10,000 or greater per individual.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth securities of the Corporation that are authorized for issuance under equity compensation plans as at the end of the Corporation's most recently completed financial year.

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 issuance under equity compensation plans (excluding outstanding securities reflected in Column 1)⁽¹⁾
Equity compensation plans approved by securityholders	1,485,000 Common Shares	\$0.13	4,518,914 Common Shares
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	1,485,000 Common Shares		4,518,914 Common Shares

Note:

- (1) The aggregate number of Common Shares that may be reserved for issuance under the Plan shall not exceed 10% of the Corporation's issued and outstanding Common Shares. As at June 30, 2011, the number of Common Shares issued and outstanding was 60,039,144.

MANAGEMENT CONTRACTS

During the most recently completed financial year, no management functions of the Corporation were to any substantial degree performed by a person or company other than the directors or executive officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

No director, executive officer, employee or former director, executive officer or employee of the Corporation or its subsidiaries nor any of their associates or affiliates, is, or has been at any time since the beginning of the last completed financial year, indebted to the Corporation or its subsidiaries nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation except as disclosed in the audited financial statements.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth herein or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership or otherwise, of any director or executive officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth herein, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or

any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation or its subsidiaries.

AUDIT COMMITTEE

The Audit Committee is a committee of the Board to which the Board delegates its responsibility for oversight of the financial reporting process. The Audit committee is also responsible for managing, on behalf of the shareholders, the relationship between the Corporation and the external auditor.

Pursuant to National Instrument 52-110 — *Audit Committees* (“**NI-52-110**”) the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

Audit Committee Terms of Reference

The Corporation must, pursuant to NI 52-110, have a written charter which sets out the duties and responsibilities of its Audit Committee. The terms of reference of the Audit Committee are attached hereto as Schedule “A”.

Audit Committee Composition

The following are the members of the Audit Committee as at the date hereof:

Raymond Antony	Independent ⁽¹⁾	Financially Literate ⁽¹⁾
Michael Bowie	Independent ⁽¹⁾	Financially Literate ⁽¹⁾
David Antony	Not Independent ⁽¹⁾	Financially Literate ⁽¹⁾

Note:

(1) As defined by NI 52-110.

Relevant Education and Experience

All of the members of the Audit Committee have been either directly involved in the preparation of the financial statements, filing of quarterly and annual financial statements, dealing with auditors, or as a member of the Audit Committee. All members have the ability to read, analyze and understand the complexities surrounding the issuance of financial statements.

Raymond Antony

- Mr. Antony has been a Chartered Accountant for more than 30 years and has obtained significant financial experience and exposure to accounting and financial issues as a director and audit committee member of a number of public companies with international operations.

Michael Bowie

- Mr. Bowie is a Principal of Summit Liability Solutions and was formerly the Vice-President Business Development of a Private Oil and Gas Company from April 2005 to December 2006 and EHS Co-ordinator of Vermillion Energy Trust from June 2002 to April 2005.

David Antony

- Mr. Antony is a Chartered Accountant with over 17 years of experience in financial and business planning services with both public and private companies, and has been a Chief Financial Officer and Chief Executive Officer of numerous public companies.

Audit Committee Oversight

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

Reliance on Certain Exemptions

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

Pre-Approval Policies and Procedures

The Audit Committee had adopted specific policies and procedures for the engagement of non-audit services as described in the terms of reference of the Audit Committee attached hereto as Schedule "A" under the heading "External Auditors".

External Auditor Service Fees

The aggregate fees billed by the Corporation's external auditors in each of the last two (2) fiscal years for audit and other fees are as follows:

Financial Year Ending	Audit Fees (\$) ⁽¹⁾	Audit Related Fees (\$) ⁽²⁾	Tax Fees (\$) ⁽³⁾	All Other Fees (\$) ⁽⁴⁾
2011	55,728	58,486	3,622	Nil
2010	85,000	Nil	Nil	Nil

Notes:

- (1) Audit fees include fees necessary to perform the annual audit and quarterly reviews of the Corporation's consolidated financial statements. Audit fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) Audit-related fees include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) Tax fees include fees for all tax services other than those included in audit fees and audit-related fees. This category includes fees for tax compliance, tax planning and tax advice.
- (4) All other fees include fees for products and services provided by the Auditor, other than the services reported above.

Exemption

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

CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Corporation. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making. To achieve this goal, the Corporation has implemented a Board Mandate, a Code of Business Conduct, an Audit Committee Terms of Reference, a Whistle Blower Policy, a Corporate Governance and Compensation Committee Terms of Reference, an Insider Trading and Reporting Policy, and a Disclosure and Confidentiality Policy.

Pursuant to National Instrument 58-101 — *Disclosure of Corporate Governance Practices*, the Corporation is required to disclose its corporate governance practices as summarized below.

Board of Directors

The Board is currently comprised of the following five (5) members: David Antony, David Bryson, Raymond Antony, Michael Bowie and Scott Price. All of these directors, except Scott Price, are being nominated for re-election at the Meeting. In addition, David M. Fuchs is nominated for election to the Board at the Meeting.

Raymond Antony, Michael Bowie, Scott Price are independent directors of the Corporation and, if elected, David M. Fuchs will be an independent director. Raymond Antony, Michael Bowie, Scott Price and David M. Fuchs have or will have no ongoing interest or relationship with the Corporation other than their security holdings in the Corporation and serving as directors.

David Antony, the Chief Executive Officer of the Corporation, and David Bryson, President of the Corporation, are members of management and, as a result, are not independent directors. The Board is responsible for determining whether a director is an independent director.

National Policy 58-201 — *Corporate Governance Guidelines* suggests that the board of directors of a public Corporation should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who has no direct or indirect material relationship with the Corporation. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a director’s independent judgment. The Board is comprised of a majority of independent directors.

Directorships

The following directors of the Corporation are directors of other reporting issuers:

Director	Other Reporting Issuers
David Antony	Southern Pacific Resource Corp. North Sea Energy Inc. Paramax Resources Ltd. Iron Tank Resources Corp.
Raymond Antony	Eaglewood Energy Ltd. Canyon Services Group Inc. Birch Lake Capital Inc. Gran Tierra Energy Inc. Paramax Resources Ltd. Standard Exploration Inc.
Scott Price	Gran Tierra Energy Inc.

Orientation and Continuing Education

At present, each new director is given an outline of the nature of the Corporation’s business, its corporate strategy, and current issues with the Corporation along with a description of the committees constituted by the Board. New directors are also expected to be required to meet with management of the Corporation to discuss and better understand the Corporation’s business and will be advised by counsel to the Corporation of their legal obligations as directors of the Corporation. New directors are also given copies of the Corporation’s policies.

The introduction and education process will be reviewed on an annual basis by the Board and will be revised as necessary.

Ethical Business Conduct

The Board has adopted a written Code of Business Conduct which applies to all directors, officers, employees and consultants of the Corporation. The Code of Business Conduct addresses such matters as ethical, honest and fair conduct of the Corporation's directors, officers, employees and consultants, safety, personal gain, dealings with public officials, conflicts of interest and the protection and proper use of the Corporation's assets.

The Board has established a Whistle Blower Policy, which establishes the complaint procedure for concerns about any aspect of the Corporation's activities and operations. The Corporation has also adopted an Insider Trading and Reporting Policy which establishes procedures for when insiders may trade securities of the Corporation. The Corporation has also adopted a Disclosure and Confidentiality Policy which establishes procedures for ensuring adequate disclosure and compliance with disclosure requirements as well as procedures for maintaining confidentiality.

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation. The Board has also found that the in camera sessions of the independent directors held in conjunction with Board meetings also help to ensure that directors exercise independent judgment in considering transactions and agreements.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors of the Corporation also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the *Business Corporations Act* (Alberta), as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

Nomination of Directors

The Board have not appointed a nominating committee; however, pursuant to the Board Mandate, the Corporate Governance and Compensation Committee is responsible for recommending potential directors to the Board. The Board selects new nominees for election by the shareholders to the Board. The nominees are selected pursuant to criteria found in the Board Mandate such as personal qualities, characteristics, accomplishments, reputations, contacts in the business community, ability to commit time, fit and diversity of view point.

Compensation

The Corporate Governance and Compensation Committee is composed of a majority of independent directors. The members of the Compensation Committee are listed under "*PARTICULARS OF MATTERS TO BE ACTED UPON – Election of Directors*". The responsibilities of the Corporate Governance and Compensation Committee in respect of compensation matters include reviewing and recommending to the Board the compensation policies and guidelines for supervisory management and personnel, corporate benefits, bonuses and other incentives, reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation; non-CEO officer and director compensation; the review of executive compensation disclosure; succession plans for officers and for key employees; and material changes and trends in human resources policy, procedure, compensation and benefits. The responsibilities of the Corporate Governance and Compensation Committee in respect of corporate governance matters include addressing all governance issues identified by securities regulators and any additional issues as they arise by virtue of the operations and growth of the Corporation as being emerging progressive issues of corporate governance.

The Corporate Governance and Compensation Committee has unrestricted access to the Corporation's personnel and documents and is provided with the resources necessary, including, as required, the engagement and compensation of outside advisors, to carry out its responsibilities.

See also "*EXECUTIVE COMPENSATION – Compensation Discussion and Analysis*" for further information on the process by which the Board determines the compensation for the Corporation's directors and officers.

Other Board Committees

Other than the Audit and Corporate Governance and Compensation Committees, the Corporation has established a Reserves Committee.

The Reserves Committee is responsible for various matters relating to reserves of the Corporation that may be delegated to the Reserves Committee pursuant to National Instrument 51-101 — *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"), including:

- (a) reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements;
- (b) reviewing the Corporation's procedures for providing information to the independent evaluator;
- (c) meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the Reserves Data (as defined in NI 51-101) (the "**Reserves Data**") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- (d) reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- (e) providing a recommendation to the Board as to whether to approve the content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- (f) reviewing the Corporation's procedures for reporting other information associated with oil and gas producing activities; and
- (g) generally reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves.

The members of the Reserves Committee are listed under "*PARTICULARS OF MATTERS TO BE ACTED UPON – Election of Directors*".

Assessments

The Board has not implemented a formal process for assessing its, or its members', effectiveness although the Board Mandate requires an annual self assessment of the entire Board and its committees. As a result of the Corporation's size, its stage of development and the limited number of individuals on the Board, the Board consider a formal assessment process (other than the above mentioned self evaluation) to be inappropriate at this time. The Board plans to continue evaluating its own effectiveness on an annual basis.

The Board does not formally assess the performance or contribution of individual members or committee members.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Board of the Corporation, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

1. Report and Financial Statements

The Board of the Corporation has approved all of the information in the audited financial statements of the Corporation for the year ended June 30, 2011 and the report of the auditor thereon.

2. Fix Number of Directors to be Elected at the Meeting

Shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution fixing the number of directors to be elected at the Meeting. In order to be effective, an ordinary resolution requires the approval of a majority of the votes cast by shareholders who vote in respect of the resolution.

At the Meeting, it will be proposed that five (5) directors be elected to hold office until the next annual general meeting or until their successors are elected or appointed. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the ordinary resolution fixing the number of directors to be elected at the Meeting at five (5).**

3. Election of Directors

The Corporation currently has five (5) directors, David Antony, David Bryson, Raymond Antony, Michael Bowie and Scott Price and all of these directors, except Scott Price, are being nominated for re-election. In addition, David M. Fuchs is nominated for election to the Board at the Meeting. The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Corporation presently held by such nominee, the nominee's municipality of residence, principal occupation at the present and during the preceding five (5) years, the period during which the nominee has served as a director, and the number and percentage of Common Shares that the nominee has advised are beneficially owned by the nominee, directly or indirectly, or over which control or direction is exercised, as of the Effective Date.

Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote for the election of the persons named in the following table to the Board. Management does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies held by Management Designees will be voted for another nominee in their discretion unless the shareholder has specified in his form of proxy that his Common Shares are to be withheld from voting in the election of directors. Each director elected will hold office until the next annual general meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation or the provisions of the *Business Corporations Act* (Alberta) to which the Corporation is subject.

Name, Municipality of Residence, Office and Date Became a Director	Present Occupation and Positions Held During the Last Five (5) Years	Number and Percentage of Common Shares Held or Controlled as at the Effective Date ⁽⁴⁾⁽⁵⁾
<p>David Antony⁽¹⁾ Calgary, Alberta, Canada Chief Executive Officer and Director February 23, 2009</p>	<p>Mr. Antony is a Chartered Accountant and is currently the Chief Executive Officer and a director of the Corporation. Mr. Antony has over 17 years experience in assisting companies in structuring transactions, accessing capital, and corporate governance. In the last five years, Mr. Antony has been Chief Executive Officer of Southern Pacific Resource Corp. (from 2006 to May 2009) where he continues as Chairman of the board of that company. Prior thereto, Mr. Antony was a partner at an accounting firm. He is currently a director of Southern Pacific Resource Corp., North Sea Energy Inc., Paramax Resources Ltd. and Iron Tank Resources Corp.</p>	<p>1,502,235 (2.5%)</p>
<p>David Bryson⁽³⁾ Ridgefield, Connecticut, United States President and Director December 7, 2011</p>	<p>Mr. Bryson is currently the President of the Corporation. Mr. Bryson has over 17 years of experience in the US finance and oil and gas industries. After graduating from the United States Naval Academy and serving as an officer in the United States Navy, Mr. Bryson worked on Wall Street for 14 years as a commodity trader and investment manager. In 2007, Mr. Bryson founded Prospect Ridge Energy, a private US-based oil and gas producer. Under his leadership Prospect Ridge grew from start up to over 1,200 BOE/day, with operations in Texas, Louisiana and Kentucky.</p>	<p>Nil⁽⁶⁾</p>
<p>Raymond Antony⁽¹⁾⁽²⁾ Calgary, Alberta, Canada Director February 23, 2009</p>	<p>Mr. Antony has been a Chartered Accountant for more than 30 years. An independent business man since September, 2006, Mr. Antony was previously the President of Breakside Energy Ltd., a private oil and gas exploration and production company from January 2004 to September, 2006.</p>	<p>634,000 (less than 1%)</p>
<p>Michael Bowie⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta, Canada Director April 23, 2009</p>	<p>Mr. Bowie is a Principal of Summit Liability Solutions since May 2007. Mr. Bowie was formerly the Vice-President Business Development of a Private Oil and Gas Company from April 2005 to December 2006.</p>	<p>1,259,588 (2.1%)</p>
<p>David M. Fuchs⁽²⁾⁽³⁾ Calgary, Alberta, Canada Nominee</p>	<p>Mr. Fuchs, B.Sc., P.Eng., is President, CEO, and a Director of Arriva Energy Inc., a private junior oil & gas corporation which he founded in 2003. Mr. Fuchs was a Director (2005-2010) and Chairman (2009-2010) of Excelsior Energy Limited, a TSX publicly-traded junior oilsands corporation. Mr. Fuchs is a Petroleum Engineering graduate of the University of Wyoming, a Petroleum Technology graduate of SAIT, has 31 years of industry experience and is a registered Professional Engineer in Alberta.</p>	<p>Nil</p>

Notes:

- (1) Anticipated member of the Audit Committee.
- (2) Anticipated member of the Corporate Governance and Compensation Committee.
- (3) Anticipated member of the Reserves Committee.
- (4) Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the Effective Date, based on information furnished to the Corporation by the above individuals.
- (5) Assumes a total of 60,039,144 Common Shares issued and outstanding as at the Effective Date.
- (6) Mr. Bryson has agreed to subscribe for 6,500,000 Common Shares. Mr. Bryson's subscription is subject to TSXV acceptance.

Cease Trade Orders or Bankruptcies

Other than as set forth below, no proposed director, within 10 years before the date of this Management Information Circular, has been, a director or executive officer of any company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in such 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.

David Antony

David Antony was a director and officer of Earlyrain Inc. Earlyrain Inc. was subject to a cease trade order from the Alberta Securities Commission and British Columbia Securities Commission for failure to file financial statements. The cease trade order was issued on June 11, 2002 by the British Columbia Securities Commission and on June 21, 2002 by the Alberta Securities Commission. Earlyrain Inc. was dissolved in 2005.

David Bryson

David Bryson is an indirect, minority owner of a US company, New Stream Capital, LLC (“NSC”) through an investment management company, Bryson Holdings, LLC. NSC was the general partner of a credit-based investment fund New Stream Secured Capital, LP (“New Stream”). In April 2009, after the global financial crisis, the investors and management of New Stream made the decision to wind down the company over a two to five year period. A plan of reorganization was agreed to in November 2010 and, as part of that plan, New Stream filed a pre-packaged bankruptcy petition in the Delaware Bankruptcy Court in March 2011. The company is expected to emerge from bankruptcy in the spring of 2012. Mr. Bryson has no daily obligations or duties to New Stream.

Personal Bankruptcies

No proposed director has within 10 years before the date of this Management Information Circular, become 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 the assets of such person.

Penalties and Sanctions

No proposed director has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director,

other than a settlement agreement entered into before December 31, 2000 that would likely not be important to a reasonable securityholder in deciding whether to vote for a proposed director.

4. Appointment of Auditor

The shareholders of the Corporation will be asked to vote for the re-appointment of Grant Thornton LLP, Chartered Accountants, as auditor of the Corporation. **Unless directed otherwise by a proxy holder, or such authority is withheld, the Management Designees, if named as proxy, intend to vote the Common Shares represented by any such proxy in favour of a resolution appointing Grant Thornton LLP, Chartered Accountants, as auditor of the Corporation for the next ensuing year,** to hold office until the close of the next annual general meeting of shareholders or until the firm of Grant Thornton LLP, Chartered Accountants, is removed from office or resigns as provided by the Corporation's by-laws, and the Management Designees also intend to vote the Common Shares represented by any such proxy in favour of a resolution authorizing the Board to fix the compensation of the auditor. Grant Thornton LLP has been the auditor of the Corporation since December 9, 2010.

5. Approval of 2012 Stock Option Plan

The Corporation has a stock option plan (defined herein as the "**Plan**") previously approved by the shareholders of the Corporation on January 14, 2011. The Board approved an amendment to the Plan with respect to the new requirements of the Canada Revenue Agency ("**CRA**") whereby a public company is required to withhold and remit to the government benefits realized upon the exercise of stock options in compliance with the new payroll remittance requirements that came into force on January 1, 2011.

In 2010, the Minister of Finance announced new employee stock option withholding obligations, which became effective on January 1, 2011. Prior to 2011, in many, if not most, situations, a public company could avoid withholding amounts from employees on the exercise of stock options either by relying on provisions of the *Income Tax Act* (Canada) or certain administrative positions of the CRA. Effective January 1, 2011 however, a public company must withhold and remit amounts from the employment benefit realized on the exercise of an employee stock option.

The Plan now includes a provision that provides the Corporation with authority to take steps for the deduction and withholding, or for the advance payment or reimbursement by an option holder to the Corporation, of any taxes or other required source deductions which the Corporation is required by law or regulation of any governmental authority whatsoever to remit in connection with the Plan, or any issuance of Common Shares.

In addition, the Board has approved an amendment to the Plan to with respect to the grant of options to U.S. employees. A copy of the Plan, as amended, is attached hereto as Schedule "B". The following is a description of the material terms and conditions of the Plan.

The Plan complies with the policies of the TSXV and the Toronto Stock Exchange ("**TSX**"). Under the Plan, the Board of Directors may, from time to time, grant options to purchase Common Shares to certain directors, officers, employees and consultants of the Corporation and of its subsidiaries and affiliates. The maximum number of Common Shares issuable under the Plan and all other security based compensation arrangements of the Corporation is 10% of the Common Shares outstanding from time to time, subject to the following additional limitations:

- (a) the aggregate number of Common Shares reserved for issuance to any one person under the Plan, together with all other security based compensation arrangements of the Corporation, must not exceed five (5%) percent of the then outstanding Common Shares (on a non-diluted basis);
- (b) in the aggregate, no more than 10% of the issued and outstanding Common Shares (on a non-diluted basis) may be reserved at any time for insiders under the Plan, together with all other security based compensation arrangements of the Corporation;
- (c) the number of securities of the Corporation issued to insiders, within any one year period, under all security

based compensation arrangements, cannot exceed 10% of the issued and outstanding Common Shares;

- (d) options shall not be granted if the exercise thereof would result in the issuance of more than two (2%) percent of the issued Common Shares of the Corporation in any 12 month period to any one (1) consultant of the Corporation (or any of its subsidiaries); and
- (e) options shall not be granted if the exercise thereof would result in the issuance of more than two (2%) percent of the issued Common Shares of the Corporation in any 12 month period to persons employed to provide investor relations activities. Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than one-quarter (¼) of the options vesting in any three (3) month period.

The Plan includes a black out provision. Pursuant to the policies of the Corporation respecting restrictions on trading, there are a number of periods each year during which directors, officers and certain employees are precluded from trading in the Corporation's securities. These periods are referred to as "black out periods". A black out period is designed to prevent a person from trading while in possession of material information that is not yet available to other shareholders. The TSX recognizes these black out periods might result in an unintended penalty to employees who are prohibited from exercising their options during that period because of their company's internal trading policies. As a result, the TSX provides a framework for extending options that would otherwise expire during a black out period. The Plan includes a provision that should an option expiration date fall within a black out period or immediately following a black out period, the expiration date will automatically be extended for 10 business days following the end of the black out period.

Based on the policies of the TSX, the Plan specifies the types of amendments to the Plan and the options granted thereunder that can be made by the Board without the approval of the shareholders. The Plan allows the Board to terminate or discontinue the Plan at any time without the consent of the option holders provided that such termination or discontinuance shall not alter or impair any option previously granted under the Plan. The only amendments to the Plan that would be subject to shareholder approval are amendments that would:

- (a) reduce the exercise price of an option held by an insider of the Corporation;
- (b) extend the expiry date of an option held by an insider of the Corporation (subject to such date being extended by virtue of the black out provision noted above);
- (c) amend the limitations on the maximum number of Common Shares reserved or issued to insiders;
- (d) increase the maximum number of Common Shares issuable pursuant to the Plan; or
- (e) amend the amendment provisions of the Plan.

Policy 4.4 of the TSXV requires that rolling stock option plans must receive shareholder approval yearly, at an issuer's annual general meeting. In accordance with Policy 4.4, shareholders will be asked to consider and if thought fit, approve an ordinary resolution approving, adopting and ratifying the Plan as the Corporation's stock option plan.

The text of the ordinary resolution to be considered at the Meeting will be substantially as follows:

"BE IT HEREBY RESOLVED as an ordinary resolution of the Corporation that:

- 1. the stock option plan of the Corporation in substantially the form attached as Schedule "B" to the Management Information Circular of the Corporation dated February 6, 2012 (the "Plan") be and is hereby ratified, approved and adopted as the stock option plan of the Corporation;**

2. **the form of the Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation;**
3. **all issued and outstanding stock options previously granted are hereby continued under and governed by the Plan;**
4. **the shareholders of the Corporation hereby expressly authorize the Board of Directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and**
5. **any one (or more) director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”**

Unless otherwise directed, it is the intention of the Management Designees to vote proxies in favour of the resolution approving the Plan. In order to be effective, an ordinary resolution requires approval of a majority of the votes cast by shareholders who vote in respect to the resolution.

6. Approval of the Consolidation of Share Capital

Management of the Corporation believes that it is in the best interests of the Corporation to consolidate the Common Shares of the Corporation. As a result, the shareholders of the Corporation will be asked to consider, and, if thought advisable, to approve the consolidation of the Common Shares on the basis of one (1) new Common Share for up to every three (3) Common Shares issued and outstanding immediately prior to the consolidation (the “**Consolidation**”). The exact ratio of the Consolidation, up to three (3) Common Shares, will be determined by the Board. All outstanding options and any other securities granting rights to acquire Common Shares will be affected by the Consolidation in accordance with the adjustment provisions contained in the instruments giving rise to the issuance of such securities. Management will also be asking shareholders to approve the Corporation not proceeding with the Consolidation in the event that the special resolution is passed by the shareholders at the Meeting and the Board subsequently concludes that it would not be in the best interests of the Corporation to proceed with the Consolidation. The Consolidation is subject to the approval of the TSXV.

The shareholders of the Corporation will be asked to consider, and if thought advisable, to approve a special resolution to amend the Articles of the Corporation with respect to the Consolidation.

The text of the special resolution to be considered at the Meeting will be substantially as follows:

“BE IT HEREBY RESOLVED as a special resolution of the Corporation that:

1. **the Corporation’s Common Shares be consolidated on the basis of one (1) new Common Share for up to every three (3) Common Shares issued and outstanding immediately prior to the consolidation (the “Consolidation”), with the exact ratio to be determined by the Board of Directors;**
2. **shareholders shall not receive fractional shares as a result of the Consolidation and the number of Common Shares held by each shareholder at the time of the Consolidation shall be rounded to the nearest whole number of Common Shares;**
3. **the Articles of the Corporation be amended with respect to the Consolidation;**

4. **the Board of Directors may, at its sole discretion, decide to not act on this special resolution without further approval or authorization from the shareholders of the Corporation; and**
5. **any one (or more) director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this special resolution.”**

The Board believes that the Consolidation is in the best interests of the Corporation and therefore unanimously recommends that Shareholders vote in favour of the special resolution. **Unless otherwise directed, it is the intention of the Management Designees to vote proxies in favour of the special resolution approving the Consolidation.** In order to be effective, the special resolution in respect of the approval of the Consolidation requires approval of not less than two thirds (2/3) of the votes cast by Shareholders who vote in respect of such special resolution.

OTHER BUSINESS

While there is no other business other than that business mentioned in the Notice of Meeting to be presented for action by the shareholders at the Meeting, **it is intended that the proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.**

GENERAL

Unless otherwise directed, it is management’s intention to vote proxies in favour of the resolutions set forth herein. All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the holders of Common Shares. All special resolutions, if any, to be brought before the Meeting require, for the passing of the same, a 66 $\frac{2}{3}$ % majority of the votes cast at the Meeting by the holders of Common Shares. All approvals by disinterested shareholders, if any, require the approval of the shareholders not affected by, or interested in, the matter to be approved.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information of the Corporation’s most recently completed financial year is provided in the Corporation’s comparative financial statements and management discussion and analysis available on SEDAR. A shareholder may contact the Corporation at Suite 500, 635 - 8th Avenue S.W., Calgary, Alberta T2P 3M3, Attn: Chief Financial Officer to obtain a copy of the Corporation’s most recent financial statements and management discussion and analysis.

BOARD APPROVAL

The contents and the sending of this Management Information Circular have been approved by the Board.

DATED this 6th day of February, 2012.

SCHEDULE "A"

AUDIT COMMITTEE TERMS OF REFERENCE

I. Mandate

The primary function of the audit committee (the "**Committee**") is to assist the board of directors of the Corporation (the "**Board of Directors**") in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation's systems of internal controls regarding finance and accounting, and the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements.
- Review and appraise the performance of the Corporation's external auditors.
- Provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors.

II. Composition

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be independent directors, pursuant to the policies of the TSX Venture Exchange.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Terms of Reference, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

III. Meetings

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions.

The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Committee members with copies to the Board of Directors, the Chief Financial Officer or such other officer acting in the capacity and the external auditor.

IV. Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Documents/Reports Review

1. Review and update this Terms of Reference annually.
2. Review the Corporation's financial statements, MD&A and any annual and interim earnings press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.
3. Review and assess the Corporation's procedures for the review of its public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in paragraph 2 above and periodically assess the adequacy of those procedures.

External Auditors

4. Require the external auditors to report directly to the Committee.
5. Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Corporation.
6. Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation.
7. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
8. Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
9. Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval and the compensation of the external auditors.
10. Review with management and the external auditors the terms of the external auditors' engagement letter.
11. At each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.
12. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
13. Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.

14. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
 - (i) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;
 - (ii) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
 - (iii) such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

Financial Reporting Processes

15. In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.
16. Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
17. Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management.
18. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
19. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
20. Review any significant disagreement among management and the external auditors regarding financial reporting.
21. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
22. Review certification process.
23. Establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

- (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Other

- 23. Review any related-party transactions.

V. Authority

The Committee may:

- (a) engage independent outside counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.

SCHEDULE "B"

2012 STOCK OPTION PLAN

1. Purpose

The purpose of the Stock Option Plan (the "Plan") of **Blackhawk Resource Corp.**, 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, if any, to acquire common shares in the share capital of the Corporation (the "Shares"), 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 special 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 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 directors.

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.

Each option granted by the Corporation prior to the date of the approval of the Plan by the shareholders of the Corporation, including options granted under previously approved stock option plans of the Corporation, be and are continued under and shall be subject to the terms of the Plan after the Plan has been approved by the shareholders of the Corporation.

3. Stock Exchange Rules

All options granted pursuant to this Plan shall be subject to rules and policies of any stock exchange or exchanges on which the Shares of the Corporation are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the "Exchange").

4. Shares Subject to Plan

Subject to adjustment as provided in Section 16 hereof, the Shares to be offered under the Plan shall consist of Shares of the Corporation's authorized but unissued Shares. The aggregate number of Shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding Shares of the Corporation from time to time. If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

5. 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.

6. Eligibility and Participation

Directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or company which provides management services to the Corporation or its subsidiaries (“**Management Company Employees**”) shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as “**Participants**”). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the options were held by the Participant.

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. 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 its subsidiaries.

A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the Board shall so determine.

7. Withholding Taxes

The Corporation shall have the authority to take steps for the deduction and withholding, or for the advance payment or reimbursement by the Participant to the Corporation, of any taxes or other required source deductions which the Corporation is required by law or regulation of any governmental authority whatsoever to remit in connection with this Plan, or any issuance of Shares. Without limiting the generality of the foregoing, the Corporation may, in its sole discretion:

- (a) deduct and withhold additional amounts from other amounts payable to a Participant;
- (b) require, as a condition of the issuance of Shares to a Participant that the Participant make a cash payment to the Corporation equal to the amount, in the Corporation’s opinion, required to be withheld and remitted by the Corporation for the account of the Participant to the appropriate governmental authority and the Corporation, in its discretion, may withhold the issuance or delivery of Shares until the Participant makes such payment; or
- (c) sell, on behalf of the Participant, all or any portion of Shares otherwise deliverable to the Participant until the net proceeds of sale equal or exceed the amount which, in the Corporation’s opinion, would satisfy any and all withholding taxes and other source deductions for the account of the Participant.

8. Exercise Price

- (a) The exercise price of the Shares subject to each option shall be determined by the Board, subject to applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange and the option has been granted, the exercise price of an option may be reduced upon receipt of Board

approval, provided that in the case of options held by insiders of the Corporation (as defined in the policies of the Exchange), the exercise price of an option may be reduced only if disinterested shareholder approval is obtained.

9. Number of Optioned Shares

- (a) The aggregate number of Shares that may be issued pursuant to the exercise of Options awarded under the Plan and all other security based compensation arrangements of the Corporation is 10% of the issued and outstanding Shares from time to time, subject to the following additional limitations:
- (i) the aggregate number of Shares reserved for issuance to any one person under the Plan, together with all other security based compensation arrangements of the Corporation, must not exceed 5% of the then outstanding Shares (on a non-diluted basis);
 - (ii) in the aggregate, no more than 10% of the issued and outstanding Shares (on a non-diluted basis) may be reserved at any time for insiders as defined in subsection 1(i) of the *Securities Act* (Alberta) and includes an associate, as defined in subsection 1(a.1) of the *Securities Act* (Alberta) (“**Insider(s)**”) under the Plan, together with all other security based compensation arrangements of the Corporation;
 - (iii) the number of securities of the Corporation issued to Insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Shares;
 - (iv) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares of the Corporation in any twelve-month period to any one consultant of the Corporation (or any of its subsidiaries); and
 - (v) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares of the Corporation in any twelve month period to persons employed to provide investor relations activities. Options granted to Consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than $\frac{1}{4}$ of the options vesting in any three month period.
- (b) The number of Shares subject to an option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an option which exceeds the maximum number permitted by the Exchange.

10. Duration of Option

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and shall be subject to earlier termination as provided in Sections 12 and 13, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange. For greater certainty, if the Corporation is listed on the TSX Venture Exchange Inc., the maximum term may not exceed 10 years.

Should the expiry date of an Option fall within a Black Out Period or within nine business days following the expiration of a Black Out Period, such expiry date of the Option shall be automatically extended without any further act or formality to that date which is the 10th business day after the end of the Black Out Period, such 10th business day to be considered the expiry date for such Option for all purposes under the Plan. The 10 business day period referred to in this paragraph may not be extended by the Board.

“Black Out Period” means the period during which the relevant Participant is prohibited from exercising an Option due to trading restrictions imposed by the Corporation pursuant to any policy of the Corporation respecting restrictions on trading that is in effect at that time.

11. Option Period, Consideration and Payment

- (a) The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any option as provided in Sections 12 and 13 covering cessation as a director, officer, consultant, employee or Management Company Employee of the Corporation or its subsidiaries, or death of the Participant.
- (b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.
- (c) Subject to any vesting restrictions imposed by the Board, options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, 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.
- (d) Except as set forth in Sections 12 and 13, 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, or a Management Company Employee of the Corporation or any of its subsidiaries.
- (e) Subject to Section 7, 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 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 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 of the Corporation unless and until the certificates for Shares issuable pursuant to options under the Plan are issued to him or them under the terms of the Plan.

12. Ceasing To Be a Director, Officer, Consultant or Employee

If a Participant shall cease to be a director, officer, consultant, employee of the Corporation, or its subsidiaries, or ceases to be a Management Company Employee, for any reason (other than death), such Participant may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Corporation.

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.

13. Death of Participant

Notwithstanding Section 12, in the event of the death of a Participant, the option previously granted to him shall be exercisable only within the 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 such Participant was entitled to exercise the Option at the date of his death.

14. 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.

15. 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.

16. Adjustments

If the outstanding Shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation or another Corporation or entity through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, or any adjustment relating to the Shares optioned or issued on exercise of options, or the exercise price per share as set forth in the respective stock option agreements, shall be adjusted in accordance to the terms of such agreements.

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.

17. 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 the extent, if any, permitted by the Exchange. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

18. Amendment and Termination of Plan

The Board may terminate or discontinue the Plan at any time without the consent of the Participants provided that such termination or discontinuance shall not alter or impair any Option previously granted under the Plan.

The Board may by resolution amend this Plan and any Options granted under it without shareholder approval, however, the Board will not be entitled, in the absence of shareholder and Exchange approval, to:

- (a) reduce the exercise price of an Option held by an Insider of the Corporation;
- (b) extend the expiry date of an Option held by an Insider of the Corporation (subject to such date being extended by virtue of Section 10 above)
- (c) amend the limitations on the maximum number of Shares reserved or issued to Insiders under Sections 9(a)(ii) and 9(a)(iii) hereof;

- (d) increase the maximum number of Shares issuable pursuant to this Plan; or
- (e) amend the amendment provisions of this Plan under this Section 18.

Where shareholder approval is sought for amendments under subsections (a), (b) and (c) above, the votes attached to Shares held directly or indirectly by Insiders benefiting from the amendments will be excluded.

19. Incentive Stock Options for U.S. Employees

- (a) All employees of the Corporation or its subsidiaries who are subject to taxation under the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), are eligible to be granted options which are intended to be “incentive stock options” as defined in Section 422 of the Code (“**U.S. Incentive Options**”). U.S. Incentive Options shall comply with the requirements of Section 422 of the Code. Subject to adjustments in accordance with the provisions of Section 16 and notwithstanding that the aggregate number of Shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding Shares of the Corporation from time to time pursuant to Section 4, the aggregate number of Shares that may be subject to U.S. Incentive Options under the Plan shall not exceed 6,003,914 Shares. No U.S. Incentive Option shall be granted after the expiration of 10 years from the earlier of the date of the adoption of the Plan by the Board or the approval of the Plan by the shareholders of the Corporation. No amendment to the class of employees eligible to be granted U.S. Incentive Options or to the aggregate number of Shares that may be subject to U.S. Incentive Options under the Plan shall be made unless shareholder approval of such amendment is obtained within one (1) year before or after the date of such amendment.
- (b) In the case of an U.S. Incentive Option granted to a Participant who owns, directly or by reason of the applicable attribution rules, 10% or less of the total combined voting power of all classes of stock of the Corporation, the exercise price per share of the Shares covered by each U.S. Incentive Option shall be not less than the Fair Market Value (as defined below) of the Shares on the date of the grant of the U.S. Incentive Option. In all other cases of U.S. Incentive Options, the exercise price shall be not less than 110% of the Fair Market Value of the Shares on the date of grant. For purposes of this Section 19, “**Fair Market Value**” shall mean if the Shares are listed on any securities exchange, the closing sales price, if any, on the largest such exchange on the grant date, or, if none, on the most recent trade date immediately prior to the grant date provided such trade date is no more than 30 days prior to the grant date. If the Fair Market Value cannot be determined under the preceding sentence, it shall be determined in good faith by the Board.
- (c) The Fair Market Value of the Shares (determined at the time the option is granted) as to which U.S. Incentive Options are exercisable for the first time by any Participant during any single calendar year (under the Plan and under any other incentive stock option plan of the Corporation or its affiliates) shall not exceed U.S. \$100,000. To the extent that the Fair Market Value of such Shares exceeds U.S. \$100,000, the Shares subject to options in excess of U.S. \$100,000 shall, without further action by the Board, automatically be converted to nonstatutory options.
- (d) Each U.S. Incentive Option shall terminate not more than 10 years from the date of the grant thereof, or at such earlier time as the option agreement may provide, and shall be subject to earlier termination as herein provided, except that if the exercise price is required under this Section 19 to be at least 110% of Fair Market Value, each such U.S. Incentive Option shall terminate not more than five (5) years from the date of the grant thereof, and shall be subject to earlier termination as herein provided. Notwithstanding anything in Section 12 of the Plan to the contrary, if a Participant who has been awarded an U.S. Incentive Option ceases to be an employee of the Corporation or its subsidiaries for any reason (other than death), such Participant

may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within three months after the Participant ceases to be an employee.

- (e) Notwithstanding anything herein to the contrary, all interpretations, rules, regulations, determinations, terms, and conditions made and prescribed under Section 2 of the Plan shall be made and prescribed in the context of preserving the tax status of the U.S. Incentive Options as “incentive stock options” within the meaning of Section 422 of the Code. Notwithstanding Section 8(b) of the Plan, the exercise price of U.S. Incentive Options may not be reduced under Section 8(b) after the grant date.

20. 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.

21. Effective Date of Plan

The Plan has been adopted by the Board of the Corporation subject to the approval of the Exchange and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

22. Interpretation

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