

NEWTON ENERGY CORPORATION
200, 638 – 11th Avenue SW
Calgary, Alberta T2R 0E2

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON WEDNESDAY, OCTOBER 26, 2011

TAKE NOTICE that the Annual and Special Meeting (the "Meeting") of the shareholders (the "Shareholders") of Newton Energy Corporation (the "Corporation") will be held on Wednesday, October 26, 2011, at the offices of Burstall Winger LLP, located at Suite 1600, 333 - 7th Avenue SW, Calgary, Alberta, T2P 2Z1, at the hour of 10:00 a.m. (Calgary time) for the following purposes:

1. To receive the audited Financial Statements of the Corporation for the financial year ended December 31, 2010, together with the Auditors' Report thereon;
2. To fix the number of directors to be elected at the Meeting at four (4) and to elect the directors of the Corporation until the next annual meeting;
3. To appoint Deloitte & Touche LLP, as auditors for the Corporation until the next annual meeting and to authorize the directors to fix their remuneration;
4. To consider and, if thought fit, to pass a resolution in the form included in the Information Circular accompanying this Notice of Meeting approving the Corporation's stock option plan; and
5. To transact such other business as may properly come before the Meeting.

Only holders of record of Common Shares of the Corporation (the "Common Shares") at the close of business on September 21, 2011 (the "Record Date") are entitled to notice of and to attend the Meeting or any adjournment or adjournments thereof and to vote thereat unless after the Record Date a holder of record transfers his Common Shares and the transferee upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he owns such shares, requests, at any time before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote, in which case such transferee shall be entitled to vote such shares at the Meeting. Shareholders may vote in person at the Meeting or any adjournment or adjournments thereof, or they may appoint another person (who need not be a Shareholder) as their proxy to attend and vote in their place.

Shareholders unable to be present at the Meeting are requested to date and sign the enclosed form of proxy and return it to the Corporation's transfer agent, Olympia Trust Company, 2300, 125 - 9th Ave S.W., Calgary, AB, T2G 0P6, in the enclosed envelope provided for that purpose. In order to be valid, proxies must be received by Olympia Trust Company not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or an adjournment of the Meeting or delivered to the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment(s) thereof.

DATED at Calgary, Alberta this 21 day of September, 2011.

BY ORDER OF THE BOARD OF DIRECTORS OF
NEWTON ENERGY CORPORATION

(Signed) "*Steve Engwall*"

Steve Engwall
Chief Executive Officer

NEWTON ENERGY CORPORATION

**200, 638 - 11th Avenue SW
Calgary, Alberta T2R 0E2**

INFORMATION CIRCULAR

PURPOSE OF SOLICITATION

This Information Circular is furnished in connection with the solicitation of proxies by the management of Newton Energy Corporation ("Newton" or the "Corporation") for use at the annual and special meeting (the "Meeting") of shareholders of the Corporation (the "Shareholders") to be held at the offices of Burstall Winger LLP, located at 333 - 7th Avenue SW, Suite 1600, Calgary, Alberta T2P 2Z1 on Wednesday, October 26, 2011 at 10:00 a.m. (Calgary time) and at any adjournments thereof for the purposes set out in the accompanying Notice of Meeting. Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone by directors, officers, employees or agents of the Corporation. Pursuant to National Instrument 54-101 *Communication With Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of the common shares of the Corporation (the "**Common Shares**"). The cost of any such solicitation will be borne by the Corporation.

VOTING OF PROXIES

All Common Shares represented at the Meeting by properly executed proxies will be voted and where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the Common Shares represented by the proxy will be voted in accordance with such specifications. **In the absence of any such specifications, the management designees, if named as proxy, will vote IN FAVOUR of all the matters set out herein.**

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

Proxies, to be valid, must be deposited at the office of the registrar and transfer agent of the Corporation, Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta, T2G 0P6, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or an adjournment of the Meeting or delivered to the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment(s) thereof.

ADVICE TO BENEFICIAL SHAREHOLDERS ON VOTING THEIR 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 their Common Shares in their own name. Shareholders who do not hold their Common Shares in their own names (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then, in almost all cases, those Common Shares will not be registered in the Shareholder's name on the

records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the nominee of The Canadian Depository for Securities Limited, which acts as depository for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting Common Shares for the broker's clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.

Applicable regulatory rules require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. ("**Broadridge** "). Broadridge typically applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to Broadridge. Broadridge will then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a proxy with a Broadridge sticker on it cannot use that proxy to vote Common Shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or an agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

APPOINTMENT OF PROXY

A Shareholder has the right to designate a person (who need not be a shareholder of the Corporation) other than Merv Chia or Steve J. Engwall, the management designees, to attend and act for him at the Meeting. Such right may be exercised by inserting in the blank space provided, the name of the person to be designated and deleting therefrom the names of the management designees or by completing another proper instrument of proxy and, in either case, depositing the Instrument of Proxy with the registrar and transfer agent of the Corporation, Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta, T2G 0P6, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or an adjournment of the Meeting or delivering the Instrument of Proxy to the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment(s) thereof.

REVOCATION OF PROXIES

A Shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy.

A Shareholder may revoke a proxy by depositing an instrument in writing, executed by him or his attorney authorized in writing, or, if the Shareholder is a corporation, under its corporate seal or signed by a duly authorized officer or attorney for the corporation:

1. at the offices of the registrar and transfer agent of the Corporation, Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta, T2G 0P6, at any time, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or an adjournment of the Meeting at which the proxy is to be used; or
2. at the registered office of the Corporation, Suite 1600, Dome Tower, 333 - 7th Avenue SW, Calgary, Alberta, T2P 2Z1, at any time up to and including the last business day preceding the day of the Meeting at which the proxy is to be used; or
3. with the Chairman of the Meeting on the day of the Meeting or an adjournment of the Meeting.

In addition, a proxy may be revoked by the Shareholder executing another form of proxy bearing a later date and depositing same at the offices of the registrar and transfer agent of the Corporation within the time period set out under the heading "Voting of Proxies", or by the Shareholder personally attending the Meeting and voting his Common Shares.

VOTING COMMON SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, of which 14,011,256 Common Shares and nil preferred shares are issued and outstanding and each Common Share is entitled to vote at the Meeting on the basis of one (1) vote for each Common Share held.

The holders of Common Shares of record at the close of business on the record date, set by the directors of the Corporation to be September 21, 2011 (the "**Record Date**"), are entitled to vote such Common Shares at the Meeting on the basis of one (1) vote for each share held, except to the extent that:

1. such person transfers his or her Common Shares after the Record Date; and
2. the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes his or her ownership to the Common Shares;

and makes a demand to the registrar and transfer agent of the Corporation, not later than 10 days before the Meeting, that his or her name be included on the Shareholders' list.

The by-laws of the Corporation provide that two (2) persons present and representing in person or by proxy not less than five percent (5%) of the outstanding Common Shares entitled to vote at the Meeting, constitute a quorum for the Meeting.

To the knowledge of the directors and senior officers of the Corporation as of the date hereof, no person, firm or company (other than securities depositories) will beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to the Corporation's Shares.

CORPORATE GOVERNANCE DISCLOSURE

Board of Directors

The board of directors of the Corporation (the "**Board**") believes that good corporate governance improves corporate performance and benefits all Shareholders. The Canadian Securities Administrators (the "**CSA**") have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), which prescribes certain disclosure by the Corporation of its corporate governance practices. This disclosure is presented below.

Independent Directors – The independent members of the Board are Merv Chia, Bruce Williams, Richard Schmitt and Christopher Hopkins.

Non-independent Directors – The only non-independent director is Thomas G. Milne. Mr. Milne has been determined not to be independent under NI 58-101 as a result of having been Chief Executive Officer of the Corporation.

Involvement in Other Reporting Issuers – The following directors hold directorships in other reporting issuers (or the equivalent) in jurisdictions in Canada or a foreign jurisdiction.

Name	Name of Reporting Issuer	Name of Exchange or Market	Position	From	To
Christopher Hopkins	Oilsands Quest Inc.	Amex	Director	August 2006	Present
Richard Schmitt	Canadian Overseas Petroleum	TSX	Director	September 2009	Present
	Tyner Resources Ltd.	TSX	Director	October 2006	Present
	Black Marlin Energy Ltd.	TSX	CEO & Director	March 2010	October 2010

Orientation and Continuing Education of Board Members – Board meetings are combined where necessary with presentations by the Corporation's management to give the Board additional insight into the Corporation's business. In addition, management of the Corporation makes itself available throughout the year for discussion with all Board members.

Measures to Encourage Ethical Business Conduct – The Board has adopted a written code of business conduct and ethics, and encourages and promotes a culture of ethical business conduct (the "**Code**"). The Code establishes the Corporation's commitment to conducting business ethically and legally. The Code applies to all directors, officers, employees and consultants. The Code makes specific reference to the maintenance of an ethical corporate climate and compliance with legal and regulatory obligations.

Nomination of Board Members – The Board considers its size each year when it considers the number of directors to recommend to the Shareholders for election at the annual meeting of Shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of view and experience. The Board has a Nominating Committee which is composed of Richard Schmitt, Merv Chia, Bruce Williams and Steve Engwall.

Determination of Compensation of Directors and Officers – The Board has appointed the Compensation and Governance Committee which is comprised exclusively of independent directors. The Compensation and Governance Committee has a written mandate which establishes the responsibilities of the Compensation and Governance Committee. The primary function of the Compensation and Governance Committee is to assist the Board in carrying out its responsibilities by reviewing compensation and human resources issues in support of the achievement of the Corporation's business strategy and making recommendations to the Board as appropriate. In particular, the Compensation and Governance Committee

is responsible for reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation, evaluating the Chief Executive Officer's performance against those goals and objectives and making recommendations to the Board with respect to the Chief Executive Officer's compensation. The Compensation and Governance Committee also approves and reports to the Board on the compensation for the Corporation's other senior officers.

Other Board Committees - The Board has in place a Reserves Committee. The Board has also developed a mandate for the Reserves Committee, which it reviews annually. The Reserves Committee is responsible for periodic review and updating of the Corporation's internal reserves data, meeting with the Corporation's independent reserves evaluators independent of management, and reviewing the way the Corporation's reserves information is evaluated and presented. The committee also monitors safety and environmental matters. The Reserves Committee is comprised of Merv Chia and Richard Schmitt both of whom are independent.

Assessment of Directors, the Board and Board Committees – The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees.

AUDIT COMMITTEE DISCLOSURE

The audit committee (the "**Audit Committee**") is a committee of the Board established for the purpose of overseeing the accounting and financial reporting process of the Corporation and annual external audits of the financial statements. The Audit Committee has set out its responsibilities and composition requirements in fulfilling its oversight in relation to the Corporation's internal accounting standards and practices, financial information, accounting systems and procedures, which procedures are set out below in the Corporation's audit committee mandate.

Audit Committee Charter

The Board has developed a written audit committee charter (the "**Charter**"). A copy of the Charter is attached hereto as Schedule "A" to this Information Circular.

Composition of the Audit Committee

The Audit Committee consists of Bruce Williams and Richard Schmitt and Christopher Hopkins. All members are independent and financially literate within the meaning of National Instrument 52-110 *Audit Committees* ("**NI 52-110**") of the CSA.

Relevant Education and Experience of Audit Committee Members

Richard Schmitt and Christopher Hopkins have served on various public company boards of directors. Bruce Williams has a number of years of financial industry experience. Their combined experience provides a valued contribution to the Audit Committee.

Audit Committee Oversight

At no time since the commencement of the Corporation's fiscal year ended December 31, 2010 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

External Auditor Service Fees (By Category)

The following table provides information about the fees billed to the Corporation for professional services rendered by Deloitte and Touche LLP, Chartered Accountants, for the 2010 and 2009 fiscal years:

	2010	2009
	\$	\$
Audit Fees	25,500	25,500
Audit-Related Fees	Nil	Nil
Tax Fees	Nil	Nil
All other Fees	Nil	Nil
Total:	25,500	25,500

Reliance on Certain Exemptions

As the Corporation is a venture issuer, it relies on the exemptions provided by section 6.1 of NI 52-110.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Corporation's directors, the only matters to be placed before the Meeting are those matters set forth in the accompanying Notice of Meeting relating to: (i) the receipt of the financial statements and auditors' report thereon; (ii) the election of directors; (iii) the appointment of auditors; (iv) the approval of the stock option plan; and (iv) the adoption of new by-laws of the Corporation.

I. Receipt of Financial Statements

The directors will place before the Meeting the audited financial statements of the Corporation for the year ended December 31, 2010 together with the auditors' report thereon. Shareholder approval is not required in relation to these financial statements.

II. Election of Directors

The Board presently consists of four (4) directors, all of whom are elected annually. It is proposed that the number of directors for the ensuing year also be fixed at four (4). It is proposed that the persons named below will be nominated at the Meeting. Each director elected will hold office until the next annual meeting of Shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation, unless his office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Alberta) or the Corporation's by-laws. **It is the intention of the management designees, if named as proxy, to vote FOR the election of said persons to the board of directors.** Management does not contemplate that any of such nominees will be unable to serve as directors; however, if, for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion unless the shareholder has specified in his or her proxy that his or her Common Shares are to be withheld from voting in the election of directors.

The following information relating to the nominees as directors is based on information received by the Corporation from said nominees.

Name of Proposed Nominees, Municipality of Residence and Proposed Positions with the Corporation	Principal Occupation for Last Five Years	Director Since	Common Shares Beneficially Owned or Controlled, Directly or Indirectly
Merv Chia ^{(2) (3)(4)} Calgary, Alberta Director	Director and President of NEX Industries Ltd. A private holding company since September 1999. President and Chief Executive Officer of NX Capital (Predecessor to Newton Energy Corporation) from April, 2003 to July, 2007 and Director of NX Capital since March, 2003.	March 31, 2003	1,260,540 ⁽⁵⁾⁽⁶⁾
Bruce Williams ⁽¹⁾⁽²⁾⁽⁴⁾ Calgary, Alberta Director	President of New Ventures International, a private Alberta company, since January 1993.	May 30, 2007	100,000 ⁽⁷⁾
Richard Schmitt ⁽¹⁾⁽³⁾⁽⁴⁾ Calgary, Alberta Director	President and Director of Africa Oil Corp from October 16, 2006 until October 19, 2010; President & CEO of Black Marlin Energy Ltd. From October 19, 2009 until present and Director of Black Marlin Energy Ltd. since March 18, 2010; Director of Velo Energy Inc. Since September, 2009; Director of Tyner Resources Ltd. since October 16, 2006 previously President and General Manager of Occidental Petroleum, Yemen, from 2001 to 2005.	June 4, 2009	Nil
Steve J. Engwall ⁽³⁾⁽⁴⁾⁽⁸⁾ Aberdeen , United Kingdom Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation since January 2011; Managing Director of Enco Energy Consultants Ltd. since April 2004; previously Head of Negotiations at Total E&P UK plc. from 2001 to March 2004.	April 27, 2011	Nil
TOTAL			1,360,540

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation and Governance Committee.
- (3) Member of the Reserves Committee.
- (4) Member of the Nominating Committee.
- (5) Mr. Chia holds 130,000 shares through his holding company, Supreme Pacific Holdings Inc.
- (6) Mr. Chia does not own 1,130,540 Common Shares directly, but is, under applicable securities legislation, deemed to beneficially own the Common Shares held by NEX Industries Ltd., by reason of control of NEX Industries Ltd.
- (7) Mr. Williams does not own the Common Shares directly, but is, under applicable securities legislation, deemed to beneficially own the Common Shares held by Options Capital Ltd.
- (8) Mr. Engwall was appointed President and Chief Executive Officer January 4, 2011.

The directors, officers and promoters of the Corporation, as a group, control 1,654,227 Common Shares representing 11.8% of the outstanding Common Shares, before giving effect to the exercise of any outstanding stock options or other rights.

No proposed director of the Corporation is, as of the date hereof or has been, within the past ten years, a director, chief executive officer or chief financial officer of any company (including the Corporation) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after the director, chief executive officer or chief financial officer ceased to be a director, chief executive officer or chief financial officer, in

the company, being the subject of a cease trade order or similar order or an order that denied the company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days.

No proposed director of the Corporation is, as of the date hereof, or has been within the past ten years, a director or executive officer of a 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.

No proposed director of the Corporation has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

No proposed director of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to 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.

III. Appointment of Auditors

On June 4, 2009, the Corporation appointed Deloitte & Touche LLP of Calgary, Alberta ("**Deloitte**") as auditors of the Corporation. At the Meeting, the Shareholders will be asked to reappoint Deloitte as auditors of the Corporation to serve until the close of the next annual meeting of Shareholders of the Corporation and to authorize the Directors to fix their remuneration.

The management designees, if named as proxy, intend to vote the Common Shares represented by any such proxy FOR the appointment of Deloitte as auditors of the Corporation at remuneration to be fixed by the Board, unless otherwise directed in the Instrument of Proxy.

IV. Approval of Stock Option Plan

The TSX Venture Exchange Inc. (the "**Exchange**") requires all listed companies with a 10% rolling stock option plan to obtain annual shareholder approval of such plan on an annual basis. Shareholders will be asked at the Meeting to vote on a resolution to approve, for the ensuing year, the current stock option plan of the Corporation (the "**Plan**") which was previously approved on August 25, 2010 as described below.

The Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase Common Shares. The purpose of the Plan is to develop the interests of directors, officers, employees and consultants of the Corporation and its affiliates in the growth and development of the Corporation and its affiliates by providing them with the opportunity through share options to acquire an increased proprietary interest in the Corporation.

The number of Common Shares issuable upon the exercise of options granted under the Plan at any time may not exceed 10% of the total number of issued and outstanding Common Shares (on a non-diluted basis) and the aggregate number of Common Shares issuable to any one individual may not exceed 5% of the total number of issued and outstanding Common Shares. The period during which an option granted under the Plan is exercisable may not exceed five years from the date such option is granted. All options are non-assignable and non-transferrable. The price which the Common Shares may be acquired upon exercise

of an option may not be less than the price permitted under the rules of any stock exchange on which the Common Shares are listed and the vesting provisions are determined by the Board at the time of grant.

If prior to the exercise of an option, the holder ceases to be a director, officer, employee or consultant of the Corporation for any reason other than death, the option may be exercised within the earlier of up to 90 days after such cessation or the expiry of the option, but only to the extent that the holder was entitled to exercise the option at the date of cessation. In the case of death an optionee, the option may be exercised within the earlier of up to 12 months after such death or the expiry of the option, but only to the extent that the holder was entitled to exercise the option at the date of death.

At the Meeting, the Shareholders will be asked to consider and, if thought fit, approve the following resolutions to approve the Plan.

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

- 1. The stock option plan (the "Plan") of the Corporation in the form of the Plan attached as Schedule "B" to the Information Circular, be and is hereby approved with such modifications as may be required by the TSX Venture Exchange;**
- 2. The maximum number of common shares of the Corporation which may be issued under the Plan shall be equal to ten percent (10%) of the then issued and outstanding common shares of the Corporation from time to time; and**
- 3. Any director or officer of the Corporation be and is hereby authorized and directed to do and perform all such acts and things and to execute and deliver or cause to be delivered, for, in the name of and on behalf of the Corporation (whether under the seal of the Corporation or otherwise) all such agreements, instruments and other documents as in such individual's opinion may be necessary or desirable to perform the terms of this resolution."**

The resolution must be approved by a simple majority approval of the votes cast at the Meeting by the holders of Common Shares. If the Plan is not approved by the Shareholders, the Corporation will have to consider other methods of compensating and providing incentives to directors, officers, employees and consultants.

The management designees, if named as proxy, intend to vote the Common Shares represented by any such proxy FOR approval of the Plan, unless otherwise directed in the Instrument of Proxy.

The resolution must be approved by a majority of the votes cast in person or by proxy at the Meeting.

STATEMENT OF EXECUTIVE COMPENSATION

For the purpose of this section, a "CEO" or "CFO" means each individual who served as Chief Executive Officer or Chief Financial Officer, respectively, of the Corporation or acted in a similar capacity during the most recently completed financial year. A "Named Executive Officer" or "NEO" means each CEO; each CFO; each of the Corporation's three (3) most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year of the Corporation and whose total salary and bonus exceeds \$150,000; and any additional individuals (other than the CEO and CFO) for whom disclosure would have been provided except that the individual was not serving as an officer of the Corporation at the end of the most recently completed financial year end.

Compensation Discussion and Analysis

In assessing the compensation of its executive officers, the Corporation does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on discussions between the Compensation and Governance Committee (the "**Compensation Committee**") and the Board.

The Compensation Committee is currently comprised of Christopher Hopkins, Merv Chia and Bruce Williams, all of whom are independent directors of the Corporation. The Compensation Committee reviews all proposed agreements between executives and the Corporation and provides recommendations to the Board. All members of the Compensation Committee are ineligible to participate in all of the Corporation's executive compensation and benefit programs other than the Corporation's Plan. All of the members of the Compensation Committee are eligible to receive options and all currently hold options under the Corporation's Plan. The Compensation Committee determines the total compensation of the President and other executive officers of the Corporation.

Meetings of the Compensation Committee are held periodically to review compensation policies and to consider the overall compensation to be paid by the Corporation to its employees, executive officers and directors. Following review of data and discussion by members of the Compensation Committee, recommendations are made to the Board. In all cases, the Board has acted upon the Compensation Committee's recommendations without modification in any material way.

One of Mr. Engwall's duties, as Chief Executive Officer, is to provide the Compensation Committee with compensation recommendations for each of the executives, other than himself, on an annual basis. In making compensation recommendations, Mr. Engwall considers each executive's performance and other relevant factors, including the scope of each executive's position and responsibilities, the achievement of corporate goals, the current business environment and anticipated changes, and executive retention and recruitment considerations. Mr. Engwall regularly attend meetings of the Compensation Committee, but are not members of the Compensation Committee and do not vote on Compensation Committee matters. Mr. Engwall is not present for certain portions of the Compensation Committee meetings, such as when the Compensation Committee holds executive sessions or discusses the performance or individual compensation of Mr. Engwall.

The Corporation's executive compensation program has three principal components: base salary, incentive bonus plan and stock options.

Base Salary

The base salary element is designed to establish a target compensation level of fixed income based on the market value of each position. Additionally, the base salary is the metric upon which bonus and severance compensation is based. In establishing base salaries, the Compensation Committee reviews general market salary levels for individuals in positions with similar responsibilities and experience. Generally, the Compensation Committee targets base salaries at levels approximating those holding similar positions in comparably sized companies in the industry and hopes to achieve targeted total compensation levels through the fixed and variable components. Comparable corporations are chosen based on their being in the industry and having a comparable asset base and/or revenues in a particular financial year. Comparable positions are identified based on publicly available information on such corporations. The Compensation Committee reviews base salaries annually and makes adjustments as reasonably necessary to allow base salary to continue to serve its purposes as a retention device and as the building block for other cash compensation.

Bonus

Incentive bonuses, in the form of cash payments, are designed to add a variable component of compensation based on corporate and individual performance for executive officers. The bonus plan is designed to provide an incentive to the NEO's to achieve and exceed goals relating to overall corporate and individual performance. The Compensation Committee reviews and approves the incentive bonus plan. Given the phase of development of the Corporation, no bonuses were paid to executive officers during the fiscal year ended December 31, 2010.

Option-Based Awards

Stock options are granted to provide an incentive to the directors, officers, employees and consultants of the Corporation to achieve the longer-term objectives of the Corporation. The purpose of the Plan to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation and to attract and retain persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. Stock options are also used as a means to promote the long-term retention of individuals. The Corporation awards stock options to its executive officers based upon the recommendation of the Compensation Committee, which recommendation is based upon the committee's review of proposals from the Chief Executive Officer. Previous grants of incentive stock options are taken into account when considering new grants.

Implementation of a new incentive stock option plan and amendments to the existing Plan are the responsibility of the Corporation's Compensation Committee.

SUMMARY COMPENSATION TABLE

The following table sets forth the total compensation paid to or earned by the NEO's for the Corporation's fiscal years ended December 31, 2010, 2009 and 2008.

Name and Principal Position	Year Ended Dec. 31	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) ⁽⁵⁾	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Thomas G. Milne Chief Executive Officer ⁽¹⁾	2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Michael J. Frey ⁽²⁾ President and Chief Executive Officer	2010	96,606	Nil	Nil	Nil	Nil	Nil	50,000	146,606
	2009	120,000	Nil	Nil	Nil	Nil	Nil	9,889	129,889
	2008	95,000	Nil	172,700 ⁽³⁾	Nil	Nil	Nil	Nil	267,700
Bahman Sadrehashemi Chief Financial Officer	2010	96,000	Nil	Nil	Nil	Nil	Nil	Nil	96,000
	2009	96,000	Nil	Nil	Nil	Nil	Nil	Nil	96,000
	2008	71,000	Nil	37,700 ⁽⁴⁾	Nil	Nil	Nil	Nil	108,700

Notes:

- (1) Mr. Milne acted as Chief Executive Officer from July 20, 2010 to January 4, 2011 when Steve Engwall was appointed Chief Executive Officer.
- (2) Mr. Frey resigned as President, Chief Executive Officer and director of the Corporation effective July 20, 2010.
- (3) Issued to Inceptum Ventures Ltd., a company wholly owned by Mr. Frey
- (4) Issued to 571021 Alberta Corp., a company 50% owned by Mr. Sadrehashemi and 50% by his wife.
- (5) The options were granted for a period of 5 years and all vested on the issue date on June 12, 2008. The fair value of options granted was estimated to be \$0.31. The estimated fair value, \$0.31 a share at the time of grant of options was calculated using Black-Scholes based on the following assumptions: risk-free interest rate of 3%, expected life of 5 years, no annual dividends and expected volatility.

Currencies

Unless otherwise noted, all monetary amounts disclosed under the heading "Statement of Executive Compensation" are in Canadian dollars, which is the same currency that is used by the Corporation in its financial statements.

Incentive Plan Awards

Outstanding Share-based Awards and Option-Based Awards

The following table sets forth the share based and option based awards granted to the Named Executive Officers to purchase or acquire securities of the Corporation as at the financial year ended December 31, 2010.

Name	Option-based Awards			Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽³⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or Payout value of share-based awards that have not vested (\$)
Thomas G. Milne	120,000	0.50	June 12, 2013	Nil	Nil	Nil
Michael J. Frey ⁽¹⁾	0	0.50	June 12, 2013	Nil	Nil	Nil
Bahman Sadrehashemi	120,000 ⁽²⁾	0.50	June 12, 2013	Nil	Nil	Nil

Notes:

- (1) Mr. Frey resigned as President, Chief Executive Officer and director of the Corporation effective July 20, 2010.
- (2) Issued to 571021 Alberta Corp., a company owned 50% by Mr. Sadrehashemi and 50% by his wife.
- (3) This amount has been calculated based on the difference between the closing market price of the securities underlying the options at December 23, 2010 being \$0.21 and the exercise or base price of the option.

Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to Named Executive Officers during the most recently completed financial year.

Name	Option-based awards	Share-based awards	Non-equity incentive plan compensation
	Value vested during the year (\$)	Value vested during the year (\$)	Value earned during the year (\$)
Thomas G. Milne	Nil	Nil	Nil
Michael J. Frey ⁽¹⁾	Nil	Nil	Nil
Bahman Sadrehashemi	Nil	Nil	Nil

Note:

- (1) Mr. Frey resigned as President, Chief Executive Officer and director of the Corporation effective July 20, 2010.

Pension Plan Benefits

The Corporation does not have a pension plan that provides for payments or benefits at, following, or in connection with retirement. The Corporation does not have a defined contribution plan.

Termination and change of control benefits

The Corporation entered into a consulting agreement with 571021 Alberta Corp., a company owned 50% by Mr. Sadrehashemi, the Chief Financial Officer of the Corporation, and 50% by his wife on June 1, 2008 (the "**Agreement**"). The Agreement provides that, in the event of termination, 571021 Alberta Corp. will be granted one month's severance for each six months since the commencement of the Agreement. In the event of a material default of the Agreement, the Corporation has the right to terminate this Agreement immediately, without any notice, and without any obligation to provide any severance payment.

Director Compensation

Director Compensation Table

The following table sets forth the value of all compensation provided to directors, not including the director who was also a Named Executive Officer, for the Corporation's most recently completed financial year.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$) ⁽¹⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other Compensation (\$)	Total (\$)
Merv Chia	15,000	Nil	Nil	Nil	Nil	Nil	15,000
Christopher H. Hopkins	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Bruce Williams	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Richard Schmitt	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Directors' and Officers' Liability Insurance

The Corporation provides, at its expense, insurance for the directors and officers as well as the directors and officers of the Corporation's affiliates and subsidiaries. The insurance is for liability incurred by any of them in their capacity as a director or officer of the Corporation. This insurance policy provides coverage of up to \$3,000,000 for the directors and officers of the Corporation in aggregate. Each loss or claim is subject to a \$25,000 deductible pursuant to the specific type of claim. The by-laws of the Corporation also provide indemnification of the directors and officers, subject to certain limitations. The most recent annual premium for the directors' and officers' liability policy was \$11,000.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth the options granted to the directors of the Corporation, not including the director who was also a Named Executive Officer, to purchase or acquire securities of the Corporation outstanding at the end of the financial year ended December 31, 2010.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or Payout value of share-based awards that have not vested (\$)
Merv Chia	120,000	0.50	June 12, 2013	Nil	Nil	Nil
Christopher H. Hopkins	120,000	0.50	June 12, 2013	Nil	Nil	Nil
Bruce Williams	120,000	0.50	June 12, 2013	Nil	Nil	Nil
Richard Schmitt	120,000	0.20	June 04, 2014	Nil	Nil	Nil

Note:

- (1) This amount has been calculated based on the difference between the closing market price of the securities underlying the options at December 23, 2010 being \$0.21 and the exercise or base price of the option.

Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to directors, not including the director who was also a Named Executive Officer, during the most recently completed financial year.

Name	Option-based awards - Value vested during the year (\\$)	Share-based awards - Value vested during the year (\\$)	Non-equity incentive plan compensation - Value earned during the year (\\$)
Merv Chia	Nil	Nil	Nil
Christopher H. Hopkins	Nil	Nil	Nil
Bruce Williams	Nil	Nil	Nil
Richard Schmitt	Nil	Nil	Nil

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information pertaining to the Corporation's equity compensation plan as at December 31, 2010:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by securityholders	720,000	\$0.45	581,126
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	720,000	\$0.45	581,126

MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by the directors and executive officers of the Corporation and by companies controlled/owned by directors and officers.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Information Circular, the management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer at any time since the beginning of the Corporation's last financial year or any proposed nominee for election as a director, or any associate or affiliate of any of the foregoing persons, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors. All of the directors and officers may receive options pursuant to the Plan.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

There has been no indebtedness outstanding by directors or senior officers of the Corporation to the Corporation or its subsidiaries at any time.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of any insider of the Corporation, any proposed nominee for election as a director of the Corporation or any associate or affiliate of any such person in any transaction during the financial year ended December 31, 2010, or in any proposed transaction, that has materially affected or would materially affect the Corporation.

LEGAL PROCEEDINGS

The directors and senior officers of the Corporation are not aware of any material litigation outstanding, threatened or pending, as of the date hereof by or against the Corporation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") of the Canadian Securities Administrators at www.sedar.com. Financial information regarding the Corporation is provided in the Corporation's comparative financial statements and management's discussion and analysis for its most recently completed financial year. Securityholders of the Corporation may contact the Corporation at (403) 410-3822 to request copies of the Corporation's financial statements and management's discussion and analysis.

GENERAL

All matters referred to herein for approval by the Shareholders require a majority of the Shareholders voting, in person or by proxy, at the Meeting.

The Board has approved the contents of this Information Circular and the sending of the Information Circular to the Shareholders.

Unless otherwise stated, the information contained herein is given as of September 21, 2011.

THIS IS SCHEDULE "A" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF NEWTON ENERGY CORPORATION TO BE HELD OCTOBER 26, 2011, AND ANY ADJOURNMENT THEREOF.

**NEWTON ENERGY CORPORATION
(the "Corporation")**

May 27, 2008

AUDIT COMMITTEE MANDATE

OVERALL ROLE AND RESPONSIBILITY

The Audit Committee shall:

- 1.1 assist the Board of Directors in its oversight role with respect to:
 - (a) the quality and integrity of financial information;
 - (b) the independent auditor's performance, qualifications and independence;
 - (c) the performance of the Corporation's internal audit function, if applicable; and
 - (d) the Corporation's compliance with legal and regulatory requirements and
- 1.2 prepare such reports of the Audit Committee required to be included in the information/proxy circular of the Corporation in accordance with applicable laws or the rules of applicable securities regulatory authorities.

MEMBERSHIP AND MEETINGS

The Audit Committee shall consist of three (3) or more Directors appointed by the Board of Directors, none of whom shall be officers or employees of the Corporation or any of the Corporation's affiliates. Each of the members of the Audit Committee shall satisfy the applicable independence and experience requirements of the laws governing the Corporation, and applicable securities regulatory authorities.

The Board of Directors shall designate one (1) member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment. The Board of Directors shall determine whether and how many members of the Audit Committee qualify as a financial expert as defined by applicable law.

STRUCTURE AND OPERATIONS

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall report to the Board of Directors on its activities after each of its meetings at which time minutes of the prior Committee meeting shall be tabled for the Board.

The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

SPECIFIC DUTIES

Oversight of the Independent Auditor

- Make recommendations to the board for the appointment and replacement of the independent auditor.
- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Obtain from the independent auditor and review the independent auditor's report regarding the management internal control report of the Corporation to be included in the Corporation's annual information/proxy circular, as required by applicable law.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every 5 years).

Financial Reporting

- Review and discuss with management and the independent auditor:
 - prior to the annual audit the scope, planning and staffing of the annual audit,
 - the annual audited financial statements,
 - the Corporation's annual and quarterly disclosures made in management's discussion and analysis,
 - approve any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation,

- the Corporation's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,
 - significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements,
 - 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, and
 - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

AUDIT COMMITTEE'S ROLE

The Audit Committee has the oversight role set out in this Charter. Management, the Board of Directors, the independent auditor and the internal auditor all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Corporation's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles.

FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefore shall also be funded by the Corporation.

APPROVAL OF AUDIT AND REMITTED NON-AUDIT SERVICES PROVIDED BY EXTERNAL AUDITORS

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the External Auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this protocol. The CFO shall act as the primary contact to receive and assess any proposed engagements from the External Auditor.

Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.

THIS IS SCHEDULE "B" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF NEWTON ENERGY CORPORATION TO BE HELD OCTOBER 26, 2011, AND ANY ADJOURNMENT THEREOF.

NEWTON ENERGY CORPORATION

OPTION PLAN

Dated and Effective as of September 15, 2011.

1. Purpose of the Plan

- (c) The purpose of the Option Plan (the "Plan") is to assist Newton Energy Corporation. (the "Corporation") in attracting, retaining and motivating directors, officers, employees and consultants of the Corporation and of its subsidiaries and to closely align the personal interests of such directors, officers, employees and consultants with those of the Shareholders by providing them with the opportunity, through options, to acquire common shares (the "Common Shares") in the capital of the Corporation.
- (d) Capitalized words and phrases used but not defined herein shall have the same meanings herein as ascribed thereto in the Corporate Finance Manual of the TSX Venture Exchange (the "Exchange") and, in particular, in policies 1.1 and 4.4 of the such Corporate Finance Manual, and Outstanding Common Shares shall mean, at the time of any share issuance or grant of Options, the number of Common Shares that are outstanding immediately prior to the share issuance or grant of Options in question on a non-diluted basis, or such other number as may be determined under applicable rules and regulations of all regulatory authorities to which the Corporation is subject, including the Exchange.

2. Implementation

The grant and exercise of any options under the Plan are subject to compliance with the applicable requirements of the Exchange and each stock exchange on which the shares of the Corporation are or become listed and of any governmental authority or regulatory body to which the Corporation is subject.

3. Administration

The Plan shall be administered by the Board of Directors of the Corporation which shall, without limitation, have full and final authority and discretion, subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Plan. The Board of Directors may delegate any or all of its authority with respect to the administration of the Plan and any or all of the rights, powers and discretions with respect to the Plan granted to it under this Plan to the Compensation and Governance Committee (the "Compensation Committee") of the Board of Directors or such other committee of directors of the Corporation as the Board of Directors may designate. Upon any such delegation the Compensation Committee or other committee of directors, as the case may be, as well as the Board of Directors, shall be entitled to exercise any or all of such authority, rights, powers and discretions with respect to the Plan. When used in the context of this Plan "Board of Directors" shall be

deemed to include the Compensation Committee or other committee of directors acting on behalf of the Board of Directors.

4. **Number of Shares Under Plan**

A maximum number of Common Shares equal to ten percent (10%) (the "Optioned Shares") of the Outstanding Common Shares, from time to time, shall be reserved, set aside and made available for issue under and in accordance with the Plan by resolution of the Board of Directors; provided that, in no event shall options be granted entitling any single individual to purchase in excess of five percent (5%) of the Outstanding Common Shares in a twelve month period. If option rights granted to an individual under the Plan shall expire or terminate for any reason without having been exercised in respect of certain Optioned Shares, such Optioned Shares may be made available for other options to be granted under the Plan. In addition:

- (a) The aggregate number of Common Shares reserved for issuance on exercise of Options, within any twelve month period, granted to any one Consultant of the Corporation may not exceed 2% of the Outstanding Class A Shares;
- (b) The aggregate number of the Common Shares reserved for issuance on exercise of Options, in any twelve month period, granted to an Employee conducting Investor Relations Activities may not exceed 2% of the Outstanding Common Shares;
- (c) The maximum number of Common Shares reserved for issuance pursuant to Options granted to Insiders at any time may not exceed 10% of number of Outstanding Common Shares; and
- (d) The maximum number of Common Shares issuable on exercise of Options granted to Insiders in a twelve month period shall not exceed 10% of the number of Outstanding Common Shares.

Provided that, for the purposes of paragraphs (c) and (d) above, an entitlement granted prior to the grantee becoming an Insider may be excluded in determining the number of Common Shares issuable to Insiders.

5. **Eligibility**

Options may be granted under the Plan to such directors, officers, employees or consultants of the Corporation, or of its subsidiaries, as the Board of Directors may from time to time designate as participants (the "Participants") under the Plan. Subject to the provisions of this Plan, the total number of Optioned Shares to be made available under the Plan and to each Participant, the time or times and price or prices at which options shall be granted, the vesting dates, the time or times at which such options are exercisable, and any conditions or restrictions on the exercise of options, shall be in the full and final discretion of the Board of Directors. By granting Options hereunder to an Employee or Consultant the Board of Directors of the Corporation represents on behalf of the Corporation that the Optionee is a bona fide Employee or Consultant.

6. **Terms and Conditions**

All options under the Plan shall be granted upon and subject to the terms and conditions hereinafter set forth.

(a) **Exercise Price**

The exercise price to each Participant for each Optioned Share shall be as determined by the Board of Directors, but shall in no event be less than the closing market price of the Common Shares of the

Corporation on the Exchange on the trading day immediately prior to the time of the grant of the option (or, if no trades occurred on such day, then the next previous day on which trading took place) less the maximum discount permitted under the regulations of the Exchange or such other price as may be agreed to by the Corporation and approved by the Exchange. In the event that the Corporation proposes to reduce the exercise price of Options granted to an Optionee who is an Insider of the Corporation at the time of the proposed amendment, such amendment shall not be effective until disinterested shareholder approval has been obtained in respect of the reduction of the exercise price if required by the rules and policies of the Exchange then in effect.

(b) Option Agreement

All options granted under the Plan shall be evidenced by means of an agreement between the Corporation and each Participant (the "Option Agreement") in a form as may be approved by the Board of Directors, such approval to be conclusively evidenced by the execution of the Option Agreement by any two (2) directors or officers of the Corporation other than the Participant.

(c) Length of Grant

All options granted under the Plan shall expire not later than the fifth anniversary of the date such Options were granted and may be exercised by the Participant as to such varying percentages, on a cumulative basis, during the terms thereof as the Board of Directors shall determine.

(d) Vesting

Notwithstanding the length of grant as set forth in subparagraph 6(c) above, the time or times at which Options are exercisable and vesting dates shall be the dates so fixed by the Board of Directors of the Corporation, the Compensation Committee of the Board of Directors of the Corporation or such other committee of directors as the Board of Directors may designate at the time of the award of the Options, subject to the provisions of subparagraph 6(j) below which provides for automatic vesting of all Options upon the occurrence of certain specified events, but in any event Options issued to Consultants performing Investor Relations Activities must vest in stages over 12 months with no more than one quarter of such Options vesting in any three month period.

(e) Assignability of Options

An option granted under the Plan shall not be transferable or assignable (whether absolutely or by way of mortgage, pledge or other charge) by a Participant other than by will or other testamentary instrument or the laws of succession and may be exercisable during the lifetime of the Participant only by the Participant.

(f) Right to Postpone Exercise

Each Participant, upon becoming entitled to exercise an option in respect of any Optioned Shares in accordance with the Option Agreement, shall be entitled to exercise the option to purchase such Optioned Shares at any time prior to the expiration or other termination of the Option Agreement or the option rights granted there under in accordance with such agreement.

(g) Exercise and Payment

Any option granted under the Plan may be exercised by a Participant or the legal representative of a Participant giving written notice to the Corporation specifying the number of shares in respect of which such option is being exercised, accompanied by payment (by cash or cheque payable to the Corporation) of the entire exercise price (determined in accordance with the Option Agreement) for the number of

shares specified in the notice. Upon any such exercise of an option by a Participant the Corporation shall cause the transfer agent and registrar of the Common Shares of the Corporation to promptly deliver to such Participant or the legal representative of such Participant, as the case may be, a share certificate in the name of such Participant or the legal representative of such Participant, as the case may be, representing the number of shares specified in the notice.

(h) Rights of Participants

The Participants shall have no rights as Shareholders in respect of any of the Optioned Shares (including, without limitation, any right to receive dividends or other distributions there from, voting rights, warrants or rights under any rights offering) other than Optioned Shares in respect of which Participants have exercised their option to purchase and which have been issued by the Corporation.

(i) Alterations in Shares

In the event of a share dividend, share split, issuance of shares or instruments convertible into Common Shares (other than pursuant to the Plan) for less than market value, share consolidation, share reclassification, exchange of shares, recapitalization, amalgamation, merger, consolidation, corporate arrangement, reorganization, liquidation or the like of or by the Corporation, the Board of Directors may make such adjustment, if any, of the number of Optioned Shares, or of the exercise price, or both, as it shall deem appropriate to give proper effect to such event, including to prevent, to the extent possible, substantial dilution or enlargement of rights granted to Participants under the Plan. In any such event, the maximum number of shares available under the Plan may be appropriately adjusted by the Board of Directors. If because of a proposed merger, amalgamation or other corporate arrangement or reorganization, the exchange or replacement of shares in the Corporation by those in another company is imminent, the Board of Directors may, in a fair and equitable manner, determine the manner in which all unexercised option rights granted under the Plan shall be treated including, for example, requiring the acceleration of the time for the exercise of such rights by the Participants and of the time for the fulfillment of any conditions or restrictions on such exercise. All determinations of the Board of Directors under this paragraph 6(i) shall be full and final.

(j) Time of Exercise and Change of Control

All Options will be exercisable in whole on the date upon the occurrence of a written proposal by the Corporation or any other person or corporation to implement a transaction that would, if implemented, result in the following:

- (i) The acquisition by any person or corporation, or any persons or corporations acting jointly or in concert (as determined by the Securities Act (Alberta)), whether directly or indirectly, of voting securities of the Corporation which, together with all other voting securities of the Corporation held by such persons or corporations, constitutes, in the aggregate, more than 40% of the Common Shares;
- (ii) an amalgamation, arrangement or other form of business combination of the Corporation with another corporation which results in the holders of voting securities of that other corporation holding, in the aggregate, more than 40% of all outstanding voting securities of the Corporation resulting from any such business combination; and
- (iii) the sale, lease or exchange of all or substantially all of the property of the Corporation to another person or corporation, other than in the ordinary course of business of the Corporation or to a subsidiary.

7. Expiry of Options

(a) Normal Expiry

Subject to subparagraphs 7(b), (c), (d) and (e), Options granted under the Plan shall expire on the date provided for in the respective Option Agreement or on such later date as may be permitted by the Board of Directors, which shall be no later than the fifth anniversary of the date on which any such Option is granted.

(b) Retirement or Disability

Subject to subparagraph 7(c), in the event of the termination of employment or of a consulting agreement of a Participant with the Corporation or any of its subsidiaries due to normal retirement in accordance with the policies of the Corporation or the respective subsidiary, as the case may be, or due to permanent disability of the Participant (as determined by the Board of Directors), the Participant may exercise such part of the Option as is exercisable immediately prior to the time of such termination within a period of 30 days following such termination in the case of a Participant who is engaged in Investor Relations Activities and ceases to be employed to provide Investor Relations Activities and within a period of 90 days following such termination in every other case but in no event later than the normal expiry date of the Option and any such Option not fully exercised at the end of such period shall then terminate.

(c) Death of Participant

In the event of the death of any Participant prior to the expiry of outstanding Options granted to such Participant, the executors or personal representatives of the Participant shall have the right to exercise any such Option within 180 days of the Participant's death, but in no event later than the normal expiry date of the Option and for not more than the number of Options for which the Participant could have exercised any such Option immediately prior to the Participant's death, and any such Option not fully exercised at the end of such period shall then terminate.

(d) Resignation or Termination not for Cause

Subject to subparagraph 7(e), in the event of the resignation of a Participant from, the termination of employment of a Participant with, or the removal or resignation of a Participant who is a director, officer, employee or consultant of the Corporation or any of its subsidiaries prior to the expiry of all outstanding Options granted to such Participant, the Participant shall have the right to exercise any such Options within a period of 30 days following the effective date of such resignation in the case of a Participant who is engaged in Investor Relations Activities and ceases to be employed to provide Investor Relations Activities and within a period of 90 days following the effective date of such resignation or termination in every other case but in no event later than the normal expiry date of the Options, but for not more than the number of Options for which the Participant could have exercised any such Option immediately prior to such resignation or termination and any such Option not fully exercised at the end of such period shall then terminate.

(e) Termination for Cause

If a Participant is dismissed or terminated as a director, officer, employee or consultant (as the case may be by the Corporation or by one of its subsidiaries) for cause, all unexercised Options of that Participant under the Plan shall immediately terminate forthwith without further notice to the Participant, notwithstanding the original term or vesting of the Options granted to such Participant under the Plan or Option Agreement.

8. **Amendment and Discontinuance of Plan**

The Board of Directors may from time to time amend or revise the terms of the Plan or may discontinue the Plan at any time, provided that no such action may in any manner adversely affect the rights under any options earlier granted to a Participant under the Plan without the consent of that Participant.

9. **No Further Rights**

Nothing contained in the Plan nor in any option granted under this Plan shall give any Participant or any other person, any interest or title in or to any Common Shares of the Corporation or any rights as a shareholder of the Corporation or any other legal or equitable right against the Corporation other than as set out in the Plan and pursuant to the exercise of any option, nor shall it confer upon the Participants any right to continue as an employee, officer, consultant or director of the Corporation or of its subsidiaries.

10. **Compliance with Laws**

The obligations of the Corporation to sell Common Shares and deliver share certificates under the Plan are subject to such compliance by the Corporation and the Participants as the Corporation deems necessary or advisable with all applicable corporate and securities laws, rules and regulations.

11. **Gender**

The use of the masculine gender in this Plan shall be deemed to include or be replaced by the feminine gender where appropriate to the particular Participant.

12. **Stock Exchange Requirements**

The terms and conditions of the Plan and the implementation thereof shall at all times be subject to the rules and regulations of any stock exchange on which the Shares are listed, and, in the event of any inconsistency between the terms and conditions of the Plan and the rules and regulations of any such exchange, the rules and regulations of such exchange shall prevail.

