



**Notice of Meeting
and
Management Information Circular**

with respect to the

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

to be held on June 5, 2014



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 June 5, 2014 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 June 5, 2014 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, 2013;
2. to fix the number of directors at seven (7);
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, pass an ordinary resolution approving the renewal of unallocated entitlements under the Company's Stock Option Plan, as more particularly described in the management information circular accompanying this notice of meeting; and
6. 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 29th day of April, 2014.

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

"Wolf Regener"

WOLF REGENER

President and Chief Executive Officer

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

MANAGEMENT INFORMATION CIRCULAR

Dated April 29, 2014

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 June 5, 2014 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 – 8th Avenue SW, Calgary, Alberta, not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting, unless the chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

NOTICE-AND-ACCESS

The Company is not sending this Information Circular to registered or beneficial shareholders using "notice-and-access" as defined under NI 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

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 intends 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

In addition to revocation in any other manner permitted by law, a shareholder, his or her attorney authorized in writing or, if the 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, in sufficient time in advance of the Meeting, arrange for their respective Nominees to revoke the proxy on their behalf.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of Shares without par value, of which 161,735,957 Shares are issued and outstanding as at April 29, 2014, 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 15.64% 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, 2013 and the auditors' report thereon will be placed before the shareholders at the Meeting.

If you wish to receive interim and/or annual financial statements from the Company you are encouraged to send the enclosed return card 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 seven (7).

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 ⁽⁶⁾
Ford Nicholson ^{(2),(5)} British Columbia, Canada Chairman and Director	President, Kepis & Pobe Financial Group Inc., a private investment company	Since June 27, 2008	8,018,697
Robert Cross ^{(1),(2),(3)} British Columbia, Canada Director	Independent director and, in some cases, non-executive chair of boards of public companies principally in the resource sector	Since June 27, 2008	5,675,616
Victor Redekop ^{(1),(3),(4),(5)} Alberta, Canada Director	Director, Simmons Group Inc., a drilling services company	Since June 27, 2008	2,929,437
Eric Brown ^{(1),(2),(3)} British Columbia, Canada Director	Independent consultant	Since June 27, 2008	73,000
General Wesley Clark (retired) ⁽⁴⁾ Arkansas, USA Director	Chief Executive Officer, Wesley K. Clark and Associates	Since July 21, 2009	456,000
Wolf Regener ⁽⁴⁾ California, USA President, CEO and Director	President and CEO of the Company	Since May 25, 2010	1,655,927
Leslie O'Connor ⁽⁵⁾ Colorado, USA Director	Managing Partner at MHA Petroleum Consultants from May 2006 to March 2014	Since April 11, 2014	Nil

(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) Member of the Reserves Committee.

(6) Shares beneficially owned, or controlled or directed, directly or indirectly, as at April 29, 2014, 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 seven 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. 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, 2013, 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 2013 compensation. Achievements that were reflected in the cash bonuses awarded for 2013 include:

- Closed the sale of all of its rights in the Woodford and other formations in the Tishomingo Field in April 2013 for \$146.4 million;
- Drilled and fracture stimulated the first five wells in the Caney formation in the Tishomingo field and achieved the Company objectives of reducing drilling time and cost, testing the optimal lateral placement within the formation and optimizing the fracture stimulations resulting in increasing the oil rate of each consecutive well;
- In less than eight months after selling substantially all of its producing assets in the Woodford Sale, the Company replaced all of its revenue as fourth quarter 2013 revenues exceeded 2012 fourth quarter revenues by over \$400,000;
- The Company received the concession modification for the Bytow concession and successfully drilled, cased and cemented the Gapowo B-1 well; and
- The Company increased its ownership in Saponis to 57.04%, up from 26.7%.

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;
- staged vesting over a two or three year period of stock options granted to executives with a maximum of one-third vesting per annum; and

- staged vesting over a three year period of restricted share units.

The Committee regularly considers risks associated with the Company's compensation policies and practices. The Committee has not identified compensation policies or practices that are reasonably likely to have a material adverse effect on the Company.

The Company has adopted a policy prohibiting Named Executive Officers (as defined below) 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, the award of stock options under the Company's stock option plan (the "**Option Plan**") and the award of restricted share units under the Company's restricted share units plan (the "**RSU 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.

On June 19, 2013 the Board approved the RSU Plan and on July 19, 2013, the Company's shareholders approved the RSU Plan. No restricted share units were granted during the year ended December 31, 2013.

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.
Long-Term Incentives	Option-based and share-based awards	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 and/or restricted share units 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 incentive stock option awards granted as determined by the Board, typically based on recommendations from the Committee. Options are granted at market price, generally vesting over two or three years and having a term of five years. Restricted share units vest over a three-year period.

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.

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 2013 base salaries of the Named Executive Officers of the Company disclosed in the "Summary Compensation Table" were established primarily on this basis.

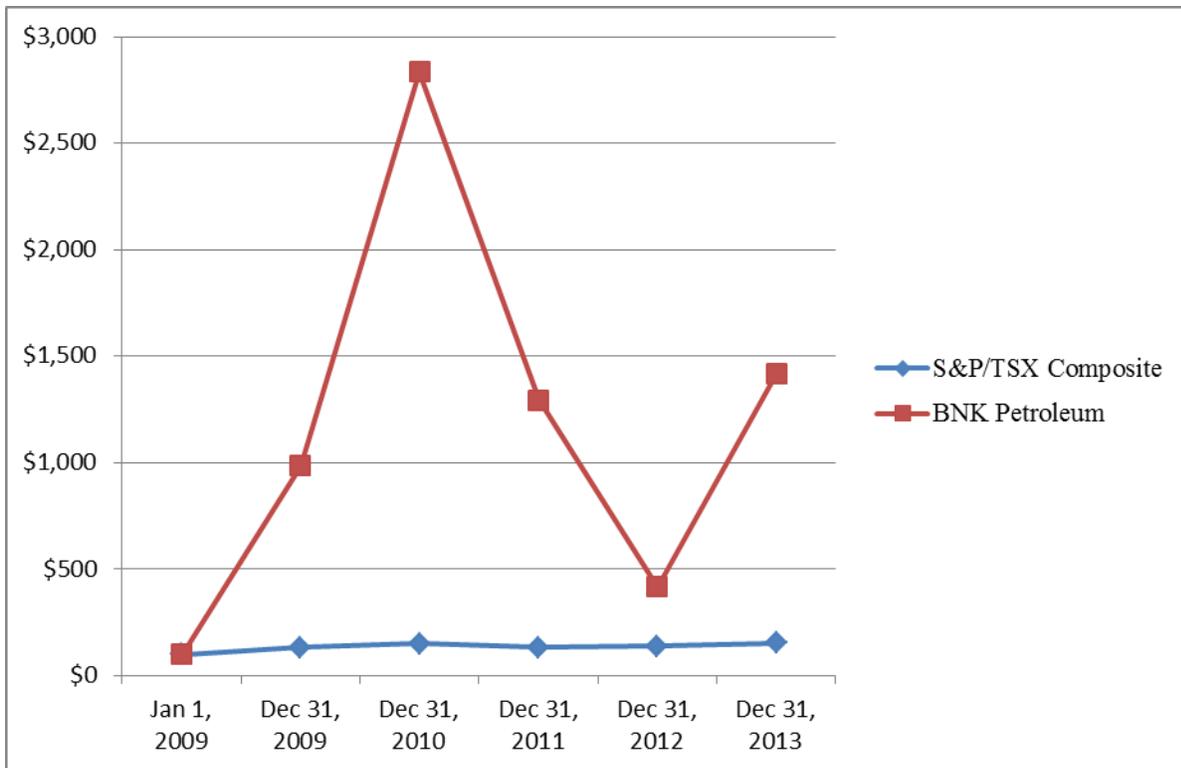
Annual Cash Bonuses: Bonuses are paid at the discretion of the Board on recommendation of the Committee, based upon the performance of the individual, achievement of corporate objectives and the individual executive's contribution thereto. Bonuses awarded by the Committee are intended to be competitive 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. 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 restricted share units, and the terms thereof, are integral components of the compensation package of the executive officers of the Company. The Company's Option Plan and RSU Plan are in place for the purpose of providing equity-based compensation to its officers, employees and consultants. The Committee believes that the grant of options and restricted share units to the executive 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 and restricted share units 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 and restricted share units 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 and restricted share units that are outstanding relative to the number of outstanding Shares of the Company and the overall number of stock options and restricted share units held by each individual optionee relative to the number of stock options and restricted share units that are available under the Option Plan and RSU Plan in determining whether to make any new grants of stock options and restricted share units and the size of such grants. The granting of specific options and share units to Named Executive Officers is generally reviewed by the Committee for recommendation to the Board for final approval. To date, the Committee has not recommended the grant of any restricted share units to Named Executive Officers or directors of the Company.

Performance Analysis

The following graph compares the yearly change in the cumulative total shareholder return for the Company's five most recently completed financial years, assuming an investment of C\$100 was made on January 1, 2009 in the Shares, with the cumulative total return of the S&P/TSX Composite Index for the comparable period.



The trend in the Company's share price shown in the above graph corresponds approximately to the Company's compensation to its Named Executive Officers during the same periods.

The Compensation Committee reviews and recommends to the Board the remuneration of the Company's 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 "Principal Business Risks" in the Company's Management's Discussion and Analysis for the period ended December 31, 2013 and under the heading "Risk Factors" in the Annual Information Form of the Company for the year ended December 31, 2013.

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, 2013, 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 2013 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, 2013 whose individual total compensation for the most recently completed financial year exceeded C\$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**" or "**NEOs**").

		Non-Equity Incentive Plan								
Name and Principal Position	Year	Salary (\$)	Share Based Awards (\$)	Option- Based Awards	Annual Incentive Plans⁽³⁾	Long-Term Incentive Plans	Pension Value (\$)	All Other Comp- ensation⁽⁴⁾	Total Comp- ensation (\$)	
				(1)(2) (\$)	(\$)	(\$)		(\$)		
Wolf Regener, President and Chief Executive Officer	2013	354,700	Nil	5,200	125,000	Nil	Nil	Nil	484,900	
	2012	350,000	Nil	Nil	70,000	Nil	Nil	Nil	420,000	
	2011	337,500	Nil	Nil	140,000	Nil	Nil	Nil	477,500	
Gary Johnson,⁽⁵⁾ Chief Financial Officer and Vice President	2013	214,000	Nil	51,700	60,000	Nil	Nil	Nil	325,700	
	2012	185,700	Nil	40,700	28,000	Nil	Nil	Nil	254,400	
	2011	99,800	Nil	268,200	20,000	Nil	Nil	Nil	388,000	
Warren Nelson,⁽⁶⁾ Chief Financial Officer and Vice President	2013	109,900	Nil	Nil	Nil	Nil	Nil	463,577	573,477	
	2012	291,000	Nil	Nil	Nil	Nil	Nil	Nil	291,000	
	2011	278,438	Nil	Nil	85,000	Nil	Nil	Nil	363,438	
Steve Warshauer, Vice President, Exploration	2013	231,500	Nil	6,700	97,000	Nil	Nil	Nil	335,200	
	2012	226,500	Nil	Nil	23,000	Nil	Nil	Nil	249,500	
	2011 ⁽⁷⁾	225,463	Nil	Nil	56,000	Nil	Nil	Nil	281,463	
Troy Wagner, General Manager, Poland	2013	254,500	Nil	(24,200)	85,000	Nil	Nil	172,100 ⁽⁹⁾	487,400	
	2012 ⁽⁸⁾	176,300	Nil	Nil	52,000	Nil	Nil	120,900 ⁽⁹⁾	349,200	
	2011	Nil	Nil	355,500	Nil	Nil	Nil	Nil	355,500	

(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. All amounts above are in US\$, calculated using the currency rates in effect on the date of grant.

Wolf Regener: In 2013, the value of option-based awards, using the Black-Scholes option pricing model, was 175,000 Shares at C\$0.54 and 333,000 Shares at C\$1.16, less the grant date fair value of options surrendered for cancellation during the year having a grant date fair value of C\$463,000 or \$449,900 USD (using the currency rate in effect on the date of cancellation, being USD\$.9706 = Cdn\$1.00). The options were granted at an exercise price of C\$0.82 and C\$1.74, respectively, which was the last closing price for the Shares on the TSX at the time of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 1.37% and 1.77%, respectively; (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 85% and 84%, respectively.

Gary Johnson: In 2013, the value of option-based awards, using the Black-Scholes option pricing model, was 110,000 Shares at C\$0.54 and 228,000 Shares at C\$1.16, less the grant date fair value of options surrendered for cancellation during the year having a grant date fair value of C\$262,470 or \$254,800 USD (using the currency rate in effect on the date of cancellation, being USD\$.9706 = Cdn\$1.00). The options were granted at an exercise price of C\$0.82 and C\$1.74, respectively, which was the last closing price for the Shares on the TSX at the time of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 1.37% and 1.77%, respectively; (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 85% and 84%, respectively. In 2012, the value of option-based awards, using the Black-Scholes option pricing model, was 40,000 Shares at C\$1.01. The options were granted at an exercise price of C\$1.90, which was the last closing price for the Shares on the TSX at the time of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 1.74%; (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 69%. In 2011, the value of option-based awards, using the Black-Scholes option pricing model, was 100,000 Shares at C\$2.62. The options were granted at an exercise price of C\$5.00, which was the last closing price for the Shares on the TSX at the time of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 2.23%; (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 60%.

Steve Warshauer: In 2013, the value of option-based awards, using the Black-Scholes option pricing model, was 80,000 Shares at C\$0.54 and 37,000 Shares at C\$1.16, less the grant date fair value of options surrendered for cancellation during the year having a grant date fair value of C\$77,835 or \$75,500 USD (using the currency rate in effect on the date of cancellation, being USD\$.9706 = Cdn\$1.00). The options were granted at an exercise price of C\$0.82 and C\$1.74, respectively, which was the last closing price for the Shares on the TSX at the time of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 1.37% and 1.77%, respectively; (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 85% and 84%, respectively.

Troy Wagner: In 2013, the value of option-based awards, using the Black-Scholes option pricing model, was 125,000 Shares at C\$0.54 and 245,000 Shares at C\$1.16, less the grant date fair value of options surrendered for cancellation during the year having a grant date fair value of C\$367,925 or \$357,100 USD (using the currency rate in effect on the date of cancellation, being USD\$.9706 = Cdn\$1.00). The options were granted at an exercise price of C\$0.82 and C\$1.74, respectively, 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 1.37% and 1.77%, respectively; (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 85% and 84%, respectively. In 2011, the value of option-based awards, using the Black-Scholes option pricing model, was 250,000 Shares at C\$1.47. The options were granted at an exercise price of C\$2.65, which was the last closing price for the Shares on the TSX at the time of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 1.45%; (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 66%.

- (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 C\$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. Johnson was appointed Chief Financial Officer of the Company on April 12, 2013. Prior to such time he served as the Company's Financial and International Controller at an annual salary of \$192,000. He was appointed as a Vice President of the Company on December 8, 2013. In April 2013, his annual salary was increased to \$225,000.
- (6) Mr. Nelson ceased to be an executive officer of the Company on April 12, 2013 and received severance totaling \$463,577.
- (7) Mr. Warshauer was appointed Vice President, Exploration on February 11, 2011 at an annual salary of \$228,000.
- (8) Mr. Wagner was appointed General Manager, Poland, in February 2013. Prior to such time he served as General Manager, Spain, at an annual salary of \$235,000.
- (9) In 2012 and 2013, Mr. Wagner received expatriate allowances of approximately \$120,900 and \$172,100, respectively, which were intended to compensate him for the increased cost of living during his overseas secondment.

Outstanding Share-Based Awards and 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 Company's RSU Plan was adopted in 2013 and approved by the shareholders on July 19, 2013. Pursuant to the RSU Plan, the Company may grant restricted share units to directors, officers, employees and consultants of the Company or any subsidiary thereof. For a description of the RSU Plan, see "Restricted Share Unit Plan".

The following table sets forth information with respect to all outstanding stock options granted under the Option Plan and all outstanding restricted share units under the RSU Plan to the Named Executive Officers, as at December 31, 2013.

	Option-Based Awards				Share-based Awards		
	Number of Securities Underlying Unexercised Options (#) ⁽¹⁾	Option Exercise Price (US ⁽²⁾ /C\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (US/C\$) ⁽³⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (s)
Wolf Regener	1,350,000 175,000 333,000	0.59/0.63 0.77/0.82 1.64/1.74	July 27, 2014 May 24, 2018 December 10, 2018	1.01/1.07 0.83/0.88 Nil/Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Gary Johnson	40,000 110,000 228,000	1.79/1.90 0.77/0.82 1.64/1.74	March 20, 2017 May 24, 2018 December 10, 2018	Nil/Nil 0.83/0.88 Nil/Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Warren Nelson	500,000 50,000	1.99/2.12 2.68/2.85	March 8, 2015 December 1, 2015	Nil/Nil Nil/Nil	Nil Nil	Nil Nil	Nil Nil
Steve Warshauer	200,000 80,000 37,000	1.62/1.72 0.77/0.82 1.64/1.74	February 8, 2015 May 24, 2018 December 10, 2018	Nil/Nil 0.83/0.88 Nil/Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Troy Wagner	125,000 245,000	0.77/0.82 1.64/1.74	May 24, 2018 December 10, 2018	0.83/0.88 Nil/Nil	Nil Nil	Nil Nil	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, 2013, the last trading day of the financial year, the exchange rate was USD\$0.9402 = Cdn\$1.00.
- (3) Calculated based on the closing price of the Company's Shares of C\$1.70 (US\$1.60) on December 31, 2013, 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 under the Option Plan and the RSU Plan to the Named Executive Officers of the Company that vested during the period ending December 31, 2013 and bonuses awarded to Named Executive Officers, for the financial year ending December 31, 2013.

Name	Option-Based Awards - Value Vested During Year ⁽¹⁾⁽²⁾ (C\$)	Share-Based Awards - Value Vested During Year (C\$)	Non-Equity Incentive Plan Compensation- Value Earned During Year (US\$/C\$ ⁽³⁾)
Wolf Regener	Nil	N/A	125,000/114,000
Gary Johnson	Nil	N/A	60,000/54,700
Warren Nelson	Nil	N/A	Nil
Steve Warshauer	Nil	N/A	97,000/88,500
Troy Wagner	Nil	N/A	85,000/77,500

- (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 of USD\$0.9122 = Cdn\$1.00 on April 29, 2014 as reported by the Bank of Canada.

Additional information regarding the significant terms of the Company's Option Plan and the Company's RSU Plan is provided under "Stock Option Plan" and "RSU 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 \$358,000 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, 2013, the incremental payments, payables and benefits that Mr. Regener would be entitled to are \$716,000 plus approximately \$109,547 in benefits (amount of premiums and vacation pay). Mr. Regener would also be entitled to the amount of any bonus awarded but not then paid.

Gary Johnson is employed by the Company as Chief Financial Officer and a Vice President at a current salary of \$265,000 per annum. If Mr. Johnson's employment agreement is terminated without cause or upon a Change of Control (which is defined, in this instance, as an event in which a person or group acquires more than 50% of the Company's outstanding capital stock, the sale of all or substantially all of the assets of the Company, or the removal of more than 50% of the then incumbent directors of the Company or the election of a majority of members of the board who were not nominees of the Company's incumbent board at the time immediately preceding such election, and where one of the following occurs within twelve (12) months of such event: (i) his working location is transferred to a location more than fifty (50) miles from the Company's current place of business in Camarillo, California; (ii) there is a material diminution in his authorities, duties or responsibilities; or (iii) his gross base salary is reduced by at least 10%) his employment contract entitles him, in addition to his final pay and benefits and accrued paid time off through the last date of employment, to the following payments upon termination: 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, reimbursement for group health coverage for twelve (12) months, 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 this employment agreement had been in effect on December 31, 2013 and assuming a termination without cause or a Change of Control took place on December 31, 2013, the incremental payments, payables and benefits that Mr. Johnson would be entitled to as at such date is \$265,000 plus approximately \$35,778 in benefits (vacation pay and medical benefits). Mr. Johnson would also be entitled to any bonus awarded and not then paid.

Troy Wagner is employed by the Company as General Manager, Poland, at a current salary of \$264,000 per annum. If Mr. Wagner's employment agreement is terminated without cause while he is on secondment to a non-U.S. affiliate of the Company (as is currently the case), his employment contract entitles him, in addition to six (6) months of advance notice (or pay in lieu), to the following payments upon termination (collectively, the "**termination entitlements**"): amounts earned through the date of termination in respect of vacation pay, certain foreign service premiums, cost of living allowances and vehicle allowances; moving costs; any monies that he would have normally earned through the date of termination, excluding bonuses, the receipt of which are subject to performance provisions; the cost of group insurance and benefit premiums the Company was paying on behalf of the employee at the time of notice; and the pro-rata portion of a retention bonus equal to three (3) months base salary that would otherwise have been paid on January 31, 2016 in respect of the three year period ending on that date. If Mr. Wagner is terminated upon a Change of Control (which is defined, in this instance, as an event in which more than 50% of the Company's outstanding capital stock is acquired in connection with a tender offer for shares of the Company or other change in ownership resulting in a transfer of more than 50% of the Company's outstanding capital stock or a sale of all or substantially all of the assets of the Company to a single entity, group, or person 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 or from the location of his current secondment; (iii) there is a material diminution in his authority, duties or responsibilities; or (iv) his base salary is reduced by any amount), Mr. Wagner 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; all of the termination entitlements described above; 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, 2013, the incremental payments, payables and benefits that Mr. Wagner would be entitled to as at such date is \$198,750 plus approximately \$163,357 in benefits (termination entitlements). Assuming a Change of Control took place on December 31, 2013, the incremental payments, payables and benefits that Mr. Wagner would be entitled to as at such date are \$331,250 plus approximately \$163,357 in benefits. Mr. Wagner would also be entitled to any bonus awarded and not then paid.

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

The following table sets forth the compensation paid to the directors who are not also NEOs for the Company's most recently completed financial year:

Director Name	Fees Earned ⁽¹⁾ (\$)	Share-Based Awards (\$)	Option-Based Awards ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Ford Nicholson	111,700	Nil	(7,800) ⁽³⁾	Nil	Nil	Nil	103,900
Robert Cross	116,500	Nil	52,300 ⁽⁴⁾	Nil	Nil	Nil	68,800
Victor Redekop	112,600	Nil	52,300 ⁽⁵⁾	Nil	Nil	Nil	164,900
Eric Brown	115,600	Nil	52,300 ⁽⁶⁾	Nil	Nil	Nil	167,900
Wesley Clark	105,800	Nil	52,300 ⁽⁷⁾	Nil	Nil	Nil	158,100

(1) Directors' fees are earned in Canadian dollars. All amounts above are in US\$, calculated using the annual average currency rate of USD\$0.9711 = Cdn\$1.00.

(2) 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. All amounts above are in US\$, calculated using the currency rates in effect on the date of grant.

(3) Ford Nicholson: The value of option-based awards, using the Black-Scholes option pricing model, was 150,000 Shares at C\$0.54 and 333,000 Shares at C\$1.16, less the grant date fair value of options surrendered for cancellation during the year having a grant date fair value of C\$463,000 or \$449,900 USD (using the currency rate in effect on the date of cancellation, being USD\$.9706 = Cdn\$1.00). The options were granted at an exercise price of C\$0.82 and C\$1.74, respectively, which was the last closing price for the Shares on the TSX at the time of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 1.37% and 1.77%, respectively; (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 85% and 84%, respectively.

(4) Robert Cross: The value of option-based awards, using the Black-Scholes option pricing model, was 100,000 Shares at C\$0.54. The options were granted at an exercise price of C\$0.82, which was the last closing price for the Shares on the TSX at the time of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 1.37%; (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 85%.

(5) Victor Redekop: The value of option-based awards, using the Black-Scholes option pricing model, was 100,000 Shares at C\$0.54. The options were granted at an exercise price of C\$0.82, which was the last closing price for the Shares on the TSX at the time of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 1.37%; (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 85%.

(6) Eric Brown: The value of option-based awards, using the Black-Scholes option pricing model, was 100,000 Shares at C\$0.54. The options were granted at an exercise price of C\$0.82, which was the last closing price for the Shares on the TSX at the time of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 1.37%; (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 85%.

(7) Wesley Clark: The value of option-based awards, using the Black-Scholes option pricing model, was 100,000 Shares at C\$0.54. The options were granted at an exercise price of C\$0.82, which was the last closing price for the Shares on the TSX at the time of grant. Key additional weighted average assumptions used were: (i) the risk free interest rate, which was 1.37%; (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 85%.

The compensation of Mr. Regener, who is both a director and a Named Executive Officer, is disclosed in the sections above.

Outstanding Share-Based Awards and Option-Based Awards – Directors

The following table sets forth information with respect to all outstanding share-based and option-based awards to directors who are not Named Executive Officers as at December 31, 2013.

Name	Option-based Awards				Share-based Awards		
	Number of Securities Underlying Unexercised Options (#) ⁽¹⁾	Option Exercise Price (US ⁽²⁾ /C\$)	Option Expiration Date	Value of Unexercised In-the-Money Options ⁽⁴⁾ (US ⁽²⁾ /C\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Ford Nicholson	1,450,000	0.59/0.63	July 27, 2014	1.01/1.07	Nil	Nil	Nil
	150,000	0.77/0.82	May 24, 2018	0.83/0.88	Nil	Nil	Nil
	333,333	1.64/1.74	December 10, 2018	Nil/Nil	Nil	Nil	Nil
Robert Cross	1,450,000	0.59/0.63	July 27, 2014	1.01/1.07	Nil	Nil	Nil
	100,000	0.77/0.82	May 24, 2018	0.83/0.88	Nil	Nil	Nil
Victor Redekop	200,000	0.59/0.63	July 27, 2014	1.01/1.07	Nil	Nil	Nil
	100,000	0.77/0.82	May 24, 2018	0.83/0.88	Nil	Nil	Nil
Eric Brown	225,000	0.59/0.63	July 27, 2014	1.01/1.07	Nil	Nil	Nil
	100,000	0.77/0.82	May 24, 2018	0.83/0.88	Nil	Nil	Nil
Wesley Clark	400,000	0.59/0.63	July 27, 2014	1.01/1.07	Nil	Nil	Nil
	100,000	0.77/0.82	May 24, 2018	0.83/0.88	Nil	Nil	Nil

- (1) Options granted to directors 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, 2013, the last trading day of the financial year, the exchange rate was USD\$0.9402 = Cdn\$1.00.
- (3) 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.
- (4) Calculated based on the closing price of the Company's Shares of C\$1.70 on December 31, 2013, the last trading day of the financial year.

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 Stock Option 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, 2013 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.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At no time since the beginning of the year ended December 31, 2013 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 following table sets forth information, as at the end of the most recently completed financial year, with respect to the Company's compensation plans under which equity securities are authorized for issuance.

Plan Category	Number of Shares to be issued upon exercise of outstanding options, warrants or rights (a) ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants or rights (b) (C\$)	Number of Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	11,374,468	1.03	3,102,652 ⁽³⁾
Equity compensation plans not approved by security holders	500,000 ⁽²⁾	2.12	Nil
Total	11,874,468	1.08	3,102,652 ⁽²⁾

- (1) Incentive stock options are the only compensation arrangement in respect of which equity securities of the Company are currently authorized for issuance.
- (2) 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.
- (3) Number of Shares remaining available for issuance under the Option Plan, based on 10% of issued and outstanding Shares as at December 31, 2013.

STOCK OPTION PLAN

The Option Plan 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.

Any unallocated entitlements under the Option Plan must be approved and ratified by shareholders every three years. Approval is required at the Meeting, as outlined below under "Particulars of Other Matters to be Acted Upon – Approval of Unallocated Entitlements under the Company's Stock Option Plan."

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 (together with the equity award value of restricted share units granted to each such director under the Company's RSU 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 last closing price of the Shares on the TSX at the time 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.

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 changes that may be made pursuant to the Option Plan in connection with a share reorganization, special distribution or corporate organization, 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.

On August 10, 2013, the Board approved an amendment to the Option Plan to clarify that grants of restricted share units under the RSU Plan to non-employee directors will count towards the \$100,000 annual limit in the Option Plan on equity award value granted to any one non-employee director of the Company. This amendment was approved by the TSX on August 26, 2013.

This summary of certain features of the Option Plan is subject to and qualified in its entirety by reference to the full text of the Option 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.

RSU PLAN

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 RSU 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 April 29, 2014, 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 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.

The foregoing summary of certain features of the RSU Plan is subject to and qualified in its entirety by the full text of the RSU Plan.

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 seven (7) directors, six (6) 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, 2013. 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

Directors of the Company are also directors of certain other reporting issuers, as described in the table below.

Name of Director	Name of Reporting Entity
Ford Nicholson	InterOil Corp.
Robert Cross	B2Gold Corp. Bankers Petroleum Ltd. Petrodorado Energy Ltd. Zodiac Exploration Inc.
Victor Redekop	Butte Energy Inc.
Eric Brown	Bankers Petroleum Ltd.
Wesley Clark	Amaya Gaming Group Inc. Bankers Petroleum Ltd. CryptoLogic Limited Petromanas Energy Inc.
Wolf Regener	None
Leslie O'Connor	None

Participation of Directors in Board Meetings

The participation of the directors in Board meetings during the year ended December 31, 2013, 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	9/10	N/A	5/5	N/A	N/A
Robert Cross	10/10	4/4	5/5	1/1	N/A
Victor Redekop	10/10	4/4	N/A	1/1	1/1
Eric Brown	10/10	4/4	4/5	1/1	N/A
Wesley Clark	8/10	N/A	N/A	N/A	1/1
Wolf Regener	10/10	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. 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, reviewing the qualifications of, and recommending 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, reviewing proposed shareholder nominees, and making recommendations to the Board regarding resignations of directors submitted pursuant to the Company's Majority Voting Policy. 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 2013, 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.

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, 2013 filed under the Company's profile at www.sedar.com.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

A. Approval of Unallocated Entitlements under the Company's Stock Option Plan

At the Meeting, the Company's shareholders will be asked to approve the unallocated entitlements under the Company's Option Plan. The terms of the Option Plan are summarized above under the heading "Stock Option Plan".

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 April 23, 2014, 10% of the issued and outstanding Shares is 16,173,596. As at the same date, a total of 12,168,035 Shares are reserved for issuance pursuant to outstanding options under the Option Plan and all other security-based compensation arrangements (of which 11,668,035 are reserved for issuance pursuant to options issued under the Option Plan, an additional 500,000 are reserved for issuance pursuant to options granted outside of the Option Plan and nil are reserved for issuance under the RSU Plan) and based on the issued and outstanding Shares as at April 23, 2014, a further 4,005,561 Shares are available and unallocated.

Shareholders last approved and ratified the unallocated entitlements under the Option Plan on June 3, 2011. Pursuant to the rules of the TSX, any unallocated entitlements under the Option Plan must be approved and ratified by shareholders every three years, and therefore approval is required at the Meeting.

Pursuant to the rules of the TSX, the unallocated entitlements under the Option 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. Accordingly, at the Meeting, the Company's shareholders will be asked to approve an ordinary resolution in substantially the following form:

"BE IT RESOLVED that:

1. the Stock Option Plan (the "**Option Plan**") of BNK Petroleum Inc. (the "**Company**"), as described in the information circular of the Company dated April 29, 2014, which allows for up to 10% of the common shares of the Company outstanding from time to time to be reserved for issuance under the Option Plan and any other security based compensation arrangements (as defined by the rules of the TSX) of the Company, be and is hereby authorized, confirmed, ratified and approved;
2. all unallocated entitlements under the Option Plan be and are hereby authorized and approved until June 5, 2017;
3. the reservation for issuance of common shares under the Option 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 Option 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 Option Plan and the unallocated entitlements thereunder for a further three-year period. Unless otherwise instructed, the persons named as proxyholder in the enclosed form of proxy intend to vote in favour of approving the Option Plan and the unallocated entitlements thereunder for a further three-year period.

If the resolution to approve unallocated entitlements under the Option Plan is not approved at the Meeting, the Company would not be able to grant further options under the Option Plan, and all previously granted options would not be available for re-allocation if such options are cancelled prior to exercise, until shareholder approval is obtained. All previously-allocated options under the Option Plan would continue unaffected.

ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at www.sedar.com. Shareholders may contact the Chief Financial Officer of the Company at 760 Paseo Camarillo, Suite 350, Camarillo, 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, 2013 which are available on SEDAR at www.sedar.com.

OTHER MATTERS

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

DATED this 29th day of April, 2014.

**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.