



**Notice of Meeting
and
Management Information Circular**

with respect to the

**Annual General Meeting
of Shareholders of
BNK Petroleum Inc.**

To be held on Friday, June 3, 2011



Dear Shareholder:

You are invited to attend the Annual General Meeting of Shareholders of BNK Petroleum Inc. to be held in the Tweedsmuir Room at The Fairmont Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia, on Friday, June 3, 2011 at the hour of 11:30 A.M. (local time in the city of Vancouver, British Columbia).

The business of the meeting is described in the accompanying Notice of Meeting and Management Information Circular.

Your participation in the meeting is important regardless of the number of shares you hold. If you cannot attend the meeting, please vote by completing the form of proxy and returning it by 11:30 A.M. (local time in the city of Vancouver, British Columbia) on Wednesday, June 1, 2011 in the manner described in the Management Information Circular for information about how to vote your shares.

We look forward to seeing you at the meeting.

"Ford Nicholson"

FORD NICHOLSON
Chairman of the Board

"Wolf Regener"

WOLF REGENER
President & Chief Executive Officer

BNK PETROLEUM INC.
760 Paseo Camarillo, Suite 350
Camarillo, CA 93010

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of the shareholders of **BNK Petroleum Inc.** (the "**Company**") will be held in the Tweedsmuir Room at The Fairmont Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia on Friday, June 3, 2011 at the hour of 11:30 A.M. (local time in the City of Vancouver, British Columbia), for the following purposes:

1. to receive and consider the report of the directors and the consolidated financial statements of the Company together with the auditor's report thereon for the financial year ended December 31, 2001;
2. to fix the number of directors at six (6);
3. to elect directors for the ensuing year;
4. to appoint the auditor for the ensuing year and authorize the directors to fix the remuneration to be paid to the auditor;
5. to consider and, if thought fit, to approve the renewal of unallocated entitlements under the Company's existing Stock Option Plan, or the amended and restated stock option plan, as applicable, as further described in the Management Information Proxy Circular accompanying this notice;
6. to consider and, if thought fit, to approve certain amendments to the Company's existing stock option plan and the adoption of the amended and restated stock option plan, as further described in the Management Information Proxy Circular accompanying this notice; and
7. to transact such further or other business as may properly come before the meeting and any adjournments thereof.

The accompanying information circular provides additional information relating to the matters to be dealt with at the meeting and is deemed to form part of this notice.

If you are unable to attend the meeting in person, please complete, sign and date the enclosed form of proxy and return the same in the enclosed return envelope provided for that purpose within the time and to the location set out in the form of proxy accompanying this notice.

DATED this 29th day of April, 2011.

**By Order of the Board of Directors of
BNK Petroleum Inc.**

"Wolf Regener"

WOLF REGENER

President and Chief Executive Officer

**BNK Petroleum Inc.
760 Paseo Camarillo, Suite 350
Camarillo, CA 93010**

MANAGEMENT INFORMATION CIRCULAR

Dated April 29, 2011

The Company is providing this information circular and a form of proxy in connection with management's solicitation of proxies for use at the annual general meeting (the "**Meeting**") of the Company to be held on Friday, June 3, 2011 and at any adjournments. Unless the context otherwise requires, when we refer in this information circular to the Company, its subsidiaries are also included. The Company will conduct its solicitation by mail and officers and employees of the Company may, without receiving special compensation, also telephone or make other personal contact. The Company will pay the cost of solicitation.

Unless otherwise indicated, dollar figures in this information circular are in U.S. currency. Canadian dollars are referred to as "C\$" herein.

APPOINTMENT OF PROXYHOLDER

The purpose of a proxy is to designate persons who will vote the proxy on a shareholder's behalf in accordance with the instructions given by the shareholder in the proxy. The persons whose names are printed in the enclosed form of proxy are officers or directors of the Company (the "**Management Proxyholders**").

A shareholder has the right to appoint a person other than a Management Proxyholder, to represent the shareholder at the Meeting by striking out the names of the Management Proxyholders and by inserting the desired person's name in the blank space provided or by executing a proxy in a form similar to the enclosed form. A proxyholder need not be a shareholder.

VOTING BY PROXY

Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Common shares of the Company ("**Shares**") represented by a properly executed proxy will be voted or be withheld from voting on each matter referred to in the Notice of Meeting in accordance with the instructions of the shareholder on any ballot that may be called for and if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly.

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.

The enclosed form of proxy also gives discretionary authority to the person named therein as proxyholder with respect to amendments or variations to matters identified in the Notice of the Meeting and with respect to other matters which may properly come before the Meeting. At the date of this Information Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

COMPLETION AND RETURN OF PROXY

Completed forms of proxy must be deposited at the office of the Company's registrar and transfer agent, Computershare Investor Services Inc., set forth on the proxy or #600, 530 – 8th Avenue SW, Calgary, Alberta, not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting, unless the chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

NON-REGISTERED HOLDERS

Only shareholders whose names appear on the records of the Company as the registered holders of shares or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Company are "non-registered" shareholders because the Shares they own are not registered in their names but instead are registered in the name of a nominee such as a brokerage firm through which they purchased the shares; bank, trust company, trustee or administrator of self-administered RRSP's, RRIF's, RESP's and similar plans; or clearing agency such as The Canadian Depository for Securities Limited (a "**Nominee**"). If you purchased your Shares through a broker, you are likely to be an unregistered holder.

In accordance with securities regulatory policy, the Company has distributed copies of the Meeting materials, being the Notice of Meeting, this Information Circular and the Proxy, to the Nominees for distribution to non-registered holders.

Nominees are required to forward the Meeting materials to non-registered holders to seek their voting instructions in advance of the Meeting. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered holder. The Nominees often have their own form of proxy, mailing procedures and provide their own return instructions. If you wish to vote by proxy, you should carefully follow the instructions from the Nominee in order that your Shares are voted at the Meeting.

If you, as a non-registered holder, wish to vote at the Meeting in person, you should appoint yourself as proxyholder by writing your name in the space provided on the request for voting instructions or proxy provided by the Nominee and return the form to the Nominee in the envelope provided. Do not complete the voting section of the form as your vote will be taken at the Meeting.

In addition, Canadian securities legislation now permits the Company to forward meeting materials directly to "non objecting beneficial owners". If the Company or its agent has sent these materials directly to you (instead of through a Nominee), your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Nominee holding on your behalf. By choosing to send these materials to you directly, the Company (and not the Nominee holding on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions.

REVOCABILITY OF PROXY

Any registered shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a registered shareholder, his attorney authorized in writing or, if the registered shareholder is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a proxy by instrument in writing, including a proxy bearing a later date. The instrument revoking the proxy must be deposited at the registered office of the Company, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting. **Only registered shareholders have the right to revoke a proxy. Non-Registered Holders who wish to change their vote must, at least 7 days before the Meeting, arrange for their Nominees to revoke the proxy on their behalf.**

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of Shares without par value, of which 144,103,327 Shares are issued and outstanding as at April 29, 2011. Persons who are registered shareholders at the close of business on April 29, 2011 will be entitled to receive notice of and vote at the Meeting and will be entitled to one vote for each share held. The Company has only one class of shares.

To the knowledge of the Directors and executive officers of the Company, except as disclosed below, no person beneficially owns, controls or directs directly or indirectly shares carrying 10% or more of the voting rights attached to all shares of the Company. On November 10, 2010, Soros Fund Management LLC (“Soros”) and Quantum Partners LP (“Quantum”) filed an alternative monthly report in respect of the Company pursuant to which it was reported that Quantum was deemed to beneficially own, as at October 31, 2010, 28,000,000 common shares of the Company over which Soros was reported to have investment and voting control. The Directors and executive officers of the Company are not aware of any change in the foregoing information. Based on the Company’s current issued and outstanding shares, 28,000,000 shares represents approximately 19.43% of the issued and outstanding share capital of the Company.

BUSINESS OF THE ANNUAL GENERAL MEETING

Receipt of the Financial Statements and Auditor's Report

The consolidated financial statements of the Company for the year ended December 31, 2010 and the auditors' report thereon will be placed before the shareholders at the meeting.

Under National Instrument 51-102 – *Continuous Disclosure Obligations*, a person or corporation who in the future wishes to receive interim and/or annual financial statements from the Company must deliver a written request for such material to the Company, together with a signed statement that the person or corporation is the owner of securities (other than debt instruments) of the Company. If you wish to receive interim and/or annual financial statements you are encouraged to send the enclosed return card, together with the completed form of proxy to Computershare Investor Services Inc. at the address set forth on the return card.

Election of Directors

The directors of the Company are elected at each annual meeting and hold office until the next annual meeting or until their successors are appointed. **In the absence of instructions to the contrary, the enclosed proxy will be voted for the nominees herein listed.**

Shareholder approval will be sought to fix the number of directors of the Company at six (6).

The Company has an Audit Committee, a Compensation Committee, a Corporate Governance Committee and a Health, Safety and Environmental ("HS&E") Committee. Members of these committees are as set out below.

Management of the Company proposes to nominate each of the following persons for election as a Director. Information concerning such persons, as furnished by the individual is as follows:

Name, Jurisdiction of Residence and Position	Principal Occupation, Business or Employment	Previous Service as a Director	Number of Shares beneficially owned, or controlled or directed, directly or indirectly⁽⁵⁾
Ford Nicholson ^{(2),(3)} British Columbia, Canada Chairman and Director	President, Kepis & Pobe Financial Group Inc.	Since June 27, 2008	7,429,697
Robert Cross ^{(1),(2),(3)} British Columbia, Canada Director	Independent director and, in some cases, non-executive chair of boards of public companies principally in the resource sector	Since June 27, 2008	5,675,616
Victor Redekop ^{(1),(3),(4)} Alberta, Canada Director	Vice-President and Secretary, Simmons Group Inc.	Since June 27, 2008	1,344,437
Eric Brown ^{(1),(2)} British Columbia, Canada Director	Independent consultant	Since June 27, 2008	109,050
General Wesley Clark (retired) ⁽⁴⁾ Arkansas, USA Director	Chief Executive Officer of Wesley K. Clark and Associates	Since July 21, 2009	411,000
Wolf Regener ⁽⁴⁾ California, USA Director	President and CEO of the Corporation	Since May 25, 2010	1,485,927

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Corporate Governance Committee.

(4) Member of the HS&E Committee.

(5) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at April 20, 2010, based upon information furnished to the Company by individual directors. Unless otherwise indicated, such Shares are held directly.

No proposed director is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the Company acting solely in such capacity.

Except as disclosed below, to the knowledge of the Company no proposed director:

(a) is, as at the date of the Information Circular, or has been, within 10 years before the date of the Information Circular, a director, chief executive officer ("CEO") or chief financial officer ("CFO") of any company (including the Company) that:

(i) was the subject, while the proposed director was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or

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

Ford Nicholson was a director of Sepik Gold Corporation ("Sepik") from May 1996 to December 2001. Sepik did not have adequate funds to complete its 2000 year-end audit and the shares of Sepik were cease traded in December 2001, at which time Mr. Nicholson resigned from the board of Sepik.

Certain directors of the Company are presently directors of other reporting issuers (see "Participation of Directors in Other Reporting Issuers").

Appointment of Auditors

The shareholders will be asked to vote for the appointment of KPMG LLP, Chartered Accountants, of Calgary, Alberta, as auditors of the Company until the close of the next annual meeting, at such remuneration as may be approved by the board of directors of the Company. KPMG were first appointed auditors of the Company in May 2008.

The persons named as proxyholder in the enclosed form of proxy intend to cast the votes represented by proxy in favour of the foregoing resolutions unless the registered holder who has given such proxy has directed that the shares be otherwise voted.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Stock Option Plan

Renewal of Unallocated Entitlements

The Company's existing Stock Option Plan (the "**Plan**"), initially adopted in 2008, does not have a fixed maximum number of securities issuable and, as such, under the policies of the TSX, any unallocated options, rights or other entitlements ("**unallocated entitlements**") under the Plan must be approved by shareholders by ordinary resolution at the Meeting and further approval will be required in three years time. See "Approval of Unallocated Entitlements" below. Previously allocated options, rights or other entitlements under the Plan will continue in effect, irrespective of whether the resolution approving the unallocated entitlements is passed. However, if approval of the unallocated options is not obtained at the Meeting, any such previously allocated options, rights or entitlements will not be available for re-allocation or grant if they are cancelled prior to exercise.

The number of stock options that may be issued under the Plan, together with the number of securities reserved for issuance under other outstanding securities-based compensation arrangements may not exceed 10% of the issued and outstanding Common Shares at the time of grant. The Plan is a 'rolling plan' in the sense that any increase in the issued and outstanding Common Shares will result in an increase in the available number of Common Shares issuable under the Plan, and any exercises of stock options will make new grants available under the Plan.

A summary of certain key terms of the Plan is located under the heading "Securities Authorized for Issuance under "Equity Compensation Plans – Stock Option Plan". Shareholders are also referred to the actual terms and conditions of the Plan, a copy of which is attached to this Circular.

Proposed Amendment

The Plan currently provides that if an optionee ceases to be an Eligible Participant other than for cause or as a result of death or disability, options held by such optionee that have vested remain exercisable for a period of not more than 90 days after the optionee ceases to be an Eligible Participant and, in the event of the optionee's death or disability, for a period of 365 days subject, in each case, to the option expiry date, if earlier.

The board of directors has approved an amendment to the Plan, subject to regulatory and shareholder approval, to make the mandatory termination of options within the foregoing prescribed periods subject to the terms of an employment agreement.

The Company is of the view that it is essential that the Board have the flexibility to agree to provide an extended period during which employees may exercise their options in circumstances where an employee is terminated other than for cause, including but not limited to upon a change of control transaction, in order to remain competitive and to ensure it is in a position to attract and retain highly qualified personnel. The foregoing is referred to as the "**Proposed Amendment**".

The Board has also approved certain 'housekeeping' changes to the amendment provisions of the Plan to make those provisions consistent with other terms of the Plan. These housekeeping amendments do not require shareholder approval.

Accordingly, at the Meeting shareholder approval will be sought to: a) renew the unallocated entitlements under the Plan, and b) approve the Proposed Amendment to the Plan. The approval of

the unallocated entitlements under the Plan, with or without the Proposed Amendment, and the approval of the Proposed Amendment, each require the affirmative vote of the holders of a majority of the votes cast by shareholders of the Company entitled to vote and represented in person or by proxy at the Meeting.

A copy of the Plan as amended and restated to reflect the Proposed Amendment is attached to this Information Circular as Schedule "B".

Resolutions

Approval of Unallocated Entitlements

Shareholders will be asked at the Meeting to consider, and if thought fit, approve with or without variation, an ordinary resolution on substantially the terms set forth below:

"RESOLVED, as an ordinary resolution, that the Plan (or, if the Proposed Amendment is approved, the Amended and Restated Plan) and the unallocated entitlements thereunder be and they are hereby approved until June 3, 2014."

The directors of the Company believe the passing of a resolution approving the unallocated entitlements for a further three year period is in the best interests of the Company and recommend that shareholders of the Company vote in favour of the resolution.

If you do not indicate how you want your shares to be voted, the persons named in the proxy intend to vote your shares in favour of approving the unallocated entitlements for a further three year period.

Approval of Proposed Amendment

Shareholders will be asked at the Meeting to consider, and if thought fit, approve with or without variation, an ordinary resolution on substantially the terms set forth below:

"RESOLVED, as an ordinary resolution, that the Proposed Amendment is approved and adoption by the Company of the amended and restated Plan reflecting the Proposed Amendment attached as Appendix II to this Information Circular, be and is hereby authorized and approved."

The directors of the Company believe the passing of a resolution approving the Proposed Amendment and the Amended and Restated Plan is in the best interests of the Company and recommend that shareholders of the Company vote in favour of the resolution.

If you do not indicate how you want your shares to be voted, the persons named in the proxy intend to vote your shares for the Proposed Amendment to the Company's Plan.

EXECUTIVE COMPENSATION AND REMUNERATION OF DIRECTORS

Composition of the Compensation Committee

The Company's executive compensation program is administered by the Committee. The Compensation Committee (in this section referred to as the "**Committee**") is comprised solely of independent directors. During the fiscal year ended December 31, 2010, the Committee was comprised of Messrs. Ford Nicholson, Robert Cross and Eric Brown. Each of the members of the Committee is independent, as defined by applicable securities legislation, and is experienced in dealing with compensation matters by virtue of having previously held senior executive or similar positions requiring such individuals to be directly involved in establishing compensation philosophy and policies and in determining overall compensation of executives.

Compensation Discussion and Analysis

As part of its mandate, the Committee reviews and recommends to the Board the remuneration of the Company's executive officers, including the Named Executive Officers identified in the Summary Compensation Table. The Committee is also responsible for reviewing the Company's compensation policies and guidelines generally. During 2010 the Committee held one formal meeting and several informal meetings to address compensation matters relating to hiring decisions and option awards. The Committee also met during the first quarter of 2011 to assess performance of senior executives during 2010 and together with management to identify individual and corporate objectives for 2011.

The following Compensation Discussion and Analysis is intended to provide information about the Company's philosophy, objectives and processes regarding compensation for the executive officers of the Company. It explains how decisions regarding executive compensation are made and the reasoning behind these decisions.

Compensation Philosophy and Objectives of Compensation Programs

The Company seeks to encourage a steady growth in land acquisitions and exploration and other growth opportunities that are likely to enhance shareholder value, while maintaining reserves and production. To achieve these objectives, the Company believes it is critical to create and maintain compensation programs that attract and retain committed, highly-qualified personnel by providing appropriate rewards and incentives.

The Company's compensation program is designed to reward performance that contributes to the achievement of the Company's business strategy on both a short-term and long-term basis, without unduly increasing the risks associated with the Company's business and its business strategy. In furtherance of the foregoing the Company strives to reward qualities that it believes help achieve its strategy such as teamwork, individual performance in light of general economic and industry specific conditions, efforts to mitigate the business, financial and other risks facing the Company, integrity and resourcefulness, the ability to manage the Company's existing assets, the ability to identify and pursue new business opportunities, responsibility and accountability, and tenure with the Company.

During the year ended December 31, 2010, the executive management team achieved significant milestones which were contemplated in the 2010 business plan and budgets of the Company and considered by the Committee in the establishment of overall 2010 compensation. Significant developments that were reflected in the compensation determination for 2011 and in cash bonuses for 2010, included:

- earnings of \$299,000 versus a loss of \$12.6 million in 2009;
- working capital was \$63.5 million at December 31, 2010 versus a negative \$13.8 million at December 31, 2009;
- the Company added six new concessions in 2010 in Poland and Germany totaling 2.49 million acres;
- the Company began drilling its first well in Poland in December 2010;
- the Company purchased the overriding royalty interest and net profits interest from its former lender for \$12 million;
- the Company repaid debt totaling \$28.0 million and raised \$20.0 million in new borrowings under a revolver due October 2013; and
- the Company raised \$104.1 million in new equity financing net of debt issue costs.

Risk-Management Implications

The Committee exercises both positive and negative discretion in relation to compensation and the allocation of compensation between cash and non-cash awards, to encourage and reward performance that does not increase, and where practical mitigates, the Company's exposure to business and financial risks including those identified in the Company's Annual Information Form and Management's Discussion and Analysis.

Compensation Mix

The Company compensates its executive officers through base salary, bonuses and the award of stock options under the Option Plan at levels which the Committee believes are reasonable in light of the performance of the Company under the leadership of the executive officers. The objective of the compensation program is to provide a combination of short, medium and long term incentives that reward performance and also are designed to achieve retention of high-quality executives.

The following table provides an overview of the elements of the Company's compensation program. These elements of compensation apply universally to all full-time employees of the Company.

Compensation Element	Award Type	Objective	Key Features
Base Salary	Salary	Provides a fixed level of regularly paid cash compensation for performing day-to-day executive level responsibilities.	Recognizes each officer's unique value and historical contribution to the success of the Company in light of salary norms in the industry and the general marketplace.
Annual Cash Bonuses	Annual non-equity incentive plan	Motivates executive officers to achieve key corporate objectives by rewarding the achievement of these objectives.	Discretionary cash payments recommended to the Board by the Committee based upon contribution to the achievement of corporate objectives and individual performance.
Option Plan	Option-based award	Long-term equity-based incentive compensation that rewards long-term performance by allowing executive officers to participate in the long-term appreciation of the Company's Shares. The Committee believes that the granting of stock options is required in order for the Company to be competitive with its peers from a total remuneration standpoint and to encourage executive officer retention.	Annual and special awards, as determined appropriate by the Committee, granted at market price, vesting ratably over two years and having a term of five years.

The Named Executive Officers are also eligible to participate in the same benefits as offered to all full-time employees. The Company does not view these benefits as a significant element of its compensation structure but does believe that they can be used in conjunction with base salary to attract, motivate and retain individuals in a competitive environment.

Base salary levels for 2010 were established for those Named Executive Officers then employed, in February 2010. The base salary level for Mr. Nelson was established at the time of hiring. The Company granted stock options to its Named Executive Officers as well as certain other employees during 2010, as part of its compensation policy.

Assessment of Compensation

The Committee also utilizes compensation information that is made available to it by independent executive search consultants, Korn Ferry International, and Tri-Starr Personnel, compensation surveys and publicly available information contained within the annual proxy circulars. The Committee also takes into account recommendations made by the Chief Executive Officer in respect of the Named Executive Officers (other than himself). In reviewing comparative data, the Committee does not engage in benchmarking for the purposes of establishing compensation levels relative to any predetermined point. In the Committee's view, external and third-party survey data provides an insight into external competitiveness, but is not an appropriate single basis for establishing compensation levels. This is primarily due to the differences in the size, scope and location of operations of comparable corporations and the lack of sufficient appropriate matches to provide statistical relevance.

Salary: Base salary is intended to compensate core competences in the executive role relative to skills, experience and contribution to the Company. Base salary provides fixed compensation determined by reference to competitive market information. The Committee believes that salaries should be competitive and, as such, should provide the executive officers with an appropriate compensation that reflects their level of responsibility, industry experience, individual performance and contribution to the growth of the Company. The 2010 base salaries of the Named Executive Officers of the Company included in the "Summary Compensation Table" were established primarily on this basis.

Annual Cash Bonuses: Bonuses are paid at the discretion of the Board on recommendation of the Committee, based upon the achievement of certain individual and corporate performance goals. Bonuses awarded by the Committee are intended to be competitive with the market while rewarding executive officers for meeting qualitative goals, including delivering near-term financial and operating results, developing long-term growth prospects, improving the efficiency and effectiveness of business operations and building a culture of teamwork focused on creating long-term shareholder value. Consistent with the flexible nature of the annual bonus program, the Committee does not assign any specific weight to any particular performance goal nor is any specific weight assigned to the performance goals in the aggregate. The Committee considers not only the Company's performance during the year with respect to the qualitative goals, but also with respect to market and economic trends and forces, extraordinary internal and market-driven events, unanticipated developments and other extenuating circumstances. In sum, the Committee analyzes the total mix of available information on a qualitative, rather than quantitative, basis in making bonus determinations. Specific performance objectives that were met in 2010 included the adding of additional concessions in Europe, refinancing of the Company's debt, the raising of additional equity capital and increased production from the Company's Tishomingo field in Oklahoma.

Long-Term Incentives: The allocation of stock options and the terms of those options are an integral component of the compensation package of the executive officers of the Company. The Company has a stock option plan in place for the purpose of providing stock options to its officers, employees and consultants. The Committee believes that the grant of options to the executive officers and share ownership by such officers serves to motivate achievement of the Company's long-term strategic objectives and the result will benefit all shareholders of the Company. Stock options are awarded to employees of the Company (including the Named Executive Officers) by the Board based in part upon the recommendation of the Committee, which bases its recommendations in part upon recommendations of the Chief Executive Officer relative to the level of responsibility and contribution of the individuals toward the Company's goals and objectives. The Committee exercises its discretion to adjust the number of stock options awarded based upon its assessment of individual and corporate performance and the anticipated future hiring requirements of the Company. Also, the Committee considers the overall number of stock options that are outstanding relative to the number of outstanding Common Shares of the Company and the overall number of stock options held by each individual optionee relative to the number of stock options that are available under the Option Plan in determining whether to make any new grants of stock options and the size of such grants. The granting of specific options is reviewed by the Committee for final recommendation to the Board for approval.

Performance Analysis

The following graph compares the yearly change in the cumulative total shareholder return since the Company's shares commenced trading in July 2008, assuming an investment of C\$100 was made on July 10, 2008 in the Company's Shares, with the cumulative total return of the S&P/TSX Composite Index for the comparable period.



The trend shown in the above graph does not necessarily correspond to the Company's compensation to its Named Executive Officers during the same periods. The Compensation Committee reviews and recommends to the Board the remuneration of the Company's executive officers, including the Named Executive Officers. The Compensation Committee considers a number of factors in connection with its determination of appropriate levels of compensation including, but not limited to, the demand for and supply of skilled professionals in the oil and gas industry, individual performance, the Company's performance (which is not necessarily tied exclusively to the trading price of the Common Shares on the TSX) and other factors discussed under "Compensation Discussion and Analysis" above.

The trading price of the Shares on the TSX is subject to fluctuation based on a number of factors, many of which are outside the control of the Company. These include, but are not limited to, fluctuations and volatility in commodity prices for crude oil, natural gas and natural gas liquids, fluctuations and volatility in foreign exchange rates, global economic conditions, changes in government, environmental policies, legislation and royalty regimes, and other factors, some of which are disclosed and discussed under the heading "Business Risks" in the Company's Management's Discussion and Analysis for the period ended December 31, 2010 and under the heading "Risk Factors" in the annual information form of the Company for the year ended December 31, 2010.

Summary Compensation Table

The following table sets forth the total compensation for services in all capacities to the Company and its subsidiaries provided directly or indirectly by the Company (including its subsidiaries) for the periods indicated in respect of each of the individuals comprised of the Chief Executive Officer and the Chief Financial Officer as at December 31, 2010 and the other three most highly compensated executive officers of the Company as at such date whose individual total salary and bonus for the most recently completed financial year exceeded \$150,000 and any individual who would have satisfied these criteria but for the fact that individual was not serving as such an officer at the end of the most recently completed financial year (collectively the "Named Executive Officers").

As at the end of fiscal 2010, the Company had four Named Executive Officers.

Name and Principal Position	Year	Salary (\$)	Share Based Awards (\$)	Non-Equity Incentive Plan			Pension Value (\$)	All Other Compensation ⁽⁴⁾ (\$)	Total Compensation (\$)
				Option-Based Awards ⁽¹⁾⁽²⁾ (\$)	Annual Incentive Plans ⁽³⁾ (\$)	Long-Term Incentive Plans (\$)			
Wolf Regener, President and Chief Executive Officer	2010	277,939	Nil	463,500	150,000	Nil	Nil	Nil	891,439
	2009	200,988	Nil	836,190	88,000	Nil	Nil	Nil	1,125,178
	2008	202,342	Nil	1,118,700	Nil	Nil	Nil	Nil	1,321,042
Warren Nelson, ⁽⁵⁾ Chief Financial Officer and Vice President	2010	204,166	Nil	1,208,685	105,000	Nil	Nil	Nil	1,517,851
James Hill, Vice President, New Ventures	2010	209,958	Nil	Nil	28,000	Nil	Nil	Nil	237,958
	2009	176,435	Nil	154,850	21,000	Nil	Nil	Nil	352,285
	2008	163,457	Nil	167,800	Nil	Nil	Nil	Nil	331,257
Steve Warshauer ⁽⁶⁾ Vice President – Exploration	2010	188,525	Nil	283,880	50,000	Nil	Nil	Nil	522,405
Cuneyt Tirmandi, ⁽⁷⁾ Chief Financial Officer	2010	C\$120,000	Nil	Nil	Nil	Nil	Nil	Nil	C\$120,000
	2009	C\$240,000	Nil	C\$92,910	Nil	Nil	Nil	Nil	C\$332,910
	2008	C\$120,000	Nil	C\$167,800	Nil	Nil	Nil	Nil	C\$287,800

- (1) Represents options to purchase Shares of the Company, with each option upon exercise entitling the holder to acquire one Common Share. The grant date fair value has been calculated in accordance with Section 3870 of the CICA Handbook. See "Compensation Discussion and Analysis" for further details.
- (2) The actual value of the options granted to the Named Executive Officers will be determined based on the market price of the Common Shares at the time of exercise of such options, which may be greater or less than grant date fair value reflected in the table above. See "Outstanding Share-Based and Option-Based Awards - Named Executive Officers".
- (3) Annual Incentive Plan amounts represent discretionary bonuses earned in the year noted but paid in the following year. See 'Compensation Discussion and Analysis'.
- (4) Nil indicates perquisites and other personal benefits did not exceed \$50,000 or 10 percent of the total of the annual salary of the Named Executive Officer during the reporting period. All Other Compensation includes perquisites and other benefits including vehicle allowance, parking, life insurance premiums, club membership fees.
- (5) Mr. Nelson was Vice President on March 8, 2010 and Vice President and Chief Financial Officer effective April 1, 2010.
- (6) Mr Warshauer was appointed Vice President, Exploration on February 11, 2011.
- (7) Mr. Tirmandi ceased to be an executive officer of the Company on April 1, 2010 and continued as a consultant for a period of three months thereafter. Amounts under "Salary" comprise a consulting fee of C\$20,000 per month from July 1, 2008 to December 31, 2009 through CST Financial Services Inc., a consulting company controlled by Mr. Tirmandi. The 2010 salary paid to Mr. Tirmandi is calculated based on six months at C\$20,000 a month. The 2009 salary and value of option-based awards to Mr. Tirmandi is calculated based on the 12 month average Bank of Canada noon rate of \$1.00:C\$1.0544. The corresponding US dollar values are \$227,618, (salary) and \$88,116 (option-based award value). The 2008 salary and value of option-based awards to Mr. Tirmandi is calculated based on the 6 month average Bank of Canada noon rate of \$1.00:C\$1.12715. The corresponding US dollar values are \$106,463 (salary) and \$148,871 (option-based award value).

Outstanding Option-Based Awards - Named Executive Officers

The Company adopted a stock option plan in 2008 which was approved by the shareholders on May 27, 2009 (the "**Option Plan**") pursuant to which the Company may grant incentive stock options to directors, officers, employees and consultants of the Company or any subsidiary thereof. For a description of the Option Plan, see "Equity Compensation Plans".

The following table sets forth information with respect to all outstanding stock options granted under the Option Plan to the Named Executive Officers, as at December 31, 2010.

Name	Option-Based Awards					
	Number of Securities Underlying Unexercised Options (#) ⁽¹⁾	Option Exercise Price (C\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (C\$) ⁽²⁾	Number of Options that have Not Vested (#)	Market Value of Option-Based Awards that have not Vested (C\$) ⁽²⁾
Wolf Regener	1,350,000	0.63	July 27, 2014	3,739,500	450,000	1,246,500
	500,000	2.85	September 1, 2015	275,000	333,334	183,334
Cuneyt Tirmandi	150,000	0.63	July 27, 2014	415,500	50,000	138,500
James Hill	250,000	0.63	July 27, 2014	692,500	83,334	230,835
Warren Nelson	500,000	2.12	March 8, 2015	640,000	333,334	426,668
	50,000	2.85	November 30, 2015	27,500	33,334	18,334
Steve Warshauer	200,000	1.72	February 8, 2015	336,000	133,333	224,000
	50,000	2.85	November 30, 2015	27,500	33,334	18,334

(1) Options granted to Named Executive Officers are typically subject to vesting on the basis that one-third of the number granted vest on the date of grant, a further one-third vest on the first anniversary of the date of grant and the remaining third vest on the second anniversary of the date of grant.

(2) Calculated based on the closing price of the Company's shares of C\$3.40 on December 31, 2010, the last trading day of the financial year.

The following table sets forth information in respect of the value of awards granted pursuant to the Option Plan to the Named Executive Officers of the Company that vested during the period ending December 31, 2010 and bonuses awarded to Named Executive Officers, for the financial year ending December 31, 2010.

Name	Option-Based Awards - Value Vested During Year ⁽¹⁾⁽²⁾ (C\$)	Share-Based Awards - Value Vested During Year (C\$)	Non-Equity Incentive Plan Compensation- Value Earned During Year (\$)
Wolf Regener	2,584,666	N/A	150,000
Cuneyt Tirmandi	277,000	N/A	0
James Hill	461,665	N/A	28,000
Warren Nelson	222,499	N/A	105,000
Steve Warshauer	100,833	N/A	50,000

(1) Calculated based on the difference between the market value of the Shares on the applicable date of vesting (based on the closing price of the Shares on the vesting date) and the applicable exercise price of the options which vested.

(2) The actual value of the options granted to the Named Executive Officer will be determined based on the market price of the Shares at the time of exercise of such options, which may be greater or less than the value at the date of vesting reflected in the table above.

Additional information regarding the significant terms of the Company's Option Plan is provided under "Equity Compensation Plans" below.

Pension Plans

The Company has not established a pension plan for the benefit of its executive officers.

Deferred Compensation Plans

The Company does not have any deferred compensation plans relating to a Named Executive Officer.

Employment Agreements and Termination and Change of Control Benefits

Wolf Regener is employed by the Company as President and Chief Executive Officer. His current salary is \$350,000 per annum. His employment contract provides for a severance payment upon termination of his employment without cause; upon transfer of his place of employment to a location more than 50 miles from the Company's current place of business in Camarillo; upon demotion to a lesser seniority or authority; upon reduction of his base salary to an annual amount at least 25% less than his base salary;

and upon a Change of Control of the Company (collectively, the "**triggering events**"). Upon occurrence of any of these events, the Company will pay him a severance in the amount of twenty-four (24) months' pay calculated on the basis of his base salary at the time of his termination, payable in accordance with the Company's standard payroll schedule. The Company will also reimburse his health care premiums for twenty-four (24) months of medical benefits. In the event of the termination of his employment for any of the above causes, all stock options then held by him will immediately vest and will remain exercisable until the earlier of the expiry date of the said options and the date which is twenty-four (24) months immediately following the date upon which such notice of termination is delivered by the Company. Assuming a triggering event took place on December 31, 2010, the incremental payments, payables and benefits that Mr. Regener would be entitled to are \$700,000, \$21,072 benefits (amount of premiums) and \$1,429,834 (representing the 'in-the-money' value of unvested stock options that would accelerate and become exercisable upon a triggering event, based on the closing market price of the Company's shares on the last trading day before year end). Mr. Regener would also be entitled to the amount of any bonus awarded but not then paid.

Warren Nelson is employed by the Company as Vice President and Chief Financial Officer. His current salary is \$285,000 per annum. His employment contract provides for severance in the event of a triggering event of eighteen (18) months' pay calculated on the basis of his base salary at the time of his termination, payable in accordance with the Company's standard payroll schedule; health care premiums for eighteen (18) months of medical benefits; all stock options then held will immediately vest and will remain exercisable until the earlier of the expiry date of the said options and the date which is twenty-four (24) months immediately following the date upon which such notice of termination is delivered by the Company. Assuming a triggering event took place on December 31, 2010, the incremental payments, payables and benefits that Mr. Nelson would be entitled to as at such date are \$427,500, \$22,068 benefits (amount of premiums) and \$445,002 (representing the in-the-money value of unvested stock options that would accelerate and become exercisable upon a triggering event, based on the closing market price of the Company's shares on the last trading day before year end). Mr. Nelson would also be entitled to the amount of any bonus awarded but not then paid.

James Hill is employed by the Company as Vice-President of Exploration – New Ventures at a current salary of \$222,000 per annum. In the event a triggering event occurs Mr. Hill is entitled to of the following twelve (12) months' pay calculated on the basis of his base salary at the time of his termination, payable in accordance with the Company's standard payroll schedule; reimbursement of health care premiums for twelve (12) months of medical benefits; all stock options then held will immediately vest and will remain exercisable until the earlier of the expiry date of the said options and the date which is twenty-four (24) months immediately following the date upon which such notice of termination is delivered by the Company. Assuming a triggering event took place on December 31, 2010, the incremental payments, payables and benefits that Mr. Hill would be entitled to as at such date are \$222,000, \$14,712 benefits (amount of premiums) and \$230,835 (representing the in-the-money value of unvested stock options that would accelerate and become exercisable upon a triggering event, based on the closing market price of the Company's shares on the last trading day before year end). Mr. Hill would also be entitled to the amount of any bonus awarded but not then paid.

Steve Warshauer is employed by the Company as Vice-President of Exploration at a current salary of \$222,000 per annum. Assuming a triggering event took place on December 31, 2010, the incremental payments, payables and benefits that Mr. Warshauer would be entitled to \$242,334 (representing the in-the-money value of unvested stock options that would accelerate and become exercisable upon a triggering event, based on the closing market price of the Company's shares on the last trading day before year end). Mr. Warshauer would also be entitled to the amount of any bonus awarded but not then paid.

Martin Robert is employed by the Company as Vice President of Engineering and Operations of BNK Petroleum (US) Inc. His current salary is \$275,000. His employment contract entitles him to severance in the event of a triggering event twelve (12) months' pay calculated on the basis of his base salary at the time of his termination, payable in accordance with the Company's standard payroll schedule; health care premiums for twelve (12) months of medical benefits; all stock options then held will immediately vest. Assuming a triggering event took place on December 31, 2010, the incremental payments, payables and benefits that Mr. Robert would be entitled to as at such date are \$275,000, \$12,444 benefits (amount of premiums) and \$201,667 (representing the in-the-money value of unvested stock options that would accelerate and become exercisable upon a triggering event, based on the closing market price of the Company's shares on the last trading day before year end). Mr. Robert would also be entitled to any bonus awarded and not then paid.

For the purposes of the agreements, a Change of Control includes transactions which result in new persons possessing more than 50% of the voting power of the Company or any successor company.

The Company's Option Plan agreements, including those agreements with the Named Executive Officers, contain a provision that if a Change of Control occurs, all option shares will become vested, whereupon such options may be exercised in whole or in part subject to the approval of the TSX, if necessary.

Compensation of Directors

During 2010, the directors of the Company received no cash or share-based compensation for their services in their capacities as directors or members of the Board committees. Directors are eligible to receive grants of stock options under the Company's stock option plan. The Company does not presently have share-based awards or non-equity incentive plans for its non-executive directors.

The following table sets forth all amounts of compensation provided to directors, who are not also Named Executive Officers, for the Company's most recently completed financial year:

Director Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards ⁽¹⁾ (C\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (C\$)
Ford Nicholson (Chairman)	Nil	Nil	463,000	Nil	Nil	Nil	463,000
Robert Cross	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Victor Redekop	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Eric Brown	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Wesley Clark	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Represents options to purchase Shares of the Company, each such option upon exercise entitling the holder to acquire one Common Share. The grant date fair value has been calculated in accordance with Section 3870 of the CICA Handbook. The actual value of the options granted to the directors will be determined based on the market price of the Shares at the time of exercise of such options, which may be greater or less than grant date fair value reflected in the table above

Outstanding Option-Based Awards – Directors

The following table sets forth information with respect to all outstanding option-based awards to directors who are not Named Executive Officers under the Option Plan as at December 31, 2010.

Option-Based Awards					
Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (C\$)	Option Expiration Date	Option-Based Awards – Value Vested During the Year⁽¹⁾ (C\$)	Value of Unexercised In-the-Money Options⁽²⁾ (C\$)
Ford Nicholson	1,450,000	0.63	July 27, 2014	2,677,665	4,016,500
	500,000	2.85	September 1, 2015	91,666	275,000
Robert Cross	1,450,000	0.63	July 27, 2014	2,677,665	4,016,500
Victor Redekop	400,000	0.63	July 27, 2014	738,665	1,108,000
Eric Brown	400,000	0.63	July 27, 2014	738,665	1,108,000
Wesley Clark	400,000	0.63	July 27, 2014	738,665	1,108,000

(1) Calculated by determining the difference between the market price of the Shares on the applicable date of vesting and the applicable exercise price of the stock options.

(2) Calculated based on the difference between the market value of the Shares at December 31, 2010 which was C\$3.40 and the exercise price of the option.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as set out herein, no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed nominee of management of the Company for election as a director of the Company and no associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Management of the Company is not aware of any material interest, direct or indirect, of any director or officer of the Company, any person beneficially owning, directly or indirectly, more than 10 percent of the Company's voting securities, or any associate or affiliate of such person in any transaction within the year ending December 31, 2010 or in any proposed transaction which in either case has materially affected or will materially affect the Company or its subsidiaries.

DIRECTORS' AND OFFICERS' INDEMNIFICATION INSURANCE

Pursuant to the terms of the Company's Articles and certain indemnification agreements, the Company may be required to indemnify its current and former directors and officers and, in certain instances, individuals who have acted at the Company's request as a director or officer of another corporation against all costs incurred by such persons in respect of any action to which such person is made a party by reason of being a current or former director or officer of the Company or such other corporation. Such persons are entitled to be indemnified by the Company only if they have acted honestly and in good faith with a view to the best interests of the Company, and in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, such person had reasonable grounds for believing that his conduct was lawful.

The Company has directors' and officers' liability insurance for the benefit of its directors and officers. The policy limit is \$10,000,000 and the associated deductible for each securities claim and each corporate reimbursement claim is \$100,000 (\$75,000 for an employment practices claim and \$75,000 for all other claims).

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At no time during the year ended December 31, 2010 was there any indebtedness of any director or officer, or any associate of any such director or officer, to the Company or to any other entity which is, or at any time since the beginning of the year ended December 31, 2010 has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Company has established an equity compensation plan pursuant to which 10% of its outstanding Shares from time to time may be issued. The equity compensation plan referred to herein as the Option Plan, has been established to provide incentives to employees, officers and certain consultants of the Company. The following table summarizes the stock options which were outstanding as at December 31, 2010:

Plan Category	Number of Shares to be issued upon exercise of outstanding stock options (a)	Weighted-average exercise price of outstanding stock options (b) (C\$)	Number of Shares remaining available for future issuance under the Option Plan (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	9,160,900	\$1.21	5,199,047 ⁽¹⁾
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	9,160,900	\$1.21	5,199,047 ⁽¹⁾

⁽¹⁾ Based on 10% of issued and outstanding common shares as at December 31, 2010.

Stock Option Plan

The Company established the Option Plan which governs the issuance of stock options to directors, officers, employees, management company employees (as defined in the Plan) and consultants and service providers of the Company and its subsidiaries and retained by the Company and its subsidiaries, (the "Eligible Participants"). The principal purpose of the Option Plan is to provide the Eligible Participants with the opportunity to acquire an increased proprietary interest in the Company, align the interests of such Eligible Participants with the interests of the shareholders of the Company and to attract and retain qualified officers, employees and consultants to continue the Company's growth.

The maximum number of Shares reserved for issuance pursuant to the Option Plan, together with any Shares reserved for issuance pursuant to any other security based compensation arrangements (as defined by the rules of the TSX), is 10 percent of the Company's issued Shares from time to time. As at April 29, 2011, 10% of the issued and outstanding Shares is 14,410,333. As at the same date a total of 8,668,901 Shares are reserved for issuance pursuant to outstanding options under the Option Plan and all other securities-based compensation arrangements, representing approximately 6.0% of the Company's issued and outstanding Shares as at such date, and a further 5,741,432 Shares are available and unallocated.

In addition to the limitation on the number of Common Shares reserved for issuance, the Option Plan contains the following additional limitations:

- (a) the number of Shares reserved for issuance under the Plan and all of the Company's other previously established or proposed share compensation arrangements in aggregate shall not exceed 10% of the total number of issued and outstanding Shares at the Grant Date on a non-diluted basis; and
- (b) the number of Shares issuable to Insiders at any time under all security based compensation arrangements shall not exceed 10% of the total number of issued and outstanding shares on a non-diluted basis; and
- (c) the number of Shares issued to Insiders as a group within a one year period under all security based compensation arrangements shall not exceed 10% of the total number of issued and outstanding Shares as at the end of such one year period.

The exercise price of each stock option is determined by the Board at the time of granting the stock option, provided that the exercise price of stock options granted pursuant to the Option Plan cannot be lower than the closing price of the Shares on the TSX on the last trading day preceding the date of grant.

Pursuant to the terms of the Option Plan, the Board has the discretion to determine the term and vesting provisions of the stock options at the time of granting the stock options. Options granted to date vest as to one-third on the date of grant and on each of the first and second anniversaries of the date of grant.

If any options issued under the Option Plan are not exercised within their term, the Shares reserved and authorized for issuance pursuant to such stock options will be available for issuance under the Option Plan.

Any unallocated entitlements under a Plan must be approved and ratified by shareholders every three years.

Although the maximum term of options granted under the Plan is ten years, options granted to date generally have a five year term. The expiry date of an option is the later of the specified expiry date and, where a blackout period is imposed by the Company and the specified expiry date falls within the blackout period or within 5 trading days after such a blackout period, the date that is 10 trading days following the end of the blackout period.

Options are non-transferable and non-assignable, except in certain specified circumstances. All options held by an Eligible Participant whose office or employment is terminated for cause cease to be exercisable, whether vested or not.

If an optionee ceases to be an Eligible Participant other than for cause or as a result of death or disability, options held by such optionee that have vested remain exercisable for a period of not more than 90 days after the optionee ceases to be an Eligible Participant and, in the event of the optionee's death or disability, for a period of 365 days subject, in each case, to the option expiry date, if earlier.

The Board has approved amendments to the Plan, subject to regulatory approval, to make the mandatory termination of options within the foregoing prescribed periods subject to the terms of an employment agreement and to amend the amendment provisions of the Plan so that they are consistent with the other terms of the Plan. See "Particulars of Matters to be Acted Upon – Stock Option Plan".

Upon a change of control (as defined in the Plan) all shares subject to stock options shall immediately become vested and may thereupon be exercisable in whole or in part by the option holder. The Board of Directors of the Company has the power to accelerate the expiry date of outstanding stock options in connection with a take-over bid.

The Plan permits the directors to amend, modify and change the provisions of an option or the Plan without obtaining approval of shareholders in certain circumstances. The amendment provisions of the Plan are as follows:

- (a) the Board may, at any time and from time to time, amend, suspend or terminate the Plan and securities granted thereunder without shareholder approval, provided that no such amendment, suspension or termination may be made without obtaining any required approval of any regulatory authority or stock exchange or the consent or deemed consent of an Optionee where such amendment, suspension or termination materially prejudices the rights of that Optionee.
- (b) notwithstanding the foregoing, the Board may not, without the approval of the shareholders of the Company, make amendments to the Plan for any of the following purposes:
 - (i) to increase the maximum percentage of common shares of the Company that may be issued pursuant to Options granted under the Plan as set out in the Plan;
 - (ii) to reduce the Option Price of Options;
 - (iii) to extend the Expiry Date of Options;
 - (iv) to permit Options to be transferable or assignable other than for normal estate settlement purposes; and
 - (v) to amend the provisions of this section 7.5(b) of the Plan.
- (c) in addition to the changes that may be made pursuant to sections 6.1 to 6.3 of the Plan inclusive, the Board may, at any time and from time to time, without the approval of the shareholders of the Company, amend any term of any outstanding Option (including, without limitation, the Option Price, vesting and expiry of the Option), provided that:
 - (i) any required approval of any regulatory authority or stock exchange is obtained;
 - (ii) if the amendments would reduce the Exercise Price or extend the Expiry Date of Options, approval of the shareholders of the Company must be obtained;
 - (iii) the Board would have had the authority to initially grant the Option under the terms so amended; and
 - (iv) the consent or deemed consent of the Optionee is obtained if the amendment would materially prejudice the rights of the Optionee under the Option.

As required by the policies of the TSX, at the Meeting shareholder approval will be sought for renewal of the unallocated entitlements under the Option Plan. See "Business of the Annual General Meeting - Particulars of Other Matters to be Acted Upon."

The Plan provides for adjustment, subject to approval of the stock exchange on which the common shares are then listed, of the number of option shares and/or the Option Price in the event of a Share Reorganization or a Special Distribution (each as defined in the Plan). In the case of a Corporate Reorganization (as defined in the Plan) an optionee will become entitled to purchase the kind and amount of shares or other securities or property that the optionee would have been entitled to receive had he held the common shares underlying the Options on the effective date of the reorganization, with appropriate adjustments.

CORPORATE GOVERNANCE PRACTICES

National Instrument 58-101 – Disclosure of Corporate Governance Practices, establishes recommended corporate governance guidelines for all public companies. The following discloses the Company's corporate governance practices relative to the recommendations.

Independence of Members of Board

The Company's Board consists of six (6) directors, five (5) of whom are independent based upon the tests for independence set forth in National Instrument 52-110 – Audit Committees ("NI 52-110"). Mr. Regener is not independent by virtue of holding the office of Chief Executive Officer of the Company.

Management Supervision by Board

Management reports upon the operations of the Company, on a monthly basis directly to the Board. The directors meet at any time they consider necessary, and generally at least once each quarter, without the presence of any members of management including executive directors. The Company's auditors, legal counsel and employees may be invited to attend. The audit committee is composed entirely of independent directors who meet with the Company's auditors without management in attendance. The independent directors exercise their responsibilities for independent oversight of management through regular reports of management to the full Board. The directors have regular and full access to management.

Participation of Directors in Other Reporting Issuers

The participation of the directors in other reporting issuers is described in the table below.

Name of Director	Name of Reporting Entity
Ford Nicholson	InterOil Corp.
Robert Cross	Avanti Mining Inc. B2Gold Corp. Bankers Petroleum Ltd. Petrodorado Energy Ltd. Zodiac Exploration Inc.
Victor Redekop	Wavefire.com Inc.
Eric Brown	Bankers Petroleum Ltd.
Wesley Clark	Amaya Gaming Group Inc. AMG – Advanced Metallurgical Group N.V. Bankers Petroleum Ltd. Juhl Wind, Inc. Prysmian Sri Rentech, Inc. Rodman & Renshaw, LLC
Wolf Regener	None

Participation of Directors in Board Meetings

The participation of the directors in board meetings during the year ended December 31, 2010, is described in the following table:

Director	Meetings of Board of Directors	Meetings of Audit Committee	Meetings of Compensation Committee	Meetings of Corporate Governance Committee	Meetings of HS&E Committee
Ford Nicholson	5/5	N/A	2/2	1/1	N/A
Robert Cross	5/5	4/4	2/2	1/1	N/A
Victor Redekop	5/5	4/4	N/A	1/1	1/1
Eric Brown	5/5	4/4	2/2	N/A	N/A
Wesley Clark	5/5	N/A	N/A	N/A	1/1
Wolf Regener ⁽¹⁾	5/3	N/A	N/A	N/A	1/1

⁽¹⁾ Wolf Regener was appointed as a director on May 25, 2010.

Board Mandate

The Board has adopted a Board Mandate, the text of which is attached as Schedule "A" to this Information Circular.

Position Descriptions

The Board has adopted a position description for the Chair of the Board. Specific position descriptions have not been adopted for the chairs of each of its committees as the Board is of the view that the mandates of the committees are sufficiently specific that no separate description is necessary for the chairs of such committees. The Board has developed a position description for the Chief Executive Officer.

Orientation and Continuing Education

While the Company does not have a formal orientation and training program, new Board members are provided with:

1. access to recent, publicly filed documents of the Company;
2. access to management;
3. access to legal counsel in the event of any questions relating to the Company's compliance and other obligations; and
4. internal presentations prepared by Company personnel on matters relevant to the Company's business and operations.

Board members are encouraged to communicate with management, legal counsel and, where applicable auditors and technical consultants of the Company; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

Ethical Business Conduct

The Board views good corporate governance as an integral component to the success of the Company and to meet responsibilities to shareholders.

The Board adopted a Code of Conduct (the "**Code**") in 2009. The Code is available on SEDAR at www.sedar.com. The Board has instructed its management and employees to abide by the Code and to bring any breaches of the Code to the attention of the Corporate Governance Committee. Compliance with the Code is monitored primarily through the reporting process within the Company's organizational structure, including through the confidential Whistle Blower policy implemented and overseen by the Audit Committee.

It is a requirement of applicable corporate law that directors who have an interest in a transaction or agreement with the Company promptly disclose that interest at any meeting of the Board at which the transaction or agreement will be discussed and abstain from discussions and voting in respect to same if the interest is material. The Code imposes a similar disclosure requirement on all non-director executive officers of the Company and requires such persons to report such conflict to the executive officer to whom that person reports in the course of his employment responsibilities, or, in the case of a senior executive officer, to the Corporate Governance Committee and fully inform such person or the committee, as applicable, of the facts and circumstances related to the conflict or potential conflict. The representative is prohibited from taking any further action in respect of the matter or transaction giving rise to such conflict or potential conflict unless and until he is authorized to do so by his reporting officer, or the Corporate Governance Committee.

Nomination of Directors

The independent Corporate Governance Committee has responsibility for identifying potential Board candidates. The Corporate Governance Committee assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the oil and gas industry are consulted for possible candidates. The Board has adopted a written charter that sets forth the responsibilities, powers and operations of the Corporate Governance Committee, which include considering what competencies and skills the Board, as a whole, should possess, the appropriate size of the Board in order to facilitate effective decision-making and assessing the same on a periodic basis, making recommendations to the Board with respect to filling vacancies, evaluating the performance of individual directors and making recommendations as to their further nomination, review proposed shareholder nominees and making recommendations to the Board regarding resignations of directors. The Corporate Governance Committee has the power to retain outside advisors as it considers necessary for the proper functioning of the committee, at the Company's expense. The Corporate Governance Committee meets at least once annually and otherwise as requested by the Board or considered desirable by the Chair of the committee.

Compensation of Directors and the President and Chief Executive Officer

The members of the Compensation Committee are independent and have the responsibility for determining compensation for the directors and senior management.

The Board has adopted a written charter that sets forth the responsibilities, powers and operations of the Compensation Committee, which include: reviewing the adequacy and form of any compensation program for executive officers, reviewing the adequacy and form of non-employee directors' compensation, reviewing and creating a position description for the President and CEO, evaluating the President and the CEO's performance in light of corporate goals and objectives, and making

recommendations to the Board with respect to the President and the CEO's compensation. The Compensation Committee has the power to retain independent legal, accounting or other relevant advisors as it may deem necessary or appropriate to allow it to discharge its responsibilities, at the expense of the Company. The Compensation Committee meets at least once annually and otherwise as requested by the Board or considered desirable by the Chair of the committee.

Health, Safety & Environment Committee

A majority of the members of the Health Safety and Environment Committee are independent. The committee is responsible for overseeing the development and implementation of policies and procedures for ensuring a safe, healthy work environment and sustainable development and that are consistent with the Company's objectives, including the objectives of: focusing resources to achieve shareholder profitability in operations without neglecting its' commitment to sustainable development, fostering employee commitment and accountability, the development and implementation of effective, realistic systems to minimize risks to health, safety and the environment, fostering open communication with employees, local stakeholders and governments regarding the Corporation's plans, programs and performance, cooperation with government agencies, local communities, educational institutions and suppliers, and use of technologies that are designed to improve the safe, efficient use of resources, processes and materials. The committee has the authority to engage independent consultants to assist it in fulfilling its mandate.

Assessments

A confidential review of the performance and effectiveness of the Board, the directors and its committees was conducted in early 2011, with the assistance of outside counsel. The assessment permits subjective evaluation and is designed to allow Board members to evaluate how well the Board, its committees and individual directors are operating and to make suggestions for improvement. Responses are compiled without attribution by an outside reviewer and provided to the Chairman of the Corporate Governance Committee. The results of the assessment are reported to the Board and the Chief Executive Officer. As part of the assessment, the Board and the individual committees reviewed their respective mandates or charters and in early 2011, certain adjustments were made to reflect the practice of the Board, and all standing committees to review risk management measures in place and in the case of the Compensation Committee to review compensation practices and policies to ensure that they do not encourage unnecessary or inappropriate risk-taking.

Audit Committee Information

Disclosure with respect to the composition of the Company's Audit Committee, the Company's Audit Committee Charter and other disclosure required by NI 52-110 is contained in the Company's Annual Information Form for the year ended December 31, 2010 filed under the Company's profile at www.sedar.com.

ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at www.sedar.com. Shareholders may contact the Chief Financial Officer of the Company at 760 Paseo Camarillo, Suite 350, Camarillo, CA 93010, Telephone: (805) 484-3613 to request copies of the Company's financial statements and management discussion and analysis.

Financial information is provided in the Company's consolidated financial statements and the Management Discussion and Analysis related thereto for the year ended December 31, 2010 which are available on SEDAR at www.sedar.com.

OTHER MATTERS

Management of the Company is not aware of any matter to come before the Meeting other than as set forth in the notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

DATED this 29th day of April, 2011.

**Approved by the Board of Directors of
BNK Petroleum Inc.**

"Wolf Regener"

WOLF REGENER

President and Chief Executive Officer

Schedule "A"
BOARD OF DIRECTORS TERMS OF REFERENCE

The Board of Directors (the "Board") of BNK Petroleum Inc. (the "Corporation") shall have the oversight responsibility, authority and specific duties as described below.

Composition

Directors and Chairman of the Board

The Board shall appoint a Chairman of the Board (the "Chairman") and, if the Chairman is not independent, an independent lead director (the "Lead Director") from amongst the directors which comprise the Board shall be appointed as soon as practicable.

To ensure efficient, independent functioning of the Board, the Chairman or, if a Lead Director has been appointed, the Lead Director shall be the effective leader of the Board. As such, the Chairman or the Lead Director, as applicable, is responsible for ensuring that the Board's agenda enables the Board to successfully carry out its duties. The Chairman shall act as chair of all meetings of the Board and shareholders of the Corporation.

Committees

In addition to any other committees (including special committees) which the Board may in its discretion constitute from time to time, the Board shall have the following standing committees:

- Audit Committee
- Corporate Governance and Nominating Committee
- Compensation Committee
- Health, Safety and Environmental Committee

Certain of the responsibilities of the Board may be delegated to these or other committees of the Board. The composition and responsibilities of these standing committees and any other standing committees of the Board will be as set forth in their terms of reference, as amended from time to time, and approved by the Board. Until such time as when a Nominating, Environment, Health and Safety or Reserves Committee is established, the Board shall be responsible for all such matters as provided in each committee's terms of reference.

Committee members shall be appointed by the Board. The chair of each committee may be designated by the Board or, failing that, by the members of the particular committee. At each meeting of the Board, the chair of each committee (or such committee member as the chair may designate) shall report the results of meetings and any associated recommendations.

Communication

To ensure that the Corporation has in place policies and programs that enable the Corporation to communicate effectively and in a timely manner with its shareholders, other stakeholders, analysts and the public generally, the Board has adopted a Corporate Disclosure Policy. The Board will review the Corporate Disclosure Policy annually to ensure its objectives are being achieved and that the Disclosure Committee is effectively implementing such policy.

Meetings and Record Keeping

Meetings of the Board shall be conducted pursuant to the Company's articles. The following additional provisions shall apply to meetings of the Board:

1. the Board shall meet regularly and at least quarterly at such times and at such locations as the Chairman, in consultation with the Lead Director (if one), shall determine;
2. each member of the Board is expected to attend Board meetings and meetings of committees on which he or she is a member and to be familiar with deliberations and decisions as soon as possible after any missed meetings. Members of the Board are expected to prepare for meetings by reviewing the meeting materials distributed to members of the Board, to the extent feasible, prior to such meetings;
3. the independent directors of the Board shall regularly hold in camera sessions of the Board, with only independent directors present and at such times as the independent directors, Chairman or Lead Director (if one) determine advisable;
4. the Chairman shall, in consultation with the Lead Director (if one) and management, establish the agenda for the meetings and instruct management to circulate appropriate agenda materials to the Board with sufficient time for study prior to the meeting;
5. Management shall receive notice of meetings and may attend meetings of the Board at the invitation of the Chairman or Lead Director (if one);
6. the Corporate Secretary of the Corporation, or any other person selected by the Board, shall act as secretary for the purpose of recording the minutes of each meeting.

The minutes of the meeting of the Board shall be placed in the Corporation's minute book.

Responsibilities and Specific Duties

In accordance with applicable laws, the Board is required to always act honestly and in good faith with a view to the best interests of the Corporation.

The Board is responsible for the stewardship of the Corporation and overseeing the operation of the business of the Corporation. The primary responsibilities of the Board include:

1. to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer (the "CEO") and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Corporation;
2. adopting a strategic planning process and approving, at least on an annual basis, a strategic plan for the Corporation which takes into account, among other things, the opportunities and principal risks of the business;
3. identifying, on at least an annual basis, the principal risks of the Corporation's business, and ensuring appropriate systems are implemented to manage these risks;

4. providing continuing education opportunities for all directors so they may maintain or enhance their skills and abilities as directors, as well as ensure their knowledge and understanding of the Corporation's business remains current;
5. adopting a succession plan which includes the appointing, training and monitoring of senior management;
6. adopting and reviewing on an annual basis the Corporation's Corporate Disclosure Policy to ensure that disclosure made by the Corporation is accurate, informative, timely and broadly disseminated all in accordance with applicable laws and stock exchange rules;
7. ensuring that the Corporation has appropriate processes in place to effectively communicate with its employees, government authorities, other stakeholders and the public;
8. ensuring the necessary internal controls and management systems are in place that effectively monitor the Corporation's operations and ensure compliance with applicable laws, regulations and policies, including reviewing on an annual basis the controls and procedures established for the certification of financial and other disclosure made by the Corporation;
9. developing clear position descriptions for the Chairman, the Lead Director (if one), the chairs of each committee and, in consultation with the CEO, the CEO;
10. developing or approving the corporate goals and objectives that the CEO is responsible for meeting;
11. monitoring compliance with the Code of Business Conduct;
12. establishing an appropriate system of corporate governance principles and guidelines applicable to the Corporation, including:
 - (a) reviewing periodically the size of the Board to ensure its continued effectiveness (including, without limitation, facilitating effective decision-making);
 - (b) regularly assessing the effectiveness and contribution of the Board, its committees and each member of the Board considering, among other things, the applicable terms of reference for the Board and each committee and in the case of each member of the Board, the competencies and skills each member is expected to bring to the Board; and
 - (c) reviewing periodically the general responsibilities and function of the Board and its committees and the chair of each committee, and the roles of the Chairman, Lead Director (if one) and the CEO; and
13. reviewing the annual corporate governance disclosure of the Corporation in its information circular.

Stakeholder Communication

Any stakeholder may contact the Board. Matters relating to the Corporation's accounting, internal accounting control or audit matters will be referred to the Audit Committee. Other matters will be referred to the Chairman or the Lead Director (if one). Stakeholders may also directly contact the Chairman or the Lead Director (if one).

Review of Terms of Reference

The Board shall review and assess these Terms of Reference and any governance principles and guidelines established by the Board at least annually.

Amendments adopted by the Board of Directors on April 29, 2011.

Schedule "B"
BNK PETROLEUM INC.
STOCK OPTION PLAN (TSX)

1. PURPOSE OF THE PLAN

The Company hereby establishes a stock option plan for directors, officers, Employees, Management Company Employees and Consultants (as such terms are defined below) of the Company and its subsidiaries (collectively "**Eligible Persons**"), to be known as the "**Stock Option Plan**" (the "**Plan**"). The purpose of the Plan is to give to Eligible Persons, as additional compensation, the opportunity to participate in the success of the Company by granting to such individuals options, exercisable over periods of up to ten (10) years as determined by the board of directors of the Company, to buy shares of the Company at a price not less than the Market Price at the time of grant.

2. DEFINITIONS

In this Plan, the following terms shall have the following meanings:

- 2.1 "**Associate**" means an "Associate" as defined in the Exchange Policies.
- 2.2 "**Board**" means the Board of Directors of the Company.
- 2.3 "**Change of Control**" means the acquisition by any person or by any person and all Joint Actors, whether directly or indirectly, of voting securities (as defined in the Securities Act) of the Company, which, when added to all other voting securities of the Company at the time held by such person or by such person and a Joint Actor, totals for the first time not less than fifty percent (50%) of the outstanding voting securities of the Company or the votes attached to those securities are sufficient, if exercised, to elect a majority of the Board of Directors of the Company.
- 2.4 "**Company**" means BNK Petroleum Inc. and its successors.
- 2.5 "**Consultant**" means an individual or Consultant Company, other than an Employee or a Director, that:
- (a) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the company or a subsidiary of the Company, other than services in relation to a distribution;
 - (b) provides the services under a written contract with the Company or a related entity; and
 - (c) spends or will spend a significant amount of time and attention on the affairs of the Company or a subsidiary of the Company.
- 2.6 "**Consultant Company**" means for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner.
- 2.7 "**Disability**" means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:

- (a) being employed or engaged by the Company, its subsidiaries or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or its subsidiaries; or
 - (b) acting as a director or officer of the Company or its subsidiaries.
- 2.9 “**Employee**” means a persons who would be considered an ‘employee’ under the Income Tax Act (Canada), or who works full-time or for a specified number of hours per week on a continuing regular basis and is subject to the same control and direction by the Company or a subsidiary of the company over the details and methods of work as an employee of the company, but for whom tax and other deductions are not made at source.
- 2.10 “**Employment Agreement**” means any agreement between the Company or any subsidiary of the Company and any Employee entered into in connection with the employment or engagement of the Employee.
- 2.12 “**Exchanges**” means the TSX and, if applicable, any other stock exchange on which the Shares are listed.
- 2.13 “**Expiry Date**” means the later of the date set by the Board under section 3.1 of the Plan, as the last date on which an Option may be exercised and, if such date falls during or within 5 trading days after the end of a period during which pursuant to the policies of the Company trading in Company’s shares is prohibited (a “black out period”), the date that is 10 trading days following the date on which such black out period ends.
- 2.14 “**Grant Date**” means the date specified in an Option Agreement as the date on which an Option is granted.
- 2.15 “**Insider**” means an “Insider” as defined in the TSX Policies, other than a person who is an insider solely by virtue of being a director or senior officer of a subsidiary of the Company.
- 2.16 “**Investor Relations Activities**” has the meaning ascribed to it in the Securities Act;
- 2.17 “**Joint Actor**” means a person acting “jointly or in concert with” another person as that phrase is interpreted in section 96 of the Securities Act.
- 2.18 “**Management Company Employee**” means an individual employed by a Person providing management services to the Company, but excluding Persons who are providing Investor Relations Services.
- 2.19 “**Market Price**” of Shares at any Grant Date means the last closing price per Share at the time of grant of the option, or if the Shares are not listed on any stock exchange, “Market Price” of Shares means the price per Share on the over-the-counter market determined by dividing the aggregate sale price of the Shares sold by the total number of such Shares so sold on the applicable market for the last day prior to the Grant Date.
- 2.20 “**Option**” means an option to purchase Shares granted pursuant to this Plan.
- 2.21 “**Option Agreement**” means an agreement, substantially in the form attached hereto as Schedule “A”, with such additions there to or modifications thereof as may be approved by the

Company prior to or at the time an option is granted, whereby the Company grants to an Optionee an Option.

- 2.22 “**Optionee**” means each of the Eligible Persons granted an Option pursuant to this Plan and their heirs, executors and administrators.
- 2.23 “**Option Price**” means the price per Share specified in an Option Agreement, adjusted from time to time in accordance with the provisions of section 5.
- 2.24 “**Option Shares**” means the aggregate number of Shares which an Optionee may purchase under an Option.
- 2.25 “**Plan**” means this Stock Option Plan.
- 2.26 “**Shares**” means the common shares in the capital of the Company as constituted on the Grant Date provided that, in the event of any adjustment pursuant to section 5, “Shares” shall thereafter mean the shares or other property resulting from the events giving rise to the adjustment.
- 2.27 “**Securities Act**” means the *Securities Act*, R.S.B.C. 1996, c.418, as amended, as at the date hereof.
- 2.28 “**TSX Policies**” means the policies included in the TSX Company Manual and “TSX Policy” means any one of them.
- 2.29 “**Unissued Option Shares**” means the number of Shares, at a particular time, which have been reserved for issuance upon the exercise of an Option but which have not been issued, as adjusted from time to time in accordance with the provisions of section 5, such adjustments to be cumulative.
- 2.30 “**U.S. Act**” means the *Securities Act* of 1933 of the United States, as amended.
- 2.31 “**Vested**” means that an Option has become exercisable in respect of a number of Option Shares by the Optionee pursuant to the terms of the Option Agreement.

3. GRANT OF OPTIONS

3.1 Option Terms

The Board may from time to time authorize the issue of Options to Eligible Persons. The Option Price under each Option shall be not less than the Market Price at the time of grant. The Expiry Date for each Option shall be set by the Board at the time of issue of the Option and shall not be more than **ten (10)** years after the Grant Date. Options shall not be assignable (or transferable) by the Optionee.

3.2 Limits on Shares Issuable on Exercise of Options

- (a) The number of Shares reserved for issuance under the Plan and all of the Company’s other previously established or proposed share compensation arrangements in aggregate shall not exceed 10% of the total number of issued and outstanding Shares at the Grant Date on a non-diluted basis; and

- (b) The number of Shares issuable to Insiders at any time under all security based compensation arrangements shall not exceed 10% of the total number of issued and outstanding shares on a non-diluted basis; and
- (c) The number of Shares issued to Insiders as a group within a one year period under all security based compensation arrangements shall not exceed 10% of the total number of issued and outstanding Shares as at the end of such one year period.

If Options are exercised, or are surrendered, terminate or expire without being exercised in whole or in part, the Shares which were the subject of such Options may again be made subject to an Option.

3.3 Option Agreements

Each Option shall be confirmed by the execution of an Option Agreement. Each Optionee shall have the option to purchase from the Company the Option Shares at the time, in the manner and subject to the terms and condition set out in the Plan and in the Option Agreement applicable to that Optionee. For stock options to Employees, Consultants, Consultant Companies or Management Company Employees, the Company is representing herein and in the applicable Stock Option Agreement that the Optionee is a bona fide Employee, Consultant, Consultant Company or Management Company Employee, as the case may be, of the Company or its subsidiary. The execution of an Option Agreement shall constitute conclusive evidence that it has been completed in compliance with this Plan.

4. EXERCISE OF OPTION

4.1 When Options May be Exercised

Subject to sections 4.3 and 4.4, an Option may be exercised to purchase any number of Shares up to the number of Vested Unissued Option Shares at any time after the Grant Date up to midnight local time in the City of Calgary on the Expiry Date and shall not be exercisable thereafter.

4.2 Manner of Exercise

The Option shall be exercisable by delivering to the Company a notice specifying the number of Shares in respect of which the Option is exercised together with payment in full of the Option Price for each such Share. Upon notice and payment there will be a binding contract for the issue of the Shares in respect of which the Option is exercised, upon and subject to the provisions of the Plan. Delivery of the Optionee's cheque payable to the Company in the amount of the Option Price shall constitute payment of the Option Price unless the cheque is not honoured upon presentation in which case the Option shall not have been validly exercised.

4.3 Vesting of Option Shares

The Directors, subject to the policies of the Exchanges, may determine and impose terms upon which each Option shall become Vested in respect of Option Shares. Unless otherwise specified by the Board at time of granting an Option, and subject to the other limits on Option grants set out in Section 3.2 hereof, all Options granted under the Plan shall vest and become exercisable in full upon grant.

4.4 Termination of Employment

If an Optionee ceases to be an Eligible Person, his or her Option shall be exercisable as follows:

(a) Death or Disability

If the Optionee ceases to be an Eligible Person, due to his or her death or Disability or, in the case of an Optionee that is a company, the death or Disability of the person who provides management or consulting services to the Company or to any entity controlled by the Company, the Option then held by the Optionee shall be exercisable to acquire Vested Unissued Option Shares at any time up to but not after the earlier of:

- (i) 365 days after the date of death or Disability; and
- (ii) the Expiry Date;

unless a longer period is provided pursuant to the term of an Employment Agreement.

(b) Termination For Cause

If the Optionee, or in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, ceases to be an Eligible Person as a result of termination for cause, pursuant to the terms of any applicable contract, or, where there is no contract, as that term is interpreted by the courts of British Columbia, any outstanding and unexercised Option held by such Optionee on the date of such termination, whether in respect of Option Shares that are Vested or not, shall be cancelled as of that date.

(c) Early Retirement, Voluntary Resignation or Termination Other than For Cause

If the Optionee or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, ceases to be an Eligible Person due to his or her retirement at the request of his or her employer earlier than the normal retirement date under the Company's retirement policy then in force, or due to (i) the termination of any agreement under which the Optionee provides services to the Company or a subsidiary of the Company, or (ii) his or her termination by the Company otherwise other than for cause, or (iii) his or her voluntary resignation, the Option then held by the Optionee shall be exercisable to acquire Vested Unissued Option Shares at any time up to but not after the earlier of the Expiry Date and the date which is 90 days (30 days if the Optionee was engaged in Investor Relations Activities) after the Optionee or, in the case of a Management Company Employee or a Consultant Company, the Optionee's employer, ceases to be an Eligible Person, unless a longer period is provided pursuant to the term of an Employment Agreement.

For greater certainty, an Option that had not become Vested in respect of certain Unissued Option Shares at the time that the relevant event referred to in this paragraph 4.4 occurred, shall not be or become vested or exercisable in respect of such Unissued Option Shares and shall be cancelled.

4.5 Effect of a Take-Over Bid

If a *bona fide* offer (an “Offer”) for Shares is made to the Optionee or to shareholders of the Company generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company, within the meaning of subsection 1(1) of the Securities Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon all Option Shares subject to such Option will become Vested and the Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Option Shares received upon such exercise, pursuant to the Offer. However, if:

- (a) the Offer is not completed within the time specified therein; or
- (b) all of the Option Shares tendered by the Optionee pursuant to the Offer are not taken up or paid for by the offeror in respect thereof,

then with the consent of the Company the Option Shares received upon such exercise, or in the case of clause (b) above, the Option Shares that are not taken up and paid for, may be returned by the Optionee to the Company and reinstated as authorized but unissued Shares and with respect to such returned Option Shares, the Option shall be reinstated as if it had not been exercised and the terms upon which such Option Shares were to become Vested pursuant to paragraph 4.3 shall be reinstated. If any Option Shares are returned to the Company under this paragraph 4.5, the Company shall immediately refund the exercise price to the Optionee for such Option Shares.

4.6 Acceleration of Expiry Date

If at any time when an Option granted under the Plan remains unexercised with respect to any Unissued Option Shares, an Offer is made by an offeror, the Directors may, upon notifying each Optionee of full particulars of the Offer, declare all Option Shares issuable upon the exercise of Options granted under the Plan, Vested, and declare that the Expiry Date for the exercise of all unexercised Options granted under the Plan is accelerated so that all Options will either be exercised or will expire prior to the date upon which Shares must be tendered pursuant to the Offer. The Directors shall give each Optionee as much notice as reasonably practicable in the circumstances of the acceleration of the Options under this section, except that not less than 5 business days notice is required and more than 20 days notice is not required.

4.7 Effect of a Change of Control

If a Change of Control occurs, all Option Shares subject to each outstanding Option will become Vested, whereupon such Option may be exercised in whole or in part by the Optionee, subject to the approval of the Exchanges, if necessary.

4.8 Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement

If the Optionee, or, in the case of a Management Company Employee or a Consultant Company, the Optionee’s employer, retires, resigns or is terminated from employment or engagement with the Company or any subsidiary of the Company, the loss or limitation, if any, pursuant to the Option Agreement with respect to the right to purchase Option Shares which were not Vested at that time or which, if Vested, were cancelled, shall not give rise to any right to damages and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.

4.9 Shares Not Acquired

Any Unissued Option Shares not acquired by an Optionee under an Option which has expired may be made the subject of a further Option pursuant to the provisions of the Plan.

5. SECURITIES LAWS OF THE UNITED STATES OF AMERICA

5.1 Securities Laws of the U.S.

Neither the Options which may be granted pursuant to the provisions of this Plan nor the Shares which may be purchased pursuant to the exercise of Options have been registered under the US Act, or under any securities law of any state of the United States of America. Accordingly, any Optionee who is granted an Option in a transaction which is subject to the US Act or the securities laws of any state of the United States of America shall represent, warrant, acknowledge and agree in the agreement containing the Option granted to the Optionee that:

- (a) the Optionee is acquiring the Option and any Shares acquired upon the exercise of such Option as principal and for the account of the Optionee;
- (b) in granting the Option and issuing the Shares to the Optionee upon the exercise of such Option, the Company is relying on the representations and warranties of the Optionee contained in the agreement relating to the Option to support the conclusion of the Company that the granting of the Option and the issue of Shares upon the exercise of such Option do not require registration under the U.S. Act or to be qualified under the securities laws of any state of the United States of America;
- (c) each certificate representing Shares issued upon the exercise of such Option shall bear the following legends:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR UNDER ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) WITHIN THE UNITED STATES (1) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, (2) IN ACCORDANCE WITH RULE 144A UNDER THE U.S. SECURITIES ACT OR (3) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA. PROVIDED THAT THE CORPORATION IS A “FOREIGN ISSUER” WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT AT THE TIME OF SALE, A NEW CERTIFICATE BEARING

NO LEGEND MAY BE OBTAINED FROM THE CORPORATION'S TRANSFER AGENT UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO THE TRANSFER AGENT AND THE CORPORATION TO THE EFFECT THAT SUCH SALE IS BEING MADE IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT."

6. ADJUSTMENT OF OPTION PRICE AND NUMBER OF OPTION SHARES

6.1 Share Reorganization

Whenever the Company issues Shares to all or substantially all holders of Shares by way of a stock dividend or other distribution, or subdivides all outstanding Shares into a greater number of Shares, or combines or consolidates all outstanding Shares into a lesser number of Shares (each of such events being herein called a "Share Reorganization") then effective immediately after the record date for such dividend or other distribution or the effective date of such subdivision, combination or consolidation, for each Option:

- (a) the Option Price will be adjusted to a price per Share which is the product of:
 - (i) the Option Price in effect immediately before that effective date or record date; and
 - (ii) a fraction, the numerator of which is the total number of Shares outstanding on that effective date or record date before giving effect to the Share Reorganization, and the denominator of which is the total number of Shares that are or would be outstanding immediately after such effective date or record date after giving effect to the Share Reorganization; and
- (b) the number of Unissued Option Shares will be adjusted by multiplying (i) the number of Unissued Option Shares immediately before such effective date or record date by (ii) a fraction which is the reciprocal of the fraction described in subsection (a)(ii).

6.2 Special Distribution

Subject to the prior approval of the Exchanges, whenever the Company issues by way of a dividend or otherwise distributes to all or substantially all holders of Shares;

- (a) shares of the Company, other than the Shares;
- (b) evidences of indebtedness;
- (c) any cash or other assets, excluding cash dividends (other than cash dividends which the Board of Directors of the Company has determined to be outside the normal course); or
- (d) rights, options or warrants;

then to the extent that such dividend or distribution does not constitute a Share Reorganization (any of such non-excluded events being herein called a "Special Distribution"), and effective immediately after the record date at which holders of Shares are determined for purposes of the Special Distribution, for each Option the Option Price will be reduced, and the number of Unissued Option Shares will be

correspondingly increased, by such amount, if any, as is determined by the Board in its sole and unfettered discretion to be appropriate in order to properly reflect any diminution in value of the Option Shares as a result of such Special Distribution.

6.3 Corporate Organization

Whenever there is:

- (a) a reclassification of outstanding Shares, a change of Shares into other shares or securities, or any other capital reorganization of the Company, other than as described in sections 5.1 or 5.2;
- (b) a consolidation, merger or amalgamation of the Company with or into another corporation resulting in a reclassification of outstanding Shares into other shares or securities or a change of Shares into other shares or securities; or
- (c) a transaction whereby all or substantially all of the Company's undertaking and assets become the property of another corporation;

(any such event being herein called a "Corporate Reorganization") the Optionee will have an option to purchase (at the times, for the consideration, and subject to the terms and conditions set out in the Plan) and will accept on the exercise of such option, in lieu of the Unissued Option Shares which he would otherwise have been entitled to purchase, the kind and amount of shares or other securities or property that he would have been entitled to receive as a result of the Corporate Reorganization if, on the effective date thereof, he had been the holder of all Unissued Option Shares or if appropriate, as otherwise determined by the Directors.

6.4 Determination of Option Price and Number of Unissued Option Shares

If any questions arise at any time with respect to the Option Price or number of Unissued Option Shares deliverable upon exercise of an Option following a Share Reorganization, Special Distribution or Corporate Reorganization, such questions shall be conclusively determined by the Company's auditor, or, if they decline to so act, any other firm of Chartered Accountants that the Directors may designate and who will have access to all appropriate records and such determination will be binding upon the Company and all Optionees.

6.5 Regulatory Approval

Any adjustment to the Option Price or the number of Unissued Option Shares purchasable under the Plan pursuant to the operation of any one of paragraphs 5.1, 5.2 or 5.3 is subject to the approval of the Exchanges and any other governmental authority having jurisdiction.

7. MISCELLANEOUS

7.1 Right to Employment or Engagement

Neither this Plan nor any of the provisions hereof shall confer upon any Optionee any right with respect to employment or engagement or to continued employment or engagement with the Company or any subsidiary of the Company or interfere in any way with the right of the Company or any subsidiary of the Company to terminate such employment.

7.2 Necessary Approvals

The Plan shall be effective only upon the approval of the shareholders of the Company given by way of an ordinary resolution. Any Options granted under this Plan prior to such approval shall only be exercised upon the receipt of such approval. Disinterested shareholder approval (as required by the Exchanges) will be obtained for any reduction in the exercise price of any Option granted under this Plan if the Optionee is an Insider of the Company at the time of the proposed amendment. The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to the approval of the Exchanges and any governmental authority having jurisdiction. If any Shares cannot be issued to any Optionee for any reason, including, without limitation, the failure to obtain such approval, then the obligation of the Company to issue such Shares shall terminate and any Option Price paid by an Optionee to the Company shall be immediately refunded to the Optionee by the Company.

7.3 Administration of the Plan

The Directors shall, without limitation, have full and final authority in their discretion, but subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations deemed necessary or advisable in respect of the Plan. Except as set forth in section 6.4, the interpretation and construction of any provision of the Plan by the Directors shall be final and conclusive. Administration of the Plan shall be the responsibility of the appropriate officers of the Company and all costs in respect thereof shall be paid by the Company.

7.4 Income Taxes

As a condition of and prior to participation in the Plan or any exercise of any Option granted under the Plan any Optionee shall on request authorize the Company in writing to withhold from any remuneration otherwise payable to him or her any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of his or her participation in the Plan.

7.5 Amendment and Discontinuance of the Plan and Options

- (a) The Board may, at any time and from time to time, amend, suspend or terminate the Plan and securities granted thereunder without shareholder approval, provided that no such amendment, suspension or termination may be made without obtaining any required approval of any regulatory authority or stock exchange or the consent or deemed consent of an Optionee where such amendment, suspension or termination materially prejudices the rights of that Optionee.
- (b) Notwithstanding the provisions of section 7.5(a), the Board may not, without the approval of the shareholders of the Company, make amendments to the Plan for any of the following purposes:
 - (i) to increase the maximum percentage of Shares that may be issued pursuant to Options granted under the Plan as set out in section 3.2;
 - (ii) to reduce the Option Price of Options;
 - (iii) to extend the Expiry Date of Options;
 - (iv) to permit Options to be transferable or assignable other than for normal estate settlement purposes; and

- (v) to amend the provisions of this section 7.5(b).
- (c) In addition to the changes that may be made pursuant to sections 6.1 to 6.3 inclusive, the Board may, at any time and from time to time, without the approval of the shareholders of the Company, amend any term of any outstanding Option (including, without limitation, the Option Price, vesting and expiry of the Option), provided that:
 - (i) any required approval of any regulatory authority or stock exchange is obtained;
 - (ii) if the amendments would reduce the Exercise Price or extend the Expiry Date of Options, approval of the shareholders of the Company must be obtained;
 - (iii) the Board would have had the authority to initially grant the Option under the terms so amended; and
 - (iv) the consent or deemed consent of the Optionee is obtained if the amendment would materially prejudice the rights of the Optionee under the Option.

7.6 Form of Notice

A notice given to the Company shall be in writing, signed by the Optionee and delivered to the head business office of the Company.

7.7 No Representation or Warranty

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

7.8 Compliance with Applicable Law

If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by-law or regulation of any regulatory body or Exchange having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

7.9 No Assignment

No Optionee may assign any of his or her rights under the Plan or any option granted thereunder.

7.10 Rights of Optionees

An Optionee shall have no rights whatsoever as a shareholder of the Company in respect of any of the Unissued Option Shares (including, without limitation, voting rights or any right to receive dividends, warrants or rights under any rights offering).

7.11 Conflict

In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

7.12 Governing Law

The Plan and each Option Agreement issued pursuant to the Plan shall be governed by the laws of the province of British Columbia.

7.13 Time of Essence

Time is of the essence of this Plan and of each Option Agreement. No extension of time will be deemed to be or to operate as a waiver of the essentiality of time.

7.14 Entire Agreement

This Plan and the Option Agreement sets out the entire agreement between the Company and the Optionees relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

SCHEDULE "A"
BNK PETROLEUM INC.
STOCK OPTION PLAN - OPTION AGREEMENT

This Option Agreement is entered into between ● ("the Company") and the Optionee named below pursuant to the Company Stock Option Plan (the "Plan"), a copy of which is attached hereto, and confirms that:

1. on ●, 20● (the "Grant Date");
2. ● (the "Optionee");
3. was granted the option (the "Option") to purchase * Common Shares (the "Option Shares") of the Company;
4. for the price (the "Option Price") of \$● per share;
5. which shall be exercisable in full upon approval;
6. terminating on the ●, 20● (the "Expiry Date");

all on the terms and subject to the conditions set out in the Plan. For greater certainty, Option Shares continue to be exercisable until the termination or cancellation thereof as provided in this Option Agreement and the Plan.

By signing this Option Agreement, the Optionee acknowledges that the Optionee has read and understands the Plan and agrees to the terms and conditions of the Plan and this Option Agreement.

Acknowledgement – Personal Information

The undersigned hereby acknowledges and consents to:

- (a) the disclosure to all regulatory authorities of all personal information of the undersigned obtained by the Company; and
- (b) the collection, use and disclosure of such personal information by the all regulatory authorities in accordance with their requirements, including the provision to third party service providers, from time to time.

WITNESS WHEREOF the parties hereto have executed this Option Agreement as of the ● day of ●, 20●.

Signature

Per: _____
Authorized Signature

Print Name

Address