

ARCAN RESOURCES LTD.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 20, 2009

NOTICE IS HEREBY GIVEN THAT the annual general and special meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Common Shares**") of Arcan Resources Ltd. (the "**Corporation**") will be held at the Viking Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta at 3:00 p.m. (Calgary time) on Wednesday, May 20, 2009, for the following purposes:

1. to receive the audited financial statements of the Corporation for the year ended December 31, 2008, together with the auditor's report on such financial statements;
2. to elect the directors of the Corporation for the ensuing year;
3. to appoint KPMG LLP, Chartered Accountants, as auditors of the Corporation and to authorize the directors to fix their remuneration;
4. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution approving the existing stock option plan of the Corporation;
5. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution confirming and approving the shareholders rights plan of the Corporation and the related Shareholder Rights Plan Agreement as summarized in Schedule "D" to the Information Circular; and
6. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders are referred to the Information Circular for more detailed information with respect to the matters to be considered at the Meeting.

Only Shareholders of record at the close of business on April 9, 2009 are entitled to notice of the Meeting and only those Shareholders of record at the close of business on April 9, 2009, or who subsequently become Shareholders and comply with the provisions of the *Business Corporations Act* (Alberta), are entitled to vote at the Meeting.

A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting, or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. In order to be valid and acted upon at the Meeting, the enclosed proxy must be received by Valiant Trust Company, 310, 606 – 4th Street S.W., Calgary, Alberta, T2P 1T1, no later than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time for the holding of the Meeting or any adjournment thereof.

DATED April 9, 2009.

**BY ORDER OF THE BOARD OF DIRECTORS
OF ARCAN RESOURCES LTD.**

"Ed Gilmet" (signed)
Ed Gilmet
President and Chief Executive Officer

ARCAN RESOURCES LTD.

INFORMATION CIRCULAR

FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 20, 2009

THIS MANAGEMENT INFORMATION CIRCULAR (the "**Information Circular**") IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY OR ON BEHALF OF THE MANAGEMENT OF ARCAN RESOURCES LTD. (the "**Corporation**") for use at the annual general and special meeting of the holders (the "**Shareholders**") of common shares of the Corporation (the "**Common Shares**") to be held at the Viking Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta at 3:00 p.m. (Calgary time) on Wednesday, May 20, 2009, and any adjournment or adjournments thereof (the "**Meeting**") for the purposes set forth in the accompanying Notice of Meeting. Information contained in this Information Circular is given as at April 9, 2009 unless otherwise stated.

SOLICITATION OF PROXIES

The solicitation is made by management of the Corporation. Solicitation of proxies by management will be primarily by mail, but may also be in person or by telephone, email or facsimile. Arrangements will also be made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of Common Shares pursuant to the requirements of National Instrument 54-101 - Communication with Beneficial Owners of Securities of a Reporting Issuer. The cost of any such solicitation will be borne by the Corporation.

RECORD DATE

April 9, 2009 (the "**Record Date**") is the record date for the Meeting. Only registered holders of Common Shares at the close of business on the Record Date are entitled to notice of the Meeting and to vote thereat unless, after the Record Date, a registered holder transfers his Common Shares and the transferee, upon producing properly endorsed certificates evidencing such Common Shares or otherwise establishing that he owns such Common Shares, requests not later than 10 days before the Meeting that the transferee's name be included in the list of Shareholders entitled to vote, in which case such transferee shall be entitled to vote such Common Shares at the Meeting.

APPOINTMENT AND REVOCATION OF PROXIES

Registered Shareholders may vote in person at the Meeting or they may appoint another person or company, who does not have to be a Shareholder, as their proxy to attend and vote in their place. The persons named in the enclosed form of proxy are officers of the Corporation. **A SHAREHOLDER SUBMITTING A PROXY HAS THE RIGHT TO APPOINT A PERSON OR COMPANY TO REPRESENT SUCH SHAREHOLDER AT THE MEETING OTHER THAN THE PERSON OR COMPANY DESIGNATED IN THE FORM OF PROXY FURNISHED BY THE CORPORATION, INCLUDING A PERSON OR COMPANY THAT IS NOT A SHAREHOLDER. TO EXERCISE THIS RIGHT, THE SHAREHOLDER SHOULD INSERT THE NAME OF THE DESIRED REPRESENTATIVE IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY AND STRIKE OUT THE OTHER NAMES OR SUBMIT ANOTHER APPROPRIATE PROXY.** If a Shareholder plans to attend the Meeting and vote his or her Common Shares in person, the Shareholder must insert his or her own name in the space provided for in the proxy to appoint themselves as proxyholder and return it in the enclosed envelope without completing the remainder of the proxy, as such Shareholder's votes will be taken at the Meeting. In order to be effective, the proxy must be mailed so as to be deposited at the office of the Corporation's transfer agent, Valiant Trust Company, suite 310, 606 - 4th Street S.W., Calgary, Alberta, T2P 1T1, on or before 4:30 p.m. (Calgary time) on Monday, May 18, 2009. The instrument appointing a proxy shall be in writing under the hand of the Shareholder or his attorney, or, if such Shareholder is a corporation, under its corporate seal, and executed by a director, officer or attorney thereof duly authorized.

A registered Shareholder who has submitted a proxy may revoke it at any time prior to the exercise of that proxy. In addition to revocation in any other matter permitted by law, a proxy may be revoked by instrument in writing executed by the registered Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or executed by a director, officer or attorney thereof duly authorized, and deposited either at the office of the Corporation's transfer agent, Valiant Trust Company, suite 310, 606 - 4th Street S.W., Calgary, Alberta, T2P 1T1, at any time prior to 4:30 p.m. (Calgary time) on the last business day preceding the day of the Meeting or with the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting, and upon such deposit the proxy is revoked.

EXERCISE OF DISCRETION BY PROXY HOLDERS

All Common Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting, in accordance with the instructions of the Shareholder, on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the proxy will be voted in accordance with such specification. **IN THE ABSENCE OF SUCH SPECIFICATION, SUCH COMMON SHARES WILL BE VOTED IN FAVOUR OF ALL MATTERS SET FORTH IN THIS INFORMATION CIRCULAR.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of this Information Circular, management of the Corporation knows of no such amendment, variation or other matter.

ADVICE TO BENEFICIAL HOLDERS OF SECURITIES

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

Applicable regulatory policies requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy or voting instruction form supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is similar to the form of proxy provided to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number or access the internet to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions representing the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance in the Meeting in order to have the Common Shares voted.** Shareholders who receive forms of proxies or voting materials from organizations other than Broadridge

should complete and return such forms of proxies or voting materials in accordance with the instructions on such material in order to properly vote their Common Shares at the Meeting.

Although a Shareholder may not be recognized directly at the Meeting for the purposes of voting their Common Shares, a Shareholder may attend at the Meeting as a proxyholder and vote their Common Shares in that capacity. To do this, a Shareholder must enter their own name in the blank space on the form of proxy or voting instruction form provided to them and return the document to their broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES

The Corporation is authorized to issue an unlimited number of Common Shares, an unlimited number of preferred shares issuable in series, and an unlimited number of Performance Shares.

Common Shares

The holders of the Common Shares are entitled to dividends, if, as and when declared by the board of directors of the Corporation, to one vote per share at meetings of the Shareholders and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. As at the date hereof, there are 37,868,560 Common Shares outstanding.

To the best of the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owned, directly or indirectly, or exercised control or direction over 10% or more of the voting rights attached to the outstanding Common Shares except as stated below.

Name	Aggregate Number of Common Shares	Percentage of Outstanding Common Shares
Hank B. Swartout ⁽¹⁾	4,078,118	10.8%

Notes:

(1) Director of the Corporation

Preferred Shares

The preferred shares of the Corporation may be issued from time to time in one or more series, each consisting of a number of preferred shares as determined by the board of directors of the Corporation who also may fix the designation, rights, privileges, restrictions and conditions attaching to the shares of each series of preferred shares. The preferred shares have a priority over the Common Shares with respect to payment of dividends and distributions of assets in the event of liquidation, dissolution or winding-up of the Corporation. As at the date hereof, there are no preferred shares of the Corporation outstanding.

Performance Shares

On March 13, 2008, all 6,550,400 outstanding Performance Shares were converted into 1,335,005 Common Shares. The Performance Shares were issued pursuant to the terms of the amalgamation between Arcan Resources Ltd. and Desco Energy Ltd. ("**Desco**") on January 1, 2007. In connection with the amalgamation, each former Desco shareholder received one Performance Share as a portion of the consideration for each common share of Desco exchanged in the amalgamation. Pursuant to the provisions of the Performance Shares in the Corporation's Articles of Amalgamation, such shares were to be, on or before November 1, 2008, either: (a) redeemed and cancelled or (b) converted into a fraction of a Common Share, to a maximum of 0.20380435 of a Common Share for each Performance Share. The terms of the Performance Shares provide that the Corporation may, at its option, elect to convert each Performance Share into 0.20380435 of a Common Share at an earlier date as specified by the board of directors of the Corporation. As at the date hereof, there are no Performance Shares outstanding.

APPROVAL REQUIREMENTS

Unless otherwise indicated, all of the matters to be considered at the Meeting are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of Shareholders present in person or represented by proxy at the Meeting.

MATTERS TO BE ACTED UPON AT THE MEETING

The following are the matters to be acted upon at the Meeting:

1. Presentation of Financial Statements

The audited financial statements of the Corporation for the year ended December 31, 2008, together with the auditors' report on those financial statements, were mailed to the Shareholders who have requested such financial statements in accordance with applicable securities laws, together with this Information Circular. These financial statements are also available on the internet on the Corporation's SEDAR profile at www.sedar.com.

2. Election of Directors

The board of directors of the Corporation has proposed to fix the number of directors of the Corporation at the Meeting at seven. The following seven persons are nominated by management of the Corporation and are, in the opinion of management, qualified to direct the activities of the Corporation until the next annual meeting of the Shareholders of the Corporation. All nominees have indicated their willingness to stand for election. Each director elected will hold office until the next annual meeting of the Shareholders of the Corporation or until his successor is duly elected or appointed, unless his office is vacated earlier in accordance with the Corporation's articles or by-laws.

In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote in favour of the election as directors of the proposed nominees whose names are set forth below, each of whom has been a director since the date indicated below opposite the proposed nominee's name. Management does not contemplate that any of the proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by properly executed proxies given in favour of such nominees may be voted by the persons designated by management of the Corporation in the enclosed form of proxy, in their discretion, in favour of another nominee.

The following table sets forth information with respect to each person proposed to be nominated for election as a director, including the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction was exercised, by such person or the person's associates or affiliates as at the date hereof. The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Corporation, has been furnished by the respective proposed nominees individually.

Name and Municipally of Residence	Office / Date Appointed	Principal Occupation During the Past 5 Years	Number and Percentage of Common Shares Beneficially Owned or over which Control or Direction is Exercised
M. Bruce Chernoff ⁽¹⁾ Calgary, Alberta, Canada	Director January 17, 2007	In 2002, Mr. Chernoff co-founded Harvest Energy Trust where he currently holds the position of Chairman of the Board. Mr. Chernoff is currently President of Caribou Capital Corp. and is also a director of several other public companies.	1,764,750 (4.7%)
Robert J. Dales ⁽¹⁾ Calgary, Alberta, Canada	Director January 1, 2007	President, Chief Executive Officer and a director of Desco from June 2005 to December 2006. President of Valhalla Ventures Inc., a private investment corporation, from January 1999 to	476,490 (1.3%)

Name and Municipally of Residence	Office / Date Appointed	Principal Occupation During the Past 5 Years	Number and Percentage of Common Shares Beneficially Owned or over which Control or Direction is Exercised
		present. President of Desco Exploration Ltd., an oil and gas corporation, from April 2002 until September 2002.	
Andy Fisher ⁽³⁾⁽⁴⁾ Calgary, Alberta, Canada	Executive Vice President and Director January 1, 2007	Executive Vice President of The Corporation since October 9, 2003. Prior thereto Mr. Fisher assisted GEOCAN Energy Inc., a TSX listed junior oil and gas company based in Calgary, Alberta, in asset acquisitions and exploration and business strategies from November 2000 to May 2004.	778,660 (2.1%)
Ed Gilmet ⁽²⁾⁽⁵⁾ Calgary, Alberta, Canada	President, CEO and Director January 1, 2007	President and Chief Executive Officer of The Corporation since October 9, 2003. Prior thereto Mr. Gilmet was a senior geophysicist with Burlington Resources Energy Ltd.	1,448,913 (3.8%)
Michael J. Laffin ⁽²⁾⁽⁵⁾ Calgary, Alberta, Canada	Corporate Secretary and Director January 1, 2007	Partner with Blake, Cassels & Graydon LLP, a national Canadian law firm since August 2002.	94,500 (0.2%)
J. Terry McCoy ⁽¹⁾⁽³⁾⁽⁴⁾ Calgary, Alberta, Canada	Director January 1, 2007	President of Koa Resources Ltd. which is an oil and gas company. Prior thereto, Mr. McCoy held positions as Vice President of Exploration for Calvalley Petroleum Inc., President and a director of Trafina Energy Ltd., and Vice President of Exploration at Murphy Oil Company.	158,478 (0.4%)
Hank B. Swartout ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Calgary, Alberta, Canada	Director January 1, 2007	Mr. Swartout is an independent business man, with interests in the oil and gas industry and real estate development. He is the former Executive Chairman and founder of Precision Drilling Corporation.	4,078,118 (10.8%)

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Reserves Committee.
- (4) Member of the Environment, Health and Safety Committee.
- (5) Member of the Corporate Governance Committee.

3. Appointment of Auditors

Unless otherwise directed, it is management's intention to vote the proxies in favour of an ordinary resolution to re-appoint the firm of KPMG LLP, Chartered Accountants, Calgary, Alberta, to serve as auditors of the Corporation until the next annual meeting of the Shareholders or until a successor is appointed, and to authorize the directors to fix their remuneration. KPMG LLP was first appointed to serve as auditors of the Corporation on March 9, 2007.

4. Approval of Stock Option Plan

The board of directors of the Corporation and Shareholders previously approved the adoption of a stock option plan (the "**Stock Option Plan**") which provides for the "rolling" grant of options to purchase up to 10% of the issued and outstanding Common Shares. In accordance with TSX Venture Exchange Policy 4.4, the Corporation is required to obtain annual approval of its Stock Option Plan from the Shareholders.

At the Meeting, the Shareholders will be asked to consider and, if deemed appropriate, pass the following ordinary authorizing resolution (the "**Stock Option Plan Resolution**") to approve the Corporation's Stock Option Plan:

"RESOLVED THAT:

1. the existing stock option plan of the Corporation, which provides for the rolling grant of options to acquire up to 10% of the number of issued and outstanding Common Shares of the Corporation, be and the same is hereby ratified, confirmed and approved; and
2. any one director or officer of the Corporation be and is hereby authorized and directed to do all things and to execute and deliver all documents and instruments as may be necessary or desirable to carry out the terms of this resolution."

The board of directors recommends that the Shareholders vote in favour of the Stock Option Plan Resolution. To be effective, the Stock Option Plan Resolution must be approved by a majority of the votes cast by the shareholders of the Corporation who vote in person or by proxy at the Meeting on the Stock Option Plan Resolution. In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote in favour of the Stock Option Plan Resolution.

5. *Approval of Shareholder Rights Plan*

On February 6, 2009, the Corporation adopted a shareholder rights plan (the "**Plan**"), similar to existing shareholder rights plans adopted by other Canadian public companies. The Plan is effected by a Shareholder Rights Plan Agreement (the "**Shareholder Rights Plan Agreement**") dated February 6, 2009 between Valiant Trust Company and the Corporation.

The objectives of the Plan are to ensure that, to the extent possible, all Shareholders are treated equally and fairly in connection with any take-over bid for the Corporation. The Plan discourages discriminatory, coercive or unfair take-overs of the Corporation and gives the Corporation's board of directors time if, in the circumstances, the board of directors determines it is appropriate to take such time, to pursue alternatives to maximize Shareholder value in the event an unsolicited take-over bid is made for all or a portion of the outstanding Common Shares.

In order to implement the adoption of the Plan, the board of directors authorized the issuance of one right (a "**Right**") in respect of each Common Share outstanding at the close of business on February 6, 2009 (the "**Record Time**") and in respect of each Common Share issued thereafter. The Rights trade with and are represented by Common Share certificates, including certificates issued prior to the Record Time. Until such time as the Rights separate from the Common Shares and become exercisable, Rights certificates will not be distributed to Shareholders.

If a person, or a group acting in concert, acquires (other than pursuant to an exemption available under the Plan) or announces its intention to acquire 20% or more of the Common Shares, Rights (other than those held by such acquiring person which will become void) will separate from the Common Shares and permit the holder thereof to purchase Common Shares at a 50% discount to their market price. A person, or a group acting in concert, who is the beneficial owner of 20% or more of the outstanding Common Shares as of the Record Time is exempt from the dilutive effects of the Plan provided such person (or persons) does not acquire more than 1% of the Common Shares in addition to those Common Shares already held by such person (or persons). At any time prior to the Rights becoming exercisable, the board of directors may waive the operation of the Plan with respect to certain events before they occur.

The issuance of the Rights is not dilutive until the Rights separate from the underlying Common Shares and become exercisable or until the exercise of the Rights. The issuance of the Rights will not change the manner in which Shareholders currently trade their Common Shares.

"**Permitted bids**" under the Plan must be made to all holders of Common Shares and must be open for acceptance for a minimum of 60 days. If at the end of 60 days at least 50% of the outstanding Common Shares other than those

owned by the offeror and certain related parties have been tendered and not withdrawn, the bidder may take-up and pay for the shares but must extend the bid for a further 10 days to allow other Shareholders to tender to the bid.

Pursuant to the terms of the Shareholder Rights Plan Agreement, the Plan must be approved and confirmed by a majority of all of the votes cast in respect of such approval and confirmation by the Independent Shareholders (as defined in the Shareholder Rights Plan Agreement) on or before the date of the Corporation's 2009 annual and special meeting of Shareholders. An "**Independent Shareholder**" is generally any Shareholder other than an "**Acquiring Person**" (as defined in the Shareholder Rights Plan Agreement) and its associates and affiliates. Under the policies of the TSX Venture Exchange, the Plan and the Shareholder Rights Plan Agreement must also be approved and confirmed by a majority of all of the votes cast in respect of such approval and confirmation by all of the Shareholders. As of the date of this Information Circular, the Corporation is not aware of any Shareholder who would not be considered an Independent Shareholder, and therefore it is anticipated that there will be no difference between the votes cast by all Shareholders and by the Independent Shareholders on the resolution set forth below.

A summary of the key features of the Plan, as provided in the Shareholder Rights Plan Agreement, is attached as Schedule "D" to this Information Circular. All capitalized terms used in this section of the Information Circular and Schedule "D" have the meaning set forth in the Shareholder Rights Plan Agreement unless otherwise indicated. A complete copy of the Shareholder Rights Plan Agreement is available on the Corporation's SEDAR profile at www.sedar.com and can also be obtained from the Corporation on written request.

Text of Resolution

At the Meeting, the Shareholders and the Independent Shareholders will be asked to consider and, if thought appropriate, to pass, an ordinary resolution in the form set forth in Schedule "E" to this Information Circular that will confirm and approve the Plan and the Shareholder Rights Plan Agreement.

In order to be passed as an ordinary resolution, the resolution, as set forth in Schedule "E", must be approved by a majority of 50% plus one of the votes cast by Shareholders represented in person or by proxy at the Meeting who vote in respect of that resolution, as well as a majority of 50% plus one of the votes cast by Independent Shareholders represented in person or by proxy at the Meeting who vote in respect of that resolution. It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary, to vote in favour of the resolution, as set forth in Schedule "E" to this Information Circular.

Recommendation of the Board of Directors

The board of directors has determined that it is advisable and in the best interests of the Corporation and its Shareholders that the Corporation put in place a shareholder rights plan in the form of the Plan. Accordingly, the board of directors unanimously recommends that the Shareholders vote in favour of the confirmation and approval of the Plan and the Shareholder Rights Plan Agreement. The directors and executive officers of the Corporation have indicated their intention to vote all Common Shares held by them in favour of the confirmation and approval of the Plan and the Shareholder Rights Plan Agreement. The board of directors reserves the right to alter any terms of the Plan and the Shareholder Rights Plan Agreement at any time prior to the Meeting if the board of directors determines that it would be in the best interests of the Corporation and the Shareholders to do so, in light of subsequent developments.

Objectives of the Plan

The Plan is not being adopted or approved in response to or in anticipation of any pending or threatened take-over bid, nor to deter take-over bids generally. As of the date of this Information Circular, the board of directors is not aware of any third party considering or preparing any proposal to acquire control of the Corporation. The primary objectives of the Plan are to ensure that, in the context of a bid for control of the Corporation through an acquisition of the Common Shares, the board of directors has sufficient time to explore and develop alternatives for maximizing Shareholder value, to provide adequate time for competing bids to emerge, to ensure that Shareholders have an equal

opportunity to participate in such a bid and to give them adequate time to properly assess the bid and lessen the pressure to tender typically encountered by a securityholder of an issuer that is subject to a bid.

In approving the Plan, the board of directors considered the following concerns inherent in the existing legislative framework governing take-over bids in Canada:

- (a) *Time.* Current legislation permits a take-over bid to expire in 35 days. The board of directors is of the view that this is not sufficient time to permit Shareholders to consider a take-over bid and to make a reasoned and unhurried decision. The Plan provides a mechanism whereby the minimum expiry period for a Take-over Bid must be 60 days after the date of the bid and the bid must remain open for a further period of ten Business Days after the Offeror publicly announces that the Common Shares deposited or tendered and not withdrawn constitute more than 50% of the Common Shares outstanding held by Independent Shareholders (generally, Shareholders other than the Offeror or Acquiring Person (someone who beneficially owns greater than 20% of the outstanding Common Shares), their Associates and Affiliates, and Persons acting jointly or in concert with the Offeror or Acquiring Person). The Plan is intended to provide Shareholders with adequate time to properly evaluate the offer and to provide the board of directors with sufficient time to explore and develop alternatives for maximizing Shareholder value. Those alternatives could include, if deemed appropriate by the board of directors, the identification of other potential bidders, the conducting of an orderly auction or the development of a restructuring alternative which could enhance Shareholder value.
- (b) *Pressure to Tender.* A Shareholder may feel compelled to tender to a bid which the Shareholder considers to be inadequate out of a concern that failing to tender may result in the Shareholder being left with illiquid or minority discounted securities in the Corporation. This is particularly so in the case of a partial bid for less than all securities of a class, where the bidder wishes to obtain a control position but does not wish to acquire all of the Common Shares. The Plan provides a Shareholder approval mechanism in the Permitted Bid provision which is intended to ensure that a Shareholder can separate the tender decision from the approval or disapproval of a particular take-over bid. By requiring that a bid remain open for acceptance for a further ten Business Days following public announcement that more than 50% of the Common Shares held by Independent Shareholders have been deposited, a Shareholder's decision to accept a bid is separated from the decision to tender, lessening the undue pressure to tender typically encountered by a securityholder of an issuer that is the subject of a take-over bid.
- (c) *Unequal Treatment.* While existing securities legislation has substantially addressed many concerns of unequal treatment, there remains the possibility that control of an issuer may be acquired pursuant to a private agreement in which a small group of securityholders dispose of their securities at a premium to market price which premium is not shared with other securityholders. In addition, a person may slowly accumulate securities through stock exchange acquisitions which may result, over time, in an acquisition of control without payment of fair value for control or a fair sharing of a control premium among all securityholders. The Plan addresses these concerns by applying to all acquisitions of greater than 20% of the Common Shares, to better ensure that Shareholders receive equal treatment.

General Impact of the Plan

It is not the intention of the board of directors, in recommending confirmation and approval of the Plan, to secure the continuance of existing directors or management in office, nor to avoid a bid for control of the Corporation in a transaction that is fair and in the best interests of Shareholders. For example, through the Permitted Bid mechanism, described in more detail in the summary contained in Schedule "D" to this Information Circular, Shareholders may tender to a bid which meets the Permitted Bid criteria without triggering the Plan, regardless of the acceptability of the bid to the board of directors. Furthermore, even in the context of a bid that does not meet the Permitted Bid criteria, the board of directors will continue to be bound to consider fully and fairly any bid for the Common Shares in any exercise of its discretion to waive application of the Plan or redeem the Rights. In all such circumstances, the

board of directors must act honestly and in good faith with a view to the best interests of the Corporation and its Shareholders.

The Plan does not preclude any Shareholder from utilizing the proxy mechanism to promote a change in the management or direction of the Corporation, and has no effect on the rights of holders of outstanding Common Shares to requisition a meeting of Shareholders in accordance with the provisions of the Corporation's governing documents and securities legislation, or to enter into agreements with respect to voting their Common Shares. The definitions of "Acquiring Person" and "Beneficial Ownership" have been developed to minimize concerns that the Plan may be inadvertently triggered or triggered as a result of an overly broad aggregating of holdings of institutional Shareholders and their clients.

The Plan will not interfere with the day-to-day operations of the Corporation. The issuance of the Rights does not in any way alter the financial condition of the Corporation, impede its business plans or alter its financial statements. In addition, the Plan is initially not dilutive and is not expected to have any effect on the trading of Common Shares. If, however, a Flip-In Event occurs and the Rights separate from the Common Shares, as described in the summary contained in Schedule "D" to this Information Circular, reported earnings per share on a fully-diluted or non-diluted basis may be affected. In addition, holders of Rights not exercising their Rights after a Flip-In Event may suffer substantial dilution. In summary, the board of directors believes that the dominant effect of the Plan will be to enhance Shareholder value and ensure equal treatment of all Shareholders in the context of an acquisition of control.

Canadian Federal Income Tax Consequences

Under the provisions of the *Income Tax Act* (Canada) the ("**Tax Act**"), the issue of the Rights can give rise to a taxable benefit which must be included in the income of Shareholders. However, no amount must be included in the income of Shareholders if the Rights did not have a monetary value at the date of issue. The Corporation considers that the Rights, when issued, had negligible monetary value, there being only a remote possibility that the Rights will ever be exercised.

Assuming that the Rights had no value, Shareholders will not be required to include any amount in income, or be subject to withholding tax, under the Tax Act as a result of the issuance of the Rights. The Rights will be considered to have been acquired at no cost. The holders of Rights may have an income inclusion, or be subject to tax, under the Tax Act if the Rights are exercised or otherwise disposed of. This statement is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular Shareholder. Shareholders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and any applicable tax laws.

Eligibility for Investment in Canada

Subject to the provisions of any particular plan, the Rights are qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts, provided that: (i) the Common Shares continue to be qualified investments for such plans; and (ii) the Corporation deals at arm's length with any annuitant, beneficiary, employer or subscriber under such plans.

Notwithstanding the foregoing, if the Rights constitute a "prohibited investment" for a particular tax-free savings account, the holder will be subject to penalty taxes under the Tax Act. The Rights would be a "prohibited investment" for a tax-free savings account if the holder has a "significant interest in", or does not deal at arm's length with, the Corporation. Generally, a holder will not have a significant interest in the Corporation unless the holder, together with persons not dealing at arm's length with the holder, owns directly or indirectly 10% or more of the issued shares of any class of the capital stock of the Corporation or of a corporation related to the Corporation.

6. Other Business

The directors and officers of the Corporation are not aware of any matters, other than those indicated in this Information Circular, which may be submitted to the Meeting for action. However, if any other matters should properly be brought before the Meeting, the enclosed proxy confers discretionary authority to vote on such other matters according to the best judgment of the person holding the proxy at the Meeting.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE DISCLOSURE

See Schedule "A" - Corporate Governance Disclosure, Schedule "B" - Audit Committee Information and Schedule "C" - Audit Committee Charter attached to this Information Circular.

EXECUTIVE COMPENSATION

All dollar amounts in this Information Circular are expressed in Canadian dollars unless otherwise indicated. The Corporation does not have any subsidiaries.

Compensation Discussion and Analysis

The board of directors, with recommendations from the Compensation Committee, determines the executive compensation policy for the executives of Corporation. The Compensation Committee is appointed by the board of directors to assist the board in discharging its duties and responsibilities with respect to officer and director compensation and executive officer succession planning. In addition, the Compensation Committee satisfies itself that the Corporation's human resources practices and policies are at all times in compliance with applicable laws and regulations and that Corporation adheres to the highest ethical and moral standards. For the 2008 fiscal year, the Compensation Committee consisted of Michael Laffin, as Chairman, Hank Swartout and Ed Gilmet. The Compensation Committee met two times during 2008 to address matters pertaining to its mandate.

The Compensation Committee's objective is to ensure that executive compensation is market competitive, internally equitable and rewards performance that is aligned with the near and long term interests of the Shareholders. To accomplish this, the Compensation Committee reviews the performance and results achieved by the Chief Executive Officer and receives reports from the Chief Executive Officer regarding the performance and results of the other executive officers. In addition, where it believes it is required, the Compensation Committee obtains independent advice from external compensation consultants. For comparative purposes, a market peer group of companies of comparable scope as measured by market value, revenues, assets and number of employees that operate in the energy sector is analyzed.

The Corporation's executive compensation for the 2008 fiscal year was comprised of three primary components: (i) base salary; (ii) a short-term incentive plan, which generally consists of a cash bonus; and (iii) a long-term incentive plan, which consists of grants of options.

The Compensation Committee is to determine the "total direct compensation" of the Named Executive Officers (as defined herein) based upon the philosophy that such compensation will be dependent upon both corporate and individual performance. The total direct compensation for each of the Named Executive Officers shall be determined each year by the Compensation Committee, acting reasonably and in accordance with such general philosophy, and shall consist of salary, a short-term incentive award and a long-term incentive award. In particular, the total direct compensation shall be determined each year by the Compensation Committee based on the performance of both the Corporation as compared to other public entities of comparable size and complexity, as well as the compensation of the particular executive, based on his or her performance, as compared or matched to other individuals employed in a comparable position by an employer whose business is comparable to the Corporation's business, as described in further detail below.

In particular, each year the Compensation Committee generally reviews a "compensation peer group" for the purpose of assisting the committee in determining individual executive compensation. Such compensation peer group will be comprised of companies that operate in the energy sector and are of comparable size and complexity

to the Corporation. The Compensation Committee then will determine a discrete or blended position match for each executive officer giving consideration to the individual's functional role, cross-functional strategic contribution to Corporation and its executive group and internal equity within the Corporation executive group. The Compensation Committee may use the advice of a human resources consulting advisor, as it deems appropriate, to assist in this process.

As soon as practical following any year, the Compensation Committee shall determine the performance of the Corporation relative to the corporate performance peer group and arrive at a ranking for the Corporation, based on the total return of the criteria as compared to the other members within the corporate performance peer group and against pre-determined targets for that year. The resultant corporate performance in that year will be applied to the executive compensation in determining the executives' total direct compensation for the year. The Compensation Committee shall have the discretion to determine total direct compensation for an executive within the respective range of the executive compensation peer group.

With respect to the individual components of an executive's "total direct compensation", the salary of each executive is determined by the Compensation Committee each year and shall fall within the range established by the executive compensation peer group. Positioning within the range will depend on the recent performance of the executive, his or her potential as a succession candidate for key roles and the board's perception of the executive's development in the position.

A short-term incentive award, if any, shall be a cash payment made by Corporation to the executive each year. The Compensation Committee will determine the amount of such payment based on normal ranges for the executive's compensation level as determined by reference to the applicable position in the executive compensation peer group and the applicable corporate performance. The amount of the short term incentive award is subject to increase or decrease based on the Compensation Committee's assessment of the individual performance of the executive and departments for which the executive is responsible.

With respect to long-term incentives, each year the executive may be awarded stock options. The amount of the long term incentive award for each year shall be determined by the Compensation Committee based on normal ranges for the executive's target compensation level as determined by reference to the applicable position in the executive compensation peer group and the applicable corporate performance, and shall generally be determined to bring the executive's total direct compensation to the appropriate level after taking into account salary and short term incentive payments. In order to provide an executive with the appropriate "total direct compensation" in accordance with the total compensation philosophy and principles that govern the Compensation Committee, the board of directors may award additional stock options. The board of directors takes into account previous stock option grants to a particular individual when considering new grants.

The Corporation was determined to have performed at levels at or above that of its corporate performance peer group during 2007, however, production targets were not achieved. As a result, at the discretion of the Compensation Committee, the compensation of the Named Executive Officers for 2008 was set accordingly as compared to the Corporation's executive compensation peer group.

Summary Compensation Table

Outlined below is a summary of the compensation paid, payable, awarded or granted by the Corporation for 2008 to the President and Chief Executive Officer, the Vice President, Finance and Chief Financial Officer and the Executive Vice President, as well as Mr. Ian Fisher (collectively, the "**Named Executive Officers**"). None of the Named Executive Officers received any grants of options to acquire Common Shares or other "option-based awards" for 2008 except for Mr. Douglas Penner who was granted options to purchase 100,000 Common Shares at an exercise price of \$2.75 per share on May 22, 2008.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards⁽¹⁾ (\$)	Non-equity incentive plan compensation - Annual incentive plans⁽²⁾ (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Ed Gilmet President and Chief Executive Officer	2008	185,000	Nil	Nil	500	Nil	Nil ⁽³⁾	185,500
Andy Fisher Executive Vice President	2008	185,000	Nil	Nil	500	Nil	Nil	185,500
Douglas Penner Vice President, Finance and Chief Financial Officer	2008	185,000	Nil	110,060	500	Nil	Nil	295,560
Ian Fisher Exploration and Operations	2008	185,000	Nil	Nil	500	Nil	Nil	185,500

Notes:

- (1) This amount represents the fair value, on the date of grant, of awards made under the Stock Option Plan of the Corporation for 2008. See "*Stock Option Plan*". The grant date fair value has been calculated using the Black Scholes Merton model according to Section 3870 of the CICA Handbook. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield.
- (2) Represents the cash bonus awards paid to the Named Executive Officers for 2008.
- (3) In October 2005, the Corporation sold a 0.5% unit interest for cash consideration of \$88,000 to a company owned by Mr. Ed Gilmet, the President and Chief Executive officer of the Corporation. The Corporation had the option to repurchase the 0.5% unit interest for a period of 30 months for \$88,000 plus any additional costs or charges incurred by company owned by Mr. Gilmet, less any related cash flow accruing to the company owned by Mr. Gilmet. On April 1, 2007, the Corporation exercised this option at cost plus additional charges incurred by the company owned by Mr. Gilmet totalling \$204,025.

Incentive Plan Awards

Stock Option Plan

The Corporation has in place a Stock Option Plan providing for the granting of stock options to officers, directors, employees and consultants of the Corporation and its affiliates. The purpose of the Stock Option Plan is to develop the interest of officers, directors, employees and consultants of the Corporation, and its subsidiaries and affiliates, if any, in the growth and development of the Corporation by providing them with the opportunity through options to acquire ownership interest in the Corporation. As at April 9, 2009, pursuant to the Stock Option Plan, the Corporation had options to acquire 3,638,500 Common Shares outstanding (approximately 9.6% of the total Common Shares outstanding). Below are some of the key features of the Stock Option Plan:

1. directors, officers, employees and consultants of the Corporation, or those of its subsidiaries, are eligible to receive options under the Stock Option Plan;
2. the maximum number of Common Shares issuable pursuant to the Stock Option Plan is a "rolling" maximum equal to 10% of the total outstanding Common Shares. Any increase in the issued and outstanding Common Shares will result in an increase in the available number of Common Shares issuable under the Stock Option Plan, and any exercises of options will make new grants available under the Stock Option Plan;
3. the exercise price for Common Shares under each option is determined by the board of directors, subject to applicable approval of the TSX Venture Exchange (the "**TSXV**"), at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the TSXV;

4. the Stock Option Plan will provide that the aggregate number of Common Shares reserved for issuance to any one person under the Stock Option Plan in any one year period must not exceed 5% of the then outstanding Common Shares unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable TSXV requirements;
5. the vesting arrangements are within the discretion of the board of directors, subject to any restrictions imposed by the TSXV;
6. the term of stock option grants are within the discretion of the board of directors, but cannot be longer than ten (10) years;
7. options terminate within a period of time following an optionholder ceasing to be at least one of an employee, director, officer or consultant of the Corporation or a subsidiary of the Corporation. In the event of death, the options are exercisable only within one year after such death;
8. options granted under the plan are non-assignable; and
9. the number of Common Shares issued to consultants, within a one year period, cannot exceed 2% of our issued common shares.

Performance Warrants

Pursuant to certain agreements ("**Performance Warrants Agreements**") entered into prior to the amalgamation of the Corporation and Desco Energy Ltd. on January 1, 2007, the Corporation granted to Messrs. Ed Gilmet, Ian Fisher and Andy Fisher performance warrants ("**Performance Warrants**") to purchase an aggregate of 1,500,000 Common Shares (500,000 each) at a price of \$1.00 per Common Share. The term of such Performance Warrants is a period of five years from the date of grant. One half of the Performance Warrants will expire on May 1, 2009 and the second half of the Performance Warrants will expire on March 1, 2010. All outstanding Performance Warrants are exercisable as at the date hereof pursuant to the terms of the Performance Warrant Agreements provided certain performance criteria is met, namely: (i) the Corporation becomes a reporting issuer on an exchange by filing a prospectus or by entering into a transaction for the sale of the shares or assets of the Corporation in exchange for cash or freely tradable shares (other than those held by control persons) of a listed entity; and (ii) the price per Common Share is equal to or greater than \$2.00. The Performance Warrants may be exercised as to 30% of the Common Shares underlying the Performance Warrants, when the price per Common Share is equal to or greater than \$2.00, an additional 15%, when the price per Common Share is equal to or greater than \$2.35, an additional 15%, when the price per Common Share is equal to or greater than \$2.60, an additional 15%, when the price per Common Share is equal to or greater than \$2.85 and an additional 25%, when the price per Common Share is equal to or greater than \$3.20.

If the holder of Performance Warrants ceases to be a director, officer, employee or consultant of the Corporation for any reason other than death or incapacity or termination without cause, the Performance Warrants may be exercised within thirty days following the holder's ceasing to be a director, officer, employee or consultant of the Corporation, provided that the \$2.00 per Common Share threshold has been reached. If the holder ceases to be a director, officer, employee or consultant of the Corporation due to death or incapacity after the first anniversary of the date of the grant, all of the Performance Warrants may be exercised by the holder (or legal representative) within thirty days following the holder's ceasing to be a director, officer, employee or consultant of the Corporation, provided that the \$2.00 per Common Share threshold has been reached. If the holder ceases to be a director, officer, employee or consultant of the Corporation due to termination without cause, all of the Performance Warrants may be exercised by the holder within thirty days following the holder's ceasing to be a director, officer, employee or consultant of the Corporation, provided that the \$2.00 per Common Share threshold has been reached.

As at December 31, 2008, the value of all in-the-money unexercised Performance Warrants is nil. The value of the unexercised in-the-money Performance Warrants as at December 31, 2008 has been determined based on the excess of the closing price of the Common Shares on the TSXV of \$0.41 per Common Share over the exercise price of such Performance Warrants.

Outstanding Option-Based Awards

The following table sets forth all awards outstanding as at December 31, 2008 held by Named Executive Officers under the Stock Option Plan, as awards under the Stock Option Plan are considered "option-based awards" under applicable securities laws. The value of the unexercised in-the-money options as at December 31, 2008 has been determined based on the excess of the closing price of the Common Shares on the TSXV of \$0.41 per Common Shares over the exercise price of such options.

Option-Based Awards				
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Ed Gilmet	117,500	1.00	Jan. 1, 2012	Nil
President and Chief Executive Officer	207,000	1.60	Jan. 1, 2012	Nil
	67,000	2.50	Jan. 1, 2012	Nil
	20,000	3.05	Jan. 10, 2012	Nil
	113,500	4.11	May 3, 2012	Nil
Andy Fisher	117,500	1.00	Jan. 1, 2012	Nil
Executive Vice President	182,000	1.60	Jan. 1, 2012	Nil
	91,000	2.50	Jan. 1, 2012	Nil
	20,000	3.05	Jan. 10, 2012	Nil
	114,500	4.11	May 3, 2012	Nil
Douglas Penner	100,000	1.60	Jan. 1, 2012	Nil
Vice President, Finance and Chief Financial Officer	175,000	2.50	Jan. 1, 2012	Nil
	150,000	2.75	Jan. 1, 2012	Nil
	100,000	4.11	May 3, 2012	Nil
	100,000	2.75	May 22, 2013	Nil
Ian Fisher	167,500	1.00	Jan. 1, 2012	Nil
Exploration and Operations	157,000	1.60	Jan. 1, 2012	Nil
	67,000	2.50	Jan. 1, 2012	Nil
	20,000	3.05	Jan. 10, 2012	Nil
	113,500	4.11	May 3, 2012	Nil

Value Vested or Earned During the Year

The following table sets forth the value of the awards that vested for each Named Executive Officer under the Stock Option Plan and Performance Warrant Agreements in 2008 as well as non-equity incentive plan compensation earned during the financial year ended December 31, 2008.

Name	Option-based awards – Value vested during the year ⁽¹⁾	Non-equity incentive plan Compensation – value earned during the year ⁽²⁾
Name	(\$)	(\$)
Ed Gilmet , President and Chief Executive Officer	2,010 ⁽³⁾	500
Andy Fisher , Executive Vice President	2,730 ⁽⁴⁾	500
Douglas Penner , Vice President, Finance and Chief Financial Officer	38,250 ⁽⁵⁾	500
Ian Fisher , Exploration and Operations	2,010 ⁽³⁾	500

Notes:

- (1) Value vested is calculated as the dollar value that would have been realized had the option been exercised on the date it was vested less the related exercise price multiplied by the number of vesting shares.
- (2) Represents cash bonus award paid to the Named Executive Officers in respect of 2008.
- (3) Includes the following value vested options: options to purchase 22,334 Common Shares at \$2.50 per Common Share granted before January 2007 and vested at a share trading price on January 1, 2008 of \$2.59 per share. All other options, if any, vested were out of the money on the date of vesting.
- (4) Includes the following value vested options: options to purchase 30,334 Common Shares at \$2.50 per Common Share granted before January 2007 and vested at a share trading price on January 1, 2008 of \$2.59 per share. All other options, if any, vested were out of the money on the date of vesting.
- (5) Includes the following value vested options: (a) options to purchase 33,334 Common Shares at \$1.60 per Common Share granted before January 2007 and vested at a share trading price on January 1, 2008 of \$2.59 per share, and (b) options to purchase 58,334 Common Shares at \$2.50 per Common Share granted before January 2007 and vested at a share trading price on January 1, 2008 of \$2.59 per share. All other options, if any, vested were out of the money on the date of vesting.

Equity Compensation Plan Information

The following table sets out information concerning the number and price of securities to be issued under equity compensation plans as at December 31, 2008. The Compensation plans of the Corporation under which Common Shares are authorized for issuance are the Stock Option Plan and the Performance Warrant Agreements described above.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	5,138,500 Common Shares ⁽¹⁾⁽²⁾	1.71	148,356
Equity compensation plans not approved by securityholders	-	-	-
Total	5,138,500 Common Shares ⁽¹⁾⁽²⁾	1.71	148,356

Notes:

- (1) Includes Common Shares to be issued upon exercise of 1,500,000 outstanding Performance Warrants.
- (2) Includes the following options: (a) options to purchase 462,500 Common Shares at \$1.00 per Common Share granted before January 2007, (b) options to purchase 676,000 Common Shares at \$1.60 Common Share granted before January 2007, (c) options to purchase 450,000 Common Shares at \$2.50 per Common Share granted before January 2007, (d) options to purchase 541,500 Common Shares at \$4.11 per Common Share granted in April 2007, (e) options to purchase 150,000 Common Shares at \$2.75 per Common Share granted before January 2007, (f) options to purchase 125,000 Common Shares at \$2.62 per Common Share granted in November

2007, (g) options to purchase 175,000 Common Shares at \$1.50 per Common Share granted in January 2008, (h) options to purchase 42,500 Common Shares at \$2.02 per Common Share granted in August 2008, and (i) options to purchase 569,500 Common Shares at \$1.75 per Common Share granted in October 2008. In October 2008, The Corporation cancelled 577,000 options including: (a) options to purchase 220,000 Common Shares at \$2.50 per Common Share granted before January 2007, (b) options to purchase 160,000 Common Shares at \$2.75 per Common Share granted before January 2007, (c) options to purchase 94,000 Common Shares at \$3.05 per Common Share granted in January 2007, (d) options to purchase 88,000 Common Shares at \$4.11 per Common Share granted in April 2007, (e) options to purchase 7,500 Common Shares at \$4.00 per Common Share granted in June 2007, and (f) options to purchase 7,500 Common Shares at \$4.15 per Common Share granted in June 2007.

Termination and Change of Control

General

The Corporation has entered into executive employment agreements with each of the Named Executive Officers (the "**Executive Employment Agreements**"). The Executive Employment Agreements have an indefinite term and provide for the salary, short-term incentives and benefits to be paid to each Named Executive Officer. In connection with the termination of a Named Executive Officer's employment and/or a change of control of the Corporation, certain payments may be required to be made to a Named Executive Officer pursuant to the Executive Employment Agreements. For the purposes of the Executive Employment Agreements the following terms have the meanings set forth below:

"**Resignation for Cause**" is defined as resignation by the employee on occurrence of any one or more of (i) a breach of the employment agreement by the Corporation, (ii) the Corporation becoming insolvent or bankrupt, being placed into receivership, or seeking protection under any debtor protection legislation, (iii) an application having been made to dissolve the Corporation, (iv) the Corporation being merged with or acquired by another corporation or individual, or (v) a material change in the responsibilities of the employee.

"**Change of Control**" is defined as (i) certain directors ceasing to constitute a majority of the Corporation's board or its successor in interest by way of acquisition, merger, amalgamation, or any other transaction whatsoever, (ii) an employee who is a member of the board of directors of the Corporation not being re-elected to such board at any time, provided that the employee allows his name to stand for election to the board, or (iii) the acquisition, by whatever means, by a person (or two or more persons who, in such acquisition, have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the securities of the Corporation acquired), directly or indirectly, of (A) all or substantially all of the assets of the Corporation or (B) the beneficial ownership of such number of voting securities or right to voting securities of the Corporation, which together with such person's then owned voting securities and rights to voting securities represent more than 50% of the combined voting power of the Corporation's then outstanding voting securities.

"**cause**" is defined as a material breach of the Executive Employment Agreement, a repeated and demonstrated failure of the employee to perform the material duties of his position in a competent manner which has not been remedied after written notice of such failure, intentional or grossly negligent disclosure of confidential information which materially adversely impacts the Corporation, or conviction of a criminal offence involving fraud or dishonesty.

Termination for Cause and Voluntary Resignation

Under the terms of the Executive Employment Agreements, in the event of termination for cause or the voluntary resignation of a Named Executive Officer, the executive is not entitled to any further compensation from the date of termination.

Death and Disability

If a Named Executive Officer's employment with the Corporation is terminated due to death or permanent disability, no incremental payments or benefits become payable to the executive officer under the Executive Employment Agreements as a result.

Termination Without Cause, Resignation for Cause or Termination Following a Change of Control

Executive Employment Agreements

If the Executive Employment Agreements are terminated as a result of a: (i) Resignation for Cause; (ii) Change of Control (if, within the six month period following the date of a Change of Control, the employee provides the Corporation with 30 days' written notice of termination of his employment with the Corporation); or (iii) for any other reason whatsoever by the Corporation other than for cause in carrying out the employee's duties, the Corporation shall pay to the employee, at the date not later than ten days from the date of termination, (i) a cash payment as a multiple of the annual base salary at the time notice of termination is provided to the employee, (ii) a cash settlement equal to the net value of the employee's benefits for a period of twelve months, and (iii) the annual average of all cash bonuses paid to the employee by the Corporation. The Corporation may terminate the employee without notice or any pay in lieu of notice for cause.

Estimated Payments Upon Certain Events

The following tables set forth the estimated incremental payments that would have been required to have been made to the Named Executive Officers if the Executive Employment Agreements are terminated as a result of a: (i) Resignation for Cause; (ii) Change of Control (if, within the six month period following the date of a Change of Control, the employee provides the Corporation with 30 days' written notice of termination of his employment with the Corporation); or (iii) for any other reason whatsoever by the Corporation other than for cause in carrying out the employee's duties, in each case on December 31, 2008.

Estimated Incremental Payments as of December 31, 2008 - Termination Without Cause, Resignation for Cause or Following a Change of Control and Termination

Name	Salary (\$)⁽¹⁾	Annual Incentive Bonus (\$)⁽²⁾	Benefits and Perquisites (\$)⁽³⁾	Total (\$)
Ed Gilmet	370,000	50,500	20,000	440,500
Andy Fisher	370,000	50,500	20,000	440,500
Douglas Penner	370,000	50,500	20,000	440,500
Ian Fisher	370,000	50,500	20,000	440,500

Notes:

- (1) A cash payment in the amount equal to two times the annual base salary at the time notice of termination is provided to the employee.
- (2) A cash payment in the amount equal to the annual average of all cash bonuses paid to the employee by the Corporation.
- (3) A cash payment in the amount equal to the net value of the employee's benefits for a period of twelve months.

Stock Option Plan

If an optionholder shall cease to be a director, officer, consultant or employee of the Corporation or a person or company which provides management services to the Corporation (a "**Management Company Employee**") for any reason (other than death), such optionholder may exercise his or her options to the extent that the optionholder was entitled to exercise his or her options at the date of such cessation, provided that such exercise must occur within 90 days after the optionholder ceases to be a director, officer, consultant, employee or Management Company Employee.

In the event of the death of an optionholder, the options previously granted to such person shall be exercisable only within one year after such death and then only: (i) by the person or persons to whom the optionholder's rights under the options shall pass by the optionholder's will or the laws of descent and distribution; and (ii) if and to the extent that such optionholder was entitled to exercise the options at the date of his or her death.

Retirement Plans

The Corporation has no formal pension, retirement or other long-term incentive compensation plan in place for its directors, officers or employees.

Director Compensation

During the financial year ended December 31, 2008, none of the directors of the Corporation were paid, awarded or granted any compensation with respect to activities performed in their capacity as directors. Messrs. Ed Gilmet and Andy Fisher received compensation from the Corporation in their respective capacities as executive officers of the Corporation as disclosed above. Directors are eligible to participate in the Stock Option Plan. Directors are entitled to be reimbursed for expenses incurred by them in their capacity as directors.

Director Compensation Table

The following table summarizes the compensation paid, payable, awarded or granted to each of the independent directors of the Corporation for 2008.

Name	Fees Earned (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total (\$)
M. Bruce Chernoff	Nil	Nil	Nil	Nil	Nil
Robert J. Dales	Nil	Nil	Nil	Nil	Nil
Michael J. Laffin	Nil	Nil	Nil	Nil	Nil
J. Terry McCoy	Nil	Nil	Nil	Nil	Nil
Hank B. Swartout	Nil	Nil	Nil	Nil	Nil

Outstanding Option-Based Awards

The following table sets forth all outstanding awards held by the independent directors of the Corporation as at December 31, 2008 under the Stock Option Plan, as awards under the Stock Option Plan are considered "option-based awards" under applicable securities laws. The value of the unexercised in-the-money options as at December 31, 2008 has been determined based on the excess of the closing price of the Common Shares on the TSXV on December 31, 2008 of \$0.41 per Common Share over the exercise price of such options. All outstanding option-based awards held by Messrs. Ed Gilmet and Andy Fisher as at December 31, 2008 are disclosed above.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
M. Bruce Chernoff	50,000	3.05	Jan. 17, 2012	Nil
	20,000	4.11	May 3, 2012	Nil
	25,000	2.62	Nov. 21, 2012	Nil
Robert J. Dales	50,000	3.05	Jan. 10, 2012	Nil
	20,000	4.11	May 3, 2012	Nil
	25,000	2.62	Nov. 21, 2012	Nil

Option-based Awards

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Michael J. Laffin	30,000	1.00	Jan. 1, 2012	Nil
	10,000	2.50	Jan. 1, 2012	Nil
	20,000	3.05	Jan. 10, 2012	Nil
	20,000	4.11	May 3, 2012	Nil
	25,000	2.62	Nov. 21, 2012	Nil
J. Terry McCoy	30,000	1.00	Jan. 1, 2012	Nil
	10,000	2.50	Jan. 1, 2012	Nil
	20,000	3.05	Jan. 10, 2012	Nil
	20,000	4.11	May 3, 2012	Nil
	25,000	2.62	Nov. 21, 2012	Nil
Hank B. Swartout	30,000	2.50	Jan. 1, 2012	Nil
	20,000	3.05	Jan. 10, 2012	Nil
	20,000	4.11	May 3, 2012	Nil
	25,000	2.62	Nov. 21, 2012	Nil

Value Vested or Earned During the Year

The following table sets forth the value of the awards that vested for each independent director of the Corporation under the Stock Option Plan in 2008. None of the independent directors earned any non-equity incentive plan compensation during 2008.

Name	Option-based awards – Value vested during the year⁽¹⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
M. Bruce Chernoff	Nil ⁽²⁾	Nil
Robert J. Dales	Nil ⁽²⁾	Nil
Michael J. Laffin	300 ⁽³⁾	Nil
J. Terry McCoy	300 ⁽³⁾	Nil
Hank B. Swartout	900 ⁽⁴⁾	Nil

Notes:

- (1) Value vested is calculated as the dollar value that would have been realized had the option been exercised on the date it was vested less the related exercise price multiplied by the number of vesting shares.
- (2) All options, if any, vested were out of the money on the date of vesting.
- (3) Includes the following value vested options: options to purchase 3,334 Common Shares at \$2.50 per Common Share granted before January 2007 and vested at a share trading price on January 1, 2008 of \$2.59 per share. All other options, if any, vested were out of the money on the date of vesting.
- (4) Includes the following value vested options: options to purchase 10,000 Common Shares at \$2.50 per Common Share granted before January 2007 and vested at a share trading price on January 1, 2008 of \$2.59 per share. All other options, if any, vested were out of the money on the date of vesting.

Indebtedness of Directors and Executive Officers

Except as disclosed herein, to the knowledge of the directors and executive officers of the Corporation, none of: (i) the current or former directors, executive officers or employees of the Corporation; or (ii) any individual who is, or at any time during the year ended December 31, 2008 was, a director or executive officer of the Corporation; (iii) any proposed director of the Corporation; or (iv) any associate of any of the foregoing; has been indebted to the Corporation at any time since January 1, 2008.

Purpose	Aggregate Indebtedness To the Corporation as at March 31, 2009 (\$)
Share Purchases	\$100,000 ⁽¹⁾
Other	Nil

Note:

- (1) On April 3, 2006, the Corporation loaned \$100,000 to Douglas Penner, Vice President, Finance and Chief Financial Officer of the Corporation. Mr. Penner used the proceeds of the loan to purchase 40,000 Common Shares at a price of \$2.50 per share. These Common Shares are held as collateral against that loan.

Indebtedness of Directors and Executive Officers Under Securities Purchase Programs

The following table sets out the indebtedness of directors and executive officers of the Corporation (including any person who, during the financial year ended December 31, 2008, was, but is not at the date of this Information Circular, a director or executive officer of the Corporation), nominees for election as directors, and any associates of any of the foregoing persons, during the financial year ended December 31, 2008 to the Corporation, or to other entities if the indebtedness to such other entities is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

Name and Principal Position	Involvement of the Corporation	Largest Amount Outstanding During the Financial Year Ended December 31, 2008 (\$)	Amount Outstanding as at March 31, 2009 (\$)	Financially Assisted Securities Purchases During the Financial Year Ended December 31, 2008 (#)	Security for Indebtedness	Amount Forgiven During December 31, 2008 (\$)
Douglas Penner Vice President, Finance and Chief Financial Officers	Lender	100,000	100,000	40,000 Common Shares	40,000 Common Shares	Nil

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Corporation, nominee for director of the Corporation, nor any affiliate or associate of any informed person or nominee for director, had any material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or would material affect the Corporation since the beginning of the financial year ended December 31, 2008.

For the purposes of this Information Circular, an "informed person" includes (i) a director or executive officer of the Corporation, (ii) a director or executive officer of a person or company that is itself an informed person, or (iii) any person or company who beneficially owns, directly or indirectly, and/or exercises control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attaching to all outstanding voting securities of the Corporation.

REGULATORY MATTERS AND BANKRUPTCIES AND INSOLVENCIES

Except as disclosed below, no nominee for director of the Corporation is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director or executive officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On February 26, 2009 the Resort at Copper Point Ltd., a private company, was subject to the appointment of a Receiver by the Supreme Court of British Columbia. On March 16, 2009, the receivership order was recognized and confirmed in Alberta. Mr. Hank Swartout, a director of the Corporation, resigned as a director of the Resort at Copper Point Ltd. effective March 4, 2009.

On April 25, 2007, Mystique Energy, Inc. ("**Mystique**"), a junior oil and gas company that is traded on the TSX Venture Exchange, announced that its board of directors determined that it was in the best interest of all of its stakeholders to seek creditor protection under the *Companies' Creditors Arrangement Act* (Canada) and it obtained such protection pursuant to an order from the Alberta Court of Queen's Bench. Mr. J. Terry McCoy, a director of the Corporation, resigned as a director of Mystique effective April 25, 2007.

No nominee for director of the Corporation has, within the 10 years before the date of this Information Circular, 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.

INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

To the knowledge of the directors and executive officers of the Corporation, none of the directors, proposed directors or executive officers of the Corporation or anyone who has held such offices since January 1, 2008, or any affiliate or associate of any of the foregoing, has any material interest, direct or indirect, in any matter to be acted upon at the meeting, except as otherwise disclosed herein.

ADDITIONAL INFORMATION AND AVAILABILITY OF FINANCIAL STATEMENTS

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information concerning the Corporation is provided in its financial statements for the twelve month period ending December 31, 2008 and the accompanying management's discussion and analysis, all of which can be accessed under the Corporation's profile on SEDAR at www.sedar.com or by contacting Douglas Penner, the Vice President, Finance and Chief Financial Officer of the Corporation at (403) 262-0321.

Further information concerning the Corporation is included in the Annual Information Form of the Corporation for the year ended December 31, 2008 available on SEDAR at www.sedar.com.

AUDITORS OF THE CORPORATION

The auditors of the Corporation are KPMG LLP, Chartered Accountants, Calgary, Alberta, 2700, 205 – 5th Avenue S.W., Calgary, Alberta. KPMG LLP were appointed auditors on March 9, 2007.

DIRECTORS' APPROVAL

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

DATED the 9th day of April, 2009.

SCHEDULE "A"

CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 Corporate Governance Guidelines ("NP 58-201") were adopted in each of the provinces and territories of Canada. NI 58-101 requires issuers to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices. Set forth below is a description of the Corporation's current corporate governance practices.

Board of Directors - Disclose how the board of directors (the "**Board**") facilitates its exercise of independent supervision over management, including:

(i) *the identity of directors that are independent,*

Bruce Chernoff
Robert J. Dales
J. Terry McCoy
Hank B. Swartout

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

Ed Gilmet - current President and Chief Executive Officer
Andy Fisher - current Executive Vice President
Michael J. Laffin – partner of a law firm that provides legal services to the Corporation

The Board of Directors is currently composed of seven directors, four of whom are independent for the purpose of NI 58-101. Messrs. Fisher and Gilmet are executive officers of the Corporation and Mr. Laffin is a partner of Blake, Cassels & Graydon LLP, a law firm that provides legal services to the Corporation, and, as such, they are not independent. In determining that each other director is independent, the Board affirmatively determined that each such director has no material relationship with the Corporation that would be reasonably expected to interfere with the exercise of the member's independent judgment, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. The Board considers seven directors to be appropriate for the Corporation's size, and sufficient to provide an appropriate mix of backgrounds and skills.

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

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

<u>Name of Directors</u>	<u>Name of Other Issuers</u>
Bruce Chernoff	West Energy Ltd. BlackWatch Energy Services Corp. Maxim Power Corp. Harvest Energy Trust
Robert J. Dales	Celtic Exploration Ltd.
Hank B. Swartout	Highbine Oil and Gas Limited Sabretooth Energy Ltd.

Orientation and Continuing Education - Describe what steps, if any the board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors. Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and directors, and (ii) the nature and operation of the issuer's business.

The Corporation does not currently provide a formal orientation or education program for new directors. Each director is provided with copies of all relevant corporate documents, including committee charters, corporate

policies and current continuous disclosure documents. New directors are given an opportunity to familiarize themselves with the nature and operation of the Corporation's business by reviewing relevant documents of the Corporation and meeting with management and the other directors. Material obtained from third party analysts and industry experts is provided to all directors through management. As part of the review of its governance practices going forward, the Board will consider whether a more formal education and orientation program would be appropriate.

To date, the Corporation has not adopted a formal program to provide continuing education for its directors. Directors are encouraged to participate in continuing education programs of their choosing so that they may increase their knowledge and skills as directors. In order to ensure their knowledge and understanding of the Corporation's business remains current, members of the Board are kept apprised of developments relevant to the Corporation's business regularly through presentations made by members of management.

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

To date, the Board has not adopted a written code of conduct for directors, officers and employees. As part of the review of its governance practices going forward, the Board may consider the implementation of such a code of conduct. If such a code is implemented, the Corporation will file a copy of the code on the SEDAR website and post a copy of the code on its website.

Any situation that involves, or may reasonably be inferred to involve, a conflict between a director's personal interests and the interests of the Corporation is required to be disclosed as to the nature and extent of such director's interest. A director in a conflict of interest may not, subject to certain exceptions under applicable corporate law in Alberta, vote on a matter in respect of which a director has a material interest. From time to time depending on the nature of the matter, the director may be asked to excuse himself from that portion of the meeting.

The Board discusses corporate governance issues and ethical conduct at its meetings from time to time. Going forward, the Board intends to specifically discuss corporate governance and ethics issues at least one meeting per year.

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

- (iii) *who identifies new candidates, and*
- (iv) *the process of identifying new candidates.*

The Corporation does not have a nominating committee. Any member of the Board may submit the names of suggested candidates to fill vacancies on the Board. The Board interviews the candidate prior to submitting his/her name to the shareholders for election as a director. While there are no specific criteria for Board membership, the Corporation attempts to attract and retain directors with an understanding of the Corporation's business and a particular knowledge of the oil and natural gas exploration and production industry.

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

- (i) *who determines compensation, and*
- (ii) *the process of determining compensation.*

The Board, with the assistance of the Compensation Committee, is responsible for approving, appointing and settling the definitive terms of employment for senior officers, with a view to make the compensation fair but competitive as compared to compensation that is given to senior officers of companies of a similar size and nature.

The Board, with the assistance of the Compensation Committee, is also responsible for reviewing the adequacy and form of compensation for directors, with a view to ensuring that it reflects the responsibilities and risks involved in being an effective director and is consistent with shareholder interests.

Going forward, the Corporation may occasionally engage a compensation advisor or consultant to assist with the process of determining compensation.

Other Board Committees - If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

Reserves Committee

The members of the Reserves Committee are Hank Swartout (Chairman), Terry McCoy and Andy Fisher. The Reserves Committee is the committee to which the Board has delegated certain responsibilities relating to the integrity of reserves reporting, oversight of the independent qualified reserve evaluator, and the performance of internal reserve audit functions. The Reserves Committee also prepares reports required for inclusion in the Corporation's disclosure documents. The Reserves Committee aims to assist the Board in fulfilling its oversight responsibilities (especially for accountability) in respect of the preparation and disclosure of the reserve audit statements and related matters, to enhance the transparency, credibility and objectivity of reserves reporting, and to enhance communication between management, staff responsible for producing internal reserve information, the independent qualified reserve evaluator, and the Board. While the Reserves Committee does not have a written charter, the Board intends to discuss whether the committee requires a charter.

Environment, Health and Safety Committee

The members of the Environmental, Health and Safety Committee are Hank Swartout (Chairman), Terry McCoy and Andy Fisher. The objectives of the Environment, Health and Safety Committee are to assist the Board in fulfilling its oversight responsibilities (especially for accountability) in respect of development, implementation and monitoring of the Corporation's health, safety and environment policies. The Environment, Health and Safety Committee also prepares reports, if and when required, for inclusion in the Corporation's disclosure documents. While the Environmental, Health and Safety Committee does not have a written charter, the Board intends to discuss whether the committee requires a charter.

Corporate Governance Committee

The members of the Corporate Governance Committee are Mike Laffin (Chairman), Ed Gilmet and Hank Swartout. The objectives of the Corporate Governance Committee are to assist and advise the Board with corporate governance and business ethics. While the Corporate Governance Committee does not have a written charter, the Board intends to discuss whether the committee requires a charter.

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

The Board is responsible for annually assessing its overall performance and that of its committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. The review has regard to the mandate or charter of the Board or committee, if any, and identifies any areas where the directors or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation. The Board is also responsible for regularly assessing the effectiveness and contribution of the individual directors, having regard to the competencies and skills each director is expected to bring to the Board.

SCHEDULE "B"

AUDIT COMMITTEE INFORMATION

National Instrument 52-110 - *Audit Committees of the Canadian Securities Administrators* ("NI 52-110") requires the Corporation, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

Audit Committee Mandate and Terms of Reference for Chair

The mandate and responsibilities of the audit committee of the Corporation (the "**Audit Committee**") of the board of directors is attached to this Information Circular as Schedule "C".

Composition of the Audit Committee

The members of the Audit Committee are Robert Dales (Chairman), Bruce Chernoff and Terry McCoy. The Audit Committee operates under a written charter that sets out its responsibilities and composition requirements. A copy of the charter is attached to this Information Circular as Schedule "C". All members of the committee are considered to be independent and financially literate pursuant to NI 52-110.

The Corporation's board of directors considers Mr. Dales to be independent for the purposes of NI 52-110. On January 1, 2007, Arcan Resources Ltd. (the "**Predecessor**") and Desco Energy Ltd. ("**Desco**") amalgamated pursuant to the *Business Corporations Act* (Alberta) (the "**Amalgamation**"). Immediately prior to the Amalgamation, Desco was approximately one tenth the size of the Predecessor and had no employees whereas the Predecessor had 14 employees. Upon the Amalgamation, Desco effectively ceased to exist whereas the Predecessor essentially carried on the business as the Corporation without making significant changes or additions to the business. Furthermore, while Mr. Dales was an officer of Desco, he is not and has never been employed as an employee or officer of the Corporation or the Predecessor. Accordingly, Mr. Dales does not have a material relationship with the Corporation which could, in the view of the Corporation's board of directors, be reasonably expected to interfere with the exercise of his independent judgment.

Relevant Education and Experience

M. Bruce Chernoff – Director

Mr. Chernoff is a Professional Engineer with a Bachelor of Applied Science degree in Chemical Engineering from Queen's University. In 1988, Mr. Chernoff co-founded Pacalta Resources Ltd., a public junior oil and natural gas company with operations in Canada and Latin America, where he held various senior positions, including Executive Vice President and Chief Financial Officer. Mr. Chernoff was director of Pacalta Resources Ltd. from 1992 until it was purchased by Alberta Energy Company in May 1999 for \$1 billion. Mr. Chernoff is currently President of Caribou Capital Corp. In 2002, Mr. Chernoff co-founded Harvest Energy Trust to pursue oil and natural gas development and acquisition opportunities and currently, where he holds the position of Chairman of the Board. As well as Harvest Energy Trust, Mr. Chernoff is currently a director of West Energy Ltd., Blackwatch Energy Services Corp. and Maxim Power Corp.

Robert J. Dales, MBA – Director

Mr. Dales has 30 years of experience in the oil and gas industry and has held various administrative and management positions. Mr. Dales secured a Bachelor of Commerce degree from the University of Calgary in 1972 and a Master of Business Administration from the University of Alberta in 1973. From 1981 until 1999, Mr. Dales worked in the Operations Department of Panartic Oils Ltd., a private oil and gas exploration company, as Operations Manager. Mr. Dales was President, Chief Executive Officer and a director of Resolution Energy Inc., a public oil and gas exploration and development company, which was listed on the Canadian Venture Exchange, from June 1993 until October 2001. From 1994 until 1996, Mr. Dales was Secretary-Treasurer and a director of Energy North Inc., a public oil and gas exploration development company, which was listed on the TSX. Mr. Dales was also President and a director of Desco Resources Ltd., an oil and gas exploration and development company (now Peyto Energy Trust and listed on the TSX) from March 1997 until October 1998. Mr. Dales is currently a director of Celtic Exploration Ltd. (formerly Desco Exploration Ltd.), a public oil and gas exploration company, and President and a director of Valhalla Ventures Inc., a private investment company based in Calgary, Alberta.

J. Terry McCoy, P. Geol. – Director

Mr. McCoy is a senior oil and gas executive with 38 years of experience with major, senior intermediate and junior oil and gas companies. As at the date hereof, Mr. McCoy is President of Koa Resources Ltd. Prior thereto, Mr. McCoy was Vice President of Exploration for Calvalley Petroleum Inc. which is an oil and gas company that is active internationally. Prior thereto, Mr. McCoy was President of Trafina Energy Ltd. Prior to joining Trafina Mr. McCoy was Vice President of Exploration at Murphy Oil Company and prior to Murphy Mr. McCoy was employed for 11 years at POCO Petroleum as Vice President of Exploration and subsequently as President of Burlington Resources of Canada. Prior to 1990 Mr. McCoy held executive positions at Columbia Gas Development of Canada, Conwest Exploration Company, Union Oil of Canada and Amoco Canada Petroleum Company. Mr. McCoy is a director of two private companies.

Pre-Approval Policies and Procedures

The Audit Committee shall review all non-audit services and pre-approve all non-audit services to be provided to the Corporation by its external auditors in excess of \$20,000.

External Auditor Service Fees

KPMG LLP were appointed auditors of the Corporation on March 9, 2007. Fees incurred with KPMG LLP (and Deloitte & Touche LLP prior to March 9, 2007) for audit and non-audit services in the last two fiscal years are outlined in the following table:

Nature of Services	Fees Paid to Auditor in	Fees Paid to Auditor in
	Year Ended December 31, 2008	Year Ended December 31, 2007
	(\$)	(\$)
Audit Fees ⁽¹⁾	125,000	178,000
Audit-Related Fees ⁽²⁾	-	20,000
Tax Fees ⁽³⁾	6,350	9,970
All Other Fees ⁽⁴⁾	-	-
Total	131,350	207,970

Notes:

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Corporation's 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. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

Exemption

The Corporation is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its audit committee and in respect of its reporting obligations.

SCHEDULE "C"

AUDIT COMMITTEE CHARTER

Policy Statement

It is the policy of Arcan Resources Ltd. (the "**Corporation**") to establish and maintain an Audit Committee, composed entirely of independent directors, to assist the Board of Directors (the "**Board**") in carrying out their oversight responsibility for the Corporation's internal controls, financial reporting and risk management processes. The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

Composition of the Committee

1. The Audit Committee shall consist of at least three directors. The Board shall appoint the members of the Audit Committee and may seek the advice and assistance of the Compensation Committee in identifying qualified candidates. The Board shall appoint one member of the Audit Committee to be the Chair of the Audit Committee.
2. Each director appointed to the Audit Committee by the Board must be independent. A director is independent if the director has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of the director's independent judgment. In determining whether a director is independent of management, the Board shall make reference to the then current legislation, rules, policies and instruments of applicable regulatory authorities.
3. Each member of the Audit Committee shall be "financially literate". In order to be financially literate, a director must be, at a minimum, able to read and understand financial statements that present a breadth and complexity of accounting issues generally comparable to the breadth and complexity of issues expected to be raised by the Corporation's financial statements.
4. At least one member of the Audit Committee shall have "accounting or related financial management expertise", meaning the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.
5. A director appointed by the Board to the Audit Committee shall be a member of the Audit Committee until replaced by the Board or until his or her resignation.

Meetings of the Committee

6. The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the auditors, or a senior officer of the Corporation. Meetings of the Audit Committee shall correspond with the review of the quarterly and annual financial statements and management discussion and analysis of the Corporation.
7. Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee and to the auditors, who shall be entitled to attend each meeting of the Audit Committee and shall attend whenever requested to do so by a member of the Audit Committee.
8. Notice of a meeting of the Audit Committee shall:
 - (a) be in writing;
 - (b) state the nature of the business to be transacted at the meeting in reasonable detail;

- (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
 - (d) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
9. A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee. However, it shall be the practice of the Audit Committee to require review, and, if necessary, approval of certain important matters by all members of the Audit Committee.
10. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
11. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.
12. The Chairman of the Board, senior management of the Corporation and other parties may attend meetings of the Audit Committee; however the Audit Committee (i) shall meet with the external auditors independent of management as necessary, in the sole discretion of the Committee, but in any event, not less than quarterly; and (ii) may meet separately with management.
13. Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting.

Duties and Responsibilities of the Committee

14. The Audit Committee's primary duties and responsibilities are to:
- (a) identify and monitor the management of the principal risks that could impact the financial reporting of the Corporation;
 - (b) monitor the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
 - (c) monitor the independence and performance of the Corporation's external auditors;
 - (d) deal directly with the external auditors to approve external audit plans, other services (if any) and fees;
 - (e) directly oversee the external audit process and results and resolve any disagreements between management and the external auditor regarding financial reporting;
 - (f) provide an avenue of communication among the external auditors, management and the Board; and
 - (g) ensure that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual.
15. The Audit Committee shall have the authority to:
- (a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
 - (b) discuss with the management and senior staff of the Corporation, its subsidiaries and affiliates, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;

- (c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
 - (d) to set and pay the compensation for any advisors employed by the Audit Committee.
16. The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
17. The Audit Committee shall:
- (a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor and the compensation of the external auditors;
 - (b) consider the recommendations of management in respect of the appointment of the external auditors;
 - (c) review the audit plan with the Corporation's external auditors and with management;
 - (d) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;
 - (e) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
 - (f) review and resolve any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - (g) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
 - (h) consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;
 - (i) review, and if appropriate, recommend for approval by the Board, the audited annual financial statements, management discussion and analysis and related documents in conjunction with the report of the external auditors;
 - (j) review, and if appropriate, recommend for approval by the Board, the quarterly unaudited financial statements and management discussion and analysis;
 - (k) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including annual and quarterly financial statements, management discussion and analysis, annual reports, annual information forms and press releases;
 - (l) oversee any of the financial affairs of the Corporation, its subsidiaries and affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management;
 - (m) pre-approve all non-audit services to be provided to the Corporation, its subsidiaries and affiliates by the external auditors;
 - (n) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;

- (o) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Change of Auditors Notice and documentation required pursuant to National Instrument 51-102 (or any successor legislation) and the planned steps for an orderly transition period;
 - (p) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities laws, on a routine basis, whether or not there is to be a change of external auditors; and
 - (q) review with management at least annually, the financing strategy and plans of the Corporation.
18. The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
19. The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
20. The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Audit Committee by any member of the Board, a securityholder of the Corporation, the external auditors, or senior management.
21. The Audit Committee shall periodically review with management the need for an internal audit function.
22. The Audit Committee shall review the Corporation's accounting and reporting of environmental costs, liabilities and contingencies.
23. The Audit Committee shall establish and maintain procedures for:
- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
24. The Audit Committee shall review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors or auditing matters.
25. The Audit Committee shall review with the Corporation's legal counsel as required but at least annually, any legal matter that could have a significant impact on the Corporation's financial statements, and any enquiries received from regulators, or government agencies.
26. The Audit Committee shall assess, on an annual basis, the adequacy of this Mandate and the performance of the Audit Committee.

SCHEDULE "D"

SUMMARY OF SHAREHOLDER RIGHTS PLAN AGREEMENT

The following is a summary of the provisions of the Shareholder Rights Plan Agreement. The summary is qualified in its entirety by the full text of the Shareholder Rights Plan Agreement which is available on the Corporation's SEDAR profile at www.sedar.com or upon written request from the Corporation as described in the Information Circular. All capitalized terms used in this summary without definition have the meanings attributed to them in the Shareholder Rights Plan Agreement unless otherwise indicated.

(a) Issuance of Rights

One Right was issued by the Corporation in respect of each Common Share outstanding at the close of business on February 6, 2009 (the "**Record Time**"), and one Right will continue to be issued in respect of each Common Share of the Corporation issued thereafter, prior to the earlier of the Separation Time and the Expiration Time. Each Right entitles the registered holder thereof to purchase from the Corporation one Common Share at an exercise price equal to (i) until the Separation Time, an amount equal to three times the Market Price, from time to time, per Common Share; and (ii) from and after the Separation Time, an amount equal to three times the Market Price, as at the Separation Time, per Common Share, subject to adjustment and certain anti-dilution provisions (the "**Exercise Price**"). The Rights are not exercisable until the Separation Time. If a Flip-In Event occurs, each Right will entitle the registered holder to receive, upon payment of the Exercise Price, Common Shares of the Corporation having an aggregate Market Price equal to twice the Exercise Price.

The Corporation is not required to issue or deliver Rights, or securities upon the exercise of Rights, outside Canada or the United States where such issuance or delivery would be unlawful without registration of the relevant Persons or securities. If the Plan would require compliance with securities laws or comparable legislation of a jurisdiction outside Canada and the United States, the Board of Directors may establish procedures for the issuance to a Canadian resident fiduciary of such securities, to hold such Rights or other securities in trust for the Persons beneficially entitled to them, to sell such securities, and to remit the proceeds to such Persons.

(b) Trading of Rights

Until the Separation Time (or the earlier termination or expiration of the Rights), the Rights will be evidenced by the certificates representing the Common Shares of the Corporation and will be transferable only together with the associated Common Shares. From and after the Separation Time, separate certificates evidencing the Rights ("**Rights Certificates**") will be mailed to holders of record of Common Shares (other than an Acquiring Person) as of the Separation Time. Rights Certificates will also be issued in respect of Common Shares issued prior to the Expiration Time, to each holder (other than an Acquiring Person) converting, after the Separation Time, securities ("**Convertible Securities**") convertible into or exchangeable for Common Shares. The Rights will trade separately from the Common Shares after the Separation Time.

(c) Separation Time

The "**Separation Time**" is the close of business on the tenth Business Day after the earlier of (i) the "Stock Acquisition Date", which is generally the first date of public announcement of facts indicating that a Person has become an Acquiring Person; (ii) the date of the commencement of, or first public announcement of the intent of any Person (other than the Corporation or any Subsidiary of the Corporation) to commence a Take-over Bid (other than a Permitted Bid, and the Plan requires such bid to continue to satisfy the requirements of a Permitted Bid); and (iii) the date upon which a Permitted Bid ceases to be a Permitted Bid. In any case, the Separation Time can be such later date as may from time to time be determined by the Board of Directors. If a Take-over Bid expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, it shall be deemed never to have been made.

(d) Acquiring Person

In general, an "**Acquiring Person**" is a Person who is the Beneficial Owner of 20% or more of the Corporation's outstanding Common Shares. Excluded from the definition of "Acquiring Person" are the Corporation and its Subsidiaries, and any Person who becomes the Beneficial Owner of 20% or more of the outstanding Common Shares as a result of one or more or any combination of an acquisition or redemption by the Corporation of Common Shares, a Permitted Bid Acquisition, an Exempt Acquisition, a Convertible Security Acquisition and a Pro Rata Acquisition. The definitions of "Permitted Bid Acquisition", "Exempt Acquisition", "Convertible Security Acquisition" and "Pro Rata Acquisition" are set out in the Plan. In general:

- (i) a "**Permitted Bid Acquisition**" means an acquisition of Common Shares made pursuant to a Permitted Bid;
- (ii) an "**Exempt Acquisition**" means an acquisition of Common Shares (1) in respect of which the Board of Directors has waived the application of the Plan; (2) which was made on or prior to the Effective Date of the Plan; (3) which was made pursuant to a dividend reinvestment plan of the Corporation; (4) which was made pursuant to the receipt or exercise of rights issued by the Corporation to all the holders of Common Shares (other than holders resident in a jurisdiction where such distribution is restricted or impracticable as a result of applicable law) to subscribe for or purchase Common Shares or Convertible Securities (provided that the Person does not thereby acquire a greater percentage of the Common Shares or Convertible Securities so offered than the percentage owned immediately prior to such acquisition); (5) which was made pursuant to a distribution by the Corporation of Common Shares or Convertible Securities made pursuant to a prospectus (provided that the Person does not thereby acquire a greater percentage of the Common Shares or Convertible Securities so offered than the percentage owned immediately prior to such acquisition); (6) which was made pursuant to a distribution by the Corporation of Common Shares or Convertible Securities by way of a private placement, a securities exchange take-over bid Information Circular or upon the exercise by an individual employee of Common Share options or rights granted under a Common Share option plan of the Corporation or rights to purchase securities granted under a share purchase plan of the Corporation, provided that (i) all necessary stock exchange approvals for such private placement, stock option plan or share purchase plan have been obtained and such private placement, stock option plan or share purchase plan complies with the terms and conditions of such approvals and (ii) such Person does not become the Beneficial Owner of more than 25% of the Common Shares outstanding immediately prior to the distribution, and in making this determination, the Common Shares to be issued to such Person in the distribution shall be deemed to be held by such Person but shall not be included in the aggregate number of outstanding Common Shares immediately prior to the distribution; or (7) pursuant to an amalgamation, merger or other statutory procedure requiring Shareholder approval;
- (iii) a "**Convertible Security Acquisition**" means an acquisition of Common Shares upon the exercise of Convertible Securities received by such Person pursuant to a Permitted Bid Acquisition, Exempt Acquisition or a Pro Rata Acquisition; and
- (iv) a "**Pro Rata Acquisition**" means acquisitions as a result of a stock dividend, a stock split or other event pursuant to which such Person receives or acquires Common Shares or Convertible Securities on the same pro rata basis as all other holders of Common Shares of the same class.

Also excluded from the definition of "Acquiring Person" are an underwriter or member of a banking or selling group that becomes the Beneficial Owner of 20% or more of the Common Shares in connection with a distribution of securities by way of prospectus or private placement.

To the best of the knowledge of the directors and senior officers of the Corporation, as of the date hereof, no person is the Beneficial Owner of 20% or more of the outstanding Common Shares.

(e) Beneficial Ownership General

In general, a Person is deemed to "**Beneficially Own**" Common Shares actually held by others in circumstances where those holdings are or should be grouped together for purposes of the Plan. Included are holdings by the Person's Affiliates (generally, a person that controls, is controlled by, or under common control with another person) and Associates (generally, relatives sharing the same residence). Also included

are securities which the Person or any of the Person's Affiliates or Associates has the right to acquire within 60 days (other than (1) customary agreements with and between underwriters and banking group or selling group members with respect to a public offering or private placement of securities; or (2) pursuant to a pledge of securities in the ordinary course of business).

A Person is also deemed to "Beneficially Own" any securities that are Beneficially Owned (as described above) by any other Person with which the Person is acting jointly or in concert.

Institutional Shareholder Exemptions from Beneficial Ownership

The definition of "Beneficial Ownership" contains several exclusions whereby a Person is not considered to "Beneficially Own" a security. There are exemptions from the deemed "Beneficial Ownership" provisions for institutional Shareholders acting in the ordinary course of business. These exemptions apply when (1) the ordinary business of any such Person (the "**Investment Manager**") includes the management of investment funds for others and such security is held by the Investment Manager in the ordinary course of such business in the performance of such Investment Manager's duties for the account of any other Person, including the acquisition or holding of securities for non-discretionary accounts held on behalf of a client by a broker or dealer registered under applicable securities laws, or (2) such Person (the "**Trust Company**") is licensed to carry on the business of a trust company under applicable laws and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons or in relation to other accounts and holds such security in the ordinary course of such duties for the estates of deceased or incompetent Persons or for such other accounts, or (3) such Person (the "**Plan Trustee**") is the administrator or trustee of one or more pension funds or plans (each a "**Plan**") registered under applicable laws and holds such security for the purposes of its activity as such, or (4) such Person is a Plan or is a Person established by statute (the "**Statutory Body**") for purposes that include, and the ordinary business or activity of such Person includes the management of investment funds for employee benefit plans, pension plans, insurance plans (other than plans administered by insurance companies) or various public bodies, or (5) such Person is a Crown agent or agency, or (6) such Person (the "**Manager**") is the manager or trustee of a mutual fund ("**Mutual Fund**") that is registered or qualified to issue its securities to investors under the securities laws of any province of Canada or the laws of the United States of America or is a Mutual Fund; provided in any of the above cases, that the Investment Manager, the Trust Company, the Plan Trustee, the Plan, the Statutory Body, the Crown agent or agency, the Manager or the Mutual Fund, as the case may be, is not then making a Take-over Bid or has not announced a current intention to make a Take-over Bid, other than an Offer to Acquire Common Shares or other securities pursuant to a distribution by the Corporation or by means of ordinary market transactions (including pre-arranged trades entered into in the ordinary course of business of such Person) executed through the facilities of a stock exchange, securities quotation system or organized over-the-counter market, alone, through its Affiliates or Associates or by acting jointly or in concert with any other Person.

A Person will not be deemed to "Beneficially Own" a security because (i) such Person is a client of or has an account with the same Investment Manager as another Person on whose account the Investment Manager holds such security, or where such Person is a client of or has an account with the same Trust Company as another Person on whose account the Trust Company holds such security, or where such Person is a Plan and has a Plan Trustee who is also a Plan Trustee for another Plan on whose account the Plan Trustee holds such security, (ii) such Person is (A) a client of an Investment Manager and such security is owned at law or in equity by the Investment Manager, or (B) an account of a Trust Company and such security is owned at law or in equity by the Trust Company, or (C) a Plan and such security is owned at law or in equity by the Plan Trustee, or (iii) such Person is the registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

Exemption for Permitted Lock-up Agreement

A Person will not be deemed to "Beneficially Own" any security where the holder of such security has agreed to deposit or tender such security pursuant to a Permitted Lock-up Agreement to a Take-over Bid made by such Person or such Person's Affiliates or Associates or any other Person with which such Person is acting jointly or in concert, or such security has been deposited or tendered pursuant to a Take-over Bid made by such Person or such Person's Affiliates, Associates or any other Person with which such Person is acting jointly or in concert, until the earliest time at which any such tendered security is accepted unconditionally for payment or is taken up or paid for.

A "**Permitted Lock-up Agreement**" is essentially an agreement between a Person and one or more holders of Common Shares (the terms of which are publicly disclosed and available to the public within the time frames set forth in the definition of Permitted Lock-up Agreement) pursuant to which each Locked-up Person agrees to deposit or tender Common Shares to the Lock-up Bid and which further provides that such agreement permits the Locked-up Person to withdraw its Common Shares in order to deposit or tender the Common Shares to another Take-over Bid or support another transaction: (i) at a price or value that exceeds the price under the Lock-Up Bid; or (ii) that contains an offering price that exceeds the offering price in the Lock-up Bid by as much as or more than a Specified Amount and does not provide for a Specified Amount greater than 7% of the offering price in the Lock-up Bid.

A Permitted Lock-up Agreement may contain a right of first refusal or require a period of delay to give the Person who made the Lock-up Bid an opportunity to match a higher price in another Take-Over Bid or transaction or other similar limitation on a Locked-up Person's right to withdraw Common Shares so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Common Shares during the period of the other Take-Over Bid or transaction. Finally, under a Permitted Lock-up Agreement no "break up" fees, "top up" fees, penalties, expenses or other amounts that exceed in aggregate the greater of (i) 2.5% of the price or value of the consideration payable under the Lock-up Bid; and (ii) 50% of the amount by which the price or value of the consideration received by a Locked-up Person under another Take-Over Bid or transaction exceeds what such Locked-up Person would have received under the Lock-up Bid; can be payable by such Locked-up Person if the Locked-up Person fails to deposit or tender Common Shares to the Lock-up Bid or withdraws Common Shares previously tendered thereto in order to deposit or tender such Common Shares to another Take-Over Bid or support another transaction.

(f) Flip-In Event

A "**Flip-In Event**" occurs when any Person becomes an Acquiring Person. In the event that, prior to the Expiration Time, a Flip-In Event which has not been waived by the Board of Directors occurs (see "Redemption, Waiver and Termination"), each Right (except for Rights Beneficially Owned or which may thereafter be Beneficially Owned by an Acquiring Person, an Affiliate or Associate of an Acquiring Person or any other Person with which such Acquiring Person or an Affiliate or Associate of an Acquiring Person is acting jointly or in concert (or a transferee of such a Person), which Rights will become null and void) shall constitute the right to purchase from the Corporation, upon exercise thereof in accordance with the terms of the Plan, that number of Common Shares having an aggregate Market Price on the date of the Flip-In Event equal to twice the Exercise Price, for the Exercise Price (such Right being subject to anti-dilution adjustments). For example, if at the time of the Flip-In Event the Exercise Price is \$150 and the Market Price of the Common Shares is \$50, the holder of each Right would be entitled to purchase Common Shares having an aggregate Market Price of \$300 (that is, 6 Common Shares) for \$150 (that is, a 50% discount from the Market Price).

(g) Permitted Bid and Competing Permitted Bid

A "**Permitted Bid**" is a Take-over Bid made by way of a Take-over Bid Information Circular and which complies with the following additional provisions:

- (i) the Take-over Bid is made to all holders of record of Common Shares, other than the Offeror;
- (ii) the Take-over Bid shall contain, and the provisions for the take-up and payment for Common Shares tendered or deposited thereunder shall be subject to, an irrevocable and unqualified condition that no Common Shares shall be taken up or paid for pursuant to the Take-over Bid prior to the close of business on a date which is not less than 60 days following the date of the Take-over Bid;
- (iii) the Take-over Bid shall contain irrevocable and unqualified provisions that, unless the Take-over Bid is withdrawn, Common Shares may be deposited pursuant to the Take-over Bid at any time prior to the close of business on the date of first take-up or payment for Common Shares and that all Common Shares deposited pursuant to the Take-over Bid may be withdrawn at any time prior to the close of business on such date;

- (iv) the Take-over Bid shall contain an irrevocable and unqualified condition that more than 50% of the outstanding Common Shares held by Independent Shareholders, determined as at the close of business on the date of first take-up or payment for Common Shares under the Take-over Bid, must be deposited to the Take-over Bid and not withdrawn at the close of business on the date of first take-up or payment for Common Shares; and
- (v) the Take-over Bid shall contain an irrevocable and unqualified provision that in the event that more than 50% of the then outstanding Common Shares held by Independent Shareholders shall have been deposited to the Take-over Bid and not withdrawn as at the close of business on the date of first take-up or payment for Common Shares under the Take-over Bid, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Common Shares for not less than 10 Business Days from the date of such public announcement.

If a Take-over Bid constitutes a Competing Permitted Bid, the term "Permitted Bid" shall also mean the Competing Permitted Bid.

A "**Competing Permitted Bid**" is a Take-over Bid that is made after a Permitted Bid or another Competing Permitted Bid has been made but prior to its expiry, satisfies all the requirements of a Permitted Bid as described above, except that a Competing Permitted Bid is not required to remain open for 60 days so long as it is open until the later of (i) the earliest date on which Common Shares may be taken-up or paid for under any earlier Permitted Bid or Competing Permitted Bid that is in existence, and (ii) 35 days (or such other minimum period of days as may be prescribed by applicable law in Alberta) after the date of the Take-over Bid constituting the Competing Permitted Bid.

(h) Redemption, Waiver and Termination:

- (i) *Redemption of Rights on Approval of Holders of Common Shares and Rights.* The Board of Directors acting in good faith may, after having obtained the prior approval of the holders of Common Shares or Rights, at any time prior to the occurrence of a Flip-In Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.000001 per Right, appropriately adjusted for anti-dilution as provided in the Plan (the "**Redemption Price**").
- (ii) *Waiver of Inadvertent Acquisition.* The Board of Directors acting in good faith may waive the application of the Plan in respect of the occurrence of any Flip-In Event if (i) the Board of Directors has determined that a Person became an Acquiring Person under the Plan by inadvertence and without any intent or knowledge that it would become an Acquiring Person; and (ii) the Acquiring Person has reduced its Beneficial Ownership of Common Shares such that at the time of waiver the Person is no longer an Acquiring Person.
- (iii) *Deemed Redemption.* In the event that a Person who has made a Permitted Bid, a Competing Permitted Bid or a Take-over Bid in respect of which the Board of Directors has waived or has deemed to have waived the application of the Plan consummates the acquisition of the Common Shares, the Board of Directors shall be deemed to have elected to redeem the Rights for the Redemption Price.
- (iv) *Discretionary Waiver with Mandatory Waiver of Concurrent Bids.* The Board of Directors acting in good faith may, prior to the occurrence of the relevant Flip-In Event as to which the Plan has not been waived under this clause, upon prior written notice to the Rights Agent, waive the application of the Plan to a Flip-In Event that may occur by reason of a Take-over Bid made by means of a Take-over Bid circular to all holders of record of Common Shares. However, if the Board of Directors waives the application of the Plan, the Board of Directors shall be deemed to have waived the application of the Plan in respect of any other Flip-In Event occurring by reason of such a Take-over Bid made prior to the expiry of a bid for which a waiver is, or is deemed to have been, granted.
- (v) *Discretionary Waiver Respecting Acquisition not by Take-over Bid Circular.* The Board of Directors acting in good faith may, with the prior consent of the holders of Common Shares, determine, at any time prior to the occurrence of a Flip-In Event as to which the application of the Plan has not been waived, if such Flip-In Event would occur by reason of an acquisition of

Common Shares otherwise than pursuant to a Take-over Bid made by means of a Take-over Bid circular to holders of Common Shares and otherwise than by inadvertence when such inadvertent Acquiring Person has then reduced its holdings to below 20%, to waive the application of the Plan to such Flip-In Event. However, if the Board of Directors waives the application of the Plan, the Board of Directors shall extend the Separation Time to a date subsequent to and not more than 10 Business Days following the meeting of Shareholders called to approve such a waiver.

- (vi) *Redemption of Rights on Withdrawal or Termination of Bid.* Where a Take-over Bid that is not a Permitted Bid is withdrawn or otherwise terminated after the Separation Time and prior to the occurrence of a Flip-In Event, the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price. Under the Plan the Corporation shall be deemed to have issued replacement Rights to the holders of its then outstanding Common Shares upon such redemption, subject to and in accordance with the provisions of the Plan.

If the Board of Directors is deemed to have elected or elects to redeem the Rights as described above, the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights is to receive the Redemption Price. Within 10 Business Days of any such election or deemed election to redeem the Rights, the Corporation will notify the holders of the Common Shares or, after the Separation Time, the holders of the Rights.

(i) Anti-Dilution Adjustments

The Exercise Price of a Right, the number and kind of securities subject to purchase upon exercise of a Right, and the number of Rights outstanding, will be adjusted in certain events, including:

- (i) if there is a dividend payable in Common Shares or other capital stock or securities exchangeable for or convertible into or giving a right to acquire Common Shares or other capital stock (other than pursuant to any optional stock dividend program, dividend reinvestment plan or a dividend payable on Common Shares in lieu of a regular periodic cash dividend);
- (ii) if the Corporation subdivides or changes the then outstanding Common Shares into a greater number of Common Shares;
- (iii) if the Corporation combines or changes the then outstanding Common Shares into a smaller number of Common Shares; or
- (iv) if the Corporation issues any Common Shares (or other capital stock or securities exchangeable for or convertible into or giving a right to acquire Common Shares or other capital stock) in respect of, in lieu of or in exchange for existing Common Shares in a reclassification, amalgamation, merger, statutory arrangement or consolidation.

With respect to adjustments occurring as a result of a distribution of rights or warrants, for internal consistency in the Plan and to avoid triggering the anti-dilution provisions in relatively insignificant circumstances, an adjustment will only occur if such rights or warrants have an exercise price that is less than 90% of the Market Price per Common Share on the record date.

(j) Supplements and Amendments

The Corporation may make amendments to correct any clerical or typographical error or which are necessary to maintain the validity of the Plan as a result of any change in any applicable legislation, rules or regulation.

Subject to the certain exceptions, after the Meeting, any amendment, variation or deletion of or from the Plan and the Rights is subject to the prior approval of the holders of Common Shares, or, after the Separation Time, the holders of the Rights.

The Board of Directors reserves the right to alter any terms of the Plan (provided that such action would not materially adversely affect the interest of the holders of Rights generally) at any time prior to the Meeting if

the Board of Directors determines that it would be in the best interests of the Corporation and its Shareholders to do so, in light of subsequent developments.

(k) Expiration

If the Plan is confirmed and approved at the Meeting, it will become effective as of February 6, 2009 following such approval and remain in force until the earlier of the Termination Time (the time at which the right to exercise Rights shall terminate pursuant to the Plan) and the termination of the annual meeting of the Shareholders in the year 2012 unless at or prior to such meeting the Independent Shareholders and the Shareholders (if required by the rules of any stock exchange on which the Corporation's Common Shares are then listed) ratify the continued existence of the Plan, in which case the Plan would expire at the earlier of the Termination Time and the termination of the annual meeting of Shareholders in the year that is three years after the year in which such approval occurs.

SCHEDULE "E"

ORDINARY RESOLUTION OF THE SHAREHOLDERS OF ARCAN RESOURCES LTD.

Re: Shareholder Rights Plan

WHEREAS:

- A. The board of directors of Arcan Resources Ltd. (the "**Corporation**") believe it is in the best interests of the Corporation that the Corporation implement a shareholder rights plan.
- B. On February 6, 2009, the board of directors resolved to adopt a shareholder rights plan (the "**Plan**"), subject to regulatory approval and approval by the Independent Shareholders (as defined in the Plan) at the Meeting.
- C. The Plan is effected by a Shareholder Rights Plan Agreement (the "**Agreement**") dated February 6, 2009, between the Corporation and Valiant Trust Company (the "**Rights Agent**").

BE IT RESOLVED, as an ordinary resolution, that:

- 1. The Plan be and is hereby confirmed and approved and the Agreement be and is hereby confirmed and approved.
- 2. Any director or officer of the Corporation is authorized and directed to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to the foregoing resolution.