



**ANNUAL GENERAL MEETING OF SHAREHOLDERS
to be held on June 26, 2012**

**NOTICE OF ANNUAL GENERAL MEETING
AND
INFORMATION CIRCULAR**

May 18, 2012



NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an Annual General Meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares in the capital of ShaMaran Petroleum Corp. (the “**Corporation**”) will be held at Suite 2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8 on Tuesday, June 26, 2012, at 8:00 a.m. (Vancouver time), for the following purposes:

1. to receive the consolidated audited financial statements of the Corporation for the year ended December 31, 2011, together with the report of the auditors thereon;
2. to appoint PricewaterhouseCoopers LLP, as auditor of the Corporation for the ensuing year and to authorize the directors to fix their remuneration;
3. to fix the number of directors at six (6);
4. to elect directors for the ensuing year;
5. to consider and, if thought fit, to pass an ordinary resolution providing the required annual approval of the Corporation’s Incentive Stock Option Plan, as more particularly described in the accompanying Management Information Circular; and
6. to transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

Accompanying this Notice of Meeting is a Management Information Circular (the “**Circular**”). Reference is made to the Circular for details of the matters to be considered at the Meeting.

If you are a *registered shareholder* of the Corporation and are unable to attend the Meeting in person, please complete, sign, date and return the enclosed form of Proxy either in the addressed envelope enclosed to Proxy Department, Computershare Investor Services Inc., 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or by fax to 1-866-249-7775. Proxies must be received not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time for holding the Meeting or any adjournment thereof.

If you are a *non-registered shareholder* of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or such other intermediary. **If you are a non-registered shareholder and do not complete and return the materials in accordance with such instructions, you may lose the right to vote at the Meeting, either in person or by proxy.**

If you have any questions about the procedures required to qualify to vote at the Meeting or about obtaining and depositing the required form of proxy, you should contact Computershare Investor Services Inc. by telephone (toll free) at 1-800-564-6253, by fax at 1-866-249-7775 or by e-mail at service@computershare.com.

DATED at Vancouver, British Columbia, the 18th day of May, 2012.

ON BEHALF OF THE BOARD

(signed) “Pradeep Kabra”

Pradeep Kabra

President, CEO and Director



MANAGEMENT INFORMATION CIRCULAR

(Containing information as at May 18, 2012, unless indicated otherwise)

PERSONS MAKING THE SOLICITATION

This Management Information Circular (the "Circular") is furnished in connection with the solicitation of proxies being made by the management ("Management") of ShaMaran Petroleum Corp. (the "Corporation") for use at the Annual General Meeting (the "Meeting") of holders (the "Shareholders") of common shares in the capital of the Corporation (the "Common Shares") to be held on Tuesday, June 26, 2012 at 8:00 a.m. (Pacific Standard Time) at Suite 2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8 and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be made primarily by mail, proxies may be solicited personally or by telephone by directors, officers and employees of the Corporation at nominal cost. All costs of this solicitation will be borne by the Corporation.

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

Unless otherwise indicated, all monetary amounts referred to herein are stated in United States dollars, the Corporation's reporting currency.

APPOINTMENT OF PROXYHOLDER AND VOTING BY PROXY

The individuals named in the accompanying form of proxy (the "Proxy") are directors or officers of the Corporation (the "Management Proxyholders"). **A Shareholder wishing to appoint a person or company other than Management Proxyholders to attend and act for the shareholder and on the shareholder's behalf at the Meeting has the right to do so, by striking out the names of the Management Proxyholders and by inserting the desired person's or company's name in the blank space provided in the proxy, or by executing a proxy in a form similar to the enclosed form. In either case, the completed form of proxy must be received by Computershare Investor Services Inc. prior to the Meeting or any adjournment thereof. A proxyholder need not be a shareholder.**

You can choose to vote your Common Shares by proxy, by mail, by telephone or on the Internet. If you vote your Common Shares by proxy by mail, completed forms of proxies **must be received by the Corporation's transfer agent, Computershare Investor Services Inc. ("Computershare"), at Proxy Department, at 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1**, in the envelope provided for that purpose. Telephone and Internet voting can also be completed 24 hours a day, 7 days a week. For telephone voting call 1-800-564-6253 (toll free in Canada and the United States) from a touch-tone telephone and follow the voting instructions. International holders wishing to vote by telephone can dial 1-514-982-7555 to place their vote. If you vote by telephone, you cannot appoint anyone other than the appointees named on the proxy form as your proxyholder. For internet voting, go to www.investorvote.com and follow the instructions on the screen. For either telephone or internet voting, you will need your 15 digit control number which is noted on your proxy form. **Duly completed forms of proxy or a vote using the telephone or over the Internet must be completed no later than forty-eight (48) hours (excluding Saturdays and holidays) before the time of the Meeting, or any adjournment thereof.**

If you are a beneficial shareholder and receive these materials through your broker or through another intermediary, please complete and return the form of proxy in accordance with the instructions provided by your broker or other intermediary.

ADVICE TO NON-REGISTERED HOLDERS OF COMMON SHARES

The information set forth in this section is of significant importance to many Shareholders as a substantial number of Shareholders do not hold Common Shares of the Corporation in their own name. Shareholders who hold their Common Shares through their banks, brokers, trustees or other persons (“**Intermediaries**”), or who otherwise do not hold their Common Shares in their own name (referred to in this Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders who appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of Common Shares (“**Registered Shareholders**”) will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, not be registered in the Shareholder's name. Such Common Shares more likely will be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name of the Canadian Depositary for Securities which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The Intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the instrument of proxy provided directly to Registered Shareholders by the Corporation and is commonly referred to as a “**voting instruction form**”. However, its purpose is limited to instructing the Registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically prepares a machine-readable voting instruction form, mails such forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote their Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the securities voted. If you have any questions respecting the voting of Common Shares held through an Intermediary, please contact that Intermediary promptly for assistance.** Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their securities as proxyholder for the Registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

These securityholder materials are being sent to both Registered Shareholders and Beneficial Shareholders. If you are a Beneficial Shareholder, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the Intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

ADVICE TO HOLDERS OF EUROCLEAR SWEDEN REGISTERED SHARES

The information set forth in this section is of significance to Shareholders who hold their securities (“Euroclear Registered Securities”) through Euroclear Sweden AB, which securities trade on the NASDAQ OMX First North Exchange. Shareholders who hold Euroclear Registered Securities are not registered holders of voting securities for the purposes of voting at the Meeting. Instead, Euroclear Registered Securities are registered under CDS & Co., the registration name of the Canadian Depository for Securities. Holders of Euroclear Registered Securities will receive a voting instruction form (the “VIF”) by mail directly from Computershare AB (“**Computershare Sweden**”). Additional copies of the VIF, together with the Corporation’s Management Information Circular, can also be obtained from Computershare Sweden and are available on the Corporation’s website (www.shamaranpetroleum.com). **The VIF cannot be used to vote securities directly at the Meeting. Instead, the VIF must be completed and returned to Computershare Sweden, strictly in accordance with the instructions and deadlines that will be described in the instructions provided with the VIF.**

REVOCAION OF PROXIES

A Registered Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing, including a proxy bearing a later date, executed by the Registered Shareholder or by his attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The instrument revoking the proxy must be deposited at the registered office of the Corporation, at Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1 (Attention: Kevin Hisko, Corporate Secretary) at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the Secretary of the Corporation or the chairman of the Meeting prior to the time of voting at the Meeting. Only registered Shareholders have the right to revoke a proxy. **Beneficial Shareholders who wish to change their vote must arrange for their respective intermediaries to revoke the proxy on their behalf.**

VOTING OF PROXIES

The Common Shares represented by a properly executed proxy in favour of Management Proxyholders will:

- (a) be voted or withheld from voting in accordance with the instructions of the person appointing the Management Proxyholder on any ballot that may be called for; and
- (b) where a choice with respect to any matter to be acted upon has been specified in the form of proxy, be voted in accordance with the specification made in such proxy.

ON A POLL SUCH COMMON SHARES WILL BE VOTED IN FAVOUR OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED OR WHERE BOTH CHOICES HAVE BEEN SPECIFIED BY THE SHAREHOLDER.

The enclosed form of proxy when properly completed and delivered and not revoked confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. If any amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the Management Proxyholders to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Circular, the Management knows of no such amendment, variation or other matter that may be presented to the Meeting.

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

Except as may be disclosed herein, no director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting. Directors and executive officers may, however, be interested in the annual approval of the Corporation’s stock option plan

as detailed in “Particulars of Other Matters to be Acted Upon – Annual Approval of 10% Rolling Stock Option Plan”.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Corporation is authorized to issue an unlimited number of Common Shares of which 810,983,860 Common Shares are issued and outstanding as at the date hereof. Each Common Share is entitled to one vote.

Shareholders registered as at May 18, 2012 (the “**Record Date**”) are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the form of proxy to attend and vote, deliver their form of proxies at the place and within the time set forth in the notes to the form of proxy.

The following table sets forth the only persons who as of the date hereof, to the knowledge of the directors and executive officers of the Corporation, beneficially own or control or direct, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all outstanding Common Shares:

Name of Shareholder	Number of Shares	Percentage of Issued Capital
Zebra Holdings and Investments S.à.r.l. (“ Zebra ”) ⁽¹⁾	111,300,000	13.72%
Lorito Holdings S.à.r.l. (“ Lorito ”) ⁽¹⁾	49,141,300	6.06%

Note:

⁽¹⁾ Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settlor is the Estate of the late Adolf H. Lundin. Together, Lorito and Zebra hold a total of 160,441,300 Common Shares, which represents 19.78% of the current outstanding Common Shares.

BUSINESS OF THE ANNUAL GENERAL MEETING

FINANCIAL STATEMENTS AND AUDITORS’ REPORT

The Corporation’s consolidated financial statements for the year ended December 31, 2011 and the report of the auditors thereon will be placed before the Meeting. Copies of the consolidated financial statements, the auditors’ report and management’s discussion and analysis have been mailed to all registered shareholders and non-registered shareholder (or beneficial) shareholders who have opted to receive such materials. These documents can also be found on the Corporation’s website at www.shamaranpetroleum.com and are also available on SEDAR at www.sedar.com. No vote by the shareholders is required to be taken with respect to the consolidated financial statements.

ELECTION OF DIRECTORS

The Board of Directors presently consists of six (6) directors and it is intended to determine the number of directors at six (6) and to elect six (6) directors for the ensuing year.

The term of office of each of the present directors expires at the Meeting. At the Meeting, Shareholders will be asked to pass an ordinary resolution to set the number of directors at six and the six persons named hereunder will be proposed for election as directors of the Corporation. Unless authority to vote is withheld, the Common Shares represented by the proxies hereby solicited will be voted by the persons named therein **FOR** the election of the nominees whose names are set forth below. All of the nominees are presently members of the Board and the dates on which they were first elected or appointed are indicated below. Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but if that should occur for any reason prior to the Meeting, Management Proxyholders reserve the right to vote **FOR** another nominee in their discretion, unless the shareholder has specified in the accompanying form of proxy that such Shareholder’s Common Shares are to be withheld from voting on the election of directors.

The following table and notes state the name of each person proposed to be nominated by management for election as a director (a “**proposed director**”), the province and country in which he is ordinarily resident, all other positions and offices with the Corporation and any significant affiliate now held by each such person, if any, his or her principal occupation or employment, the period or periods of service as a director of the Corporation and the approximate number of Common Shares of the Corporation beneficially owned directly or indirectly, by each such person, or over which he or she exercises control or direction.

Name, province and country and current position(s) held in the Corporation ⁽¹⁾	Period of Service as a Director	Number of Common Shares beneficially owned or controlled or directed, directly or indirectly ⁽²⁾	Principal Occupation within the Preceding Five Years ⁽¹⁾
Keith C. Hill British Columbia, Canada Chairman and Director	Director since Feb 19/07	2,604,000	President and CEO of Africa Oil Corp.; Chairman of BlackPearl Resources Inc., Petrovista Energy Corp. and Horn Petroleum Corp. and a director of Tyner Resources Ltd. and TAG Oil Corp.
Pradeep Kabra Geneva, Switzerland President, Chief Executive Officer and Director	Director since May 27/10	524,300	Mr. Kabra is a Chartered Accountant and has a Bachelors degree in Law from the University of Delhi and a Masters degree in Petroleum Law and Policy from the University of Dundee, U.K. He has over 25 years experience in the oil industry having held senior operational and management positions at Addax Petroleum, Lundin Oil and International Petroleum. Prior to being appointed President and CEO of the Corporation, Mr. Kabra was Chief Operating Officer of the Corporation. Prior thereto, Mr. Kabra was General Manager Kurdistan for Addax Petroleum and was also a director of Taq Taq Operating Company Limited, the operator of the Taq Taq/Kewa Chirmila production sharing contract, Kurdistan.
Brian D. Edgar British Columbia, Canada Director	Director since Mar 27/07	100,000	Chairman of Silver Bull Resources Inc. (formerly, Metalline Mining Company); director of a number of other publicly traded companies.
Gary S. Guidry Alberta, Canada Director	Director since Feb 19/07	200,000	President and Chief Executive Officer of Griffiths Energy International Inc.; director of TransGlobe Energy Corporation and Africa Oil Corp.; formerly President and CEO of Orion Oil & Gas Corporation (October 2009 to June 2011) and of Tanganyika Oil Company Ltd. (May 2005 to June 2009).
Alexandre Schneider Anieres, Switzerland Director	Director since Sept 10/09	150,000	Executive Vice President and Chief Operating Officer of Lundin Petroleum AB since 2001.
J. Cameron Bailey Alberta, Canada Director	Director since Sept 10/09	Nil	President and CEO of Fortress Energy Inc. Mr. Bailey is also a director of Phoenix Technology Income Fund, Phoenix Technology Services Inc., PHX Energy Services Corp. and Africa Oil Corp. Mr. Bailey was previously the Managing Director of Network Capital Inc. and President of Energy Processors Inc. Mr. Bailey also previously held the position of Managing Director of Capital Markets, Peters & Co., a Calgary based investment dealer.

Notes:

- ⁽¹⁾ The information as to the province and country of residence and principal occupation, not being within the knowledge of the Corporation, has been furnished by the respective directors.
- ⁽²⁾ The information as to Common Shares beneficially owned or controlled or directed, directly or indirectly, not being within the knowledge of the Corporation, has been furnished by the respective directors individually.

In the event of any vacancy among the nominees occasioned by an unexpected occurrence, the proxies given pursuant to this solicitation will be voted in favour of the remaining nominees and for such other substitute nominees as the Board of Directors may designate in such event, unless the Shareholder has specified in the proxy that its Common Shares are to be withheld from voting in the election of directors.

The Board of Directors does not have an executive committee. There are presently four standing committees of the Board; namely, the Audit Committee, the Compensation Committee, the Reserves Committee and the Corporate Governance and Nominating Committee. The following table sets out the members of such Committees:

Audit Committee	Compensation Committee	Reserves Committee	Corporate Governance and Nominating Committee
J. Cameron Bailey (Chair)	Gary S. Guidry (Chair)	Gary S. Guidry (Chair)	Brian D. Edgar (Chair)
Brian D. Edgar	Keith C. Hill	Alexandre Schneider	Alexandre Schneider
Alexandre Schneider	Alexandre Schneider	J. Cameron Bailey	J. Cameron Bailey

Other than as disclosed below, none of the proposed directors (or any of their personal holding companies) of the Corporation:

- (a) is, as at the date of this Circular, or has been, within ten years before the date of this Circular, a director, chief executive officer or chief financial officer of any company, including the Corporation, that:
 - (i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an “order”) that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) was the subject of an order that was issued after the person ceased to be a director, chief executive officer or chief financial officer in the Corporation and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) is, as at the date of this Circular, or has been within the 10 years before the date of this Circular, a director or executive officer of any company, including the Corporation, that while that, person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager as trustee appointed to hold the assets of that individual.

Mr. J. Cameron Bailey is a director of Fortress Energy Inc. (“**Fortress**”). On March 2, 2011, the Court of Queen’s Bench of Alberta granted an order (the “**Order**”) under the *Companies’ Creditors Arrangement Act* (Canada) staying all claims and actions against Fortress and its assets and allowing Fortress to prepare a plan of arrangement for its creditors if necessary. Fortress took such steps in order to enable Fortress to challenge a reassessment issued by the Canada Revenue Agency (“**CRA**”). As a result of the reassessment, if Fortress had not taken any action, it would have been compelled to immediately remit one half of the reassessment to the CRA and Fortress did not have the necessary liquid funds to remit, although Fortress had assets in excess of its liabilities with sufficient liquid assets to pay all other liabilities and trade payables. Fortress believed that the CRA’s position was not sustainable and vigorously disputed the CRA’s claim. Fortress filed a Notice of Objection to the reassessment and on October 20, 2011 announced that its Notice of Objection was successful, CRA having confirmed there were no taxes payable. As the CRA claim had been vacated and no taxes or penalties were

owing Fortress no longer required the protection of the Order under the CCAA and on October 28, 2011 the Order was removed. On March 3, 2011 the TSX Venture Exchange suspended trading in the securities of Fortress due to Fortress having been granted a stay under the CCAA. In addition the securities regulatory authorities in Alberta, Ontario and Quebec issued a cease trade order with respect to Fortress for failure to file its annual financial statements for the year ended December 31, 2010 by March 31, 2011. The delay in filing was due to Fortress being granted the CCAA order on March 2, 2011 and the resulting additional time required by its auditors to deliver their audit opinion. The required financial statements and other continuous disclosure documents were filed on April 29, 2011 and the cease trade order was subsequently removed. On September 1, 2010 Fortress closed the sale of substantially all of its oil and gas assets. As a result of the sale Fortress was delisted from the TSX Venture Exchange on March 30, 2011 as it no longer met minimum listing requirements.

Mr. Edgar was a director of New West Energy Services Inc. (NEW-TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was revoked on November 9, 2006.

None of the proposed directors (or any of their personal holding companies) has been subject to:

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

AUDIT COMMITTEE AND NATIONAL INSTRUMENT 52-110, *AUDIT COMMITTEES* (“NI 52-110”) DISCLOSURE

The Audit Committee of the Corporation oversees the accounting and financial reporting processes of the Corporation and its subsidiaries and all audits and external reviews of the financial statements of the Corporation on behalf of the Board, and has general responsibility for oversight of internal controls, accounting and auditing activities of the Corporation and its subsidiaries. All auditing services and non-audit services to be provided to the Corporation by the Corporation’s auditors are pre-approved by the Audit Committee. The Audit Committee is responsible for examining all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The Audit Committee also oversees the annual audit process, the Corporation’s internal accounting controls, the Code of Business Conduct and Ethics (the “**Code**”), any complaints and concerns regarding accounting, internal controls or auditing matters and the resolution of issues identified by the Corporation’s external auditors. The Audit Committee recommends to the Board the firm of independent auditors to be nominated for appointment by the Shareholders and the compensation of the auditors. The Audit Committee meets a minimum of four times per year. The Audit Committee’s Charter is attached as Schedule “A” to this Circular.

Composition of the Audit Committee and Relevant Education and Experience

Below are the details of each current Audit Committee member, including his name, whether he is independent and financially literate as such terms are defined under NI 52-110, and a summary of the Audit Committee members education and experience which is relevant to the performance of their responsibilities as an audit committee member.

Member Name	Independent ⁽¹⁾	Financially Literate ⁽²⁾	Education & Experience relevant to performance of audit committee duties
J. Cameron Bailey	Yes	Yes	Mr. Bailey is a Chartered Financial Analyst and has 23 years experience in the natural resource sector. Mr. Bailey has served as an executive officer, director and audit committee chair for a number of public resource companies and service companies.
Brian D. Edgar	Yes	Yes	Mr. Edgar is a retired corporate and securities lawyer and mining executive with a Law Degree from the University of British Columbia with approximately 36 years of public company experience. Mr. Edgar practiced in the area of corporate/securities law in private practice for 16 years and was co-owner of a private investment and venture capital firm and as such, has been involved in the financial analysis of many projects and companies. Mr. Edgar has served as an executive officer, director and audit committee chair of several other public resource-based companies. Through his education and experience, Mr. Edgar has experience overseeing and assessing the performance of companies and public accountants with respect to the preparation, auditing and evaluation of financial statements.
Alexandre Schneider	Yes	Yes	Mr. Schneider is a graduate of the University of Geneva where he obtained a degree in Geology and a Masters degree in Geophysics. Mr. Schneider has been with the Lundin Group of Companies since 1993 and has been the Executive Vice President and Chief Operating Officer of Lundin Petroleum AB since 2001. As such, Mr. Schneider possesses the relevant skills and experience necessary to provide objective oversight of audit related matters.

Notes:

- ⁽¹⁾ To be considered independent, a member of the audit committee must not have any direct or indirect “material relationship” with the Corporation. A material relationship is a relationship which could, in the view of the Board of Directors of the Corporation, reasonably interfere with the exercise of a member’s independent judgement.
- ⁽²⁾ To be considered financially literate, a member of the audit committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Audit Committee Oversight

Since the commencement of the Corporation’s most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor that was not adopted by the Board of Directors.

Reliance on Certain Exemptions

Since the commencement of the Corporation’s recently completed financial year, the Corporation has not relied on the exemptions contained in section 2.4 (De Minimis Non-audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions) of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter.

External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Corporation by its external auditor during the last two fiscal years ended

December 31, 2011 and December 31, 2010.

Financial Year Ending	Audit Fees ⁽¹⁾	Audit Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
2011	\$105,000	\$40,859	Nil	Nil
2010	\$87,623	Nil	\$45,435	Nil

Notes:
⁽¹⁾ The aggregate fees billed for audit services.
⁽²⁾ The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not disclosed in the audit fees column.
⁽³⁾ The aggregate fees billed for tax compliance, tax advice, and tax planning services.
⁽⁴⁾ The aggregate fees billed for professional services other than those listed in the other three columns.

Exemption

The Corporation is relying upon the exemption in section 6.1 of the NI 52-110 – Audit Committees, which exempts venture issuers (as defined therein) from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of that instrument.

STATEMENT OF EXECUTIVE COMPENSATION

For the purposes of this Circular, a Named Executive Officer (a “**NEO**”) means each of the following individuals: (a) the Chief Executive Officer of the Corporation, (b) the Chief Financial Officer of the Corporation, (c) each of the three most highly compensated executive officers of the Corporation including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 as determined in accordance with subsection 1.3(6) of Form 51-102F6 for the December 31, 2011 financial year; and (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation or its subsidiaries, nor acting in a similar capacity, as of December 31, 2011.

During the financial year ended December 31, 2011, the Corporation had two NEOs of the Corporation, namely, Mr. Pradeep Kabra, President and Chief Executive Officer, and Mr. Brenden Johnstone, Chief Financial Officer.

COMPENSATION DISCUSSION AND ANALYSIS

The following compensation discussion and analysis describes the Corporation's practices with respect to the compensation of its NEOs.

Overview of Compensation Philosophy

The Corporation's compensation philosophy is to structure remuneration packages that are sufficiently attractive to recruit, retain and motivate the kind of executives who will be instrumental in helping the Corporation achieve its short and long-term objectives, to provide executives with compensation that is in accordance with existing market standards generally, to align the interests of executive officers with those of the Corporation's Shareholders and to link individual executive compensation to the performance of both the Corporation and the individual executive.

During 2010, the Corporation implemented a compensation structure based on the European model that takes into account inflation (cost of living), and that provides for merit increases (only to the extent that an individual's job description or duties have been substantially altered), and cash bonuses which are based on a number of factors, including base salary, length of service and specific performance, rather than on the previous model which placed more emphasis on the incentive stock option component of executive and key personnel compensation packages.

Elements of Compensation

Executive compensation is comprised of three elements:

- base salaries, which are set at levels which are competitive with the base salaries paid by corporations of a comparable size within the oil and gas exploration industry and with operations at approximately the same stage of development, thereby enabling the Corporation to compete for and retain executives critical to the Corporation's long-term success;
- bonuses, which are considered from time to time, based on individual and corporate performance criteria; and
- share ownership opportunities through a stock option plan, which provides additional incentive and aligns the interests of executive officers with the longer term interests of shareholders.

Each element of the Corporation's executive compensation program is described in more detail below.

Base Salaries

A NEO's base salary is intended to remunerate the NEO for discharging job responsibilities and reflects the executive's performance over time. Individual salary adjustments take into account performance contributions in connection with their specific duties. The base salary of each executive officer is determined by the Compensation Committee based on an assessment of his sustained performance and consideration of competitive compensation levels for the markets in which the Corporation operates. In making its recommendations to the Board, the Compensation Committee also considers the particular skills and experience of the individual. The base salaries of executive officers are reviewed annually.

Performance-based Bonuses

The Corporation may award discretionary cash bonuses to executive officers and employees of Corporation from time to time. The amount of the bonus that each individual may be eligible for is not set in relation to any formula or specific criteria, but is the result of a subjective determination of the Corporation's performance, overall industry conditions, as well as the individual's performance and his or her contribution to overall corporate goals. The payment of bonuses is subject to the final approval of the Board and the Board has the discretion to amend or veto bonuses in its sole discretion.

Long Term Incentive Compensation – Stock Options

The stock option component of an NEO's compensation, which includes a vesting element to ensure retention, serves to both motivate the executive toward increasing share value and to enable the executive to share in the future success of the Corporation. Individual stock options are granted by the Board on the recommendation of senior management, in the case of employees, and by the Compensation Committee, in the case of executive officers, including the Chief Executive Officer. Options are normally awarded by the Board upon the commencement of an individual's employment with the Corporation based on the level of responsibility within the Corporation. Additional option grants may be made periodically to ensure that the number of stock options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within the Corporation. In considering additional grants, a number of factors are considered, including, the role the individual plays in the Corporation, the number of stock options an individual has been granted, the exercise price and the value of the options and the term remaining on those options. The terms and conditions of the Corporation's stock option grants, including vesting provisions and exercise prices, are governed by the terms of the Stock Option Plan, which are described under "Securities Authorized for Issuance Under Equity Compensation Plans".

Benefits and Perquisites

Benefits do not form a significant part of the remuneration package of any of the NEOs. In most cases, employment benefits, health care and life insurance are provided in a manner which is in keeping with industry standards. During the financial year ended December 31, 2011, none of the NEOs received any perquisites which in the aggregate were greater than \$50,000 or 10% of the respective NEO's salary.

Composition of the Compensation Committee

The Compensation Committee, on behalf of the Board, monitors compensation for the executive officers of the Corporation. The Compensation Committee currently consists of three members: namely, Messrs. Gary S. Guidry, Alexandre Schneider and Keith C. Hill. All three members of the Compensation Committee are considered to be independent. Since April 2008 the Compensation Committee has maintained a mandate and meets as frequently as necessary in order to fulfill its responsibilities and in any event, at least annually.

The following is a summary description of the mandate and responsibilities of the Compensation Committee as it relates to NEO compensation:

- to review and approve corporate goals and objectives relevant to NEO compensation, including the evaluation and performance of the CEO in light of those corporate goals and objectives, and to make recommendations to the Board with respect to NEO compensation levels (including the award of any cash bonuses or share ownership opportunities);
- to consider the implementation of short and long-term incentive plans, including equity-based plans, proposed by management, to make recommendations to the Board with respect to these plans and to annually review such plans after their implementation; and
- to annually review any other benefit plans proposed by management and to make recommendations to the Board with respect to their implementation.

All members of the Committee have direct experience which is relevant to their responsibilities as Compensation Committee members. All members are or have held senior executive roles within public companies, and therefore have a good understanding of compensation programs. They also have good financial understanding which allows them to assess the costs versus benefits of compensation plans. The members combined experience in the resource sector provides them with the understanding of the Corporation's success factors and risks, which is very important when determining metrics for measuring success.

Performance Factors

At this stage of the Corporation's development, no formal criteria have been established to evaluate corporate and individual performance; however, a number of factors are considered by the Compensation Committee in making recommendations for executive compensation including, but not limited to:

- the progression of the Corporation's projects framed around budget forecasts presented to and approved by the Board;
- the Corporation's overall financial and operating performance;
- objective factors such as the NEO's level of responsibilities, experience, and expertise, length of service and the levels of compensation provided by industry competitors;
- subjective factors such as leadership and such NEOs specific performance and contribution to the benefit of the Corporation, including maintaining good government relations;
- compensation data of peer group companies;
- the Corporation's market capitalization; and
- the long-term interests of the Corporation and its shareholders.

Role of Management in Determining Compensation

The accountability for decisions on executive remuneration is within the mandate of the Board with recommendations from the Compensation Committee; however, management has a key role in helping support the Compensation Committee in fulfilling its obligations. For example, the CEO and other senior members of the Corporation's management team provide a source of external data and analysis.

Recruiting and Retention

The Corporation recognizes that its compensation package has to be sufficient to attract and retain the right level of skill, expertise and talent in an increasingly competitive global market.

The structure of the remuneration package must be well-balanced across the short, medium and longer term elements, so that it is both attractive to the individual and cost effective for the Corporation. This balance is achieved by providing base salary at a reasonable median level as an anchor which makes the Corporation a realistic prospect for talented candidates. However, the short term incentive (discretionary bonuses) provides recruits with the opportunity to achieve superior total annual reward through their own delivery of excellence at individual and business levels. Finally, the longer term reward element (stock option grants), which provides the opportunity to build ownership and growth in the medium and longer term future in line with the opportunities for success afforded to the shareholders.

Fiscal 2011 Compensation Review

On December 5, 2011, the Compensation Committee carried out its annual review of NEO salaries and recommended that (i) the base salaries of the Corporation's CEO, Mr. Pradeep Kabra, and CFO, Mr. Brenden Johnstone, be increased for inflation by 1%; (ii) an amount to the CEO of Swiss Francs ("CHF") 23,040 (Canadian dollars ("CAD") 25,000) as payment in lieu of the annual directors' fee previously awarded; and (iii) the inclusion of a "change of control" provision in the employment agreement of the CFO as described below under "Termination and Change of Control Benefits". The Compensation Committee also determined that each of Messrs. Kabra and Johnstone receive cash bonuses which are reflected in the Summary Compensation Table below under the column "All Other Compensation".

The Board accepted and approved all of the recommendations of the Compensation Committee for Messrs. Kabra and Johnstone on December 6, 2011 and to be effective January 1, 2012.

Risks Associated with Corporation's Compensation Policies and Practices

Neither the Board nor the Compensation Committee has proceeded to a formal evaluation of the implications of the risks associated with the Corporation's compensation policies and practices. Risk management is a consideration of the Board when implementing its compensation programme, and the Board and the Compensation Committee does not believe that the Corporation's compensation programme results in unnecessary or inappropriate risk taking including risks that are likely to have a material adverse effect on the Corporation.

The Corporation's NEOs and directors are not permitted to purchase financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

SUMMARY COMPENSATION TABLE

Summary Compensation Table

The following table sets forth a summary of the total compensation paid to, or earned by the Corporation's NEO's during the three most recently completed financial years. Unless otherwise indicated, all dollar amounts in this section are enumerated in United States dollars, being the Corporation's reporting currency

Name and Principal Position	Year ⁽¹⁾	Salary (\$)	Option-based Awards ⁽²⁾ (\$)	Non-equity Incentive Plan Compensation (\$)		All Other Compensation (\$) ⁽⁴⁾	Total Compensation (\$)
				Annual Incentive Plans (\$) ⁽³⁾	Long term Incentive Plans ⁽³⁾		
Pradeep Kabra ⁽⁵⁾ President and Chief Executive Officer (former Chief Operating Officer)	2011	498,947	Nil	83,158	Nil	63,741	645,846
	2010	402,712	111,221	201,362	Nil	63,390	778,695
	2009	66,038	303,336	Nil	Nil	7,674	377,048
Brenden Johnstone ⁽⁶⁾ Chief Financial Officer (former Financial Controller)	2011	287,828	Nil	47,994	Nil	8,157	343,979
	2010	230,128	121,032	76,709	Nil	9,612	437,481
	2009	31,510	Nil	Nil	Nil	1,576	33,086

Notes:

- (1) Financial years ended December 31.
- (2) The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the determinations used for financial statement purposes. The key assumptions used for this determination can be found in the notes to the 2011 consolidated financial statements. The amount presented in the table represents the fair value of the vested and unvested portion of the options granted for the period. For accounting purposes, the fair value is amortized over the applicable vesting periods. Options fair values were calculated in Canadian dollars and translated into United States dollars using an exchange rate of 0.9279 for the September 11, 2009 option grants, 0.9321 for the September 30, 2009 option grants, and 0.9872 for the January 4, 2010 and September 23, 2010 option grants awarded to these individuals. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized.
- (3) The Corporation does not currently have a formal annual incentive plan or long term incentive plan for any of its executive officers, including its NEOs.
- (4) During the year 2011 Mr Kabra received other compensation comprised of director's fees of CAD 25,000, medical insurance reimbursement of CHF 18,990 and accommodation allowance of CHF 15,000. During the year 2011 Mr. Johnstone received other compensation comprised of medical insurance reimbursement of CHF 7,210. Other compensation amounts have been translated into United States dollars using an average exchange rate of 1.1314 per Swiss Franc for 2011 and an average exchange rate of 1.0114 per Canadian dollar for 2011.
- (5) During the period from November 1, 2009 to December 14, 2009 Mr. Kabra was the Chief Operating Officer of the Corporation and was employed under contract with an annual salary payable of CHF 420'000. Upon his resignation as Chief Operating Officer and subsequent appointment as President of the Corporation no change in salary occurred, and all other terms remain intact. Mr. Kabra's salary has been translated into United States dollars using an average exchange rate of 1.0600 per Swiss Franc for 2009, an average rate of 1.0429 per Swiss Franc for 2010, and an average rate of 1.1314 per Swiss Franc for 2011. Mr. Kabra's salary was paid by ShaMaran Services SA, the Swiss technical and administrative office of the Corporation. Mr. Kabra's 2010 and 2011 performance bonuses are reflected under the column "Non-Equity Incentive Plan Compensation". While the 2010 and 2011 performance bonuses were awarded in respect of the relevant financial years, the amounts were not paid to Mr. Kabra until the subsequent years. Mr. Kabra's services are provided pursuant to an employment agreement dated November 1, 2009, as amended December 14, 2009, between Mr. Kabra and ShaMaran Services SA as described below (the "**Kabra Agreement**").
- (6) During the period from November 1, 2009 to December 14, 2009 Mr. Johnstone was employed as the Financial Controller of the Corporation. Mr. Johnstone was appointed the Chief Financial Officer of the Corporation on December 14, 2009 and his salary was increased effective January 1, 2010 from CHF 200'400 per annum to CHF 240'000 per annum. Mr. Johnstone's salary has been translated into United States dollars using an average exchange rate of 1.0600 per Swiss Franc for 2009, an average rate of 1.0429 per Swiss Franc for 2010, and an average rate of 1.1314 per Swiss Franc for 2011. Mr. Johnstone's salary is paid by ShaMaran Services SA, the Swiss technical and administrative office of the Corporation. While the 2011 performance bonus was awarded in respect of the 2011 financial year, the amount was not paid to Mr. Johnstone until the year 2012. Mr. Johnstone's services are provided pursuant to an employment agreement dated November 1, 2009, as amended December 14, 2009 and January 25, 2012 between Mr. Johnstone and ShaMaran Services SA, as described below (the "**Johnstone Agreement**").

INCENTIVE PLAN AWARDS

Outstanding option-based awards

The following table sets forth for the NEOs, the incentive stock options (option-based awards), pursuant to the Stock Option Plan, outstanding as at December 31, 2011. This information includes awards granted before the financial year ended on December 31, 2011. As at December 31, 2011, 1,133,333 of these option-based awards have vested.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$) ⁽¹⁾	Option expiration date	Value of unexercised in-the-money options (\$) ⁽²⁾
Pradeep Kabra President and Chief Executive Officer	700,000	\$0.60	September 30, 2014	Nil
	100,000	\$0.46	January 4, 2015	Nil
	200,000	\$0.53	September 23, 2015	Nil
Brenden Johnstone Chief Financial Officer	300,000	\$0.46	January 4, 2015	Nil
	50,000	\$0.53	September 23, 2015	Nil

Notes:

- (1) Option exercise prices have been translated from the currency in which the options are granted, Canadian dollars, into the reporting currency of the Corporation, United States dollars, using the exchange rates effective at the grant date.
- (2) This amount is calculated as the difference between the market value of the securities underlying the options on December 31, 2011, being the last trading day of the Corporation's Common Shares for the financial year, which was CAD0.35, and the exercise price of the option. No value has been given to unexercised options that were out-of-the-money on December 31, 2011.

Incentive Plan Awards – Value vested or earned during the year

The following table sets forth for the NEOs, the value vested during the financial year ended on December 31, 2011 for options awarded under the Stock Option Plan, as well as the value earned under non-equity incentive plans for the same period.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾⁽³⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$) ⁽²⁾
Pradeep Kabra President and Chief Executive Officer	138,186	Nil	N/A
Brenden Johnstone Chief Financial Officer	40,344	Nil	N/A

Notes:

- (1) The options granted to Named Executive Officers were vested as follows 1/3 upon grant, 1/3 one year from the date of grant and the remaining 1/3 two years from the date of grant.
- (2) Calculated using the closing price of the common shares as traded on the TSX Venture Exchange (“Exchange”) on the dates on which stock options vested during the financial year ended December 31, 2011, and subtracting the exercise price of in-the-money stock options.
- (3) Converted to United States dollars using the exchange rate in effect as at the date options vested.

Pension Plan Benefits

The Corporation does not have any defined benefit or actuarial plans.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Other than as set forth above, and as set out below under Employment Agreements, the Corporation and its subsidiaries have no other compensatory plan, contract or arrangement where a NEO is entitled to receive more than CAD100,000 (including periodic payments or instalments) to compensate such executive officer in the event of resignation, retirement or other termination of the NEO's employment with the Corporation or its subsidiaries, a change of control of the Corporation or its subsidiaries, or a change in responsibilities of the NEO, with or without a change in control.

Employment Agreement - Pradeep Kabra, President and Chief Executive Officer

Pursuant to the Kabra Agreement, Mr. Kabra was engaged by the Corporation in the capacity of Chief Operating Officer, for a fixed term of two years with an automatic extension thereafter for an indefinite term, at an annual base salary of CHF 420,000 per annum, exclusive of bonuses, benefits and other compensation. Further, upon termination of his employment

with the Corporation within the two years following a change of control, Mr. Kabra shall receive a lump sum payment of 24 month's base salary. The Kabra Agreement was subsequently amended to reflect Mr. Kabra's appointment as the President and Chief Executive Officer of the Corporation effective December 14, 2009 on the same terms and conditions.

Employment Agreement – Brenden Johnstone, Chief Financial Officer

Pursuant to the Johnstone Agreement, Mr. Johnstone was engaged by the Corporation in the capacity of Financial Controller for an indefinite term, at an annual base salary of CHF 200,400 per annum, exclusive of bonuses, benefits and other compensation. The Johnstone Agreement was subsequently amended to reflect Mr. Johnstone's appointment as the Chief Financial Officer of the Corporation effective December 14, 2009 which resulted in an increase in salary to CHF 240,000 per annum, effective January 1, 2010, and again amended on January 25, 2012 to add a provision whereby upon termination of Mr. Johnstone's employment with the Corporation within the two years following a change of control, Mr. Johnstone shall receive a lump sum payment of 24 month's base salary. All other terms and conditions of the Johnstone Agreement remained unchanged.

If a severance payment triggering event had occurred on December 31, 2011, the severance payments that would be payable to Messrs. Kabra and Johnstone would have been approximately as follows:

Name	Termination by the Corporation without cause after a "Change of Control" of the Corporation (estimated) (\$)
Pradeep Kabra	997,895
Brenden Johnstone	575,656
Total	1,573,551

DIRECTORS' COMPENSATION

Director Compensation Table

Certain compensation was earned by directors of the Corporation in their capacity as members of the Board or of a committee of the Board of the Corporation or its subsidiaries, or as consultants or experts, during the Corporation's most recently completed financial year.

To encourage the directors to align their interests with Shareholders, directors are granted incentive stock options pursuant to the Corporation's Stock Option Plan, from time to time.

The following table sets forth the details of compensation provided to directors, other than the Named Executive Officers, during the Corporation's most recently completed financial year:

Name ⁽¹⁾	Fees Earned (\$)	Option-based Awards ⁽²⁾ (\$)	All Other Compensation (\$)	Total (\$)
Keith C. Hill	25,285	Nil	Nil	25,285
Gary S. Guidry	25,285	Nil	Nil	25,285
Brian D. Edgar	25,285	Nil	Nil	25,285
Alexandre Schneider	25,285	Nil	Nil	25,285
J. Cameron Bailey	30,342	Nil	Nil	30,342

Notes:

⁽¹⁾ Information pertaining to director, Mr. Kabra is included under "Statement of Executive Compensation – Summary Compensation Table".

⁽²⁾ Fees earned have been paid in Canadian dollars and are translated into United States dollars using an average exchange rate of 1.1314 per Swiss Franc for 2011 and an average exchange per Canadian dollar for the reporting year.

⁽³⁾ The fair value of option-based awards which vested during 2011 is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Corporation's common shares and expected life of the options.

Outstanding option-based awards

The following table sets forth for each director (other than NEOs) all awards outstanding at the end of the most recently completed financial year, including awards granted before the most recently completed financial year. As at December 31, 2011, all of these option-based awards have vested.

Name ⁽¹⁾	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$) ⁽²⁾	Option expiration date	Value of unexercised in-the-money options (\$) ⁽³⁾
Keith C. Hill	150,000	1.03	January 18, 2012	Nil
	500,000	0.62	September 10, 2014	Nil
Gary S. Guidry	150,000	1.03	January 18, 2012	Nil
Brian D. Edgar	150,000	1.84	March 27, 2012	Nil
Alexandre Schneider	100,000	0.62	September 10, 2014	Nil
J. Cameron Bailey	100,000	0.62	September 10, 2014	Nil

Notes:

⁽¹⁾ Information pertaining to director, Mr. Kabra, is included under "Statement of Executive Compensation – Summary Compensation Table".

⁽²⁾ Option exercise prices have been translated from the currency in which the options are granted, Canadian dollars, into the reporting currency of the Corporation, United States dollars, using the exchange rates effective at the grant date.

⁽³⁾ Value is calculated based on the difference between the exercise price of the option and the closing price of the Corporation's Common Shares on the Exchange on December 31, 2011, being the last trading day of the Corporation's Common shares for the financial year, which was CAD0.35. No value has been given to unexercised options that were out-of-the-money on December 31, 2011.

Incentive Plan Awards – Value vested or earned during the year

The following table sets forth, for each director, other than those who are also NEOs of the Corporation, the value of all incentive plan awards vested during the year ended December 31, 2011.

Name ⁽¹⁾	Option-based awards – Value vested during the year ⁽²⁾⁽³⁾⁽⁴⁾ (\$)
Keith C. Hill	Nil
Gary S. Guidry	Nil
Brian D. Edgar	Nil
Alexandre Schneider	Nil
J. Cameron Bailey	Nil

Notes:

⁽¹⁾ Information pertaining to director, Mr. Kabra, is included under "Statement of Executive Compensation – Summary Compensation Table".

⁽²⁾ 1/3 of the options granted to directors vest on the date of grant, an additional 1/3 vest one year from the date of grant and the remaining 1/3 two years from the date of grant.

⁽³⁾ Calculated using the closing price of the common shares on the Exchange on the dates on which stock options vested during the financial year ended December 31, 2011, and subtracting the exercise price of in-the-money stock options.

⁽⁴⁾ Converted to United States dollars using the exchange rate in effect as at the date options vested.

Directors' and Officers' Liability Insurance

The Corporation maintains insurance for the benefit of its directors and officers and the directors and officers of its subsidiaries, as a group, in respect of the performance of them of the duties of their offices. The total amount of insurance coverage available is up to \$10,000,000, depending on the type of claim, with a deductible of up to \$25,000, depending on the type of claim, for each claim for which the Corporation grants indemnification. The Corporation bears the entire cost of

the premiums payable pursuant to this coverage.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information

The following table provides information regarding compensation plans under which securities of the Corporation are authorized for issuance to directors, officers, employees and consultants in effect as of the end of the Corporation's most recently completed fiscal year end:

Equity Compensation Plan Information

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 security holders	3,233,334	CAD0.72	77,565,052
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	3,233,334	CAD0.72	77,565,052

The Corporation's current 10% rolling incentive stock option plan (the "Plan") governing the issuance of stock options was initially adopted by shareholders at the annual and special meeting held on June 21, 2004. The Plan was amended on April 15, 2011, and most recently ratified and approved by shareholders on June 8, 2011.

The material terms of the Plan can be summarized as follows:

1. The maximum number of Common Shares that may be issued upon the exercise of stock options granted under the Plan shall not exceed 10% of the issued and outstanding Common Shares of the Corporation at the time of grant, the exercise price of which, as determined by the board of directors in its sole discretion, shall not be less than the closing price of the Corporation's Common Shares traded through the facilities of the Exchange on the date prior to the date of grant, less allowable discounts, in accordance with the policies of the Exchange, provided that the option price shall not be less than \$0.10 per share.
2. The board of directors shall not grant options to any one person in any one year which will, exceed 5% of the issued and outstanding Common Shares of the Corporation, or to any consultant in any one year which will, exceed 2% of the issued and outstanding Common Shares of the Corporation or in any one year period to those persons employed by the Corporation who perform investor relations services which will, in aggregate, exceed 2% of the issued and outstanding Common Shares of the Corporation, as calculated on the date that that option is granted.
3. Shares subject to, but not issued or delivered under an option which expires or terminates shall again be available for option under the Plan. The maximum term of any option is five years.
4. If the option holder ceases to be an eligible person, being a bona fide consultant, a director, an employee or a management company employee in relation to the Corporation (as those terms are defined in Policy 4.4 of the Exchange) shall terminate no longer than 90 days after such person ceases to be in at least one of those categories, or if an optionee dies, within one year after the date of such death. Options granted to an option holder who is engaged in investor relations activities must expire within 30 days after the option holder ceases to be so engaged.
5. The options may be subject to such vesting schedule over time as the board of directors may, in their discretion, implement or as may be required by the Exchange. Options granted to consultants engaged to perform investor

relations activities must be subject to vesting requirement, whereby such options must vest in stages over a 12 month period, with no more than 25% of the Shares vesting in any three month period.

6. The options are non-assignable. The Corporation may withhold from the optionee or its agent, as the case may be, any amounts required by applicable legislation to be withheld for any taxes, or otherwise, as a consequence of such participation in the Plan.
7. The Corporation must obtain disinterested shareholder approval for any grant of stock options to insiders within a 12 month period, of a number of options exceeding 10% of the issued share capital of the Corporation.
8. Specific disinterested shareholder approval is required to reduce the exercise price of an option for an optionee who is an insider.
9. The exercise price and the number of Common Shares which are subject to an option may be adjusted from time to time for share dividends, and in the event of amalgamation or merger.

The Corporation does not provide any financial assistance to participants in order to facilitate the purchase of Common Shares under the Plan. As at December 31, 2011, there were options outstanding under the Plan to acquire 3,233,334 Common Shares, representing approximately 0.39% of the Corporation's current issued and outstanding shares.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Corporation, proposed nominees for directorship, or associates or affiliates of the said person, have been indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set out below and in this Circular, and other than transactions carried out in the ordinary course of business of the Corporation, none of the directors or executive officers of the Company, a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company, nor any shareholder beneficially owning, directly or indirectly, common shares of the Corporation, or exercising control or direction over Common Shares of the Corporation, or a combination of both, carrying more than 10% of the voting rights attached to the outstanding shares of the Corporation nor an associate or affiliate of any of the foregoing persons has since January 1, 2011 (being the commencement of the Corporation's last completed financial year) any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Corporation or any of its subsidiaries.

During the year ended December 31, 2011, the Corporation completed in May, 2011 a non-brokered private placement of 56,000,000 Common Shares at a price of CAD0.90 per Common Share, of which, Lorito purchased 9,333,200 Common Shares at a price of CAD0.90 per Common Share, and Zebra purchased 7,000,000 Common Shares at a price of CAD0.90 per Common Share, and in November, 2011 the Corporation completed a non-brokered private placement, of 127,500,000 Common Shares at a price of CAD0.40 per common share, of which, Lorito purchased 5,000,000 Common Shares at a price of CAD0.40 per Common Share, and Zebra purchased 25,000,000 Common Shares at a price of CAD0.40 per Common Share.

Subsequent to the year ended December 31, 2011, the Corporation issued bonus shares in the aggregate of 3,000,000 Common Shares at a deemed price of CAD0.19 per Common Share as to 1,800,000 Common Shares to Zebra and as to 1,200,000 Common Shares to Lorito in consideration of a \$10,000,000 debenture with a six month term.

APPOINTMENT OF AUDITOR

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the reappointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditor of the Corporation, at a remuneration to be determined by the directors. PricewaterhouseCoopers LLP were first appointed auditor of the Corporation on September 6, 2010.

MANAGEMENT CONTRACTS

No management functions of the Corporation are to any substantial degree performed by a person or company other than the directors or executive officers of the Corporation.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICE

The Corporation's Board of Directors and management have established certain corporate governance practices which, in the opinion of the Board, are consistent with the overall business of the Corporation and its stage of development. The following represents the disclosure required by National Instrument 58-101 - Disclosure of Corporate Governance Practices ("**NI 58-101**").

Corporate Governance Practices

National Policy 58-201 - Corporate Governance Guidelines sets out guidelines for effective corporate governance. These guidelines deal with matters such as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members and other items dealing with sound corporate governance. NI 58-101 requires that if management of an issuer solicits proxies from its securityholders for the purpose of electing directors, specified disclosure of the corporate governance practices must be included in its management information circular.

The Board of Directors has considered the guidelines set out in NP 58-201 and believes that its approach to corporate governance is appropriate and works effectively for the Corporation and its Shareholders. The following is a description of the Corporation's corporate governance practices which have been approved by the Board.

The Board of Directors

All of the proposed nominees for election as directors at the 2012 Meeting are current directors of the Corporation. The Board of Directors is currently comprised of Keith C. Hill, Pradeep Kabra, Gary S. Guidry, Alexandre Schneiter, J. Cameron Bailey and Brian D. Edgar. With the exception of Mr. Kabra, all members of the Board of Directors are independent within the meaning of NI 58-101. Mr. Kabra is not independent as he is the CEO of the Corporation.

The independent directors exercise their responsibilities for independent oversight of management, and are provided with leadership through their position on the Board and ability to meet independently of management whenever deemed necessary.

Directorships

Several of the current directors of the Corporation serve as directors of other reporting issuers. Currently, the following directors serve on the boards of directors of the following reporting issuers or reporting issuer equivalent(s):

Director	Reporting Issuer(s) or Equivalent(s)
Keith C. Hill	<ul style="list-style-type: none"> • Africa Oil Corp. • BlackPearl Resources Inc. • Petro Vista Energy Corp. • Tyner Resources Ltd. • Horn Petroleum Corp. • TAG Oil Corp.
Alexandre Schneider	<ul style="list-style-type: none"> • Enquest PLC
Brian D. Edgar	<ul style="list-style-type: none"> • Denison Mines Corp. • Silver Bull Resources Inc. • Lundin Mining Corporation • BlackPearl Resources Inc. • Lucara Diamond Corp.
Gary S. Guidry	<ul style="list-style-type: none"> • Griffiths Energy International Inc. • Africa Oil Corp. • TransGlobe Energy Corporation • Orion Oil & Gas Corporation • Zodiac Exploration Inc.
J. Cameron Bailey	<ul style="list-style-type: none"> • Fortress Energy Inc. • Phoenix Technology Income Fund • Phoenix Technology Services Inc. (formerly, Nevis Energy Services Ltd.) • PHX Energy Services Corp. • Africa Oil Corp.

During fiscal year ended December 31, 2011, the Board and its committees held the following number of meetings:

Director	BOARD/STANDING COMMITTEES OF THE BOARD									
	Board of Directors (7 meetings) ⁽¹⁾		Audit Committee (4 meetings) ⁽¹⁾		Compensation Committee (1 meeting) ⁽¹⁾		Reserves Committee (1 meeting) ⁽¹⁾		Corporate Governance and Nominating Committee (1 meeting) ⁽¹⁾	
Brian D. Edgar	6	86%	4	100%	-	-	-	-	1	100%
Pradeep Kabra	7	100%	-	-	-	-	-	-	-	-
Gary S. Guidry	7	100%	-	-	1	100%	1	100%	-	-
Keith C. Hill	7	100%	-	-	1	100%	-	-	-	-
J. Cameron Bailey	7	100%	4	100%	-	-	1	100%	1	100%
Alexandre Schneider	7	100%	3	75%	1	100%	1	100%	1	100%

Notes:

⁽¹⁾ Represents number of meetings the director/committee member was eligible to attend.

Orientation and Continuing Education

The measures that the Board of Directors takes in connection with orienting new Board members regarding the role of the Board, its directors, the committees of the Board and the nature and operation of the Corporation's business include providing each new member with information concerning the role and responsibilities of a public company director and discussing with new members the Corporation's operations.

The Corporation encourages continued education for its directors. The Board ensures that all directors are kept apprised of changes in the Corporation's operations and business and changes in the regulatory environment affecting the Corporation's day to day business.

Ethical Business Conduct

The Corporation is committed to conducting its business in compliance with the law and the highest ethical standards. Accordingly, the Corporation has adopted a written Code of Business Conduct and Ethics applicable to directors, officers and all employees of the Corporation. Directors, officers or employees who have concerns or questions about violations of laws, rules or regulations, or of the Code, are required to report them to the Corporation's legal counsel. Following the receipt of any complaints submitted hereunder, the Corporation's legal counsel will investigate each matter so reported and report to the Board which will take corrective disciplinary actions, if appropriate, up to and including termination of employment. The Corporation encourages all directors, officers, and employees to report promptly any suspected violation of the Code to the Corporation's legal counsel. The Corporation does not tolerate any retaliation for reports or complaints regarding suspected violations of the Code that were made in good faith. There has been no departure from the Code during the Corporation's most recently completed financial year.

All directors, officers and employees have an obligation to act in the best interest of the Corporation. Any situation that presents an actual or potential conflict between a director, officer or employee's personal interests and the interests of the Corporation are to be reported to the Corporation's legal counsel.

The Code is available on the Corporation's website at www.shamaranpetroleum.com, and is available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website which may be accessed at www.sedar.com.

In addition to the Code the Corporation has adopted policies to assist in the conduct of ethical business which include the following:

- an Internal Employee Alert Policy to encourage employees, officers and directors to raise concerns regarding accounting, internal controls or auditing matters, on a confidential basis free from discrimination, retaliation or harassment.
- a Blackout Period Policy for its directors, executive officers and senior management of the Corporation to raise the general level of awareness of the trading and confidential obligations of directors, executive officers and senior management. All directors, executive officers and senior management are expected to comply with the Blackout Period Policy.
- a Corporate Disclosure Policy to ensure effective communication between the Corporation, its shareholders and the public.

Nomination of Directors and Assessment

The Corporate Governance and Nominating Committee is currently comprised of three directors: Messrs. Brian D. Edgar (Chair), Alexandre Schneiter and J. Cameron Bailey. All members are considered independent within the meaning of NI 58-101. The Corporate Governance and Nominating Committee is responsible for developing and monitoring the Corporation's approach to corporate governance issues. The Committee oversees the effective functioning of the Board, oversees the relationship between the Board and management, ensures that the Board can function independently of management at such times as is desirable or necessary, identifies individuals qualified to become new Board members and recommends to the Board the director nominees at each annual meeting of shareholders and, with the assistance of the Board and where necessary, develops an orientation and education program for new recruits to the Board. In identifying possible nominees to the Board, the Corporate Governance and Nominating Committee considers the competencies and skills necessary for the Board as a whole, the skills of existing directors and the competencies and skills each new nominee will bring to the Board, as well as whether or not each nominee will devote sufficient time and resources to the Board. The Corporate Governance and Nominating Committee also annually reviews and makes recommendations to the Board with respect to: (i) the size and composition of the Board; (ii) the appropriateness of the committees of the Board; and (iii) the effectiveness and contribution of the Board, its committees and individual directors, having reference to their respective mandates, charters and position descriptions. The Corporate Governance and Nominating Committee meets at least once annually.

Compensation

As of the fiscal year ended December 31, 2011, the Compensation Committee was comprised of three directors, Alexandre Schneider, Gary S. Guidry and Keith C. Hill, all of whom are considered independent directors. The Compensation Committee evaluates the CEO's performance and establishes executive and senior officer compensation, determines the general compensation structure, policies and programs of the Corporation, including the extent and level of participation in incentive programs in conjunction with the Board, and delivers an annual report to shareholders on executive compensation. The Compensation Committee has also been mandated to review the adequacy and form of the compensation of directors and to ensure that such compensation realistically reflects the responsibilities and risk involved in being an effective director. The Compensation Committee meets at least annually. The Compensation Committee's role in the compensation of directors and the CEO of the Corporation is further described under "Compensation Discussion and Analysis".

Board Committees

At the present time, the Board has four (4) standing committees: the Audit Committee, the Compensation Committee, as described above, the Corporate Governance and Nominating Committee, as described above, and the Reserves Committee, described below. Disclosure with respect to the Audit Committee, as required by NI 52-110 – *Audit Committee*, is contained in Schedule "A" to this Information Circular.

Reserves Committee

During 2010, the Corporation established a Reserves Committee of the Board. The Reserves Committee is comprised of three independent directors: namely, Gary S. Guidry, J. Cameron Bailey and Alexandre Schneider. The Reserves Committee has the responsibility in general for developing the Corporation's approach to the reporting of oil and gas reserves and other oil and gas information required to be publicly disclosed. The Reserves Committee's mandate prescribes the methodology that the Corporation and the independent evaluator selected by management and approved by the Reserves Committee will adhere to in the calculation of oil and gas reserves and the valuation of those reserves. The Reserves Committee must meet at least annually.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Annual Approval of 10% Rolling Stock Option Plan

As noted under "Securities Authorized for Issuance Under Equity Compensation Plans", the Corporations' current 10% rolling stock option Plan governing the issuance of stock options was initially adopted by shareholders at the annual and special meeting held on June 23, 2008, amended on April 15, 2011, and most recently ratified and confirmed by shareholders on June 8, 2011. See "Securities Authorized for Issuance Under Equity Compensation Plans" for the terms and conditions governing the Plan.

A copy of the Plan may be inspected at the head office of the Corporation, Suite 2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8 during normal business hours and at the Meeting. In addition, a copy of the Plan will be mailed, free of charge, to any holder of Common Shares who requests a copy, in writing, from the Assistant Corporate Secretary of the Corporation. Any such requests should be mailed to the Corporation, at its head office, to the attention of the Assistant Corporate Secretary.

The policies of the Exchange require that rolling plans be approved by shareholders on a yearly basis. Accordingly, Shareholders are being asked to pass an ordinary resolution to ratify and confirm the Plan as adopted by the Board which permits the issuance of up to 10% of the issued and outstanding Common Shares of the Corporation from time to time. To be effective, the resolution must be passed by a simple majority of the votes cast thereon by Shareholders present in person or by proxy at the Meeting. If the resolution to approve the Plan is not approved by Shareholders of the Corporation, all unallocated stock options will be cancelled and the Corporation will not be permitted to make any further grants until Shareholder approval is obtained.

Shareholders will be asked to pass an ordinary resolution, in substantially the following form to re-approve the Plan:

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. the 10% Rolling Stock Option Plan of the Corporation, as adopted by the Board of Directors, and as described in the Corporation’s Circular dated May 18, 2012, be and is hereby approved and ratified, and the Corporation be and is hereby authorized to reserve for issuance pursuant to the 10% Rolling Stock Option Plan up to 10% of the issued and outstanding common shares of the Corporation from time to time;
2. the Board of Directors be and is hereby authorized on behalf of the Corporation to make any amendments to the 10% Rolling Option Plan as may be required by regulatory authorities or otherwise made necessary by applicable legislation, without further approval of the shareholders of the Corporation, in order to ensure the adoption and efficient function of the 10% Rolling Stock Option Plan; and
3. any director or officer of the Corporation be and is hereby authorized and directed to do such things and to execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions, and to complete all transactions in connection with the implementation of the 10% Rolling Stock Option Plan.”

The directors of the Corporation believe the passing of the foregoing ordinary resolution is in the best interests of the Corporation and recommend that Shareholders of the Corporation vote in favour of the resolution.

The persons named as proxies in the enclosed Proxy intend to cast the votes represented by proxy in favour of the foregoing resolution unless the holder of Common Shares who has given such proxy has directed that the votes be otherwise cast.

ANY OTHER MATTERS

Management of the Corporation knows of no other matters which will be brought before the Meeting, other than those referred to in the Notice of Meeting. Should any other matters properly be brought before the Meeting, the Common Shares represented by the proxies solicited hereby will be voted on those matters in accordance with the best judgment of the persons voting such proxies.

ADDITIONAL INFORMATION

Additional information relating to the Corporation and its business activities is available on SEDAR website located at www.sedar.com “Corporation’s profiles” – ShaMaran Petroleum Corp”. Financial information regarding the Corporation is provided in the Corporation’s consolidated annual financial statements and related management’s discussion and analysis (“MD&A”) for its most recently completed financial year and may be viewed on the SEDAR website at the location noted above.

Copies of the consolidated financial statements and related MD&A, for the fiscal year ended December 31, 2011, may be accessed on the Corporation's website at www.shamaranpetroleum.com or Shareholders may contact the Corporation to request copies of the consolidated financial statements, and MD&A, as follows:

e-mail: info@shamaranpetroleum.com
telephone: 604-689-7842
mail: ShaMaran Petroleum Corp.
Suite 2000, 885 West Georgia Street
Vancouver, B.C., V6C 3E8
Attn: Investor Relations

SCHEDULE "A" AUDIT COMMITTEE CHARTER

I. MANDATE

The Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of ShaMaran Petroleum Corp. (the "**Corporation**") shall assist the Board in fulfilling its financial oversight responsibilities. The Committee's primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

1. The quality and integrity of the Corporation's financial statements and other financial information;
2. The compliance of such statements and information with legal and regulatory requirements;
3. The qualifications and independence of the Corporation's independent external auditor (the "**Auditor**"); and
4. The performance of the Corporation's internal accounting procedures and Auditor.

II. STRUCTURE AND OPERATIONS

A. Composition

The Committee shall be comprised of three or more members.

B. Qualifications

Each member of the Committee must be a member of the Board.

A majority of the members of the Committee shall not be officers or employees of the Corporation or of an affiliate of the Corporation.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Corporation's balance sheet, income statement, and cash flow statement.

C. Appointment and Removal

In accordance with the By-laws of the Corporation, the members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

D. Chair

Unless the Board shall select a Chair, the members of the Committee shall designate a Chair by the majority vote of all of the members of the Committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

E. Sub-Committees

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that a decision of such subcommittee to grant a pre-approval shall be presented to the full Committee at its next scheduled meeting.

F. Meetings

The Committee shall meet at least four times in each fiscal year, or more frequently as circumstances dictate. The Auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Corporation's annual financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Corporation.

At each meeting, a quorum shall consist of a majority of members that are not officers or employees of the Corporation or of an affiliate of the Corporation.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee should meet with the Auditor and management annually to review the Corporation's financial statements in a manner consistent with Section III of this Charter.

The Committee may invite to its meetings any director, any manager of the Corporation, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

III. DUTIES

A. Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to the Corporation's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

B. Powers and Responsibilities

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee shall:

Independence of Auditor

1. Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Corporation, consistent with Independence Standards Board Standard 1.
2. Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.
3. Require the Auditor to report directly to the Committee.
4. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditor of the Corporation.

Performance & Completion by Auditor of its Work

5. Be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
6. Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Corporation's shareholders of the existing, Auditor.
7. Pre-approve all auditing services and permitted non-audit services, including the fees and terms thereof, to be performed for the Corporation by the Auditor unless such non-audit services:

- (a) which are not pre-approved, are reasonably expected not to constitute, in the aggregate, more than 5% of the total amount of revenues paid by the Corporation to the Auditor during the fiscal year in which the non-audit services are provided;
- (b) were not recognized by the Corporation at the time of the engagement to be non-audit services; and
- (c) are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

Internal Financial Controls & Operations of the Corporation

- 8. Establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Preparation of Financial Statements

- 9. Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies.
- 10. Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.
- 11. Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.
- 12. Discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.
- 13. Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:
 - (a) The adoption of, or changes to, the Corporation's significant auditing and accounting principles and practices as suggested by the Auditor, internal auditor or management.
 - (b) The management inquiry letter provided by the Auditor and the Corporation's response to that letter.
 - (c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

Public Disclosure by the Corporation

- 14. Review the Corporation's annual and quarterly financial statements, management discussion and analysis (MD&A) and earnings press releases before the Board approves and the Corporation publicly discloses this information.
- 15. Review the Corporation's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.
- 16. Review disclosures made to the Committee by the Corporation's Chief Executive Officer and Chief Financial Officer during their certification process of the Corporation's financial statements about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.

Manner of Carrying Out its Mandate

- 17. Consult with the Auditor, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.

18. Request any officer or employee of the Corporation or the Corporation's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
 19. Meet with management, any internal auditor and the Auditor in separate executive sessions at least quarterly.
 20. Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee advisors.
 21. Make regular reports to the Board.
 22. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
 23. Annually review the Committee's own performance.
 24. Provide an open avenue of communication among the Auditor, the Corporation's financial and senior management and the Board.
 25. Not delegate these responsibilities other than to one or more independent members of the Committee the authority to pre-approve, which the Committee must ratify at its next meeting, non-audit services to be provided by the Auditor.
- C. Limitation of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditor.