



**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, July 19, 2013



Dear Shareholder:

You are invited to attend the Annual General Meeting of Shareholders of BNK Petroleum Inc. to be held in the Cortes Island Room at The Fairmont Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia, on Friday, July 19, 2013 at the hour of 11:00 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, signing and dating the form of proxy or voting instruction form accompanying this notice of meeting and returning the same within the time and in the manner set out in the form of proxy or voting instruction form.

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 Cortes Island Room at The Fairmont Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia on Friday, July 19, 2013 at the hour of 11:00 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 auditors' report thereon for the financial year ended December 31, 2012;
2. to fix the number of directors at six (6);
3. to elect directors for the ensuing year;
4. to appoint the auditors for the ensuing year and authorize the directors to fix the remuneration to be paid to the auditors;
5. to consider and, if thought fit, to approve an ordinary resolution confirming, ratifying and approving the Company's Advance Notice Policy, as more particularly described in the management information circular accompanying this notice of meeting;
6. to consider and, if thought fit, to approve an ordinary resolution confirming, ratifying and approving the Company's Restricted Share Unit Plan, as more particularly described in the management information circular accompanying this notice of meeting;
7. to consider and, if thought fit, to approve an ordinary resolution authorizing and approving an alteration of the Company's Articles to permit the Company to make use of the notice-and-access delivery procedures for sending shareholder meeting materials to shareholders, as more particularly described in the management information circular accompanying this notice of meeting; and
8. 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 of meeting.

If you are unable to attend the meeting in person, please complete, sign and date the form of proxy or voting instruction form accompanying this notice of meeting and return the same within the time and in the manner set out in the form of proxy or voting instruction form.

DATED this 14<sup>th</sup> day of June, 2013.

**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 June 14, 2013

The Company is providing this information circular (the "**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, July 19, 2013 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 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 – 8<sup>th</sup> 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 a non-registered 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.

The Company is not forwarding meeting materials directly to "non-objecting beneficial owners" (or "NOBOs"). The Company is not using the "notice-and-access" delivery procedures recently established under Canadian securities legislation. The Company does intend to pay for an intermediary to deliver to "objecting beneficial owners" (or "OBOs") the proxy-related materials and Form 54-101F7 *Request for Voting Instructions Made by Intermediary*.

### 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 adjournments 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 arrange for their intermediaries to do so on their behalf, and observe the time limitations set forth in the voting instruction form.**

## **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Company is authorized to issue an unlimited number of Shares without par value, of which 144,441,184 Shares are issued and outstanding as at June 14, 2013, the record date for the Meeting. Persons who are registered shareholders at the close of business on the record date 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 October 11, 2011, 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 September 30, 2011, 25,300,000 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, these 25,300,000 Shares represent approximately 17.52% of the issued and outstanding share capital of the Company.

## **BUSINESS OF THE ANNUAL GENERAL MEETING**

### **Receipt of the Financial Statements and Auditors' Report**

The consolidated financial statements of the Company for the year ended December 31, 2012 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.

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 individuals, 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 <sup>(5)</sup>
<b>Ford Nicholson</b> <sup>(2),(3)</sup> British Columbia, Canada Chairman and Director	President, Kepis & Pobe Financial Group Inc., a private investment company	Since June 27, 2008	8,018,697
<b>Robert Cross</b> <sup>(1),(2),(3)</sup> 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
<b>Victor Redekop</b> <sup>(1),(3),(4)</sup> Alberta, Canada Director	Director, Simmons Group Inc., a drilling services company	Since June 27, 2008	2,929,437
<b>Eric Brown</b> <sup>(1),(2)</sup> British Columbia, Canada Director	Independent consultant	Since June 27, 2008	23,000
<b>General Wesley Clark</b> (retired) <sup>(4)</sup> Arkansas, USA Director	Chief Executive Officer, Wesley K. Clark and Associates	Since July 21, 2009	456,000
<b>Wolf Regener</b> <sup>(4)</sup> California, USA President, CEO and Director	President and CEO of the Company	Since May 25, 2010	1,655,927

(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, or controlled or directed, directly or indirectly, as at June 14, 2013, based upon information furnished to the Company by individual directors.

**Unless otherwise instructed, the persons named as proxyholder in the enclosed form of proxy intend to vote for the fixing of the number of directors at six and for the director nominees listed herein.**

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.

The Board believes that each director should have the confidence and support of the shareholders of the Company. To this end, the Board has unanimously adopted a Majority Voting Policy and future nominees for election to the Board will be required to confirm that they will abide by this Majority Voting Policy. Readers are referred to the full text of the policy, which is set out at Schedule "B" to this Information Circular.

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.

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 (the "**Board**"). KPMG were first appointed auditors of the Company in May 2008.

**Unless otherwise instructed, the persons named as proxyholder in the enclosed form of proxy intend to vote for the appointment of KPMG LLP, Chartered Accountants as auditors of the Company.**

## **EXECUTIVE COMPENSATION AND REMUNERATION OF DIRECTORS**

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**

To achieve the Company's objectives, the Company believes it is critical to create and maintain compensation programs that attract and retain committed, highly-qualified personnel and to motivate

them to assist in the achievement of the Company's business objectives, 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, 2012, the executive management team achieved significant objectives and milestones which were considered by the Compensation Committee (in this section, "Executive Compensation and Remuneration of Directors", the Compensation Committee is referred to as the "Committee") in the establishment of overall 2012 compensation. Achievements that were reflected in the cash bonuses awarded for 2012 include:

- successful drilling of two exploration wells in Poland at lower cost than many other operators have achieved;
- the Company's internally generated geologic modeling was validated by one of these Polish wells, indicating that the Bytow block may be capable of hosting economic shale gas wells;
- acceptance by locals in all areas where BNK conducted exploration activities in Poland, including authorities, politicians, media and citizens;
- also in Poland, BNK obtained the first environmental decision issued for a deepening operation instead of being required to complete a full Environmental Impact Assessment;
- conclusion of geological work on the Company's German concessions, which enabled the Company to determine to relinquish those concessions without expending funds on drilling those concessions;
- successful implementation of staff reductions and other costs reduction measures throughout the organization; and
- identification of the Caney zone in the Tishomingo field, Oklahoma, and drilling of the Barnes 6-2H well.

### **Risk-Management Implications**

The Committee exercises both positive and negative discretion in relation to compensation and the allocation of 'at-risk' compensation (being cash bonuses and securities-based compensation), 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. The nature of the business and the competitive environment in which the Company operates requires some level of risk-taking to achieve growth. The following aspects of the Company's executive compensation program are designed to encourage practices and activities that should enhance long-term value and sustainable growth and limit incentives that could encourage inappropriate or excessive risk-taking:

- an annual cash bonus target, determined as a percentage of an executive's annual salary, that may be earned in a calendar year; and
- staged vesting over a two or three year period of stock options granted to executives with a maximum of one-third vesting per annum.

During the second quarter of 2012, the Committee met to, among other things, consider risks associated with its compensation policies and practices. The Committee did not identify compensation policies or practices that were reasonably likely to have a material adverse effect on the Company.

The Company has not adopted a policy prohibiting Named Executive Officers or directors from purchasing financial instruments that are designed to hedge or offset a decrease in market value of equity securities of the Company granted as compensation or held, directly or indirectly, by Named Executive Officers or directors.

### Compensation Mix

The Company compensates its executive officers through base salary, cash bonuses and the award of stock options under the Company's stock option plan (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.

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, generally vesting ratably over two or three years and having a term of five years.

The Named Executive Officers are also eligible to participate in the same benefits 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.

At the Meeting the shareholders will be asked to approve a Restricted Share Unit Plan for the Company. See "Particulars of Other Matters to be Acted Upon - Approval of the Company's Restricted Share Unit Plan".

### Assessment of Compensation

In determining appropriate levels of executive compensation the Committee utilizes publicly available compensation surveys and information contained within 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 2012 base salaries of the Named Executive Officers of the Company disclosed 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 performance of the individual, achievement of corporate objectives and the individual executive's contribution thereto. 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 Board can exercise discretion to award compensation absent attainment of a pre-determined performance goal, or to reduce or increase the size of a bonus award. To date, the Board has not exercised its discretion to award a bonus absent attainment of applicable performance goals. 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. Target bonuses for Named Executive Officers may be exceeded if an executive officer is instrumental in the achievement of favourable milestones in addition to pre-determined objectives, and in circumstances where an executive's individual commitment and performance is exceptional.

**Long-Term Incentives:** The allocation of stock options, and the terms of those options, is an integral component of the compensation package of the executive officers of the Company. The Company's Option Plan is 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 serve 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.

To date, stock options granted to Named Executive Officers generally vest in tranches of one-third at the time of grant (subject to any applicable probationary period) and one-third on each of the first and second anniversary date of grant. 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 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 to Named Executive Officers is generally reviewed by the Committee for recommendation to the Board for final 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 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 correspond to the Company's compensation to its Named Executive Officers during the same periods. Total compensation of Named Executive Officers has generally declined over the three year period ended December 31, 2012.

The Compensation Committee reviews and recommends to the Board the remuneration of the Company's Named Executive Officers. The Committee's recommendations are based on a number of factors, including the Company's performance as measured by the advancement of business objectives, which performance is not necessarily reflected in the trading price of the Shares on the Toronto Stock Exchange (the "TSX"). See "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, 2012 and under the heading "Risk Factors" in the Annual Information Form of the Company for the year ended December 31, 2012.

## Compensation Governance

The Company's executive compensation program is administered by the Committee, which is comprised solely of independent directors. During the fiscal year ended December 31, 2012, 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.

As part of its mandate, the Committee reviews and recommends to the Board the remuneration of the Company's senior executive officers. The Committee is also responsible for reviewing the Company's compensation policies and guidelines generally. During 2012 the Committee held five (5) formal meetings and several informal meetings to address compensation matters including matters relating to hiring decisions and option awards.

The Committee has a written mandate that sets out the Committee's structure, operations, and responsibilities. Among other things, the mandate requires the Board to appoint to the Committee three or more directors who meet the independence and experience requirements of applicable securities laws and stock exchange policies, as determined by the Board. The chair of the Committee may be designated by the Board or, if it does not do so, the members of the Committee may elect a chair by majority vote. Decisions at Committee meetings are decided by a majority of votes cast. The mandate also grants the Committee access to officers, employees and information of the Company and the authority to engage independent counsel and advisors as it deems necessary to perform its duties and responsibilities. The mandate of the Committee is described under "Corporate Governance Practices - Compensation of Directors and the Chief Executive Officer".

## 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 Chief Executive Officer and the Chief Financial Officer and the other three most highly compensated executive officers of the Company and its subsidiaries or the three most highly compensated individuals acting in a similar capacity as at December 31, 2012 whose individual total compensation 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").

Name and Principal Position	Year	Salary (\$)	Share Based Awards (\$)	Non-Equity Incentive Plan			Pension Value (\$)	All Other Comp- ensation <sup>(4)</sup> (\$)	Total Comp- ensation (\$)
				Option- Based Awards <sup>(1)(2)</sup> (\$)	Annual Incentive Plans <sup>(3)</sup> (\$)	Long-Term Incentive Plans (\$)			
Wolf Regener, President and Chief Executive Officer	2012	350,000	Nil	Nil	70,000	Nil	Nil	Nil	420,000
	2011	337,500	Nil	Nil	140,000	Nil	Nil	Nil	477,500
	2010	277,939	Nil	463,500	150,000	Nil	Nil	Nil	891,439
Warren Nelson, <sup>(5)</sup> Chief Financial Officer and Vice President	2012	291,000	Nil	Nil	Nil	Nil	Nil	Nil	291,000
	2011	278,438	Nil	Nil	85,000	Nil	Nil	Nil	363,438
	2010 <sup>(6)</sup>	204,166	Nil	1,208,685	105,000	Nil	Nil	Nil	1,517,851

Name and Principal Position	Year	Salary (\$)	Share Based Awards (\$)	Non-Equity Incentive Plan			Pension Value (\$)	All Other Compensation <sup>(4)</sup> (\$)	Total Compensation (\$)
				Option-Based Awards <sup>(1)(2)</sup> (\$)	Annual Incentive Plans <sup>(3)</sup> (\$)	Long-Term Incentive Plans (\$)			
<b>James Hill,</b> Vice President, New Ventures	2012 <sup>(7)</sup>	226,500	Nil	Nil	Nil	Nil	Nil	228,000 <sup>(7)</sup>	454,500
	2011	221,417	Nil	Nil	31,000	Nil	Nil	Nil	252,417
	2010	209,958	Nil	Nil	28,000	Nil	Nil	Nil	237,958
<b>Steve Warshauer,</b> Vice President, Exploration	2012	226,500	Nil	Nil	23,000	Nil	Nil	Nil	249,500
	2011 <sup>(8)</sup>	225,463	Nil	Nil	56,000	Nil	Nil	Nil	281,463
	2010	188,525	Nil	362,000	50,000	Nil	Nil	Nil	600,525
<b>Martin Robert,</b> Chief Operating Officer	2012 <sup>(9)</sup>	305,000	Nil	65,475	65,000	Nil	Nil	Nil	435,475
	2011	277,000	Nil	Nil	110,000	Nil	Nil	Nil	387,000
	2010 <sup>(10)</sup>	Nil	Nil	858,000	Nil	Nil	Nil	Nil	858,000

- (1) Represents options to purchase Shares of the Company, with each option upon exercise entitling the holder to acquire one Share. The grant date fair value has been calculated in accordance with Section 3870 of the CICA Handbook. The value of option-based awards was determined using the Black-Scholes option pricing model. These options were granted and the Company's Share trading price is reported in Canadian dollars. The US\$ amounts were calculated using the currency rates in effect on the date of grant.
- Wolf Regener: In 2010, the value of option-based awards, using the Black-Scholes option pricing model, was 500,000 Shares at C\$0.93. The options were granted at an exercise price of C\$2.85, which was the closing price for the Shares on the TSX on the day prior to the date of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 2.10%; (ii) current time to expiration of the option which was assumed to be 5 years; and (iii) the volatility for the Shares on the TSX, which was 71%.
- Warren Nelson In 2010, the value of option-based awards, using the Black-Scholes option pricing model, was 500,000 Shares at C\$2.26. The options were granted at an exercise price of C\$2.12. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 2.79%; (ii) current time to expiration of the option which was assumed to be 5 years; and (iii) the volatility for the Shares on the TSX, which was 112%.
- Steve Warshauer In 2010, the value of option-based awards, using the Black-Scholes option pricing model, was 200,000 Shares at C\$1.42 and 50,000 shares at C\$1.56. The options were granted at exercise prices of C\$1.72 and C\$2.85, respectively, which were the closing prices for the Shares on the TSX on the days prior to the date of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which were 2.45% and 2.44%, respectively; (ii) current time to expiration of the options which was assumed to be 5 years; and (iii) the volatility for the Shares on the TSX, which was 118% and 63%, respectively.
- Martin Robert In 2010, the value of option-based awards, using the Black-Scholes option pricing model, was 550,000 Shares at C\$1.56. The options were granted at an exercise price of C\$2.85, which was the closing price for the Shares on the TSX on the day prior to the date of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 2.44%; (ii) current time to expiration of the option which was assumed to be 5 years; and (iii) the volatility for the Shares on the TSX, which was 63%. In 2012, the value of option-based awards, using the Black-Scholes option pricing model, was 250,000 Shares at C\$0.26. The options were granted at an exercise price of C\$1.40, which was the closing price for the Shares on the TSX on the day prior to the date of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 1.25%; (ii) current time to expiration of the option which was assumed to be 5 years; and (iii) the volatility for the Shares on the TSX, which was 73%.
- (2) The actual value of the options granted to the Named Executive Officers 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. See "Outstanding Share-Based and Option-Based Awards - Named Executive Officers".
- (3) Annual Incentive Plan amounts represent discretionary cash 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 and club membership fees.
- (5) Mr. Nelson ceased to be an executive officer of the Company on April 12, 2013.
- (6) Mr. Nelson was appointed Vice President on March 8, 2010 and Vice President and Chief Financial Officer effective April 1, 2010. He would have earned \$250,000 had he worked for the entire 2010 year.
- (7) Mr. Hill ceased to be an executive officer of the Company on December 28, 2012 and received a severance payment of \$228,000.
- (8) Mr. Warshauer was appointed Vice President, Exploration on February 11, 2011 at an annual salary of \$228,000.
- (9) Mr. Robert was appointed Chief Operating Officer on May 10, 2012 at an annual salary of \$305,000. Prior to such time he served as the Company's Vice President, Engineering and Operations.
- (10) Mr. Robert was appointed on December 1, 2010 and would have earned \$275,000 had he worked for the entire year.

### Outstanding Option-Based Awards - Named Executive Officers

The Company's Option Plan was adopted in 2008 and approved by the shareholders on May 27, 2009. Pursuant to the Option Plan, 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 "Stock Option Plan".

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, 2012.

Name	Option-Based Awards					
	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Option Exercise Price (US <sup>(2)</sup> )/C\$	Option Expiration Date	Value of Unexercised In-the-Money Options (US/C\$) <sup>(3)</sup>	Number of Options That Have Not Vested (#)	Market Value of Option-Based Awards That Have Not Vested (US/C\$) <sup>(3)</sup>
Wolf Regener	1,350,000	0.63/0.63	July 27, 2014	Nil/Nil	Nil	N/A
	500,000	2.85/2.85	September 1, 2015	Nil/Nil	Nil	N/A
James Hill	250,000	0.63/0.63	July 27, 2014	Nil/Nil	Nil	N/A
Warren Nelson	500,000	2.12/2.12	March 8, 2015	Nil/Nil	Nil	N/A
	50,000	2.85/2.85	December 1, 2015	Nil/Nil	Nil	N/A
Steve Warshauer	200,000	1.72/1.72	February 8, 2015	Nil/Nil	Nil	N/A
	50,000	2.85/2.85	December 1, 2015	Nil/Nil	Nil	N/A
Martin Robert	550,000	2.85/2.85	December 1, 2015	Nil/Nil	Nil	N/A
	250,000	1.40/1.40	June 13, 2017	Nil/Nil	250,000	Nil/Nil

- (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) These options were granted and the Company's Share trading price is reported in Canadian dollars. On December 31, 2012, the last trading day of the financial year, the US dollar was on par with the Canadian dollar.
- (3) Calculated based on the closing price of the Company's Shares of C\$0.50 (US\$0.50) on December 31, 2012, the last trading day of the financial year.

### Incentive Plan Awards – Value Vested or Earned During the 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, 2012 and bonuses awarded to Named Executive Officers, for the financial year ending December 31, 2012.

Name	Option-Based Awards - Value Vested During Year <sup>(1)(2)</sup> (C\$)	Share-Based Awards - Value Vested During Year (C\$)	Non-Equity Incentive Plan Compensation- Value Earned During Year (US\$/C\$ <sup>(3)</sup> )
Wolf Regener	N/A	N/A	70,000/71,309
James Hill	N/A	N/A	Nil
Warren Nelson	N/A	N/A	Nil
Steve Warshauer	N/A	N/A	23,000/23,430
Martin Robert	Nil	N/A	65,000/66,216

- (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.
- (3) The cash bonus compensation was awarded in US\$. The C\$ figure was calculated based upon the noon exchange rate on June 19, 2013 (the date the bonus compensation was approved by the board) as reported by the Bank of Canada.

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

### **Pension Plan Benefits**

The Company has not established a pension plan for the benefit of its executive officers that provides for payments or benefits at, following, or in connection with retirement.

### **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 either (a) without cause, or (b) on a "Change of Control", being an event resulting in new persons possessing more than 50% of the voting power of the Company or any successor company, and where one of the following circumstances occurs within twenty-four (24) months of such event: (i) he is terminated without cause; (ii) his working location is transferred to a location more than fifty (50) miles from the Company's current place of business in Camarillo, California; (iii) he is demoted to a position of lesser seniority or authority; or (iv) his base salary is reduced to an annual amount at least 25% less than his base salary prior to the acquisition (together, the "**triggering events**"). Upon occurrence of either of these events, the Company will pay Mr. Regener a severance payment 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 upon either of the above events, 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, 2012, the incremental payments, payables and benefits that Mr. Regener would be entitled to are \$700,000 plus approximately \$51,736 in benefits (amount of premiums). Mr. Regener would also be entitled to the amount of any bonus awarded but not then paid.

Martin Robert is employed by the Company as Chief Operating Officer at a current salary of \$305,000 per annum. If Mr. Robert's employment agreement is terminated without cause, his employment contract entitles him, in addition to ten (10) weeks of advance notice (or pay in lieu), the following payments upon termination: an amount equal to his unused vacation through the date of termination; an amount equal to the amount paid to him for reasonable moving expenses to relocate his personal property from Calgary, Alberta to Camarillo, California; and a lump sum payment of \$10,000. If Mr. Robert is terminated upon a Change of Control (which is defined, in this instance, as an event resulting in new persons possessing more than 50% of the voting power of the Company or any successor company, and where one of the following circumstances occurs within twenty-four (24) months of such event: (i) he is terminated without cause; (ii) his working location is transferred to a location more than fifty (50) miles from the Company's current place of business in Camarillo, California; (iii) there is a material diminution in his authority, duties or responsibilities; or (iv) his base salary is reduced by any amount), Mr. Robert is entitled to a severance payment of 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; and all stock options then held will immediately vest and will remain exercisable until the earlier of the expiry date and the date which is ninety (90) days immediately following the date upon which such notice of

termination is delivered by the Company. Assuming a termination without cause took place on December 31, 2012, the incremental payments, payables and benefits that Mr. Robert would be entitled to as at such date is \$119,002 plus approximately \$9,727 in benefits (vacation pay and moving expenses). Assuming a Change of Control took place on December 31, 2012, the incremental payments, payables and benefits that Mr. Robert would be entitled to as at such date are \$305,000 plus approximately \$9,727 in benefits. Mr. Robert would also be entitled to any bonus awarded and not then paid.

James Hill ceased to be an executive officer of the Company on December 28, 2012. Mr. Hill was terminated without cause which was a triggering event under the terms of his contract. In accordance with his contract, Mr. Hill was entitled to a severance payment of \$228,000 which was equal to twelve months of pay calculated from his base salary at the time of termination and a payment of \$31,476 which was equal to twelve months of medical benefits. In addition, at the date of his termination, all stock options held by Mr. Hill immediately vested and became exercisable until the earlier of the expiry date or twenty-four months immediately following the termination date.

Warren Nelson ceased to be an executive officer of the Company on April 12, 2013 and was terminated on May 12, 2013. Mr. Nelson was terminated without cause, which is considered a triggering event under the terms of his contract. In accordance with his contract, Mr. Nelson was entitled to a severance payment of \$463,577 which was equal to eighteen months of pay calculated from his base salary at the time of termination including unused vacation time and a payment of \$47,214 which was equal to eighteen months of medical benefits. In addition, at the date of his termination, all stock options held by Mr. Nelson immediately vested and became exercisable until the earlier of the expiry date or twenty-four months immediately following the termination date.

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 subject to outstanding options 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 2012, 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. Non-executive directors are generally eligible to receive grants of stock options under the Company's Option Plan subject to an annual equity award value maximum. The Company does not presently have share-based awards or non-equity incentive plans for its non-executive directors.

No form of compensation was provided and no options were granted to directors who are not also Named Executive Officers, during the Company's most recently completed financial year. The compensation of Mr. Regener, who is both a director and a Named Executive Officer, is disclosed in the sections 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, 2012.

Option-Based Awards					
Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (US <sup>(1)</sup> )/C\$	Option Expiration Date	Option-Based Awards – Value Vested During the Year <sup>(2)</sup> (C\$)	Value of Unexercised In-the-Money Options <sup>(3)</sup> (C\$)
Ford Nicholson	1,450,000	0.63	July 27, 2014	Nil	Nil
	500,000	2.85	September 1, 2015	Nil	Nil
Robert Cross	1,450,000	0.63	July 27, 2014	Nil	Nil
Victor Redekop	200,000	0.63	July 27, 2014	Nil	Nil
Eric Brown	225,000	0.63	July 27, 2014	Nil	Nil
Wesley Clark	400,000	0.63	July 27, 2014	Nil	Nil

(1) These options were granted and the Company's Share trading price is reported in Canadian dollars. On December 31, 2012, the last trading day of the financial year, the US dollar was on par with the Canadian dollar.

(2) 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.

(3) Calculated based on the difference between the market value of the Shares at December 30, 2012 which was C\$0.50 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 and the approval of the RSU Plan.

## 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 or company who beneficially owns, controls or directs, directly or indirectly, more than 10 percent of the Company's voting securities, or any associate or affiliate of such person in any transaction since January 1, 2012 or in any proposed transaction which in either case has materially affected or will materially affect the Company or its subsidiaries.

## MANAGEMENT CONTRACTS

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

## 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 since the beginning of the year ended December 31, 2012 has there been 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 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 reserved for issuance upon exercise of stock options. 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, 2012:

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	10,938,901	1.64	2,997,217 <sup>(2)</sup>
Equity compensation plans not approved by security holders	500,000 <sup>(1)</sup>	2.12	Nil
<b>Total</b>	<b>11,438,901</b>	<b>1.66</b>	<b>2,997,217<sup>(2)</sup></b>

<sup>(1)</sup> Stock options issued as an employment inducement to executive officers in accordance with the policies of the TSX. These inducement options have the same material terms as those applicable to stock options granted pursuant to the Option Plan.

<sup>(2)</sup> Based on 10% of issued and outstanding Shares as at December 31, 2012.

### 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 Option Plan), and consultants and service providers of the Company and its subsidiaries that are 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, to 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% of the Company's issued Shares from time to time. As at June 14, 2013,

10% of the issued and outstanding Shares is 14,444,118. As at the same date a total of 12,903,901 Shares are reserved for issuance pursuant to outstanding options under the Option Plan and all other securities-based compensation arrangements, representing approximately 8.9% of the Company's issued and outstanding Shares as at such date, and based on the issued and outstanding Shares as at June 14, 2013, a further 1,540,217 Shares are available and unallocated.

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

- (a) the number of Shares reserved for issuance under the Option 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; and
- (d) the maximum non-employee director participation under the Option Plan is limited to an annual equity award value of \$100,000 per non-employee director, provided that this limit does not apply to an initial grant of options to a newly appointed or elected non-employee director.

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 typically vest as to one-third on the date of grant and one-third on each of the first and second anniversaries of the date of grant.

The Option Plan does not contain provisions allowing for the transformation of a stock option into a stock appreciation right.

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 again be available for issuance under the Option Plan.

Any unallocated entitlements under the Option Plan must be approved and ratified by shareholders every three years. The next date by which such approval is required is June 3, 2014.

Although the maximum term of options granted under the Option 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. 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 (30 days if the optionee is engaged in investor relations activities), unless a longer period is provided pursuant to the terms of the Optionee's employment agreement with the Company. 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.

Upon a change of control (as defined in the Option 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 has the power to accelerate the expiry date of outstanding stock options in connection with a take-over bid.

The Option Plan contains a cashless exercise feature whereby the exercise price of options may, at a participant's election, be advanced by an independent brokerage firm. The advance is deducted from the proceeds of sale of the Shares issued on exercise, and the remaining proceeds are paid to the participant.

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

- (a) the Board may, at any time and from time to time, amend, suspend or terminate the Option 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 Option 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 Option Plan as set out in the Option Plan;
  - (ii) to reduce the exercise price of options;
  - (iii) to extend the expiry date of options;
  - (iv) to increase the non-employee director participation limit outlined above;
  - (v) to permit options to be transferable or assignable other than for normal estate settlement purposes; and
  - (vi) to amend the provisions of this subsection (b).
- (c) in addition to the changes that may be made pursuant to sections 6.1 to 6.3 of the Option 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 exercise 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.

The Option Plan provides for adjustment, subject to approval of the stock exchange on which the Shares are then listed, of the number of option Shares and/or the exercise price in the event of a Share Reorganization or a Special Distribution (each as defined in the Option Plan). In the case of a Corporate Reorganization (as defined in the Option 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 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"). Therefore, a majority of the directors are independent, including the chair of the Board, Mr. Nicholson. 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 generally, on a monthly basis, directly to the Board. The directors meet at any time they consider necessary, and as the Chairman considers necessary 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 board has held part of one meeting without the presence of Mr. Regener (the sole executive director) since January 1, 2012. 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. Mena Hydrocarbons Inc. Zodiac Exploration Inc.
Victor Redekop	Butte Energy Inc.
Eric Brown	Bankers Petroleum Ltd.
Wesley Clark	Amaya Gaming Group Inc. Bankers Petroleum Ltd. Juhl Wind, Inc. Rentech, Inc.
Wolf Regener	None

### Participation of Directors in Board Meetings

The participation of the directors in Board meetings during the year ended December 31, 2012, 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	7/7	N/A	5/5	2/2	N/A
Robert Cross	6/7	2/2	5/5	2/2	N/A
Victor Redekop	7/7	2/2	N/A	2/2	1/1
Eric Brown	7/7	2/2	5/5	N/A	N/A
Wesley Clark	7/7	N/A	N/A	N/A	1/1
Wolf Regener	7/7	N/A	N/A	N/A	1/1

### Board Mandate

The Board has adopted a Board Mandate entitled the "Board of Directors Terms of Reference", 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, which provides, among other things, that the Chair shall: oversee the discharge of the Board's obligations; chair Board meetings; ensure that the Board works as a cohesive team with adequate resources and proper systems for delegation; ensure that matters for its consideration are addressed in a timely manner and are well documented; and communicate board decisions and expectations to management.

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](http://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, which is composed entirely of independent directors. Compliance with the Code is monitored primarily through the reporting process within the Company's organizational structure, including through the confidential Whistleblower 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 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, reviewing 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 Chief Executive Officer**

The members of the Compensation Committee are independent. The primary function of the Compensation Committee is to assist the Board in fulfilling its oversight responsibilities with respect to human resources policies and executive compensation matters. In addition, the Compensation Committee reviews the compensation of directors and the overall compensation policies of the Company.

The Board has adopted a written charter that sets forth the responsibilities, powers and operations of the Compensation Committee, which include: reviewing and recommending for approval by the Board the Company's key human resources policies and its executive compensation philosophy and remuneration policy; reviewing and approving the corporate goals and objectives relevant to the compensation of the CEO; evaluating the CEO's performance in light of the previously established corporate goals and objectives; recommending to the Board the CEO's compensation package based on its evaluation of the CEO's performance; reviewing annually and recommending to the Board the annual compensation package and performance objectives of the other senior officers; reviewing the grants of options to purchase shares of the Company, at the request of the Board; reviewing the adequacy and form of the compensation of directors periodically to determine if the compensation realistically reflects the responsibilities and risks involved in being an effective director, and to report and make recommendations to the Board accordingly; and reviewing executive compensation disclosure of the Company prior to its public disclosure and report annually to the Company's shareholders on executive compensation.

The Compensation Committee has the power to retain independent legal, accounting or other relevant advisors as it determines necessary 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 and Environmental Committee**

A majority of the members of the Health, Safety and Environmental 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 Company'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 most recently in 2012, 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 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 Audit Committee Charter and other disclosure required by NI 52-110 is contained in the section "Audit Committee Information" in the Company's Annual Information Form for the year ended December 31, 2012 filed under the Company's profile at [www.sedar.com](http://www.sedar.com).

## PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

### A. Ratification and Approval of Advance Notice Policy

On May 24, 2013, the Board adopted an advance notice policy (the "**Advance Notice Policy**") for the purpose of providing shareholders, directors and management of the Company with a clear framework for nominating directors of the Company in connection with any annual or special meeting of shareholders.

The purpose of the Advance Notice Policy is to (i) ensure that all shareholders receive adequate notice of director nominations and sufficient time and information with respect to all nominees to make appropriate deliberations and register an informed vote; and (ii) facilitate an orderly and efficient process for annual or, where the need arises, special meetings of shareholders of the Company. The Advance Notice Policy fixes the deadlines by which shareholders of the Company must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in a written notice to the Company for any director nominee to be eligible for election at such annual or special meeting of shareholders.

A copy of the Company's Advance Notice Policy is attached to this Information Circular as Schedule "C". In order to remain effective following the Meeting, the Advance Notice Policy must be ratified, confirmed and approved by the shareholders of the Company at the Meeting.

The following is a brief summary of certain provisions of the Advance Notice Policy and is qualified in its entirety by the full text of the Advance Notice Policy.

1. Other than pursuant to (i) a proposal made in accordance with the *Business Corporations Act* (British Columbia) (the "**Act**"), or (ii) a requisition of the shareholders made in accordance with the provisions of the Act, shareholders of the Company must give advance written notice to the Company of any nominees for election to the board of directors.

2. The Advance Notice Policy fixes a deadline by which shareholders of the Company must submit, in writing, nominations for directors to the Corporate Secretary of the Company prior to any annual or special meeting of shareholders, and sets forth the specific information that such shareholders must include with their nominations in order to be effective. Only persons who are nominated in accordance with the Advance Notice Policy are eligible for election as directors of the Company.
3. For an annual meeting of shareholders, notice to the Company must be not less than 30 days and not more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date less than 50 days after the date on which the first public announcement of the date of such annual meeting was made, notice may be given not later than the close of business on the 10th day following such public announcement.
4. For a special meeting of shareholders (that is not also an annual meeting), notice to the Company must be given not later than the close of business on the 15<sup>th</sup> day following the day on which the first public announcement of the date of such special meeting was made.
5. The time periods for giving notice set forth above shall in all cases be determined based on the original date of the applicable annual meeting and/or special meeting of shareholders, and in no event shall any adjournment or postponement of a meeting of shareholders, or the reconvening of any adjourned or postponed meeting of shareholders, or the announcement thereof, commence a new time period for the giving of notice as described above.

For the purposes of the Advance Notice Policy, "public announcement" means disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Board may, in its sole discretion, waive any provision or requirement of the Advance Notice Policy.

If approved at the Meeting, the Advance Notice Policy will continue to be effective in accordance with its terms. The Advance Notice Policy will be subject to annual review by the Board, and will be updated from time to time to reflect changes required by securities regulatory agencies or stock exchange, or to conform to industry standards, as determined by the Board.

If not approved at the Meeting, the Advance Notice Policy will terminate and be of no further force and effect from and after the termination of the Meeting.

The resolution respecting the Advance Notice Policy must be approved by a majority of the votes cast by shareholders present or represented by proxy at the Meeting. The text of the resolution is set out below.

At the Meeting, the Shareholders will be asked to approve the following ordinary resolution:

**"BE IT RESOLVED that:**

1. the Advance Notice Policy (the "**Advance Notice Policy**") of BNK Petroleum Inc. (the "**Company**") as set forth in the Company's Information Circular dated June 14, 2013 be and is hereby ratified, confirmed, authorized and approved;
2. the board of directors of the Company be and is hereby authorized, in its sole discretion, to administer the Advance Notice Policy and revise the same from time to time in accordance with the provisions thereof, without further

shareholder approval, to reflect changes by securities regulatory authorities or stock exchanges, and to address changes in industry standards from time to time as determined by the Board; and

3. any one director or officer of the Company is hereby authorized and directed to carry out any act for and on behalf of the Company and to execute and deliver such deeds, documents and other instruments in writing as he or she in his or her discretion may consider necessary for the purpose of giving effect to these resolutions and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to the intent of these resolutions."

**The Board of Directors of the Company recommends that shareholders vote for the resolution to approve the Advance Notice Policy. Unless otherwise instructed, the persons named as proxyholder in the enclosed form of proxy intend to vote for the ordinary resolution to approve the Advance Notice Policy.**

#### **B. Approval of the Company's Restricted Share Unit Plan**

At the Meeting, the Company's shareholders will be asked to approve the Company's restricted share unit plan (the "**RSU Plan**") as described below.

On June 19, 2013, the Board approved the RSU Plan, subject to the receipt of shareholder and regulatory approvals. Adoption of the RSU Plan is part of the Company's continuing effort to build upon and enhance long term shareholder value.

The RSU Plan has been established to provide a greater alignment of interests between directors, executive officers and employees of the Company and its affiliates (for the purposes of this section, "**Designated Participants**") and shareholders of the Company, and to provide a compensation mechanism for Designated Participants that appropriately reflects the responsibility, commitment and risk accompanying their roles. The Plan is also intended to assist the Company to attract, retain and motivate Designated Participants with experience and ability, and to allow Designated Participants to participate in the success of the Company.

The following is a summary of certain features of the RSU Plan:

##### *Awarding RSUs*

- The Board has authority to administer and interpret the RSU Plan.
- Restricted share units (the "**RSUs**") may be granted to such Designated Participants as may be determined by the Board in its sole discretion with effect from such dates as the Board may specify. As at June 14, 2013, no RSUs have been granted.
- Whenever a dividend is paid on the Shares, additional RSUs ("**dividend equivalent RSUs**") will be credited to a Designated Participant's RSU account. The number of such additional RSUs to be so credited will be calculated by dividing the dividend that would have been paid to such Designated Participant if the RSUs recorded in the Designated Participant's RSU account as at the record date for the dividend had been Shares, whether or not vested, by the five-day volume-weighted average price of the shares on TSX (the "**Market Value**") on the Trading Day (as defined in the RSU Plan) immediately preceding the date on which the Shares began to trade on an ex-dividend basis.

- The Shares which may be made subject to issuance under RSUs from time to time may not exceed 1.5% of the number of outstanding Shares from time to time calculated on a non-diluted basis, and Shares reserved for issuance pursuant to granted RSUs will reduce the number of Shares that may be made subject to Options under the Company's 10% rolling Option Plan. In addition:
  - the maximum number of Shares issuable to insiders, at any time, pursuant to the RSU Plan, together with all of the Company's other security based compensation arrangements, is 10% of the Company's issued and outstanding Shares calculated on a non-diluted basis; and
  - the maximum number of Shares issued to insiders within any one year period pursuant to the RSU Plan, together with all of the Company's other security based compensation arrangements, is 10% of the Company's issued and outstanding Shares calculated on a non-diluted basis; and the equity award value of RSUs granted each year to any one non-employee director, together with the equity award value of options to purchase Shares granted pursuant to the Company's stock option plan in such year, is limited to \$100,000, except in the case of an initial grant of RSUs to newly appointed or elected non-employee directors.

#### *Transferability*

- Rights with respect to RSUs shall not be transferable or assignable other than by will or the laws of descent and distribution.

#### *Vesting*

- RSUs granted to a Designated Participant shall vest, as to one-third (1/3) of the number of such RSUs, on each of the first, second and third anniversaries of the Grant Date, unless otherwise directed by the Board, and dividend equivalent RSUs received by a Designated Participant shall vest with the RSUs in respect of which they were credited to the Designated Participant's RSU account.
- In the event that a Designated Participant dies, retires, becomes disabled or is terminated without cause prior to the vesting of the RSUs granted to the Designated Participant, the Board may determine, in its sole discretion, whether or not any or all of the RSUs and any dividend equivalent RSUs in respect of such RSUs, shall otherwise be considered to have vested, and the date on which the Board determines that some or all of the Designated Participant's RSUs have vested shall be considered to be the vesting date for such Restricted Share Units that have so vested. If the Board does not so determine:
  - in the case of death, retirement or disability, a *pro-rata* portion of the Designated Participant's RSUs that are scheduled to vest on the next scheduled vesting date for such RSUs shall vest, based on the number of days since the grant date to the date of death, retirement or disability in relation to the total number of days from the grant date to such vesting date; and
  - in the case of termination without cause or resignation for good reason, a *pro-rata* portion of the Designated Participant's RSUs that are scheduled to vest on the next scheduled vesting date for such RSUs shall vest, based on the number of days since the grant date to the date of such termination or resignation in relation to the total number of days from the grant date to such vesting date.
- If a Designated Participant is terminated for cause or resigns without good reason, his or her RSUs will immediately expire as of the date of termination.

### *Redemption*

- Each RSU entitles the holder, subject to the terms of the RSU Plan, to receive a payment in fully-paid Shares.
- Each RSU is redeemed for one Share on the date that is five business days after the date on which the RSU vests.
- If a vested RSU would otherwise be redeemed during a self-imposed blackout period or within five business days after the date on which such period ends, then, notwithstanding any other provision of the RSU Plan, the RSU shall instead be redeemed on the date which is 10 business days after the date on which the self-imposed blackout period ends.

### *Change of Control*

- If there is (a) an acquisition by any person or group of persons which, when added to all other Shares held by such person or persons, constitutes more than 50% of the outstanding Shares, (b) the removal, by extraordinary resolution of the shareholders of the Company, of more than 50% of the then incumbent members of the Board, or the election of a majority of the directors comprising the Board who were not nominated by the Company's incumbent Board at the time immediately preceding such election, (c) consummation of a sale of substantially all of the assets of the Company; or (d) the consummation of a reorganization, plan of arrangement, merger or other transaction which has substantially the same effect as (a) to (c), a Change of Control will have occurred for the purposes of the RSU Plan.
- In the event of a Change of Control, should the acquirer, an affiliate thereof or the successor to the Company agree to assume all of the obligations of the Company under the RSU Plan and the Board determines that such assumption is consistent with the objectives of the RSU Plan, the RSU Plan and all outstanding awards will continue on the same terms and conditions, except that, if applicable, RSUs may be adjusted to a right to acquire shares of the acquirer or its affiliate. In the event the RSU Plan is so continued, the RSUs of Designated Participants whose employment thereafter ceases for any reason other than resignation without good reason or termination for cause shall immediately be deemed to vest and the Company shall, at its option, redeem such vested RSUs by issuing Shares or paying to such Designated Participant a cash amount equal to the Market Value of such vested RSUs as of the date of termination.
- In the event of a Change of Control where the acquirer or an affiliate thereof or the successor to the Company does not agree to assume all of the obligations of the Company under the RSU Plan, or the Board determines that such assumption is not consistent with the objectives of the RSU Plan, all unvested RSUs held by each Designated Participant shall immediately be deemed to be vested and the Company shall, at its option, redeem all such vested RSUs by issuing Shares or paying to such Designated Participant a cash amount equal to the Market Value of such vested RSUs as of the Change of Control date.

### *Amendments*

- Subject to applicable law, including the rules and regulations of the TSX, and the restrictions described below, the Board may amend, suspend or terminate the RSU Plan at any time without shareholder approval for any purpose which, in the opinion of the Board, may be expedient or desirable.
- The Board shall not materially adversely alter or impair any rights of a Designated Participant or materially increase any obligations of a Designated Participant with respect to RSUs previously awarded without the consent of a Designated Participant.

- The Board may approve amendments relating to the RSU Plan or alterations to the rights or obligations of a Designated Participant with respect to previously granted RSUs without obtaining shareholder approval, to the extent that such amendment:
  - is of a typographical, grammatical, clerical or administrative nature or is required to comply with applicable regulatory requirements;
  - is an amendment relating to administration of the RSU Plan and eligibility for participation under the RSU Plan;
  - changes the terms and conditions on which RSUs may be or have been granted pursuant to the RSU Plan, including change to the vesting provisions of the RSUs;
  - changes the termination provisions of a RSU or the RSU Plan; or
  - is an amendment of a "housekeeping nature".
- Shareholder approval will be required for the following amendments to the RSU Plan:
  - increasing the number of securities issuable under the RSU Plan;
  - making a change to the class of Designated Participants that would have the potential of broadening or increasing participation by insiders;
  - increasing the non-employee director participation limit;
  - amending the restriction on transferability of RSUs;
  - permitting awards other than RSUs to be made under the RSU Plan; and
  - deleting or reducing the amendments that require shareholders' approval under the RSU Plan.
- If the Board terminates or suspends the RSU Plan, no new RSUs (other than dividend equivalent RSUs) will be credited to the RSU account of a Designated Participant. On termination of the RSU Plan, the vesting of any and all RSUs not then vested will be accelerated and, on a date or dates selected by the Board in its discretion, payment in the form of Shares will be made to the Designated Participant in respect of RSUs.

If the RSU Plan is approved by shareholders, the directors of the Company intend to amend the Option Plan to provide that grants of RSUs to non-employee directors will also count toward the annual limit on non-employee director participation under the Option Plan to an annual equity award value of \$100,000 per non-employee director.

The foregoing summary of certain features of the RSU Plan is subject to and qualified in its entirety by reference to the full text of the RSU Plan, which will be available for inspection by shareholders during normal business hours prior to the date of the Meeting at the Company's records office at Suite 1000, 595 Howe Street, Vancouver, BC, and can also be requested by contacting the Chief Financial Officer of the Company at 760 Paseo Camarillo, Suite 350, Camarillo, California 93010, tel: (805) 484-3613.

Pursuant to the rules of the TSX, the RSU Plan must be approved by a resolution passed by a majority of the votes cast by shareholders present or represented by proxy at the Meeting. The text of the resolution is set out below.

At the Meeting, the Shareholders will be asked to approve the following ordinary resolution:

**"BE IT RESOLVED that:**

1. the Restricted Share Unit Plan (the "**RSU Plan**") of BNK Petroleum Inc. (the "**Company**") described in the information circular of the Company dated June 14, 2013, which allows for up to 1.5% of the common shares of the Company outstanding from time to time to be made subject to issuance under restricted share units granted under the RSU Plan, be and is hereby authorized, confirmed, ratified and approved;
2. all unallocated entitlements under the RSU Plan be and are hereby authorized and approved until July 19, 2016;
3. the reservation for issuance of common shares under the RSU Plan in accordance with its terms be and is hereby authorized and approved and the Company is hereby authorized and directed to issue such common shares pursuant to the RSU Plan as fully paid and non-assessable shares of the Company; and
4. any director or officer of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such acts and things, as may in the opinion of such director or officer of the Company be necessary or desirable to carry out the intent of the foregoing resolutions."

**The Board of Directors of the Company recommends that shareholders vote for the resolution to approve the RSU Plan. Unless otherwise instructed, the persons named as proxyholder in the enclosed form of proxy intend to vote for the ordinary resolution to approve the RSU Plan.**

**C. Amendment to Articles to Permit Notice-and-Access**

Earlier this year, the Canadian Securities Administrators (the "**CSA**") adopted amendments to applicable securities law instruments to provide reporting issuers with a mechanism referred to as "notice-and-access" for sending proxy materials to shareholders, as described in more detail below. At the Meeting shareholder approval will be sought to alter the Company's Articles as shown in Schedule "D" to this Information Circular to ensure that the Articles permit the Company to make use of notice-and-access, if and when the Company desires to do so (the "**NAA Amendment**"). Other than this proposed alteration, the existing Articles of the Company will remain unaltered and in full force and effect.

***Background and Rationale***

Amendments to applicable Canadian securities law instruments adopting notice-and-access came into force on February 11, 2013.

Notice-and-access is a method for companies and other persons soliciting proxies to provide certain proxy-related materials to shareholders electronically. The rationale for notice-and-access is the reduction of costs associated with shareholder meetings (for example, paper and mailing costs) and the promotion of environmental responsibility by decreasing the large volume of paper documents generated by printing proxy-related materials.

Under notice-and-access, companies and other persons soliciting proxies can send proxy-related materials to registered and/or beneficial shareholders by, among other requirements:

- posting the relevant management information circular and other proxy-related materials on a website that is not SEDAR (in addition to the existing requirement to post the materials to SEDAR);
- sending (by prepaid mail, courier or the equivalent, or any other agreed-upon method) a notice package containing the following information:
  - the date, time and location of the meeting for which the proxy-related materials are being sent;
  - the relevant voting document (a form of proxy or voting instruction form);
  - a description of each matter identified in the form of proxy or voting instruction form to be voted on (unless that information is already included in the relevant voting document);
  - the website address for SEDAR and the non-SEDAR website where the proxy-materials are posted, and a reminder to review the information circular before voting;
  - an explanation of how to obtain a paper copy of the information circular; and
  - a plain-language explanation of notice-and-access; and
- providing a toll-free telephone number for the shareholder to request a paper copy of the information circular (and if applicable, other proxy-related materials) at no charge.

In other words, under notice-and-access the Company generally will send shareholders a paper copy of the notice of meeting and the form of proxy in connection with a meeting, but will not send a paper copy of the information circular. Instead, the Company will send the information circular by (i) posting it on two websites including SEDAR, and (ii) notifying shareholders of its availability and how to access the electronic document.

**Shareholders will still be entitled to receive paper copies of the information circular at no charge, if requested.** As stated above, shareholders will be notified that they can call the toll-free number provided by the Company to request that a paper copy of the information circular be sent to him or her free of charge. Upon receiving the request, the Company must send the information circular by first class mail, courier or the equivalent, within specified timeframes.

The Company may still choose to continue to deliver proxy-related materials by mail in connection with shareholder meetings. However, management believes it is in the best interests of the Company to adopt the NAA Amendment to ensure notice-and-access may be utilised by the Company, if desired.

### ***The NAA Amendment Resolution***

The resolution to approve the NAA Amendment must be approved by a majority of the votes cast by shareholders present or represented by proxy at the Meeting. At the Meeting, shareholders will be asked to approve the following ordinary resolution:

#### **"BE IT RESOLVED that:**

1. the alteration of the Articles of BNK Petroleum Inc. (the "**Company**") to effect the changes to the Articles set forth in Schedule "D" to the information circular of the Company dated June 14, 2013, be and is hereby authorized and approved; and

2. any one director or officer of the Company is hereby authorized and directed to carry out any act for and on behalf of the Company and to execute and deliver such deeds, documents and other instruments in writing as he or she in his or her discretion may consider necessary for the purpose of giving effect to these resolutions and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to the intent of this resolution."

**The Board of Directors of the Company recommends that shareholders vote for the resolution to approve the NAA Amendment. Unless otherwise instructed, the persons named as proxyholder in the enclosed form of proxy intend to vote for the ordinary resolution to approve the NAA Amendment.**

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Chief Financial Officer of the Company at 760 Paseo Camarillo, Suite 350, Camarillo, California 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, 2012 which are available on SEDAR at [www.sedar.com](http://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 14<sup>th</sup> day of June, 2013.

**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"**  
**MAJORITY VOTING POLICY**

The Board of Directors believes that each director should have the confidence and support of the shareholders of the Company. To this end, the Board of Directors has unanimously adopted this Majority Voting Policy and future nominees for election to the Board of Directors will be required to confirm that they will abide by this Majority Voting Policy.

In an uncontested election of directors of the Company:

- (a) nominees shall be listed individually and shareholders shall be allowed to vote for each director individually; and
- (b) any nominee in respect of whom a greater number of votes "withheld" than votes "for" are validly cast will promptly submit his or her offer of resignation for the consideration of the Corporate Governance Committee.

Promptly following receipt of an offer of resignation arising from the foregoing circumstances, the Corporate Governance Committee will meet to review the matter and make a recommendation to the Board of Directors after reviewing the matter. In considering the resignation offer, the Corporate Governance Committee and the Board of Directors will consider all factors they deem relevant, including, but not limited to, any stated reasons why shareholders "withheld" votes from the election of the director, the length of service and the qualifications of the director, the director's contributions to the Company and the Board, and the effect any such resignation may have on the Company's ability to comply with any applicable laws or governance rules or policies. The decision of the Board of Directors whether to accept or reject a resignation offer will be disclosed to the public. A director who offers his or her resignation pursuant to this policy will not participate in any meeting of the Board of Directors or the Corporate Governance Committee at which the resignation offer is considered.

This Majority Voting Policy does not apply in circumstances involving contested director elections.

This Majority Voting Policy was initially adopted by the Board of Directors on June 19, 2013.

**SCHEDULE "C"**  
**ADVANCE NOTICE POLICY**

**INTRODUCTION**

The Corporation is committed to: (i) facilitating an orderly and efficient process for holding annual general meetings and, when the need arises, special meetings of its shareholders; (ii) ensuring that all shareholders receive adequate advance notice of the director nominations and sufficient information regarding all director nominees; and (iii) allowing shareholders to register an informed vote for directors of the Corporation after having been afforded reasonable time for appropriate deliberation.

**PURPOSE**

The purpose of this Advance Notice Policy (the "**Policy**") is to provide shareholders, directors and management of the Corporation with a clear framework for nominating directors of the Corporation. This Policy fixes a deadline by which director nominations must be submitted to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that must be included in the notice to the Corporation for the notice to be in proper written form in order for any director nominee to be eligible for election at any annual or special meeting of shareholders.

It is the position of the board of directors of the Corporation (the "**Board**") that this Policy is in the best interests of the Corporation, its shareholders and other stakeholders. This Policy will be subject to an annual review by the Board, which shall revise the Policy if required to reflect changes by securities regulatory authorities or stock exchanges, and to address changes in industry standards from time to time as determined by the Board.

**NOMINATIONS OF DIRECTORS**

1. Only persons who are qualified to act as directors under the *Business Corporations Act* (British Columbia) (the "**Act**") and who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. At any annual meeting of shareholders, or at any special meeting of shareholders at which directors are to be elected, nominations of persons for election to the Board may be made only:
  - a. by or at the direction of the Board, including pursuant to a notice of meeting;
  - b. by or at the direction or request of one or more shareholders pursuant to a valid "proposal" as defined in the Act and made in accordance with Part 5, Division 7 of the Act;
  - c. pursuant to a requisition of the shareholders that complies with and is made in accordance with section 167 of the Act, as such provisions may be amended from time to time; or
  - d. by any person (a "**Nominating Shareholder**") who:
    - (i) at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for below and at the close of business on the record date fixed by the Corporation for such meeting, (a) is a "registered owner" (as defined in the Act) of one or more shares of the Corporation carrying the right to vote at such meeting, or (b) beneficially owns shares carrying the right to vote at such meeting and provides evidence of such ownership that is satisfactory to the

Corporation, acting reasonably. In cases where a Nominating Shareholder is not an individual, the notice set forth in paragraph 4 below must be signed by an authorized representative, being a duly authorized director, officer, manager, trustee or partner of such entity who provides such evidence of such authorization that is satisfactory to the Corporation, acting reasonably; and

- (ii) in either case, complies with the notice procedures set forth below in this Policy.
2. In addition to any other requirements under applicable laws, for a nomination to be validly made by a Nominating Shareholder in accordance with this Policy, the Nominating Shareholder must have given notice thereof that is both timely (in accordance with paragraph 3 below) and in proper written form (in accordance with paragraph 4 below) to the President of the Corporation at the principal executive offices of the Corporation.
  3. To be timely, a Nominating Shareholder's notice to the President of the Corporation must be made:
    - a. in the case of an annual meeting of shareholders, not less than thirty (30) days nor more than sixty-five (65) days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than fifty (50) days after the date (the "**Notice Date**") on which the first public announcement (as defined below) of the date of the annual meeting was made, notice by the Nominating Shareholder may be given not later than the close of business on the tenth (10<sup>th</sup>) day following the Notice Date; and
    - b. in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15<sup>th</sup>) day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

The time periods for the giving of a Nominating Shareholder's notice set forth above shall in all cases be determined based on the original date of the applicable annual meeting and/or special meeting of shareholders, and in no event shall any adjournment or postponement of a meeting of shareholders, or the reconvening of any adjourned or postponed meeting of shareholders, or the announcement thereof, commence a new time period for the giving of a Nominating Shareholder's notice as described above.

4. To be in proper written form, a Nominating Shareholder's notice must be addressed to the President of the Corporation, and must set forth:
  - a. as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (i) the name, age, business address and residential address of the person; (ii) the present principal occupation or employment of the person and the principal occupation or employment within the five years preceding the notice; (iii) the citizenship of such person; (iv) the class or series and number of shares in the capital of the Corporation which are, directly or indirectly, controlled or directed or which are owned, beneficially or of record, by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (v) a statement as to whether such person would be "independent" of the Corporation (within the meaning of sections 1.4 and 1.5 of National Instrument 52-110, *Audit Committees*, of the Canadian Securities

Administrators, as such provisions may be amended from time to time) if elected as a director at such meeting and the reasons and basis for such determination;

- b. the full particulars regarding any oral or written proxy, contract, agreement, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote or direct the voting of any shares of the Corporation; and
- c. any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws.

The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation or that would reasonably be expected to be material to a reasonable shareholder's understanding of the experience, independence and/or qualifications, or lack thereof, of such proposed nominee. As soon as practicable following receipt of a Nominating Shareholder's notice (and such other information referred to above, as applicable) that complies with this Policy, the Corporation shall publish through a public announcement the names of the nominees named in such notice and such other details of such notice as the Corporation may deem appropriate.

- 5. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Policy; provided, however, that nothing in this Policy shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which such shareholder would have been entitled to submit a proposal pursuant to the provisions of the Act or at the discretion of the Chairman. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the provisions of this Policy and, if the Chairman determines that any proposed nomination was not made in compliance with this Policy, to declare that such defective nomination shall be disregarded.
- 6. For purposes of this Policy:
  - a. "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com); and
  - b. "**Applicable Securities Laws**" means, collectively, the applicable securities statutes of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each relevant province and territory of Canada, and all applicable securities laws of the United States.
- 7. Notwithstanding any other provision of this Policy, notice given to the President of the Corporation pursuant to this Policy may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the President of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the President at the address of the principal executive offices of the Corporation, sent by facsimile transmission (provided that

receipt of confirmation of such transmission has been received) or received by email (at the address as aforesaid); provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00 p.m. (Pacific Time) on a business day, then such delivery or electronic communication shall be deemed to have been made on the next business day.

8. Notwithstanding the foregoing, the Board may, in its sole discretion, waive any provision or requirement of this Policy.

### **GOVERNING LAW**

This Policy shall be interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

### **EFFECTIVE DATE**

This Policy was approved and adopted by the Board on May 24, 2013 and is and shall be effective and in full force and effect in accordance with its terms and conditions from and after such date, provided that if this Policy is not ratified and approved by an ordinary resolution of shareholders of the Corporation at the Corporation's next shareholder meeting following the effective date of this Policy, the Policy shall, from and after the date of such shareholder meeting, cease to be of any force and effect.

**SCHEDULE "D"**  
**PROPOSED AMENDMENT TO THE COMPANY'S ARTICLES**  
**TO PERMIT "NOTICE-AND-ACCESS"**

Article 24.1 and Article 24.2 of the Company's Articles will be amended to make the following changes (indicated by blackline):

**24.1 Method of Giving Notice**

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

- (1) mail addressed to the person at the applicable address for that person as follows:
  - (a) for a record mailed to a shareholder, the shareholder's registered address;
  - (b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;
  - (c) in any other case, the mailing address of the intended recipient;
- (2) delivery at the applicable address for that person as follows, addressed to the person:
  - (a) for a record delivered to a shareholder, the shareholder's registered address;
  - (b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;
  - (c) in any other case, the delivery address of the intended recipient;
- (3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;
- ~~(4)~~ sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;
- ~~(4)~~(5) making the record available for public electronic access in accordance with the procedures referred to as "notice-and-access" under National Instrument 54-101 and National Instrument 51-102, as applicable, of the Canadian Securities Administrators, or in accordance with any similar electronic delivery or access method permitted by applicable securities legislation from time to time;
- ~~(5)~~(6) physical delivery to the intended recipient.

**24.2 Deemed Receipt of Mailing**

A record that is:

- ~~(1)~~ mailed to a person by ordinary mail to the applicable address for that person referred to in Article 24.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing; and
- ~~(1)~~(2) made available for public electronic access in accordance with the "notice-and-access" or similar delivery procedures referred to in Article 24.1(5) is deemed to be received by a person on the date it was made available for public electronic access.