



**INFORMATION CIRCULAR**

**In respect of the Annual General Meeting  
of Shareholders to be held on May 27, 2010**

**April 22, 2010**

*THIS NOTICE AND INFORMATION CIRCULAR IS FURNISHED IN  
CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF  
SHAMARAN PETROLEUM CORP. OF PROXIES TO BE VOTED AT THE  
ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON **MAY 27, 2010***

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**SHAMARAN PETROLEUM CORP.**  
Suite 2101 – 885 West Georgia Street  
Vancouver, B.C., V6C 3E8

**MANAGEMENT INFORMATION CIRCULAR**  
(All information as at April 22, 2010 unless otherwise noted)

**PERSONS MAKING THE SOLICITATION**

This Management Information Circular (the “Circular”) is furnished in connection with the solicitation of proxies being made by the management of ShaMaran Petroleum Corp. (“ShaMaran” or the “Corporation”) for use at the Annual General Meeting (the “Meeting”) of the Corporation’s shareholders (the “Shareholders”) to be held on Thursday, May 27, 2010 at 9:00 a.m. (Vancouver Time) at Suite 2101, 885 West Georgia Street, Vancouver, BC 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. All costs of this solicitation will be borne by the Corporation.

It is anticipated that this Circular, together with the accompanying Notice of Meeting and form of proxy will first be mailed to Shareholders of the Corporation on or about April 30, 2010. Unless otherwise indicated, all monetary amounts referred to herein are stated in United States currency.

The Board of Directors (the “Board”) of the Corporation have fixed 5:00 p.m. (Vancouver time) on April 22, 2010 as the Record Date, being the date for the determination of the Shareholders of the Corporation entitled to receive notice of and vote at the Meeting. The Board has resolved that duly completed and executed proxies must be received by the Corporation’s registrar and transfer agent, Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, Canada, M5J 2Y1, Attention: Proxy Department, not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to the time set for the Meeting or any adjournments or postponements thereof, unless the chairman of the Meeting elects to exercise his discretion to accept proxies subsequently received. Telephone and Internet voting can also be completed by Shareholders 24 hours a day, 7 days a week at 1-866-732-VOTE (8683) (toll free) and [www.investorvote.com](http://www.investorvote.com).

**REGISTERED SHAREHOLDERS**

If you are a registered Shareholder (a “Registered Shareholder”) you may vote in person at the Meeting or you may appoint another person to represent you as a proxyholder to vote your securities at the Meeting.

**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 delivered to Computershare prior to the Meeting or any adjournment thereof. A proxyholder need not be a Shareholder.

You can choose to vote your Shares by proxy by mail, by telephone or on the Internet. If you vote your Shares by proxy by mail, completed forms of proxies must be delivered to 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, at 1-866-732-VOTE (8683) (toll free) and [www.investorvote.com](http://www.investorvote.com). 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, unless the chairman of the Meeting elects to exercise his discretion to accept proxies subsequently received.

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 securities of the Corporation in their own name.** Shareholders who hold their securities through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their securities 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 voting securities will be recognized and acted upon at the Meeting. If voting securities are listed in an account statement provided to a Beneficial Shareholder by a broker, those voting securities will, in all likelihood, not be registered in the Shareholder’s name. Such voting securities 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 shares are registered under the name of CDS & Co. (the registration name of the Canadian Depository for Securities which acts as nominee for many Canadian brokerage firms). Voting securities held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their voting securities 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 Investor Communications Solutions, Canada (formerly, ADP Investor Communications, Canada) (“**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 shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote their securities directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of securities 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 securities held through a broker or other intermediary, please contact that broker or other intermediary promptly for assistance.** Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting securities registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote the securities 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.**

## REVOCATION OF PROXIES

A Registered Shareholder who has given a Proxy may revoke it by an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered either to the registered office of the Corporation at Suite 2610 – 1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X1, at any time up to and including the last business day preceding the day of the Meeting or any adjournment of it or to the chair of the Meeting on the day of the Meeting or any adjournment of it. **Only Registered Shareholders have the right to revoke a Proxy. Non-registered holders who wish to change their vote must, at least seven days before the Meeting, arrange for their respective intermediaries to revoke the Proxy on their behalf.** A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.

## EXERCISE OF DISCRETION

**The enclosed Proxy, when properly completed and delivered and not revoked, gives discretionary authority to the persons named therein with respect to any amendments or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting.** At the time of the printing of this Circular, management of the Corporation knows of no such amendment, variation or other matter that may be presented to the Meeting.

**If a Shareholder does not specify a choice and the Shareholder has appointed one of the Management Proxyholders as proxyholder, the Management Proxyholder will vote in favour of the matters specified in the Notice of Meeting and in favour of all other matters proposed by management at the Meeting.**

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at the date hereof, the Corporation had issued and outstanding 499,546,088 fully paid and non-assessable common shares (the "Shares") without par value. The holders of Shares are entitled to one vote for each Share held. The Corporation has no other classes of voting securities. Only holders of Shares of record at 5:00 p.m. on April 22, 2010 will be entitled to receive notice of the Meeting. Each Registered Shareholder at 5:00 p.m. on that date will be entitled to vote at the Meeting the Shares then recorded in that Registered Shareholders' name.

To the knowledge of the directors and executive officers of the Corporation, as of the date of this Circular, the following persons beneficially own, directly or indirectly, or exercise control or direction over, directly or indirectly, 10% or more of the issued and outstanding Shares of the Corporation:

Shareholder	Number of Shares	Percentage of Issued Capital
CDS & Co.	306,620,505 <sup>(1)</sup>	61.37%
Zebra Holdings and Investments S.à.r.l. ("Zebra")	54,738,933 <sup>(2)</sup>	10.95%
Lorito Holdings S.à.r.l. ("Lorito") <sup>(1)</sup> Luxembourg	10,060,667	2.01%

Note:

<sup>(1)</sup> The beneficial owners of Shares held by depositories are not known to the directors or executive officers of the Corporation.

<sup>(2)</sup> Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settler is the Estate of Adolf H. Lundin. Together, Lorito and Zebra hold a total of 64,799,600 Common Shares, which represents 12.97% of the current outstanding Common Shares.

As at Thursday, April 22, 2010, the total number of Shares owned or controlled by management and the directors of the Corporation and their associates or affiliates was 2,204,000 Shares, representing 0.44% of the total issued and outstanding Shares of the Corporation.

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

No director or executive officer of neither the Corporation, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, since the beginning of the Corporation's last financial year in matters to be acted upon at the Meeting, other than the election of directors.

## PARTICULARS OF ANNUAL BUSINESS MATTERS TO BE ACTED UPON

### ELECTION OF DIRECTORS

At the last annual general and special meeting of the Corporation held October 16, 2009, five persons were elected to the Corporation's Board of Directors to hold office until the next annual meeting of Shareholders, unless his or her office was earlier vacated in accordance with the Articles of the Corporation.

Six directors will be elected at the Meeting. Each director will hold office until the next annual meeting of Shareholders or until his or her successor is duly elected unless his or her office is earlier vacated in accordance with the Articles of the Corporation.

The following table and notes state the name of each person proposed to be nominated by management for election as a director, 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 Shares of the Corporation beneficially owned directly or indirectly, by each such person, or over which he or she exercises control or direction.

Name and Province and Country of Residence <sup>(1)</sup>	Positions with the Corporation	Security Holding	Principal Occupation within the Preceding Five Years and, if applicable, Term as Director
Keith Hill West Vancouver, BC Canada	Director and Chairman since February 19, 2007	2,104,000	Currently Chairman of BlackPearl Resources Ltd., ShaMaran Petroleum Corp. and Petrovista Energy Corp.; formerly the President and Chief Executive Officers of Pearl Exploration and Production Ltd. (now BlackPearl Resources Ltd.), Valkryies Petroleum Corp. and Bayou Bend Petroleum (now ShaMaran Petroleum Corp.); various senior management positions with Lundin Oil AB, Occidental Petroleum Corporation and Shell Oil Company.
Brian Edgar Vancouver, BC Canada	Director since March 27, 2007	Nil	Mr. Edgar is a trained (non-practicing) securities lawyer. He is co-owner of an investment and venture capital firm, has served as an executive/corporate officer and is a board member and member of the audit committee of various public companies spanning a 30 year period.  Mr. Edgar is also the President, Chief Executive Officer and Director of Metaline Mining Company and is a Director of several other publicly traded companies.

Name and Province and Country of Residence <sup>(1)</sup>	Positions with the Corporation	Security Holding	Principal Occupation within the Preceding Five Years and, if applicable, Term as Director
Gary Guidry Calgary, Alberta Canada	Director since February 19, 2007	Nil	<p>Mr. Guidry is currently the President and Chief Executive and a Director of Orion Oil and Gas Corp. He is also a director of Transglobe Energy Corp.</p> <p>Mr. Guidry brings over 30 years of experience in the oil and gas industry to ShaMaran. He was recently appointed President and CEO of a new subsidiary company of Sprott Resource Corp. Mr. Guidry served as CEO of Tanganyika Oil Company Ltd., which was sold to Sinopec International Petroleum Exploration and Production Corporation. Previously, Mr. Guidry served as President and CEO of Calpine Natural Gas Trust; Senior Vice President and subsequently President of Alberta Energy Company International, an entity now part of EnCana Corporation; President and General Manager of Canadian Occidental Petroleum's (now Nexen Inc.) Nigerian operations. He has directed E&amp;P operations in Yemen, Syria and Egypt and has worked for oil and gas companies in the U.S., Venezuela, Argentina and Oman. Mr. Guidry is a petroleum engineer and a member of APEGGA.</p>
Alexandre Schneiter Anieres, Switzerland	Director since September 10, 2009	Nil	<p>Mr. Schneiter is a graduate of the University of Geneva where he obtained a degree in Geology and a Masters degree in Geophysics.</p> <p>Mr. Schneiter 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.</p>
J. Cameron Bailey Calgary, Alberta Canada	Director since September 10, 2009	Nil	<p>Mr. Bailey is a Chartered Financial Analyst with a Bachelor of Commerce degree from the University of Calgary. He has worked in investment banking for the last 19 years.</p> <p>He is currently President and Chief Executive Officer of Fortress Energy Inc. and also serves on the board of directors of Phoenix Technology Income Fund and Crystal Lake Resources. He was formerly the President and CEO of SignalEnergy Inc., the Managing Director of Network Capital Inc., the President of Energy Processors Inc., the Managing Director of Capital Markets, at Peters &amp; Co., a Calgary based investment dealer.</p>
Pradeep Kabra Geneva, Switzerland	Director Nominee	100,000	<p>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 22 years experience in the oil industry having held senior operational and management positions at Addax Petroleum, Lundin Oil and International Petroleum.</p> <p>He is currently the President and CEO of ShaMaran Petroleum Corp. Prior to this he has worked as the COO of ShaMaran Petroleum Corp. and as the General Manager Kurdistan in Addax Petroleum. He was a director of Taq Taq Operating Company Limited, the Operator of the Taq Taq/Kewa Chirmila PSC in Kurdistan.</p>

Notes:

- (1) The information as to the province & country or residence & principal occupation, not being within the knowledge of the Corporation, has been furnished by the respective directors individually as of April 22, 2010, being the date of this information circular.

It is intended that on any ballot that may be called for relating to the election of directors, the Shares represented by proxies in favour of management nominees will be voted in favour of the election of each of the persons named above as directors of the Corporation, unless a Shareholder has specified in its proxy that the Shareholder's Shares are to be withheld from voting in the election of directors. **Although management does not contemplate that any of the above nominees will be unavailable to stand for election or will decline to serve if elected, 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 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 committees of the Board; namely, the Audit Committee, the Compensation Committee, the Reserves Committee and the Corporate Governance/Nominating Committee. The following table sets out the members of such Committees:

<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Reserves Committee</b>	<b>Corporate Governance/ Nominating Committee</b>
J. Cameron Bailey (Chair)	J. Cameron Bailey (Chair)	Gary Guidry (Chair)	Brian Edgar (Chair)
Brian Edgar	Gary Guidry	Alexandre Schneider	Alexandre Schneider
Alexandre Schneider	Keith Hill	J. Cameron Bailey	J. Cameron Bailey

#### **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

Other than as referred to below, to the best of management's knowledge, no proposed director is, or has been within the last 10 years, a director or executive officer of any company that:

1. was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
2. was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer 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; or
3. 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.

For the purposes of the foregoing paragraphs, "order" means: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) 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.

Mr. Edgar was a Director of New West Energy Services Inc. (formerly "Lexacal Investment Corp.") (TSX-V) when, on September 5, 2006, a cease trade order was issued by the British Columbia Securities Commission for failure to file financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.



To the best of management’s knowledge, no proposed director is, or has been within the last 10 years, bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the proposed director.

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

The Audit Committee 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 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, 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*

Below are the details of each Audit Committee member, including his name, whether he is independent and financially literate as such terms are defined under NI 52-110.

<b>Member Name</b>	<b>Independent<sup>(1)</sup></b>	<b>Financially Literate<sup>(2)</sup></b>	<b>Education &amp; Experience relevant to performance of audit committee duties</b>
J. Cameron Bailey	Yes	Yes	Mr. Bailey is a Chartered Financial Analyst and has 22 year experience in the natural resource sector. Mr. Bailey has served as Executive Officer, Director and Audit Committee Chairman for a number of public resource companies and service companies.
Brian Edgar	Yes	Yes	Mr. Edgar is a trained (currently non-practicing) securities lawyer. He is co-owner of an investment and venture capital firm, has served as an executive/corporate officer and is a board member and member of the audit committee of various public companies over a 30 year period.
Alexandre Schneider	Yes	Yes	Mr. Schneider is an experienced executive officer working with public companies for more than 20 years. He possesses the relevant skills and experience necessary to provide objective oversight of audit related matters as he has been an Executive Officer, Director and Audit Committee member for a number of public resource companies.

Notes:

- (1) To be considered independent, a member of the 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 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, 2009 and December 31, 2008.

Financial Year Ending	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees <sup>(3)</sup>	All Other Fees <sup>(4)</sup>
2009 <sup>(5)</sup>	\$53,596	0	\$30,556	0
2008	\$147,000	0	\$27,000	0

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.

(5) Amounts for 2009 audit services are estimates, as final billings have not been received as of the date of this Information Circular.

*Exemption*

As a "venture issuer" (as such term is defined in NI 52-110) the Corporation is exempt from the requirements of Part 3, Composition of the Audit Committee, and Part 5, Reporting Obligations, of NI 52-110.

**STATEMENT OF EXECUTIVE COMPENSATION**

**Named Executive Officer ("NEO")** means: (a) each Chief Executive Officer, (b) each Chief Financial Officer, (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000; and (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year.

During the financial year ended December 31, 2009, the Corporation had six NEOs of the Corporation, being: Keith Hill, the former President and Chief Executive Officer of the Corporation, Mr. Pradeep Kabra, the current President and Chief Executive Officer and former Chief Operating Officer, Mr. John Ashbridge the current Chief Operating Officer and former Vice President of Exploration, Mr. Ian Gibbs, the former Chief Financial Officer, Mr. William D.

Hoffman also the former Chief Financial Officer and Mr. Brenden Johnstone, the current Chief Financial Officer.

## COMPENSATION DISCUSSION AND ANALYSIS

### *Introduction*

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.

### *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.

### *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 has three members: Messrs. J. Cameron Bailey, Gary Guidry and Keith Hill. All of the members of the Compensation Committee are 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.

### *Performance Factors*

Although no formal corporate goals and objectives have been put in place for the NEOs, there are general factors that come into play when the members of the Compensation Committee are considering NEO compensation. These factors include:

- the progression of the Corporation's projects;
- the Corporation's market capitalization;
- the Corporation's ability to pay;
- the long-term interests of the Corporation and its Shareholders;
- the assessment of each NEO's individual performance and contribution to the benefit of the Corporation; and
- the NEO's responsibilities, length of service and the levels of compensation provided by industry competitors.

The Compensation Committee does not have a pre-determined, performance-based compensation plan but rather reviews the performance of the Corporation's executive officers at least annually. The Compensation Committee's recommendations for base salaries, and bonuses or option grants, if any, are submitted to the Board for approval.

### *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 is described in greater detail below, 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.

### *Option-Based Awards*

The Corporation has established an incentive stock option plan (the "Stock Option Plan") which is administered by the Board. The Compensation Committee makes recommendations to the Board for grants of stock options under the Stock Option Plan. The Stock Option Plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term, to enable the Corporation to attract and retain individuals with experience and ability and to reward individuals for current performance and expected future performance.

The Corporation has no other long-term incentive plans in place.

During fiscal year 2009, the Corporation granted an aggregate of 1,800,000 options to NEOs under the Corporation's Stock Option Plan in accordance with the performance measurements described above under the heading "Performance Factors".

#### *Incentive Stock Option Plan*

The Corporation's current Stock Option Plan governing the issuance of stock options was established by the Board on May 30, 2003 and was initially approved by shareholders of the Corporation at the meeting of shareholders held on June 21, 2004. The Stock Option Plan complies with the rules set forth for such plans by the Exchange as they relate to a Tier 2 Issuer.

The Stock Option Plan was established to ensure that the Corporation is able to continue to provide an incentive program to directors, officers, employees and persons providing services to the Corporation ("Eligible Persons") that provides flexibility in the structuring of incentive benefits to allow the Corporation to remain competitive in the recruitment and maintenance of key personnel. The Named Executive Officers are eligible to participate in the Stock Option Plan.

The Stock Option Plan is in the form of a rolling stock option plan reserving an aggregate of 10% of the issued and outstanding common shares of the Corporation for issuance upon the exercise of options granted pursuant to the Stock Option Plan. The exercise price of any option granted under the Stock Option Plan is to be determined from time to time by the Board but in any event shall not be lower than the closing price of the Corporation's shares as traded on the Exchange on the trading day immediately preceding the date of grant of such option. The Board, or a committee appointed for such purposes, also has the authority under the Stock Option Plan to determine other terms and conditions relating to the grant of Options, including any applicable vesting provisions. Each option is exercisable in such manner as may be determined by the Board at the time of grant and options will be for terms not exceeding five years. All options granted under the Stock Option Plan are not transferable other than by will or the laws of descent and distribution. If an optionee ceases to be an Eligible Person for any reason whatsoever other than death, each option held by such optionee will cease to be exercisable 30 days following the termination date (being the date on which such optionee ceases to be an Eligible Person). If an optionee dies, the legal representative of the optionee may exercise the optionee's options within one year after the date of the optionee's death but only up to and including the original option expiry date.

The Corporation does not provide any financial assistance to participants in order to facilitate the purchase of Common Shares under the Stock Option Plan. As at December 31, 2009, there were options outstanding under the Plan to acquire 4,110,000 Common Shares, representing approximately 0.08% of the Corporation's current issued and outstanding shares.

There are no stock appreciation rights outstanding and it is currently intended that none be issued.

Please refer to the disclosure under the heading "Ratification of Stock Option Plan" with respect to additional significant terms of the Corporation's Stock Option Plan.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year Ended December 31	Salary (\$)	Option-based Awards <sup>(1)</sup> (\$)	Non-equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total Compensation (\$)
				Annual Incentive Plans (\$)		
<b>Keith Hill</b> <sup>(2)</sup> Former President and Chief Executive Officer	2009	Nil	224,963	Nil	Nil	224,963
	2008	Nil	47,422	Nil	Nil	47,422
<b>Pradeep Kabra</b> <sup>(3)</sup> President and Chief Executive Officer and former Chief Operating Officer	2009	66,038	303,336	Nil	7,674	377,048
	2008	Nil	Nil	Nil	Nil	Nil
<b>Brenden Johnstone</b> <sup>(4)</sup> Chief Financial Officer and former Financial Controller	2009	31,510	Nil	Nil	1,576	33,086
	2008	Nil	Nil	Nil	Nil	Nil
<b>John Ashbridge</b> <sup>(5)</sup> Chief Operating Officer and former Vice President of Exploration	2009	37,736	224,963	Nil	74,633	337,333
	2008	Nil	Nil	Nil	Nil	Nil
<b>William Hoffman</b> <sup>(6)</sup> Former Chief Financial Officer	2009	69,231	Nil	Nil	262,500	331,731
	2008	225,000	33,195	Nil	Nil	258,195
<b>Ian Gibbs</b> <sup>(7)</sup> Former Chief Financial Officer	2009	Nil	44,993	Nil	Nil	44,993
	2008	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) 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 2009 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 currency using an exchange rate of 0.9279 for the September 11, 2009 options grants and 0.9321 for the September 30, 2009 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.
- (2) Keith Hill was appointed President and Chief Executive Officer of the Corporation on December 1, 2008 and resigned as President and Chief Executive Officer on December 14, 2009. Mr. Hill has been Chairman of the Board since February 19, 2007.
- (3) 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 in Swiss Francs of 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 was translated into United States currency using an average exchange rate of 0.9434 per Swiss Franc. Mr. Kabra's salary is paid by the Swiss branch office of the Corporation's Netherlands subsidiary, ShaMaran Petroleum B.V.
- (4) 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 200'400 Swiss Francs per annum to 240'000 Swiss Francs per annum. Mr. Johnstone's salary is paid by the Swiss branch office of the Corporation's Netherlands subsidiary, ShaMaran Petroleum B.V.
- (5) During the period from November 1 to December 14, 2009 Mr. Ashbridge was employed by the Corporation as Vice President of Exploration under contract with an annual salary payable in Swiss Francs of 240'000. Upon his resignation as Vice President of Exploration and subsequent appointment to Chief Operating Officer of the Corporation Mr. Ashbridge's salary was increased effective January 1, 2010 from 240'000 Swiss Francs per annum to 288'000 Swiss Francs per annum with all other terms remaining intact. Mr. Ashbridge's salary was translated into United States currency using an average exchange rate of 0.9434 per Swiss Franc. Mr. Ashbridge's salary is paid by the Swiss branch office of the Corporation's Netherlands subsidiary, ShaMaran Petroleum B.V.
- (6) Mr. Hoffman was terminated effective March 31, 2009, however he continued to act as the Chief Financial Officer of the Corporation on a consulting basis up to September 10, 2009. In connection with his termination, Mr. Hoffman received a severance payment of \$112,500 and a retention bonus of \$150,000.

- (7) On September 10, 2009 Mr. Gibbs was appointed the Chief Financial Officer of the Corporation on an interim basis prior to the appointment of Mr. Johnstone on December 14, 2009.

### **Narrative Discussion**

For the year ended December 31, 2009, the Corporation had entered into employment and executive services agreements with certain of its NEOs, namely Mr. Pradeep Kabra, Mr. John Ashbridge and Mr. Brenden Johnstone. The agreements specify the terms and conditions of employment, the duties and responsibilities of the executive during his term, the compensation and benefits to be provided by the Corporation in exchange for the executive's services and the compensation and benefits to be provided by the Corporation in event of termination of employment.

Please refer to the disclosures under the headings "Termination and Change of Control Benefits" with respect to the significant terms of the employment and executive services agreements of each of the Corporation's Named Executive Officers listed above.

### **INCENTIVE PLAN AWARDS**

#### **Outstanding share-based awards and option-based awards – Named Executive Officers**

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (CAD\$)	Option expiration date	Value of unexercised in-the-money options (\$)(7)
<b>Keith Hill</b> <sup>(1)</sup> Former President and Chief Executive Officer	150,000 500,000 500,000	1.20 0.48 0.67	January 18, 2012 April 24, 2011 September 10, 2014	Nil Nil Nil
<b>Pradeep Kabra</b> <sup>(2)</sup> President and Chief Executive Officer and former Chief Operating Officer	700,000	\$0.64	September 30, 2014	Nil
<b>Brenden Johnstone</b> <sup>(3)</sup> Chief Financial Officer and former Financial Controller	Nil	Nil	N/A	N/A
<b>John Ashbridge</b> <sup>(4)</sup> Chief Operating Officer and former Vice President of Exploration	500,000	0.67	September 10, 2014	Nil
<b>William Hoffman</b> <sup>(5)</sup> Former Chief Financial Officer	250,000 350,000	2.15 0.48	March 27, 2010 April 24, 2011	Nil
<b>Ian Gibbs</b> <sup>(6)</sup> Former Chief Financial Officer	100,000	0.67	September 10, 2014	Nil

Notes:

- (1) Keith Hill was appointed President and Chief Executive Officer of the Corporation on December 1, 2008 and resigned as President and Chief Executive Officer on December 14, 2009. Mr. Hill has been Chairman of the Board since February 19, 2007.
- (2) During the period from November 1, 2009 to December 14, 2009 Mr. Kabra was the Chief Operating Officer of the Corporation and became President and Chief on December 14, 2009.
- (3) 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.
- (4) During the period from November 1, 2009 to December 14, 2009 Mr. Ashbridge was employed by the Corporation as Vice President of Exploration and was subsequently appointed as the Chief Operating Officer on December 14, 2009.
- (5) Mr. Hoffman was terminated effective March 31, 2009, however he continued to act as the Chief Financial Officer of the Corporation on a consulting basis up to September 10, 2009.
- (6) On September 10, 2009 Mr. Gibbs was appointed the Chief Financial Officer of the Corporation on an interim basis prior to the appointment of Mr. Johnstone on December 14, 2009.
- (7) The market price for the Corporation's common shares on December 31, 2009 was CAD\$0.45. No value has been given to unexercised options that were out-of-the-money on December 31, 2009.

**Incentive Plan Awards – Value vested or earned during the year – Named Executive Officers**

Name	Option-based awards – Value vested during the year (\$)
<b>Keith Hill</b> Former President and Chief Executive Officer	80,258
<b>Pradeep Kabra</b> President and Chief Executive Officer and former Chief Operating Officer	100,112
<b>Brenden Johnstone</b> Chief Financial Officer and former Financial Controller	Nil
<b>John Ashbridge</b> Chief Operating Officer and former Vice President of Exploration	74,988
<b>William Hoffman</b> Former Chief Financial Officer	Nil
<b>Ian Gibbs</b> Former Chief Financial Officer	14,998

Notes:

- (1) Keith Hill was appointed President and Chief Executive Officer of the Corporation on December 1, 2008 and resigned as President and Chief Executive Officer on December 14, 2009. Mr. Hill has been Chairman of the Board since February 19, 2007.
- (2) During the period from November 1, 2009 to December 14, 2009 Mr. Kabra was the Chief Operating Officer of the Corporation and became President and Chief Executive Officer on December 14, 2009.
- (3) 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.
- (4) During the period from November 1, 2009 to December 14, 2009 Mr. Ashbridge was employed by the Corporation as Vice President of Exploration and was subsequently appointed as the Chief Operating Officer on December 14, 2009.
- (5) Mr. Hoffman was terminated effective March 31, 2009, however he continued to act as the Chief Financial Officer of the Corporation on a consulting basis up to September 10, 2009.
- (6) On September 10, 2009 Mr. Gibbs was appointed the Chief Financial Officer of the Corporation on an interim basis prior to the appointment of Mr. Johnstone on December 14, 2009.
- (7) The market price for the Corporation's common shares on December 31, 2009 was CAD\$0.45. No value has been given to unexercised options that were out-of-the-money on December 31, 2009.
- (8) 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.
- (9) The aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date is calculated by determining the difference between the market price of the underlying securities on the date of vesting and the exercise price of the options under the option-based award multiplied by the number of options vested on the vesting date.

**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 explained below under the Employment Agreements of Mr Pradeep Kabra and Mr John Ashbridge, the Corporation and its subsidiaries have no other compensatory plan, contract or arrangement where a NEO is entitled to receive more than 100,000 CAD\$ (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 Agreements**

**Employment Agreement - Pradeep Kabra, President and Chief Executive Officer, Former Chief Operating Officer**

Pursuant to an employment agreement entered into with Mr. Pradeep Kabra dated November 1, 2009, (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 420,000 Swiss Francs 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 December 14, 2009 appointment as the President and Chief Executive Officer of the Corporation, which resulted in no change in salary, and all other terms of the Kabra agreement remain unchanged.

**Employment Agreement – John Ashbridge, Chief Operating Officer, Former Vice President of Exploration**

Pursuant to an employment agreement entered into with Mr. John Ashbridge dated November 1, 2009, (the "Ashbridge Agreement"), Mr. Ashbridge was engaged by the Corporation in the capacity of Vice President of Exploration for an indefinite term, at an annual base salary of 240,000 Swiss Francs per annum, exclusive of bonuses, benefits and other compensation. Upon termination of his employment with the Corporation within the one year following a change of control, Mr Ashbridge shall receive a lump sum payment of 12 month's base salary. The Ashbridge Agreement was subsequently amended to reflect Mr Ashbridge's December 14, 2009 appointment as the Chief Operating Officer of the Corporation, which resulted in an increase in salary effective January 1, 2010, to 288,000 Swiss Francs per annum. All other terms of the Ashbridge Agreement remain unchanged.

**Employment Agreement – Brenden Johnstone, Chief Financial Officer, Former Financial Controller**

Pursuant to an employment agreement entered into with Mr. Brenden Johnstone dated November 1, 2009, (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 200,400 Swiss Francs per annum, exclusive of bonuses, benefits and other compensation. The Johnstone Agreement was subsequently amended to reflect Mr Johnstone's December 14, 2009 appointment as the Chief Operating Officer of the Corporation, which resulted in an increase in salary effective January 1, 2010, to 240,000 Swiss Francs per annum. All other terms of the Johnstone agreement remain unchanged.

**DIRECTOR COMPENSATION**

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.

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	Fees Earned (CAD\$)	Option-based Awards <sup>(1)</sup> (CAD\$)	All Other Compensation (CAD\$)	Total (CAD\$)
Gary Guidry <sup>(2)</sup>	30,000	Nil	Nil	30,000
Brian Edgar <sup>(3)</sup>	20,000	Nil	Nil	20,000
Alexandre Schneider	Nil	44,993	Nil	44,993
J. Cameron Bailey	Nil	44,993	Nil	44,993
John Zaozirny	Nil	Nil	Nil	Nil

Notes:

- (1) The fair value of option-based awards which vested during 2009 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.
- (2) Mr. Guidry was appointed to a Special Committee on July 30, 2009 to review and provide recommendations to the Board of Directors and Shareholders in respect of the share purchase of Lundin International B.V. (now ShaMaran Petroleum B.V.), the company which holds the Production Sharing Contract relating to the Pulkhana Block located in Kurdistan, Iraq. In addition, Mr. Guidry was consulted in respect of the Corporation's acquisition of the Arbat and K42 Blocks in Kurdistan, Iraq. For these extra ordinary contributions Mr. Guidry was awarded compensation in the amount of CAD\$30,000, which was paid February 19, 2010.
- (3) Mr. Edgar was appointed as a member of the Special Committee constituted on July 30, 2009 to assist in providing recommendations for the share purchase of Lundin International B.V. and also to provide recommendations in respect of the Corporation's acquisition of the Arbat and K42 Blocks in Kurdistan, Iraq. For these extra ordinary contributions Mr. Edgar was awarded compensation in the amount of CAD\$20,000, which was paid February 19, 2010.

**Narrative Discussion**

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. During the Corporation's most recently completed financial year, the directors were granted incentive stock options entitling them to purchase, in the aggregate, 700,000 Shares at a price of CAD\$0.67 per Share over a period of five years. This figure includes the grant of 500,000 options which were awarded to Mr. Keith Hill, in conjunction with his previous role as a Named Executive Officer as well as Chairman of the Board.

**Outstanding share-based awards and option-based awards – Directors**

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (CAD\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>
Gary Guidry	150,000	\$1.20	January 18, 2012	Nil
Brian Edgar	150,000 100,000	\$2.15 0.48	March 27, 2012 April 24, 2011	Nil 9,515
Alexandre Schneider	100,000	0.67	September 10, 2014	29,995
J. Cameron Bailey	100,000	0.67	September 10, 2014	29,995

Notes:

- (1) The market price for the Corporation's common shares on December 31, 2009 was CAD\$0.45. No value has been given to unexercised options that were out-of-the-money on December 31, 2009.
- (2) All compensation paid to Keith Hill as Director has been disclosed in the Named Executive Officer tables as he occupied management positions through most of the fiscal year ended December 31, 2009.

**Incentive Plan Awards – Value vested or earned during the year – Directors**

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)
Gary Guidry	32,682
Brian Edgar	42,197
Alexandre Schneider	14,998
J. Cameron Bailey	14,998

Notes:

- (1) 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.
- (2) The market price of the Corporation's common shares on December 31, 2009 was CAD \$0.45.
- (3) The aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date is calculated by determining the difference between the market price of the underlying securities on the date of vesting and the exercise price of the options under the option-based award multiplied by the number of options vested on the vesting date.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN**

The Corporation's Stock Option Plan, has been approved by the Shareholders and is the only compensation plan under which equity securities of the Corporation are authorize for issuance.

The information in the following table is presented as of the fiscal year end December 31, 2009.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by securityholders	4,110,000	\$0.82 Cdn	45,844,609
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	4,110,000	\$0.82 Cdn	45,844,609

### 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

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

### APPOINTMENT AND REMUNERATION OF AUDITORS

Management of the Corporation intends to nominate KPMG LLP, Chartered Accountants, for re-appointment as auditors of the Corporation. Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the reappointment of KPMG LLP as auditors of the Corporation to hold office until the close of the next annual meeting of the Corporation, at a remuneration to be fixed by the Directors of the Corporation. KPMG LLP was first appointed auditor of the Corporation on March 27, 2007.

### 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.

### STATEMENT OF CORPORATE GOVERNANCE PRACTICE

(presented by the Corporate Governance and Nominating Committee)

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 ("NP 58-201") 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*

The Board of Directors is currently comprised of Keith Hill, Gary Guidry, Alexandre Schneider, J. Cameron Bailey and Brian Edgar. Clinton Colden and John Zaozirny were elected as directors of the Corporation at the last annual meeting of the Corporation's Shareholders, however, each of Messrs. Colden and Zaozirny have since resigned their positions as directors. The all members of the Board of Directors are independent within the meaning of NI 58-101.

*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 other public companies as listed below:

Director	Public Company Board Membership
Keith Hill	Africa Oil Corp. (TSX-V); BlackPearl Resources Inc. (TSX-V); Petro Vista Energy Corp. (TSX-V); Tyner Resources Ltd. (TSX-V)
Brian D. Edgar	Red Back Mining Inc. (TSX), Denison Mines Corp. (TSX); Dome Ventures Corporation (TSX-V); Lundin Mining Corporation (TSX/SSX); Lucara Diamond Corp. (TSX-V); BlackPearl Resources Inc. (TSX-V)
Gary Guidry	Africa Oil Corp. (TSX-V), Transglobe Energy Corporation (TSX), Orion Oil and Gas Corporation(TSX)
J. Cameron Bailey	Fortress Energy Inc., (TSX-V), Crystal Lake Resources Ltd, Phoenix Technologies Income Fund (TSX) and Africa Oil Corp. (TSX-V)

Legend:

- TSX = Toronto Stock Exchange
- TSX-V = TSX Venture Exchange
- SSX = Stockholm Stock Exchange

During fiscal year ended December 31, 2009, the Board and its committees held the following number of meetings:

Director	BOARD COMMITTEES									
	Board (9 meetings)		Audit (4 meetings)		Compensation (2 meetings)		Reserves (1 meeting)		Corporate Governance (1 meeting)	
Brian Edgar	9	100%	4	100%	1	50%			1	100%
Gary Guidry <sup>(1)</sup>	9	100%	3	100%	2	100%	1	100%	1	100%
Keith Hill <sup>(1)</sup>	9	100%	3	100%	2	100%	1	100%	1	100%
J. Cameron Bailey <sup>(2)</sup>	2	100%	1	100%	2	100%				
Alexandre Schneiter <sup>(3)</sup>	2	100%	1	100%						
John Zaozirny <sup>(4)</sup>	3	75%								

Notes:

- (1) On September 10, 2009 the Committees of the Board were reconstituted as a result Messrs. Schneiter and Bailey replaced Messrs. Guidry and Bailey on the Audit Committee.
- (2) Mr. Bailey joined the Board of Directors on September 10, 2009 and was appointed to the Audit Committee this same day.
- (3) Mr. Schneiter joined the Board of Directors also on September 10, 2009.
- (4) Mr. Zaozirny resigned from the Board of Directors on July 30, 2009 but had attended 3 out of 4 board meetings up until the date of resignation.

#### *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 (the "Code") 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 and is available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which may be accessed at [www.sedar.com](http://www.sedar.com).

The Corporation has also established 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.

#### *Nomination of Directors*

The Corporate Governance and Nominating Committee is currently comprised of three directors: Messrs. Brian Edgar (Chair), Alexandre Schneider and J. Cameron Bailey. All members are considered independent within the meaning of the 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, 2009 the Compensation Committee was comprised of three directors, J. Cameron Bailey (Chair), Gary Guidry and Keith Hill, the majority of whom were, as of December 31, 2009, independent directors within the meaning of the Governance Guidelines. 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 Corporation's compensation structure is designed to reward performance and to be competitive with the compensation arrangements of other Canadian resource companies of similar size and scope of operations. The board considers a variety of factors when determining both compensation policies and programs and individual compensation levels. These factors include the long-term interests of the Corporation and its Shareholders, overall financial and operating performance of the Corporation and the board's assessment of each officer's individual performance, contribution towards meeting corporate objectives, responsibilities, length of service and levels of compensation provided by industry competitors.

Compensation for executive officers is composed primarily of two components; namely, base salary and participation in the Corporation's Stock Option Plan. The board, subject to approval by regulatory authorities, may from time to time grant stock options to officers under the Corporation's Stock Option Plan. Grants of stock options are intended to emphasize the executive officers' commitment to the growth of the Corporation. The Corporation places strong reliance on stock options in terms of the total compensation of its executive officers in keeping with overall compensation trends in the Canadian industry and in order to conserve the Corporation's cash.

## PARTICULARS OF OTHER BUSINESS TO BE ACTED UPON

### RATIFICATION OF STOCK OPTION PLAN

Shareholders are being asked to confirm approval of the Corporation's stock option plan (the "**Stock Option Plan**") which was initially approved by Shareholders of the Corporation at the meeting of Shareholders held on June 21, 2004. The Stock Option Plan has also been approved by the directors of the Corporation and TSX Venture Exchange (the "**Exchange**"). There have been no changes to the Stock Option Plan since it was adopted by the directors.

The following information is intended as a brief description of the Stock Option Plan and is qualified in its entirety by the full text of the Stock Option Plan, which will be available for review at the Meeting.

1. The maximum number of Shares that may be issued upon the exercise of stock options granted under the Stock Option Plan shall not exceed 10% of the issued and outstanding Shares of the 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 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 or, if the Shares are no longer listed for trading on the Exchange, then such other exchange or quotation system on which the Shares are listed or quoted for trading.
2. The board of directors shall not grant options to any one person in any one year which will, when exercised, exceed 5% of the issued and outstanding Shares of the Corporation, or to any consultant in any one year which will, when exercised, exceed 2% of the issued and outstanding Shares of the Corporation or in any one year period to those persons employed by the Corporation who perform investor relations services which will, when exercised, in aggregate, exceed 2% of the issued and outstanding Shares of the Corporation.
3. Upon expiry of an option, or in the event an option is otherwise terminated for any reason, without having been exercised in full, the number of Shares in respect of the expired or terminated option shall again be available for the purposes of the Plan. All options granted under the Stock Option Plan may not have an expiry date exceeding five years from the date on which the board of directors grant and announce the granting of the option.
4. If the option holder ceases to be a director of the Corporation or ceases to be employed by the Corporation (other than by reason of death), or ceases to be a consultant of the Corporation as the case may be, then the option granted shall expire on no later than the 90th day following the date that the option holder ceases to be a director, ceases to be employed by the Corporation or ceases to be a consultant of the Corporation, subject to the terms and conditions set out in the Stock Option Plan. Options granted to an option holder who is engaged in investor relations activities must also 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.

In accordance with the policies of the Exchange, a plan with a rolling 10% maximum must be confirmed by shareholders at each annual general meeting.

Accordingly, at the Meeting, the Shareholders will be asked to pass the following resolution:

*"IT IS RESOLVED THAT the Stock Option Plan is hereby approved and confirmed."*

The persons named in the accompanying proxy, if not expressly directed to the contrary in such proxy, will vote the Shares in respect of which they have been appointed proxyholder in favour of this ordinary resolution.

## **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 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**

The Board approves the Corporation's annual consolidated financial statements and annual management's discussion and analysis ("MD&A"), quarterly reports to Shareholders and the content of the Corporation's other significant public disclosure documents. These and other prescribed documents are available on Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). The Corporation has also established and maintains a corporate website at [www.shamaranpetroleum.com](http://www.shamaranpetroleum.com) that includes, among other things, an investor relations section containing past annual and quarterly reports and press releases. Financial information regarding the Corporation is provided in the annual financial statements and annual MD&A for the period ended December 31, 2009. Shareholders may contact the Corporation to request copies of the financial statements and MD&A as follows:

- |                 |   |
|-----------------|---|
| (i) e-mail:     | info@shamaranpetroleum.com  |
| (ii) telephone: | 604-689-7842  |
| (iii) mail:     | ShaMaran Petroleum Corp.<br>Suite 2101, 885 West Georgia Street<br>Vancouver, B.C., V6C 3E8<br>Attn: Investor Relations |

## **CERTIFICATE**

The contents and the distribution of this Circular have been approved by the Board.

DATED the 22nd day of April, 2010.

### **BY ORDER OF THE BOARD**

*(Signed) Pradeep Kabra*

President and CEO



## 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.

F. 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.