



**BIG SKY PETROLEUM CORPORATION**

**Annual General and Special Meeting  
to be held on June 7, 2012**

**Notice of Annual General and Special Meeting**

**and**

**Information Circular**

# **BIG SKY PETROLEUM CORPORATION**

**410 – 325 Howe Street  
Vancouver, B.C. V6C 1Z7  
Telephone (604) 687-3520 – Fax (604) 688-3392**

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

**NOTICE** is hereby given that an annual general and special meeting of the shareholders of Big Sky Petroleum Corporation (the “Company”) will be held at 410 – 325 Howe Street, Vancouver, British Columbia, on Thursday June 7, 2012 at 2:00 pm, local time, (the “Meeting”) for the following purposes:

1. to receive the financial statements for the year ended December 31, 2011, together with the auditor’s report thereon, and related management discussion and analysis;
2. to fix the number of directors at four;
3. to elect directors of the Company for the ensuing year;
4. to appoint Smythe Ratcliffe, Chartered Accountants, as auditor of the Company for the ensuing year;
5. to approve the adoption of a new and updated form of share option plan;
6. to approve the adoption of new Articles for the Company; and
7. to transact such other business as may properly be put before the Meeting.

An Information Circular accompanies this Notice. The Information Circular contains details of matters to be considered at the Meeting.

**Shareholders who are unable to attend the Meeting in person and who wish to ensure that their shares will be voted at the Meeting are requested to complete, date and sign the enclosed form of proxy, or another suitable form of proxy, and deliver it by fax, by hand or by mail in accordance with the instructions set out in the form of proxy and in the Information Circular.**

**Unregistered shareholders who plan to attend the Meeting must follow the instructions set out in the form of proxy or voting instruction form and in the Information Circular to ensure that their shares will be voted at the Meeting. If you hold your shares in a brokerage account you are not a registered shareholder.**

**DATED** at Vancouver, British Columbia, the 30th day of April, 2012.

**ON BEHALF OF THE BOARD**

*“Milton Cox”*

**Milton Cox  
Chief Executive Officer**

# **BIG SKY PETROLEUM CORPORATION**

**410 – 325 Howe Street  
Vancouver B.C. V6C 1Z7  
Telephone (604) 687-3520 – Fax (604) 688-3392**

## **INFORMATION CIRCULAR**

(as at April 30, 2012 except as otherwise indicated)

This information circular (the “Circular”) is provided in connection with the solicitation of proxies by the management of Big Sky Petroleum Corporation (the “Company”). The form of proxy which accompanies this Circular (the “Proxy”) is for use at the annual general and special meeting of the shareholders of the Company to be held on Thursday June 7, 2012 (the “Meeting”), at the time and place set out in the accompanying notice of meeting (the “Notice of Meeting”).

In this Circular, “Common Shares” means common shares without par value in the capital of the Company. “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

### **Solicitation of Proxies**

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to beneficial owners of the Common Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

### **APPOINTMENT AND REVOCATION OF PROXY**

The persons named in the Proxy are directors and officers of the Company. **A registered shareholder who wishes to appoint some other person to serve as their representative at the Meeting may do so by striking out the printed name and inserting the desired person's name in the blank space provided.** The completed Proxy should be delivered to CIBC Mellon Trust Company by fax 1-416-368-2502 or 1-866-781-3111 or by mail or delivered to Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1 by 2:00 pm (Pacific Time) on Tuesday, June 5, 2012 (or 48 hours prior to any adjournment of the Meeting, excluding Saturdays, Sundays and holidays, at which the Proxy is to be used).

The Proxy may be revoked by:

- (a) signing a proxy with a later date and delivering it at the time and place noted above;
- (b) signing and dating a written notice of revocation and delivering it at the time and to the place noted above; or
- (c) attending the Meeting or any adjournment of the Meeting and registering with the scrutineer as a shareholder present in person.

## **Provisions Relating to Voting of Proxies**

**The Common Shares represented by proxy in the enclosed form will be voted or withheld from voting by the designated holder in accordance with the direction of the registered shareholder appointing him. If there is no direction by the registered shareholder, those shares will be voted for all proposals set out in the Proxy and for the election of directors and the appointment of the auditors as set out in this Circular. The Proxy gives the person named in it the discretion to vote as such person sees fit on any amendments or variations to matters identified in the Notice of Meeting, or any other matters which may properly come before the Meeting. At the time of printing of this Circular, the management of the Company knows of no other matters which may come before the Meeting other than those referred to in the Notice of Meeting.**

## **Beneficial Shareholders**

**The following information is of significant importance to shareholders who do not hold Common Shares in their own name.** Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Company as the registered holders of Common Shares) or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of intermediaries. In Canada the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms), and in the United States, under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial Shareholders: Objecting Beneficial Owners ("OBOs") object to their name being made known to the issuers of securities which they own; and Non-Objecting Beneficial Owners ("NOBOs") who do not object to the issuers of the securities they own knowing who they are.

The Company is taking advantage of the provisions of National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer ("NI 54-101") that permit the Company to deliver proxy-related materials directly to its NOBOs. As a result NOBOs can expect to receive a proxy from CIBC Mellon Trust Company ("CIBC"). The proxy is to be completed and returned to CIBC. CIBC will tabulate the results of the proxies received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the proxies it receives.

These securityholder materials are being sent to both registered and non-registered (beneficial) owners of the securities of the Company. If you are a non-registered owner, and the Company or its agent has sent these materials directly to you, your name, address and information about your holdings of securities, were obtained in accordance with applicable securities regulatory requirements from the intermediary holding securities on your behalf.

By choosing to send these materials to you directly, the Company (and not the intermediary holding securities on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your VIF as specified in the request for voting instructions that was sent to you.

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting. The proxy form supplied to you by your broker will be similar to the proxy provided to registered shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote your Common Shares on your behalf. Most brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“Broadridge”) in Canada and in the United States. Broadridge mails a voting instruction form (“VIF”) in lieu of the proxy provided by the Company. The VIF will name the same persons as the Company’s Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), who is different from any of the persons designated in the VIF, to represent your Common Shares at the Meeting and that person may be you. To exercise this right, insert the name of the desired representative, which may be you, in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting and the appointment of any shareholder’s representative. **If you receive a VIF from Broadridge, the VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares voted or to have an alternate representative duly appointed to attend the Meeting and vote your Common Shares at the Meeting.**

#### Notice to Shareholders in the United States

The solicitation of proxies involve securities of an issuer located in Canada and is being effected in accordance with the corporate laws of the Province of British Columbia, Canada and securities laws of the provinces of Canada. The proxy solicitation rules under the *United States Securities Exchange Act of 1934*, as amended, are not applicable to the Company or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the *Business Corporations Act* (British Columbia), as amended, certain of its directors and its executive officers are residents of Canada and a substantial portion of its assets and the assets of such persons are located outside the United States. Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of United States federal securities laws. It may be difficult to compel a foreign company and its officers and directors to subject themselves to a judgment by a United States court.

#### Financial Statements

The audited financial statements of the Company for the year ended December 31, 2011, together with the auditor’s report on those statements (the “Financial Statements”), will be presented to the shareholders at the Meeting.

### VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The board of directors (the “Board”) of the Company has fixed April 30, 2012 as the record date (the

“Record Date”) for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

The Common Shares of the Company are listed for trading on the TSX Venture Exchange (the “TSXV”). The Company is authorized to issue an unlimited number of Common Shares without par value of which 60,676,665 Common Shares are issued and outstanding as at the date hereof. An aggregate of 24,989,100 these Common Shares are held in escrow. All Common Shares in the capital of the Company carry the right to one vote.

To the knowledge of the directors and executive officers of the Company, the only persons or corporations that beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common of the Company as at April 30, 2012 are:

<b>Shareholder Name</b>	<b>Number of Common Shares Held</b>	<b>Percentage of Issued Common Shares</b>
Sam Nastat	6,480,000	10.7%

Notes:

(1) The above information was supplied to the Company by the shareholders and from the insider reports available at [www.sedi.ca](http://www.sedi.ca).

A filing statement filed on November 22, 2011 (the “Filing Statement”) with the securities commissions or similar regulatory authority in British Columbia, Alberta, Manitoba, New Brunswick or Nova Scotia is specifically incorporated by reference into, and forms an integral part of, this Circular. A copy of the Filing Statement may be viewed on [www.sedar.com](http://www.sedar.com) or obtained by a shareholder from the Company.

### **ELECTION OF DIRECTORS**

The number of directors is currently set at four. The board of directors (the “Board”) proposes that the number of directors remain at four. Shareholders will therefore be asked to approve an ordinary resolution that the number of directors elected be fixed at four.

The directors of the Company are elected annually and hold office until the next annual general meeting of the shareholders or until their successors are elected or appointed. Management of the Company proposes to nominate the persons listed below for election as directors of the Company to serve until the director’s office is earlier vacated in accordance with the provisions of the BCA, or until the conclusion of the next annual general meeting of the Company, or if no director is then elected, until a successor is elected. Management does not contemplate that any of the nominees will be unable to serve as a director.

The following disclosure sets out the names of management’s nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee’s principal occupation, business or employment for the five preceding years for new director nominees, the period of time during which each has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at April 30, 2012.

<b>Name of Nominee; Current Position with the Company and Province or State and Country of Residence</b>	<b>Period as a Director of the Company</b>	<b>Common Shares Beneficially Owned or Controlled<sup>(1)</sup></b>
Milton Cox Chief Executive Officer and Director Mississippi, USA	Since November 30, 2011	3,600,000 <sup>(2)</sup>
Mark T. Brown Chief Financial Officer, Secretary and Director British Columbia, Canada	Since May 14, 2008	1,489,838 <sup>(3)</sup>
Desmond M. Balakrishnan Director British Columbia, Canada	Since November 30, 2011	30,000 <sup>(4)</sup>
George Robinson Director Michigan, USA	Since November 30, 2011	2,700,000 <sup>(5)</sup>

Notes:

1. The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective nominees. Each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years.

2. Mr. Cox holds options to purchase 200,000 Common Shares at an exercise price of \$0.35 per Common Share expiring on December 1, 2016.

3. Mr. Brown holds 272,171 of these Common Shares directly, 897,667 of these Common Shares in Pacific Opportunity Capital Ltd. and 320,000 of these Common Shares in Spartacus Management Inc., both private companies controlled by Mr. Brown. Mr. Brown also holds options to purchase 43,333 Common Shares at an exercise price of \$0.30 per Common Share expiring on May 21, 2013, options to purchase 300,000 Common Shares at an exercise price of \$0.35 per Common Share expiring on December 1, 2016, 443,000 Warrants in Pacific Opportunity Capital Ltd. to purchase Common Shares at an exercise price of \$0.66 per Common Share until September 30, 2012 and \$0.80 per Common Share until September 30, 2013 in the Company and 126,171 Warrants directly to purchase Common Shares at an exercise price of \$0.66 per Common Share until September 30, 2012 and \$0.80 per Common Share until September 30, 2013 in the Company.

4. Mr. Balakrishnan also holds options to purchase 100,000 Common Shares at an exercise price of \$0.35 per Common Share expiring on December 1, 2016 and 10,000 Warrants to purchase Common Shares at an exercise price of \$0.66 per Common Share until September 30, 2012 and \$0.80 per Common Share until September 30, 2013 in the Company.

5. Mr. Robinson also holds options to purchase 100,000 Common Shares at an exercise price of \$0.35 per Common Share expiring on December 1, 2016.

None of the proposed nominees for election as a director of the Company are proposed for election pursuant to any arrangement or understanding between the nominee and any other person, except the directors and senior officers of the Company acting solely in such capacity.

### **Occupation, Business or Employment of Director Nominee**

#### ***Milton Cox –Chief Executive Officer and Director***

Mr. Cox has been Chief Executive Officer of the Company since November 30, 2011. He has 25 years of executive experience in resource investment management. He has been President of CodeAmerica Investments LLC since 1982. He holds an M.B.A. in finance from the University of Mississippi, a BSC Petroleum Geology Certificate from the University of Tulsa and is a member of the American Society of

Mechanical Engineers.

***Mark T. Brown – Chief Financial Officer, Corporate Secretary and Director***

Mr. Brown was the President and Chief Executive Officer of the Company from May 14, 2008 until November 30, 2011. He has been Chief Financial Officer and Corporate Secretary of the Company since November 30, 2011. He is also the President of Pacific Opportunity Capital Ltd., a private company which provides financial solutions, equity and management services to small and medium size entrepreneurial enterprises.

Mr. Brown received a Bachelor of Commerce Degree from the University of British Columbia in 1990 and is a member of the Institute of Chartered Accountants of British Columbia. Mr. Brown is the founder of Rare Element Resources Ltd. listed on the TSX Venture Exchange and the NYSE AMEX. Between 1990 and 1994, Mr. Brown worked with PricewaterhouseCoopers. He is currently a director and /or officer of various other public companies including Galileo Petroleum Ltd.

***Desmond M. Balakrishnan – Director***

Mr. Balakrishnan is a lawyer and has practiced law as a partner at a national law firm since February 2002. He received his Law degree from the University of Alberta in April 1997 and was called to the British Columbia Bar in May 1998. Mr. Balakrishnan acts as a director and officer of a number of public companies including Aroway Energy Inc., Great Canadian Gaming Corporation and Electric Metals Inc.

***George Robinson – Director***

Mr. Robinson has been a managing partner in Robinson Oil and Gas LLC with principal offices in Billings Montana since 1999. Robinson Oil & Gas is an exploration and development and operating company with primary focus in the Williston Basin and Sweet Grass Arch in north central Montana. Prior to founding Robinson Oil & Gas Mr. Robinson had over 20 years of executive management experience with Major independent oil companies, Hunt Energy Corporation, Dart Oil & Gas Corporation, and Dominion Exploration Company.

A shareholder can vote for all of these directors, vote for some of them and withhold for others, or withhold for all of them. **Unless otherwise instructed, the named proxyholders will vote FOR the election of each of the proposed nominees set forth above as directors of the Company.**

**Bankruptcies, Orders and Management Cease Trade Orders**

Desmond M. Balakrishnan was a director of Probe Resources Ltd. (“Probe”) from November, 2007 until March, 2011. A management cease trade order was issued against the directors, officers and insiders of Probe by the British Columbia Securities Commission on January 3, 2008 for failure to timely file continuous disclosure materials as required pursuant to applicable securities laws. The management cease trade order remained in effect until February 29, 2008 by the British Columbia Securities Commission.

Mr. Balakrishnan has been a director of Copacabana Capital Limited (“Copacabana”) since June, 2005. A cease trade order was issued against Copacabana by the British Columbia Securities Commission on May 9, 2006 for failure to timely file continuous disclosure materials as required pursuant to applicable securities laws. In addition, a cease trade order was issued against Copacabana by the Alberta Securities Commission on September 13, 2006. These cease trade orders remain in effect as of the date hereof.

On July 21, 2011 the trading in the Common Shares of the Company was halted on the TSXV at the



request of the Company. On December 2, 2011, trading in the Common Shares of the Company resumed on the TSXV.

Within the last 10 years before the date of this Circular no other proposed nominee for election as a director of the Company was a director or executive officer of any company (including the Company in respect of which this Circular is prepared) acted in that capacity for a company that was:

- (a) subject to a cease trade or similar order or an order denying the relevant company access to any exemptions under securities legislation, for more than 30 consecutive days;
- (b) 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 the securities legislation, for a period of more than 30 consecutive days;
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director;
- (d) subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) subject to any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

#### **APPOINTMENT OF AUDITOR**

The management of the Company intends to nominate Smythe Ratcliffe, Chartered Accountants, for appointment as auditor of the Company. Forms of proxy given pursuant to the solicitation by the management of the Company will, on any poll, be voted as directed and, if there is no direction, for the appointment of Smythe Ratcliffe, Chartered Accountants, as auditor of the Company to hold office until the close of the next annual general meeting of the Company, at a remuneration to be fixed by the directors. Smythe Ratcliffe, Chartered Accountants, was first appointed as auditor of the Company on August 19, 2008.

#### **AUDIT COMMITTEE**

The Company is required to have an audit committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Company or an affiliate of the Company. The Company's current audit committee consists of Mark T. Brown, Desmond M. Balakrishnan and George Robinson. Mr. Brown is Chairman of the audit committee.

#### **Audit Committee Charter**

The text of the audit committee's charter is attached as Schedule "A" to the information circular for the 2011 annual general meeting and filed on [www.sedar.com](http://www.sedar.com) on May 13, 2011.

### Composition of Audit Committee and Independence

National Instrument 52-110 *Audit Committees*, (“NI 52-110”) provides that a member of an audit committee is “independent” if the member has no direct or indirect material relationship with the Company, which could, in the view of the Company’s board of directors, reasonably interfere with the exercise of the member’s independent judgment.

In the view of management of the Company, Desmond M. Balakrishnan and George Robinson are considered to be independent as determined in accordance with National Instrument 52-110 - Audit Committees (“NI 52-110”). Mark T. Brown is not considered to be independent as that term is defined.

### Relevant Education and Experience

NI 52-110 provides that an individual is “financially literate” if he or she has 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 reasonably be expected to be raised by the Company’s financial statements.

All of the members of the Company’s audit committee are financially literate as that term is defined.

See heading “Occupation, Business or Employment of Director Nominee” for relevant education and experience of members of the audit committee.

### Audit Committee Oversight

Since the commencement of the Company’s most recently completed financial year, the audit committee of the Company has not made any recommendations to nominate or compensate an external auditor which were not adopted by the board of directors of the Company.

### Pre-Approval Policies and Procedures

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

### Audit Fees

The following table sets forth the fees paid by the Company to Smythe Ratcliffe, Chartered Accountants, for services rendered in the last two fiscal years:

	<u>2010</u>	<u>2011</u>
Audit fees.....	\$8,000	\$25,600
Audit-related fees.....	N/A	\$4,400
Tax fees.....	N/A	\$5,700
All other fees.....	N/A	N/A
<b>Total</b> .....	<b><u>\$8,000</u></b>	<b><u>\$35,700</u></b>

### Exemption in Section 6.1

The Company is a “venture issuer” as defined in NI 52-110 and is relying on the exemption in section 6.1

of NI 52-110 relating to Parts 3 (*Composition of Audit Committee*) and 5 (*Reporting Obligations*).

## CORPORATE GOVERNANCE DISCLOSURE

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices, as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

### Board of Directors

Management is nominating four individuals to the Company's Board, all of whom are current directors of the Company.

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Company's Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

The Board facilitates its independent supervision over management by holding regular meetings at which members of management or non-independent directors are not in attendance and by retaining independent consultants where it deems necessary.

The independent members of the Board are Desmond Balakrishnan and George Robinson.

The non-independent directors are Milton Cox, CEO, and Mark T. Brown, CFO.

A majority of the Board is not independent

### Directorships

The directors are currently serving on boards of the following other reporting companies (or equivalent) as set out below:

Name of Director	Name of Reporting Issuer	Exchange Listed
Mark T. Brown	Avrupa Minerals Ltd.	TSXV
	Animas Resources Ltd.	TSXV
	Almaden Minerals Ltd.	TSX
	Big Sky Petroleum Corporation	TSXV
	Sutter Gold Mining Inc.	TSXV
	Strategem Capital Corporation	TSXV
	Galileo Petroleum Ltd.	TSXV
	Estrella Gold Corp.	TSXV
	Pitchstone Exploration Ltd.	TSXV
Desmond Balakrishnan	Copacabana Capital Ltd.	TSXV
	Probe Resources Ltd.	TSXV

<b>Name of Director</b>	<b>Name of Reporting Issuer</b>	<b>Exchange Listed</b>
	Aroway Energy Inc.	TSXV
	Petro Basin Energy Corp.	NEX
	Shelby Ventures Inc.	NEX

### **Orientation and Continuing Education**

When new directors are appointed, they receive an orientation, commensurate with their previous experience, on the Company's properties, business, technology and industry and on the responsibilities of directors.

Board meetings may also include presentations by the Company's management and employees to give the directors additional insight into the Company's business.

### **Ethical Business Conduct**

To date, the Board has not adopted a formal written Code of Business Conduct and Ethics. However, the current limited size of the Company's operations, and the small number of officers and consultants, allow the Board to monitor on an ongoing basis the activities of management and to ensure that the highest standard of ethical conduct is maintained. As the Company grows in size and scope, the Board anticipates that it will formulate and implement a formal Code of Business Conduct and Ethics.

### **Nomination and Assessment**

The Board as a whole is responsible for recruiting and nominating new members to the Board of Directors and planning for the succession of directors.

#### **Assessments**

The Board monitors, but does not formally assess, the performance of individual Board members.

## **EXECUTIVE COMPENSATION**

On November 30, 2011, the Company completed a reverse takeover under the policies of the TSXV pursuant to a share purchase agreement signed on September 30, 2011 to acquire all the issued and outstanding membership interests of Big Sky Operating LLC ("BSO"), a private company and to issue to the lenders of BSO the sum of 1,350,000 Common Shares of the Company. See Filing Statement filed on [www.sedar.com](http://www.sedar.com) on November 22, 2011.

As at November 30, 2011, the new management of the Company consists of Milton Cox as Chief Executive Officer, Mark T. Brown as Chief Financial Officer and Corporate Secretary, and Bassam (Sam) Nastat as President. The Board consists of Milton Cox, Mark T. Brown, George Robinson and Desmond Balakrishnan.

### **Named Executive Officers**

Named Executive Officer ("NEO") means: (a) each Chief Executive Officer ("CEO"), (b) each Chief Financial Officer ("CFO"), (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity for the Company or a subsidiary of the Company, other than the CEO and CFO, at the end of the most recently completed financial year whose

total compensation was, individually, more than \$150,000; and (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor any of the subsidiaries of the Company, nor acting in a similar capacity, at the end of that financial year.

During the financial year ended December 31, 2011, the NEOs were Mark T. Brown (resigned as President and CEO on November 30, 2011 and appointed Secretary and CFO on November 30, 2011), Winnie Wong, (resigned as Secretary and CFO on November 30, 2011) and Milton Cox (appointed as CEO on November 30, 2011) and Sam Nastat (appointed as President on November 30, 2011). Mr. Brown and Ms. Wong were employed by an external management company. Ms. Wong remains as a consultant to the Company.

## **COMPENSATION DISCUSSION & ANALYSIS**

### **Compensation Discussion & Analysis**

The Company does not pay any compensation to its directors other than the issuance of stock options. Compensation paid to the Company's CEO and President is determined by the Board as a whole.

The NEOs and directors are not allowed to hedge risk of the Company's securities.

At the present time, the only standing committee is the Audit Committee. As the Company grows, and its operations and management structure became more complex, the Board expects it will constitute formal standing committees, such as a Corporate Governance Committee, a Compensation Committee and a Nominating Committee, and will ensure that such committees are governed by written charters and are composed of at least a majority of independent directors.

The primary goal of the Company's executive compensation process is to attract and retain the key executives necessary for the Company's long term success, to encourage executives to further the development of the Company and its operations, and to motivate qualified and experienced executives. The key elements of executive compensation awarded by the Company are base salary and incentive stock options. The directors are of the view that the two elements should be considered together when determining executive compensation.

Salaries for NEOs are determined by evaluating the time, effort and responsibilities of an NEO, with a view to the competitive marketplace. The Board seeks to set base salary at a level competitive enough to represent a fair compensation in the marketplace while ensuring such compensation reflects the development stage of the Company. For all employees, including NEOs, salary adjustments are considered by the Board annually but any adjustments to base salary are not guaranteed and any adjustment includes consideration for individual performance and market conditions.

The Company entered into an agreement with Pacific Opportunity Capital Ltd. ("POC"), a company controlled by Mark Brown and his family, to pay POC a monthly amount of \$10,000 starting December 1, 2011 (prior to December 1, 2011, \$2,500 per month) for accounting, management services and rent for the Company, including Mr. Brown acting as the CFO. The Company is also required to reimburse POC for out-of-pocket expenses.

The Company paid a total of US\$18,839 for accounting, management services and rent during the financial year ended December 31, 2011 to POC.

The Company entered into consulting agreements with its Chief Executive Officer Milton Cox and President Sam Nastat to pay each of them US\$10,000 per month starting December 1, 2011. During financial year ended December 31, 2011, the Company paid US\$40,000 to each of Mr. Cox and Mr. Nastat.

Other than the stock options, the Company does not presently have any other compensation arrangements for its NEOs.

### **Option-Based Awards**

Stock option grants are made on the basis of the number of stock options currently held, position, overall individual performance, anticipated contribution to the Company's future success and the individual's ability to influence corporate and business performance. The purpose of granting such stock options is to assist the Company in compensating, attracting, retaining and motivating the officers, directors and employees of the Company and to closely align the personal interest of such persons to the interest of the shareholders.

The recipients of incentive stock options and the terms of the stock options granted are determined from time to time by the Board. The exercise price of the stock options granted is generally determined by the market price at the time of grant.

The following information is intended as a brief description of the Stock Option Plan adopted by the Board in 2006 while the Company was a "capital pool company" pursuant to the policies of the TSXV. This Stock Option Plan was approved by the shareholders Company at the annual general meeting held on June 8, 2011:

1. The maximum number of shares that may be issued upon the exercise of stock options granted under the Stock Option Plan shall not exceed 10% of the issued and outstanding shares of the Company at the time of grant, the exercise price of which, as determined by the Board in its sole discretion, shall not be less than the closing price of the Company's shares traded through the facilities of the TSXV on the date prior to the date of grant, less allowable discounts, in accordance with the policies of the TSXV or, if the shares are no longer listed for trading on the TSXV, then such other exchange or quotation system on which the shares are listed or quoted for trading.
2. The Board shall not grant options to any one person in any 12 month period which will, when exercised, exceed 5% of the issued and outstanding shares of the Company or to any one consultant or to those persons employed by the Company who perform investor relations services which will, when exercised, exceed 2% of the issued and outstanding shares of the Company.
3. Upon expiry of an option, or in the event an option is otherwise terminated for any reason, the number of shares in respect of the expired or terminated option shall again be available for the purposes of the Stock Option Plan. All options granted under the Stock Option Plan may not have an expiry date exceeding 10 years from the date on which the Board grants and announces the granting of the option.
4. If the option holder ceases to be a director of the Company or ceases to be employed by the Company (other than by reason of death), or ceases to be a consultant of the Company as the case may be, then the option granted shall expire on no later than the 90th day following the date that the option holder ceases to be a director, ceases to be employed by the Company or ceases to be a consultant of the Company, subject to the terms and conditions set out in the Stock Option Plan.

The Board retains the discretion to impose vesting periods on any options granted. There are currently no vesting periods applicable to any outstanding options.

On February 6, 2012, the Board approved the adoption of a new and updated form of share option plan, subject to shareholder approval. A copy of both plans will be available for review at the Meeting.

## SUMMARY COMPENSATION TABLE

### Summary Compensation Table

A summary of compensation paid during the Company's three most recently completed financial year to the NEOs of the Company in US Dollars is set out below:

### Summary Compensation Table

Name and principal position	Year	Salary (US\$)	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (\$)		Pension value (US\$)	All other compensation (US\$)	Total compensation (US\$)
					Annual incentive plans	Long-term incentive plans			
Milton Cox <sup>(1)</sup> CEO	2011	40,000	Nil	51,213 <sup>(5)</sup>	Nil	Nil	Nil	Nil	91,213
Sam Nastat <sup>(2)</sup> President	2011	40,000	Nil	51,213 <sup>(5)</sup>	Nil	Nil	Nil	Nil	91,213
Mark T. Brown <sup>(3)</sup> , CFO and former CEO	2011 2010 2009	Nil Nil Nil	Nil Nil Nil	76,819 <sup>(5)</sup> Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	18,839 Nil Nil	95,658 Nil Nil
Winnie Wong <sup>(4)</sup> , former CFO	2011 2010 2009	Nil Nil Nil	Nil Nil Nil	N/A <sup>(4)</sup> Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	N/A Nil Nil

Notes:

- (1) Mr. Cox was appointed as CEO on November 30, 2011.
- (2) Mr. Nastat was appointed as President on November 30, 2011.
- (3) Mr. Brown resigned as President and CEO on November 30, 2011. He was appointed as Corporate Secretary and CFO on November 30, 2011.
- (4) Ms. Wong resigned as Secretary and CFO on November 30, 2011. Ms. Wong received options as a consultant to the Company effective December 1, 2011; thus, the option based awards are not included in the table above.
- (5) These options were granted on December 1, 2011 at an exercise price of \$0.35 expiring on December 1, 2016. The fair value of option-based awards which are vested during 2011 is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's Common Shares and expected life of the options.

### Narrative Discussion

The Company paid a total of US\$18,839 for accounting, management services and rent during the financial year ended 2011 to POC, a company which Mr. Mark T. Brown is the President and Ms. Winnie Wong is a Vice President, for the management and accounting services of an accounting and administrative team of four people.

## Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth the outstanding share-based awards and option-based awards held by the NEOs at the end of the most recently completed financial year

### Outstanding Share-Based Awards and Option-Based Awards

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options <sup>(1)</sup> (#)	Option exercise price (Cdn\$)	Option expiration date	Value of unexercised in-the-money options (Cdn\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (Cdn\$)	Market or payout value of vested share-based awards not paid out or distributed (Cdn\$)
Milton Cox	200,000	\$0.35	December 1, 2016	\$16,000	Nil	Nil	Nil
Sam Nastat	200,000	\$0.35	December 1, 2016	\$16,000	Nil	Nil	Nil
Mark T. Brown	300,000	\$0.35	December 1, 2016	\$24,000	Nil	Nil	Nil
Winnie Wong <sup>(4)</sup>	N/A	N/A	N/A	N/A	Nil	Nil	Nil

#### Notes:

- (1) "In-the-Money Options" means the excess of the market value of the Company's Common Shares on December 31, 2011 over the exercise price of the options. The Company's Common Shares traded on December 30, 2011 at a closing price of Cdn\$0.43.
- (2) The options granted to the NEOs of the Company vested immediately.
- (3) If an option was granted in a different currency than that reported in the table, include a footnote describing the currency and the exercise or base price.
- (4) Ms. Wong resigned as Secretary and CFO on November 30, 2011. Ms. Wong received options as a consultant to the Company effective December 1, 2011; thus, the option based awards are not included in the table above.

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

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed financial year by each NEO:

### Value Vested or Earned for Incentive Plan Awards During the Most Recently Completed Financial Year

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (Cdn\$)	Share-based awards – Value vested during the year (Cdn\$)	Non-equity incentive plan compensation – Value earned during the year (Cdn\$)
Milton Cox	\$18,000	N/A	N/A
Sam Nastat	\$18,000	N/A	N/A
Mark T. Brown	\$27,000	N/A	N/A
Winnie Wong <sup>(2)</sup>	N/A	N/A	N/A



Note:

- (1) The options granted to the NEOs vested immediately. The aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date is calculated by determining the difference between the market price of the underlying securities on the date of vest and the exercise price of the options under the option-based award multiplied by the number of options vested on the vesting date.
- (2) Ms. Wong resigned as Secretary and CFO on November 30, 2011. Ms. Wong received options as a consultant to the Company effective December 1, 2011; thus, the option based awards are not included in the table above.

### PENSION BENEFITS

The Company does not have a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

### TERMINATION AND CHANGE OF CONTROL BENEFITS

The Company does not have any termination and change of control benefits for its NEOs.

The table below sets out the estimated incremental payments, payables and benefits due to each of the NEOs on termination without cause assuming termination on December 31, 2011.

Name	Base Salary (\$)	Bonus (\$)	Option-Based Awards (\$)	All Other Compensation (\$)	Total (\$)
Milton Cox	Nil	Nil	Nil	Nil	Nil
Sam Nastat	Nil	Nil	Nil	Nil	Nil
Mark T. Brown	Nil	Nil	Nil	Nil	Nil
Winnie Wong,	Nil	Nil	Nil	Nil	Nil

The table below sets out the estimated incremental payments, payables and benefits due to each of the NEOs on termination on a change of control or resignation for good cause following a change of control assuming termination or resignation on December 31, 2011.

Name	Base Salary (\$)	Bonus (\$)	Option-Based Awards \$( <sup>(1)</sup> )	All Other Compensation (\$)	Total (\$)
Milton Cox	Nil	Nil	Nil	Nil	Nil
Sam Nastat	Nil	Nil	Nil	Nil	Nil
Mark T. Brown	Nil	Nil	Nil	Nil	Nil
Winnie Wong	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Assumes no exchange of options held by NEOs for acquiring the Company's stock options and the vesting of all outstanding options. Calculated based on the difference between the market price of the Common Shares on the TSXV on December 31, 2011, which was \$0.43 per Common Share, and the exercise price of the option.

### Narrative Discussion

The Company has no compensatory plan, contract or arrangement where an NEO is entitled to receive more than \$100,000 (including periodic payments or instalments) to compensate such executive officer in the event of resignation, retirement or other termination of the NEO's employment with the Company, a change of control of the Company, or a change in responsibilities of the NEO following a change in control.

## DIRECTOR COMPENSATION

### Director Compensation Table

The following table sets forth the details of compensation provided to the directors in US Dollars, other than the NEOs during the Company's most recently completed financial year:

### Director Compensation Table

Name	Fees Earned (US\$)	Share-based Awards (US\$)	Option-based Awards <sup>(5)</sup> (US\$)	Non-Equity Incentive Plan Compensation (US\$)	Pension Value (US\$)	All Other Compensation <sup>(4)</sup> (US\$)	Total (US\$)
James H. Elliott <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Alastair Sinclair <sup>(2)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Desmond M. Balakrishnan <sup>(3)</sup>	Nil	Nil	\$25,606	Nil	Nil	Nil	\$25,606
George Robinson <sup>(4)</sup>	Nil	Nil	\$25,606	Nil	Nil	Nil	\$25,606

Note:

- (1) Mr. Elliott resigned as a director of the Company on November 30, 2011.
- (2) Mr. Sinclair resigned as a director of the Company on November 30, 2011.
- (3) Mr. Balakrishnan was appointed as a director of the Company on November 30, 2011.
- (4) Mr. Robinson was appointed as a director of the Company on November 30, 2011.
- (5) The fair value of option-based awards which are vested during 2011 is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's Common Shares and expected life of the options. All options vested immediately

### Narrative Discussion

Directors are only compensated through the grant of stock options. No directors' fees are paid.

## INCENTIVE PLAN AWARDS

### Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth the outstanding share-based awards and option-based awards held by the directors of the Company at the end of the most recently completed financial year:

### Outstanding Share-Based Awards and Option-Based Awards

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options <sup>(1)</sup> (#)	Option exercise price (Cdn\$)	Option expiration date	Value of unexercised in-the-money options (Cdn\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (Cdn\$) <sup>(2)</sup>	Market or payout value of vested share-based awards not paid out or distributed (Cdn\$)
James H. Elliott	Nil	Nil	N/A	Nil	N/A	N/A	N/A
Alastair Sinclair	Nil	Nil	N/A	Nil	N/A	N/A	N/A

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options <sup>(1)</sup> (#)	Option exercise price (Cdn\$)	Option expiration date	Value of unexercised in-the-money options (Cdn\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (Cdn\$) <sup>(2)</sup>	Market or payout value of vested share-based awards not paid out or distributed (Cdn\$)
Desmond M. Balakrishnan	100,000	\$0.35	December 1, 2016	\$8,000	N/A	N/A	N/A
George Robinson	100,000	\$0.35	December 1, 2016	\$8,000	N/A	N/A	N/A

Note:

- (1) “In-the-Money Options” means the excess of the market value of the Company’s Common Shares on December 31, 2011 over the exercise price of the options. The Company’s Common Shares traded on Friday, December 30, 2011 at a closing price of \$0.43 per Common Share.
- (2) The options granted to the directors of the Company vested immediately.

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

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed fiscal year by each director:

#### Value Vested or Earned for Incentive Plan Awards during the Most Recently Completed Financial Year

Name	Option-based awards – Value vested during the year <sup>(5)</sup> (Cdn\$)	Share-based awards – Value vested during the year (Cdn\$)	Non-equity incentive plan compensation – Value earned during the year (Cdn\$)
James H. Elliott <sup>(1)</sup>	Nil	N/A	N/A
Alastair Sinclair <sup>(2)</sup>	Nil	N/A	N/A
Desmond M. Balakrishnan <sup>(3)</sup>	\$9,000	N/A	N/A
George Robinson <sup>(4)</sup>	\$9,000	N/A	N/A

Note:

- (1) Mr. Elliott resigned as a director of the Company on November 30, 2011.
- (2) Mr. Sinclair resigned as a director of the Company on November 30, 2011.
- (3) Mr. Balakrishnan was appointed as a director of the Company on November 30, 2011.
- (4) Mr. Robinson was appointed as a director of the Company on November 30, 2011.
- (5) The options granted to the directors vested immediately. The aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date is calculated by determining the difference between the market price of the underlying securities on the date of vest and the exercise price of the options under the option-based award multiplied by the number of options vested on the vesting date.

### EQUITY COMPENSATION PLAN INFORMATION

The following table sets out those securities of the Company which have been authorized for issuance under equity compensation plans as of December 31, 2011:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> <b>(a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b> <b>(b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> <b>(c)</b>
Equity compensation plans approved by the securityholders	1,643,333	\$0.34	4,424,333
Equity compensation plans not approved by the securityholders	Nil	N/A	N/A
<b>Total</b>	1,643,333	\$0.34	4,424,333

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the current or former directors, executive officers, employees of the Company or its subsidiaries, the proposed nominees for election to the board of directors of the Company, or their respective associates or affiliates, are or have been indebted to the Company or its subsidiaries since the beginning of the last completed financial year of the Company.

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

No director or executive officer of the Company or any proposed nominee of management of the Company for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, since the beginning of the Company's last financial year in matters to be acted upon at the Meeting, other than the election of directors and as set out herein.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

None of the persons who were directors or executive officers of the Company or a subsidiary of the Company at any time during the Company's last financial year, the proposed nominees for election to the Board, any person or company who beneficially owns, directly or indirectly, or who exercises control or direction over (or a combination of both) more than 10% of the issued and outstanding Common Shares of the Company, nor any associate or affiliate of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction or proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries, other than as set out herein.

Both Desmond Balakrishnan and Mark T. Brown participated in the September 30, 2011 private placement, purchasing 100,000 units and 126,171 units at \$0.35 per unit, respectively.

### MANAGEMENT CONTRACTS

Management, administrative and secretarial functions are provided by Pacific Opportunity Capital Ltd. ("POC"), a private company of which Mark T. Brown is the President and a director. A total of

US\$18,839 was invoiced by POC for accounting, management services and rent for the year ended December 31, 2011.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **A. Stock Option Plan**

A number of Common Shares equal to ten (10%) percent of the issued and outstanding Common Shares in the capital stock of the Company from time to time are reserved for the issuance of stock options pursuant to the Company's Stock Option Plan adopted in 2006 while the Company was a capital pool company (the "Existing Plan").

During the Company's financial year ended December 31, 2011, and to the date of mailing of this Circular, options have been granted and remain outstanding to purchase an aggregate of 1,643,333 Common Shares. These options expire on a date not later than five years after the date of grant of an option.

Effective January 1, 2011, amendments to the *Income Tax Act* (Canada) require the Company to withhold, and remit to Canada Revenue Agency, the estimated tax on the deemed benefit arising from the exercise of options to purchase shares in the Company.

On February 6, 2012 the Board approved the adoption of a new share option plan (the "New Plan") to comply with the current policies of the TSXV and the amendments to the *Income Tax Act* (Canada) which impose withholding obligations on taxable benefits arising at the time options are exercised. The New Plan is subject to approval of the TSXV and the shareholders of the Company. The New Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The New Plan is administered by the CEO and CFO of the Company. The New Plan provides that options will be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company. The New Plan also provides that the number of Common Shares issuable under the New Plan, together with all of the Company's other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding Common Shares. Pursuant to the New Plan all options expire on a date not later than 10 years after the date of grant of an option. All options outstanding under the Existing Plan will be rolled into the New Plan.

Pursuant to the policies of the TSXV, the Company wishes to seek shareholder approval to the New Plan. The TSXV policies also require shareholders approve the continuation of the New Plan at every subsequent annual meeting of the Company by ordinary resolution.

The Plan is subject to the following restrictions:

- (a) The Company must not grant an option to a director, employee, consultant, or consultant company (the "Service Provider") in any 12 month period that exceeds 5% of the outstanding shares, unless the Company has obtained by a majority of the votes cast by the shareholders of the Company eligible to vote at a shareholders' meeting, excluding votes attaching to shares beneficially owned by Insiders and their Associates ("Disinterested Shareholder Approval");
- (b) The aggregate number of options granted to a Service Provider conducting Investor Relations Activities in any 12 month period must not exceed 2% of the outstanding shares calculated at the date of the grant, without the prior consent of the TSXV;

- (d) The Company must not grant an option to a Consultant in any 12 month period that exceeds 2% of the outstanding shares calculated at the date of the grant of the option;
- (e) The number of optioned shares issued to insiders in any 12 month period must not exceed 10% of the outstanding shares (in the event that the New Plan is amended to reserve for issuance more than 10% of the outstanding shares) unless the Company has obtained Disinterested Shareholder Approval to do so;
- (f) The exercise price of an option previously granted to an insider must not be reduced, unless the Company has obtained disinterested shareholder approval to do so.

#### Material Terms of the Plan

The following is a summary of the material terms of the New Plan:

- (a) Persons who are Service Providers to the Company or its affiliates, or who are providing services to the Company or its affiliates, are eligible to receive grants of options under the New Plan;
- (b) Options granted under the New Plan are non-assignable and non-transferable and are issuable for a period of up to 10 years;
- (c) For options granted to Service Providers, the Company must ensure that the proposed Optionee is a bona fide Service Provider of the Company or its affiliates;
- (d) An Option granted to any Service Provider will expire within one year (or such other time, not to exceed one year, as shall be determined by the Board as at the date of grant or agreed to by the Board and the Optionee at any time prior to expiry of the Option), after the date the Optionee ceases to be employed by or provide services to the Company, but only to the extent that such Option was vested at the date the Optionee ceased to be so employed by or to provide services to the Company;
- (e) If an Optionee dies, any vested option held by him or her at the date of death will become exercisable by the Optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such Optionee and the date of expiration of the term otherwise applicable to such option;
- (f) In the case of an Optionee being dismissed from employment or service for cause, such Optionee's options, whether or not vested at the date of dismissal, will immediately terminate without right to exercise same;
- (g) The exercise price of each option will be set by the Board on the effective date of the option and will not be less than the Discounted Market Price (as defined in the Plan);
- (h) Vesting of options shall be at the discretion of the Board, and will generally be subject to:
  - (i) the Service Provider remaining employed by or continuing to provide services to the Company or its affiliates, as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Company or its affiliates during the vesting period; or
  - (ii) the Service Provider remaining as a Director of the Company or its affiliates during the vesting period; and

- (i) The Board reserves the right in its absolute discretion to amend, suspend, terminate or discontinue the New Plan with respect to all New Plan shares in respect of options which have not yet been granted under the New Plan.

The Board has determined that, in order to reasonably protect the rights of participants, as a matter of administration, it is necessary to clarify when amendments to the New Plan may be made by the Board without further shareholder approval. Accordingly, the Board proposes that the New Plan also provide the following:

- (a) The Board may, without shareholder approval:
  - (i) amend the New Plan to correct typographical, grammatical or clerical errors;
  - (ii) change the vesting provisions of an option granted under the New Plan, subject to prior written approval of the TSXV, if applicable;
  - (iii) change the termination provision of an option granted under the New Plan if it does not entail an extension beyond the original expiry date of such option;
  - (iv) make such amendments to the New Plan as are necessary or desirable to reflect changes to securities laws applicable to the Company;
  - (v) make such amendments as may otherwise be permitted by the TSXV Policies;
  - (vi) if the Company becomes listed or quoted on a stock exchange or stock market senior to the TSXV, make such amendments as may be required by the policies of such senior stock exchange or stock market; and
  - (vii) amend the New Plan to reduce the benefits that may be granted to Service Providers.

A copy of the New Plan will be available for inspection at the Meeting.

At the Meeting, Shareholders will be asked to consider and vote on the ordinary resolution to adopt the New Plan, with or without variation, as follows:

“Resolved that:

- (a) the Share Option Plan dated for reference June 7, 2012, be ratified and approved;
- (b) all outstanding options be rolled into the new share option plan;
- (c) to the extent permitted by law, the Company be authorized to abandon all or any part of the new share option plan if the Board deems it appropriate and in the best interest of the Company to do so; and
- (d) any one or more of the directors and officers of the Company be authorized to perform all such acts, deeds and things and execute, under seal of the Company or otherwise, all such documents as may be required to give effect to this resolution.”

An ordinary resolution is a resolution passed by the shareholders of the Company at a general meeting by a simple majority of the votes cast in person or by proxy.

The Board recommends that you vote in favour of the above resolution. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the resolution.

The Board is of the view that the New Plan provides the Company with the flexibility to attract and maintain the services of executives, employees and other service providers in competition with other companies in the industry. A copy of the New Plan will be available for inspection at the Meeting. A shareholder may also obtain a copy of the Plan by contacting the Company at Telephone: 604-687-3520 or Fax: 604-688-3392.

## **B. Articles**

The Articles of a company, among other things, set out rules for the conduct of its business and affairs. The current Articles of the Company were adopted in 2009.

As a consequence of the enactment of the *Securities Transfer Act* (“STA”) and to ensure that the Company’s corporate charter facilitates the use of uncertificated shares and electronic record keeping systems currently in use worldwide and which are being increasingly adopted in Canada, the Board is recommending to shareholders that the Company adopt a new form of Articles. The new form of Articles will also include certain clarifications required to the current Articles of the Company. The primary differences between the current Articles and the new Articles are:

### *1. STA*

The new Articles will permit the use of electronic record-keeping and uncertificated securities. The material concerns which are reflected in the proposed new Articles include the following:

- If the shares of which a shareholder is the registered owner are not uncertificated shares, such shareholders will be entitled either to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder’s name; or (b) a non-transferable written acknowledgment of the shareholder’s right to obtain such a share certificate. Pursuant to the new form of Articles, shareholders holding uncertificated shares will receive written notice of any issue or transfer of those shares.
- The current Articles provide that for a share transfer to be effective the Company must receive a “duly signed instrument of transfer”. In electronic delivery, in certain circumstances where transfers are effected by brokers on behalf of their clients, a signed instrument of transfer is not provided to the Company. The new form of Articles permit the transfer of shares to occur upon receipt by the Company or its transfer agent of a written instrument of transfer.
- The current Articles provide that the instrument of transfer must be in the form approved by the directors. The new form of Articles provide that the instrument of transfer must be in the form approved by the directors or by the transfer agent and registrar of the Company.

### *2. Alterations*

The current Articles set out that any alterations to the authorized share structure of the Company be pass by a special resolution, being a resolution passed by a majority of not less than two-thirds of the votes cast by the shareholder who voted in respect of that resolution either in person or by proxy. The new



Articles will provide that subject to the BCA, the Company may by ordinary resolution (a simple majority of affirmative votes) or by a resolution of the directors, in certain cases, alter the authorized share structure.

The current Articles set out that a change of name of the Company be pass by a special resolution. The new Articles will permit the directors to change the name of the Company or adopt any translation of that name by consent resolution.

### *3. Proxy Provisions*

The new Articles provide that a proxy may be sent to the Company through the internet or by telephone voting or by email, as well as by written instrument and fax.

The new Articles provide that the proxy may also be revoked at an adjourned meeting.

### *4. Directors*

The new Articles will provide that the number of directors for the Company may be set by a resolution of the directors. The current Articles set out that the number of directors is to be set by ordinary resolution of the shareholders.

### *5. Mailing*

The new Articles will provide that a notice, statement, report or other record may be faxed or emailed to a shareholder as well as mailed to the shareholder and if on two consecutive occasions, a notice, statement, report or other record sent to a shareholder is returned, the Company shall not be required to send any further records to the shareholder until the shareholder informs the Company in writing of his or her new address.

Accordingly, shareholders will be asked to approve the following special resolution in order to adopt the new and updated form of Articles for the Company:

“Resolved, as a special resolution, that:

- (a) the current Articles of the Company be deleted in their entirety and the new form of Articles substantially in the form as tabled at the Meeting be adopted as the Articles of the Company;
- (b) any director or officer of the Company is authorized to execute under the seal of the Company or otherwise and to deliver all agreements, documents, instruments and to take all further action as may be required to give effect herein;
- (c) McMillan LLP be appointed as the Company’s agent to electronically file any required Notice of Alteration with the Registrar of Companies; and
- (d) the directors be authorized to delay or abandon the implementation of this special resolution in their discretion.”

The Board recommends that shareholders vote in favour of the special resolution. In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of the resolution.

The new Articles in their proposed form, subject to such non material requirements as may be reasonably required by legal counsel or the regulatory authorities, are available by email on request from the Company's Secretary at Telephone: 604-687-3520 or Fax: 604-688-3392. A copy of the new Articles will also be available at the Meeting.

### **OTHER MATTERS**

It is not known whether any other matters will come before the Meeting other than those set forth above and in the Notice of Meeting, but if any other matters do arise, the person named in the Proxy intends to vote on any poll, in accordance with his or her best judgement, exercising discretionary authority with respect to amendments or variations of matters set forth in the Notice of Meeting and other matters which may properly come before the Meeting or any adjournment of the Meeting.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on [www.sedar.com](http://www.sedar.com). Financial information about the Company is provided by the Company's comparative annual financial statements to December 31, 2011 and related management discussion and analysis. Additional financial information or documentation concerning the Company may be obtained by any securityholder of the Company free of charge by contacting the Company at Telephone: 604-687-3520 or Fax: 604-688-3392.

### **BOARD APPROVAL**

The contents of this Circular have been approved and its mailing authorized by the directors of the Company.

**DATED** at Vancouver, British Columbia, the 30<sup>th</sup> day of April, 2012.

### **ON BEHALF OF THE BOARD**

*"Milton Cox"*

**Milton Cox**  
**Chief Executive Officer**