

ARCAN RESOURCES LTD.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 25, 2010

NOTICE IS HEREBY GIVEN THAT the annual general and special meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Common Shares**") of Arcan Resources Ltd. (the "**Corporation**") will be held at the Viking Room of the Calgary Petroleum Club, 319 - 5th Avenue SW, Calgary, Alberta at 3:00 p.m. (Calgary time) on Tuesday, May 25, 2010, for the following purposes:

1. to receive the audited financial statements of the Corporation for the year ended December 31, 2009, together with the auditor's report on such financial statements;
2. to fix the number of directors of the Corporation at five (5);
3. to elect the directors of the Corporation for the ensuing year;
4. to appoint KPMG LLP, Chartered Accountants, as auditors of the Corporation and to authorize the directors of the Corporation to fix their remuneration;
5. to consider, and if deemed advisable, to pass, with or without variation, an ordinary resolution approving the stock option plan of the Corporation, including certain revisions thereto, as set forth in Schedule "D" to the management information circular of the Corporation dated April 22, 2010; and
6. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders are referred to the management information circular for more detailed information with respect to the matters to be considered at the Meeting.

Only Shareholders of record at the close of business on April 20, 2010 (the "**Record Date**") are entitled to notice of the Meeting and to vote thereat unless, after the Record Date, a registered holder transfers his Common Shares and the transferee, upon producing properly endorsed certificates evidencing such Common Shares or otherwise establishing that he owns such Common Shares, requests not later than ten (10) days before the Meeting that the transferee's name be included in the list of Shareholders entitled to vote, in which case such transferee shall be entitled to vote such Common Shares at the Meeting.

A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting, or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. In order to be valid and acted upon at the Meeting, the enclosed proxy must be received by Valiant Trust Company, 310, 606 - 4th Street SW, Calgary, Alberta, T2P 1T1, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays) before the time for the holding of the Meeting or any adjournment thereof.

DATED the 22nd day of April, 2010.

**BY ORDER OF THE BOARD OF
DIRECTORS OF ARCAN RESOURCES LTD.**

"Ed Gilmet" (signed)

Ed Gilmet

President and Chief Executive Officer

ARCAN RESOURCES LTD.

INFORMATION CIRCULAR FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 25, 2010

This management information circular (the "**Information Circular**") is furnished in connection with the solicitation of proxies by or on behalf of the management of Arcan Resources Ltd. (the "**Corporation**") for use at the annual general and special meeting of the holders (the "**Shareholders**") of common shares (the "**Common Shares**") of the Corporation to be held at the Viking Room of the Calgary Petroleum Club, 319 - 5th Avenue SW, Calgary, Alberta at 3:00 p.m. (Calgary time) on Tuesday, May 25, 2010, and any adjournment thereof (the "**Meeting**") for the purposes set forth in the accompanying Notice of Meeting. Information contained in this Information Circular is given as at April 22, 2010, unless otherwise stated.

SOLICITATION OF PROXIES

The solicitation is made by management of the Corporation. Solicitation of proxies by management will be primarily by mail, but may also be in person or by telephone, email or facsimile. Arrangements will also be made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of Common Shares pursuant to the requirements of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*. The cost of any such solicitation will be borne by the Corporation.

RECORD DATE

April 20, 2010 (the "**Record Date**") is the record date for the Meeting. Only registered holders of Common Shares at the close of business on the Record Date are entitled to notice of the Meeting and to vote thereat unless, after the Record Date, a registered holder transfers his Common Shares and the transferee, upon producing properly endorsed certificates evidencing such Common Shares or otherwise establishing that he owns such Common Shares, requests not later than ten (10) days before the Meeting that the transferee's name be included in the list of Shareholders entitled to vote, in which case such transferee shall be entitled to vote such Common Shares at the Meeting.

APPOINTMENT AND REVOCATION OF PROXIES

A registered Shareholder may vote in person at the Meeting or he may appoint another person or company, who does not have to be a Shareholder, as his proxy to attend and vote in his place. The persons named in the enclosed form of proxy are officers of the Corporation. **A Shareholder submitting a proxy has the right to appoint a person or company to represent such Shareholder at the meeting other than the person or company designated in the form of proxy furnished by the Corporation, including a person or company that is not a Shareholder. To exercise this right, the Shareholder should insert the name of the desired representative in the blank space provided in the form of proxy and strike out the other names or submit another appropriate proxy.** If a Shareholder plans to attend the Meeting and vote his Common Shares in person, the Shareholder must insert his own name in the space provided for in the proxy to appoint himself as proxyholder and return it in the enclosed envelope without completing the remainder of the proxy, as such Shareholder's votes will be taken at the Meeting. In order to be valid and acted upon at the Meeting, the enclosed proxy must be received by the Corporation's transfer agent, Valiant Trust Company, Suite 310, 606 - 4th Street SW, Calgary, Alberta, T2P 1T1, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays) before the time for the holding of the Meeting or any adjournment thereof. The instrument appointing a proxy shall be in writing under the hand of the Shareholder or his attorney, or if such Shareholder is a corporation, under its corporate seal, and executed by a director, officer or attorney thereof duly authorized.

A registered Shareholder who has submitted a proxy may revoke it at any time prior to the exercise of that proxy. In addition to revocation in any other matter permitted by law, a proxy may be revoked by instrument in writing executed by the registered Shareholder or his attorney authorized in writing, or if the Shareholder is a corporation, under its corporate seal or executed by a director, officer or attorney thereof duly authorized, and deposited either at the office of the Corporation's transfer agent, Valiant Trust Company, Suite 310, 606 - 4th Street SW, Calgary, Alberta, T2P 1T1, at any time prior to 4:30 p.m. (Calgary time) on the last business day preceding the day of the Meeting, or any adjournment thereof, or with the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting, and upon such deposit, the proxy is revoked.

EXERCISE OF DISCRETION BY PROXY HOLDERS

All Common Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting, 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 proxy will be voted in accordance with such specification. **In the absence of such specification, such Common Shares will be voted in favour of all matters set forth in this Information Circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of this Information Circular, management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting, other than the matters referred to in this Information Circular.**

ADVICE TO BENEFICIAL HOLDERS OF SECURITIES

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of the Shareholders do not hold Common Shares in their own name. Shareholders who do not hold Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker or other intermediary, then in almost all cases those Common Shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Beneficial Shareholder's broker, or an agent of that broker, or another intermediary. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or other nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for their clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.

Applicable regulatory policies require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy or voting instruction form supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is similar to the form of proxy provided to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number or access the internet to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions representing the voting of Common Shares to be represented at the Meeting. **A Beneficial**

Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance in the Meeting in order to have the Common Shares voted. Shareholders who receive forms of proxies or voting materials from organizations other than Broadridge should complete and return such forms of proxies or voting materials in accordance with the instructions on such material in order to properly vote their Common Shares at the Meeting.

Although a Shareholder may not be recognized directly at the Meeting for the purposes of voting his Common Shares, a Shareholder may attend at the Meeting as a proxyholder and vote his Common Shares in that capacity. To do this, a Shareholder must enter his own name in the blank space on the form of proxy or voting instruction form provided to him and return the document to his broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent, well in advance of the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES

The Corporation is authorized to issue an unlimited number of Common Shares, an unlimited number of preferred shares issuable in series, and an unlimited number of performance shares.

The Common Shares were listed on the TSX Venture Exchange (the "**TSXV**") in January 2007.

Common Shares

The holders of the Common Shares are entitled to dividends, if, as and when declared by the board of directors of the Corporation (the "**Board of Directors**" or "**Board**"); to one (1) vote per share at meetings of the Shareholders; and upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. As at the date hereof, there are 75,058,571 Common Shares outstanding.

To the best of the knowledge of the directors and executive officers of the Corporation, as at April 22, 2010, no person or company beneficially owned, directly or indirectly, or exercised control or direction over 10% or more of the voting rights attached to the outstanding Common Shares.

Preferred Shares

The preferred shares of the Corporation may be issued from time to time in one or more series, each series consisting of a number of preferred shares as determined by the Board of Directors, which also may fix the designation, rights, privileges, restrictions and conditions attaching to the shares of each series of preferred shares. The preferred shares have a priority over the Common Shares with respect to payment of dividends and distributions of assets in the event of liquidation, dissolution or winding-up of the Corporation. As at the date hereof, there are no preferred shares of the Corporation outstanding.

APPROVAL REQUIREMENTS

Unless otherwise indicated, all of the matters to be considered at the Meeting are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of the Shareholders present in person or represented by proxy at the Meeting.

INTERPRETATION

Words importing the singular number only, include the plural and vice versa and words importing any gender include all genders.

MATTERS TO BE ACTED UPON AT THE MEETING

The following are the matters to be acted upon at the Meeting:

1. Presentation of Financial Statements

The audited financial statements of the Corporation for the year ended December 31, 2009, together with the auditors' report on such financial statements, were mailed to the Shareholders who have requested such financial statements in accordance with applicable securities laws, together with this Information Circular. These financial statements are also available on the internet on the Corporation's SEDAR profile at www.sedar.com.

2. Election of Directors

The Board of Directors has proposed to fix the number of directors of the Corporation elected at the Meeting at five (5). Unless instructed otherwise, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote "**FOR**" fixing the number of directors of the Corporation at five (5). The following five (5) persons are nominated by management of the Corporation and are, in the opinion of management, qualified to direct the activities of the Corporation until the next annual meeting of the Shareholders of the Corporation: Robert J. Dales, Andy Fisher, Ed Gilmet, Michael J. Laffin and J. Terry McCoy. All nominees have indicated their willingness to stand for election. Each director elected will hold office until the next annual meeting of the Shareholders of the Corporation or until his successor is duly elected or appointed, unless his office is vacated earlier in accordance with the Corporation's articles or by-laws.

In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote "**FOR**" the election as directors of the proposed nominees whose names are set forth below, each of whom has been a director since the date indicated below opposite the proposed nominee's name. Management does not contemplate that any of the proposed nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by properly executed proxies given in favour of such nominees may be voted by the persons designated by management of the Corporation in the enclosed form of proxy, in their discretion, in favour of another nominee.

The following table sets forth information with respect to each person proposed to be nominated for election as a director, including the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by such person or the person's associates or affiliates as at the date hereof. The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Corporation, has been furnished by the respective proposed nominees individually.

Name and Municipality of Residence	Office / Date Appointed	Principal Occupation During the Past Five Years	Number and Percentage of Common Shares Beneficially Owned or over which Control or Direction is Exercised
Robert J. Dales ⁽¹⁾ Calgary, Alberta, Canada	Director January 1, 2007	Currently President of Desco Resources Inc., a TSXV-listed issuer since July 2009. President, Chief Executive Officer and a director of Desco Energy Ltd. from June 2005 to December 2006. President of Valhalla Ventures Inc., a private investment corporation, from January 1999 to present. President of Desco Exploration Ltd., an oil and gas corporation, from April 2002 until September 2002.	506,490 (0.7%)

Name and Municipality of Residence	Office / Date Appointed	Principal Occupation During the Past Five Years	Number and Percentage of Common Shares Beneficially Owned or over which Control or Direction is Exercised
Andy Fisher ⁽³⁾⁽⁴⁾ Calgary, Alberta, Canada	Executive Vice President and Director January 1, 2007	Executive Vice President of the Corporation since October 9, 2003. Prior thereto, Mr. Fisher assisted GEOCAN Energy Inc., a TSX-listed junior oil and gas company based in Calgary, Alberta, in asset acquisitions and exploration and business strategies from November 2000 to May 2004.	778,660 (1.0%)
Ed Gilmet ⁽²⁾⁽⁵⁾ Calgary, Alberta, Canada	President, CEO and Director January 1, 2007	President and Chief Executive Officer of the Corporation since October 9, 2003. Prior thereto, Mr. Gilmet was a senior geophysicist with Burlington Resources Energy Ltd.	1,338,591 (1.8%)
Michael J. Laffin ⁽²⁾⁽⁵⁾ Calgary, Alberta, Canada	Corporate Secretary and Director January 1, 2007	Partner since August 2002 with Blake, Cassels & Graydon LLP, a national Canadian law firm.	114,500 (0.2%)
J. Terry McCoy ⁽¹⁾⁽³⁾⁽⁴⁾ Calgary, Alberta, Canada	Director January 1, 2007	President of Koa Resources Ltd., an oil and gas company. Prior thereto, Mr. McCoy held positions as Vice President of Exploration for Calvalley Petroleum Inc., President and director of Trafina Energy Ltd., and Vice President of Exploration at Murphy Oil Company.	168,529 (0.2%)

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Reserves Committee.
- (4) Member of the Environment, Health and Safety Committee.
- (5) Member of the Corporate Governance Committee.

3. Appointment of Auditors

Unless otherwise directed, it is management's intention to vote the proxies "**FOR**" an ordinary resolution to re-appoint the firm of KPMG LLP, Chartered Accountants, Calgary, Alberta, to serve as auditors of the Corporation until the next annual meeting of the Shareholders or until a successor is appointed, and to authorize the directors to fix their remuneration. KPMG LLP was first appointed to serve as auditors of the Corporation on March 9, 2007.

4. Approval of Stock Option Plan

The Board of Directors and the Shareholders previously approved the adoption of a stock option plan (the "**Stock Option Plan**"), which provides for the "rolling" grant of options to purchase up to 10% of the issued and outstanding Common Shares. See "*Executive Compensation – Incentive Plan Awards – Stock Option Plan*". In accordance with TSXV Policy 4.4 - *Incentive Stock Options*, the Corporation is required to obtain annual approval of its Stock Option Plan from the Shareholders.

Under the *Income Tax Act* (Canada), certain tax withholding obligations affecting the administration of the Stock Option Plan will come into effect in 2011. As such, the Board of Directors has approved certain revisions to the Stock Option Plan to ensure that such obligations can be satisfied. The amendments to the Stock Option Plan as approved by the Board of Directors and reflected in the Stock Option Plan are each identified in Schedule "D" to this Information Circular. A full copy of the revised Stock Option Plan is available for review under the Corporation's SEDAR profile at www.sedar.com.

At the Meeting, the Shareholders will be asked to consider, and if deemed appropriate, pass the following ordinary authorizing resolution (the "**Stock Option Plan Resolution**") to approve the Corporation's Stock Option Plan, including the revisions thereto:

"RESOLVED THAT:

1. the stock option plan of the Corporation, as revised in the manner set forth in Schedule "D" to the management information circular of the Corporation dated April 22, 2010, which provides for the rolling grant of options to acquire up to 10% of the number of issued and outstanding Common Shares of the Corporation, be and the same is hereby ratified, confirmed and approved; and
2. any one (1) director or officer of the Corporation be and is hereby authorized and directed to do all things and to execute and deliver all documents and instruments as may be necessary or desirable to carry out the terms of this resolution."

The Board of Directors recommends that the Shareholders vote in favour of the Stock Option Plan Resolution. To be effective, the Stock Option Plan Resolution must be approved by a majority of the votes cast by the Shareholders of the Corporation who vote in person or by proxy at the Meeting on the Stock Option Plan Resolution. In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed form of proxy intend to vote "**FOR**" the approval of the Stock Option Plan Resolution.

6. Other Business

The directors and officers of the Corporation are not aware of any matters, other than those indicated in this Information Circular, which may be submitted to the Meeting for action. However, if any other matters should properly be brought before the Meeting, the enclosed proxy confers discretionary authority to vote on such other matters according to the best judgment of the person holding the proxy at the Meeting.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE DISCLOSURE

See Schedule "A" - *Corporate Governance Disclosure*, Schedule "B" - *Audit Committee Information* and Schedule "C" - *Audit Committee Charter* attached to this Information Circular.

EXECUTIVE COMPENSATION

All monetary amounts in this Information Circular are expressed in Canadian dollars and \$ means Canadian dollars, unless otherwise indicated.

Compensation Discussion and Analysis

The Board of Directors, with recommendations from the Compensation Committee, determines the executive compensation policy for the executives of Corporation. The Compensation Committee is appointed by the Board of Directors to assist the Board in discharging its duties and responsibilities with respect to officer and director compensation and executive officer succession planning. In addition, the Compensation Committee satisfies itself that the Corporation's human resources practices and policies are at all times in compliance with applicable laws and regulations and that Corporation adheres to the highest ethical and moral standards. For the 2009 fiscal year, the Compensation Committee consisted of Michael J. Laffin, as Chairman, and Ed Gilmet. The Compensation Committee met two times during 2009, in addition to the extensive interactive dialogue and data-gathering used to accumulate related corporate, individual and peer group materials to address matters pertaining to its mandate.

Compensation Philosophy

The Compensation Committee determines the "total direct compensation" of the Named Executive Officers (as defined herein) based upon the philosophy that such compensation will be dependent upon both corporate and

individual performance. The total direct compensation for each of the Named Executive Officers is determined each year by the Compensation Committee, acting reasonably and in accordance with the general philosophy of offering a reasonable base salary to attract and retain talented professionals with short-term awards for goal achievement and industry-leading metrics. Longer-term incentives orient individual long-term goals so that they are congruent with the best interests of Shareholders. In particular, the total direct compensation is determined each year by the Compensation Committee, and is based on: (i) the performance of both the Corporation as compared to other public entities of comparable size and complexity; and (ii) the compensation of the particular executive, based on his performance, as compared or matched to other individuals employed in a comparable position by an employer whose business is comparable to the Corporation's business. The Chief Executive Officer presents recommendations and rationale for compensation for all executives and staff, with a lower level of review performed at the staff levels.

Compensation Elements and Compensation Decisions

The Compensation Committee's objective is to ensure that the Corporation's executive compensation rewards performance, is market-competitive and internally equitable and that is aligned with the short-term and long-term interests of the Shareholders. The Corporation's compensation plans and programs are periodically reviewed to recognize the dynamic and competitive environment within which the Corporation operates. The Corporation's executive compensation for the 2008 and 2009 fiscal years was comprised of three primary components: (i) base salary; (ii) a short-term incentive plan, which generally consisted of a cash bonus; and (iii) a long-term incentive plan, which consisted of grants of options.

The Compensation Committee reviews the performance and results achieved by the Chief Executive Officer and receives reports from the Chief Executive Officer regarding corporate performance, relative corporate performance and details regarding individual efforts from other executive officers. In addition, where it believes it is required, the Compensation Committee obtains independent advice from external compensation consultants. For a number of years, the Compensation Committee has used the Mercer Petroleum Industry Survey ("**Mercer**") to assist in its compensation evaluation, and in 2010, the Corporation retained Mercer to provide recommendations on the Corporation's compensation structure. Peer compensation analysis is considered for comparative purposes from a market peer group of companies of comparable scope as measured by complexity, market value, production volumes, revenues, assets and number of employees that operate in the energy sector. These external measures are used only as guidelines.

To date, the Named Executive Officers have received very similar compensation packages to provide internal equity within the Corporation, as this most accurately reflects the way the Corporation's structure is managed.

As soon as practical following any year, the Compensation Committee determines the performance of the Corporation relative to the corporate performance peer group and arrives at a ranking for the Corporation, based on the total return of the criteria as compared to the other members within the corporate performance peer group and against pre-determined targets for that year. The resultant corporate performance in that year will be applied to the executive compensation in determining the executives' total direct compensation for the year. The Compensation Committee has the discretion to determine total direct compensation for an executive within the respective range of the executive compensation peer group.

Base Salary

The Corporation provides a competitive base salary to attract and retain capable individuals. Salaries reflect market conditions and levels of responsibilities. Executives have had no salary raises since April 2007. The raises granted in 2007 were related to the Corporation's activities in 2006. Staff received an average 4.5% salary increase in 2008 and no salary increases in 2009, which reflected industry-wide activity levels.

Short-Term Incentives

A short-term incentive award, if any, is a cash payment made by Corporation each year. The amount of such payments are based on the executive's compensation level as determined by reference to the applicable position in the executive compensation peer group, and more importantly, to the applicable corporate

performance. The amount of the short-term incentive award is subject to increase or decrease based on the Compensation Committee's assessment of the Corporation's and the individual's performance.

Aside from an annual Christmas bonus of \$500 per person, the executive officers received no bonuses in 2008 as related to the Corporation's performance in 2007. In 2009, the executive officers each received \$35,000 in bonuses related to the Corporation's performance in 2008, and more specifically, for achieving the minimum production target of 1,500 barrels of oil equivalent ("**boe**") per day as well as a 37% increase in net asset value per share, while posting a 3.3 times recycle. Although targets were achieved, the Board of Directors used its discretion to limit bonuses in the wake of the global economic crisis and related cash conservation within the Corporation. Staff received, on average, an 11% bonus in 2008 and a 4% bonus in 2009.

Targets for 2009 reflected the overall global economic conditions as well as the industry itself. The Corporation was targeting 1,300 to 1,700 boe per day of production on a minimal capital program. These objective measures are used as guidelines and the Board exercised discretion with significant weight towards the general market view of the Corporation's execution of long-term business strategies and recent business performance in determining actual bonuses.

Long-Term Incentives

With respect to long-term incentives, in each year an executive may be awarded stock options. Long-term incentives provide a competitive performance-based component to compensation and facilitate employee retention and alignment to Shareholders' value creation. The amount of the long-term incentive award for each year is determined by the Compensation Committee based on normal ranges for the executive's target compensation level, as determined by reference to the applicable position in the executive compensation peer group and the applicable corporate performance, and shall generally be determined to bring the executive's total direct compensation to the appropriate level after taking into account salary and short-term incentive payments. In order to provide an executive with the appropriate "total direct compensation" in accordance with the total compensation philosophy and principles that govern the Compensation Committee, the Board of Directors may award additional stock options. The Board of Directors takes into account previous stock option grants to a particular individual when considering new grants. Stock options are granted at the trading price of the Common Shares in the market at the time of grant.

No stock options were granted to executive officers from April of 2007 until November 2009, except for 100,000 options with a \$2.75 exercise price granted to Douglas Penner in May 2008. No stock options in the Corporation have ever been exercised by an executive officer. In November 2009, the Corporation granted 190,000 options at an exercise price of \$1.30 to each executive officer. These long-term incentives were awarded and reflect the long-term nature of the asset base developed within the Corporation. To recognize staff contributions, the Corporation re-priced 569,500 options down to \$1.75 in October 2008.

Summary Compensation Table

Outlined below is a summary of the compensation paid, payable, awarded or granted by the Corporation for 2008 and 2009 to the President and Chief Executive Officer, the Vice President, Finance and Chief Financial Officer and the Executive Vice President, as well as Ian Fisher (collectively, the "**Named Executive Officers**").

Name and Principal Position	Year	Salary (\$)	Share-Based Award (\$)	Option-Based Award ⁽¹⁾ (\$)	Non-Equity Incentive Plan - Annual Incentive Plans ⁽²⁾ (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
Ed Gilmet President and Chief Executive Officer	2009	185,000	Nil	180,096	35,500	Nil	Nil	400,596
	2008	185,000	Nil	Nil	500	Nil	Nil	185,500
Andy Fisher Executive Vice President	2009	185,000	Nil	180,096	35,500	Nil	Nil	400,596
	2008	185,000	Nil	Nil	500	Nil	Nil	185,500
Douglas Penner Vice President, Finance and Chief Financial Officer	2009	185,000	Nil	180,096	35,500	Nil	Nil	400,596
	2008	185,000	Nil	110,060	500	Nil	Nil	295,560
Ian Fisher Exploration and Operations	2009	185,000	Nil	180,096	35,500	Nil	Nil	400,596
	2008	185,000	Nil	Nil	500	Nil	Nil	185,500

Notes:

- (1) This amount represents the fair value, on the date of grant of awards made under the Stock Option Plan of the Corporation for 2009. See "Executive Compensation – Incentive Plan Awards – Stock Option Plan". The grant date fair value has been calculated using the Black Scholes Merton model according to Section 3870 of the CICA Handbook. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield.
- (2) The 2009 number represents the cash bonus awards paid to the Named Executive Officers in 2009 for 2008.

Incentive Plan Awards

Stock Option Plan

The Corporation has in place a Stock Option Plan, which provides for the grant of stock options to officers, directors, employees and consultants of the Corporation. The purpose of the Stock Option Plan is to enhance the interest of officers, directors, employees and consultants of the Corporation in the growth and development of the Corporation by providing them with the opportunity to acquire an ownership interest in the Corporation. As at April 22, 2010, pursuant to the Stock Option Plan, the Corporation had options to acquire 7,359,000 Common Shares outstanding (approximately 9.8% of the total Common Shares outstanding). The following are some of the key features of the Stock Option Plan:

1. Directors, officers, employees and consultants of the Corporation, or those of its subsidiaries, are eligible to receive options under the Stock Option Plan.
2. The maximum number of Common Shares issuable pursuant to the Stock Option Plan is a "rolling" maximum equal to 10% of the total outstanding Common Shares. Any increase in the issued and outstanding Common Shares will result in an increase in the available number of Common Shares issuable under the Stock Option Plan, and any exercises of options will make new grants available under the Stock Option Plan.
3. The exercise price for Common Shares under each option is determined by the Board of Directors, subject to applicable approval of the TSXV, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the TSXV.
4. The Stock Option Plan provides that the aggregate number of Common Shares reserved for issuance to any one (1) person under the Stock Option Plan in any one (1) year period must not exceed 5% of

the then outstanding Common Shares unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable TSXV requirements.

5. The vesting arrangements are within the discretion of the Board of Directors, subject to any restrictions imposed by the TSXV.
6. The term of any stock option grant is within the discretion of the Board of Directors, but cannot be longer than five (5) years.
7. Options terminate within a period of time following an optionholder ceasing to be at least one (1) of an employee, director, officer or consultant of the Corporation or a subsidiary of the Corporation. In the event of death, options are exercisable only within one (1) year after such death.
8. Options granted under the Stock Option Plan are non-assignable.
9. The number of Common Shares issued to consultants, within a one (1) year period, cannot exceed 2% of the Corporation's issued Common Shares.

Performance Warrants

Pursuant to certain agreements ("**Performance Warrants Agreements**") entered into prior to the amalgamation of the Corporation and Desco Energy Ltd. on January 1, 2007, the Corporation granted to Ed Gilmet, Ian Fisher and Andy Fisher performance warrants ("**Performance Warrants**") to purchase an aggregate of 1,500,000 Common Shares (500,000 each) at a price of \$1.00 per Common Share. The term of such Performance Warrants is a period of five (5) years from the date of grant and the Performance Warrants have vested as the related performance criteria have been met. One-half of the Performance Warrants expired out-of-the-money on May 1, 2009, and the second half of the Performance Warrants were exercised before expiry on March 1, 2010. All outstanding Performance Warrants are exercised or expired as at the date hereof.

As at December 31, 2009, the value of all in-the-money unexercised Performance Warrants was \$337,500. The value of the unexercised in-the-money Performance Warrants as at December 31, 2009, has been determined based on the excess of the closing price of the Common Shares on the TSXV of \$1.45 per Common Share over the exercise price of \$1.00 per Performance Warrant multiplied by the 750,000 outstanding unexercised in-the-money Performance Warrants as at December 31, 2009.

Outstanding Option-Based Awards

The following table sets forth all awards outstanding as at December 31, 2009 held by Named Executive Officers under the Stock Option Plan, as awards under the Stock Option Plan are considered "option-based awards" under applicable securities laws. The value of the unexercised in-the-money options as at December 31, 2009, has been determined based on the excess of the closing price of the Common Shares on the TSXV of \$1.45 per Common Shares over the exercise price of such options.

Option-Based Awards

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$)
Ed Gilmet	117,500	1.00	January 1, 2012	52,875
President and Chief Executive Officer	207,000	1.60	January 1, 2012	Nil
	67,000	2.50	January 1, 2012	Nil
	20,000	3.05	January 10, 2012	Nil
	113,500	4.11	May 3, 2012	Nil
	190,000	1.30	November 19, 2013	28,500
Andy Fisher	117,500	1.00	January 1, 2012	52,875
Executive Vice President	182,000	1.60	January 1, 2012	Nil
	91,000	2.50	January 1, 2012	Nil
	20,000	3.05	January 10, 2012	Nil
	114,500	4.11	May 3, 2012	Nil
	190,000	1.30	November 19, 2013	28,500
Douglas Penner	100,000	1.60	January 1, 2012	Nil
Vice President, Finance and Chief Financial Officer	175,000	2.50	January 1, 2012	Nil
	150,000	2.75	January 1, 2012	Nil
	100,000	4.11	May 3, 2012	Nil
	100,000	2.75	May 22, 2013	Nil
	190,000	1.30	November 19, 2013	28,500
Ian Fisher	167,500	1.00	January 1, 2012	75,375
Exploration and Operations	157,000	1.60	January 1, 2012	Nil
	67,000	2.50	January 1, 2012	Nil
	20,000	3.05	January 10, 2012	Nil
	113,500	4.11	May 3, 2012	Nil
	190,000	1.30	November 19, 2013	28,500

Incentive Plan Rewards – Value Vested or Earned During the Year

The following table sets forth the value of the awards that vested for each Named Executive Officer under the Stock Option Plan and Performance Warrant Agreements in 2009, as well as non-equity incentive plan compensation earned during the financial year ended December 31, 2009.

Name	Option-Based Awards – Value Vested during the Year ⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation – Value Earned during the Year ⁽²⁾ (\$)
Ed Gilmet President and Chief Executive Officer	Nil ⁽³⁾	35,500
Andy Fisher Executive Vice President	Nil ⁽³⁾	35,500
Douglas Penner Vice President, Finance and Chief Financial Officer	Nil ⁽³⁾	35,500
Ian Fisher Exploration and Operations	Nil ⁽³⁾	35,500

Notes:

- (1) Value vested is calculated as the dollar value that would have been realized had the option been exercised on the date it was vested less the related exercise price multiplied by the number of vesting shares.
- (2) This amount represents the cash bonus awards paid to the Named Executive Officers in respect of 2009.

(3) All options vested were out-of-the-money on the date of vesting.

Equity Compensation Plan Information

The following table sets out information concerning the number and price of securities to be issued under equity compensation plans as at December 31, 2009. The compensation plans of the Corporation under which Common Shares are authorized for issuance are the Stock Option Plan and the Performance Warrant Agreements described above.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by securityholders	5,421,166 Common Shares ⁽¹⁾⁽²⁾	1.87	122,840
Equity compensation plans not approved by securityholders	-	-	-
Total	5,421,166 Common Shares ⁽¹⁾⁽²⁾	1.87	122,840

Notes:

- (1) Includes Common Shares to be issued upon exercise of 750,000 outstanding Performance Warrants.
- (2) Includes the following options: (a) options to purchase 462,500 Common Shares at \$1.00 per Common Share granted before January 2007; (b) options to purchase 676,000 Common Shares at \$1.60 per Common Share granted before January 2007; (c) options to purchase 420,000 Common Shares at \$2.50 per Common Share granted before January 2007; (d) options to purchase 183,333 Common Shares at \$3.05 per Common Share granted in January 2007; (e) options to purchase 514,833 Common Shares at \$4.11 per Common Share granted in April 2007; (f) options to purchase 150,000 Common Shares at \$2.75 per Common Share granted before January 2007; (g) options to purchase 83,333 Common Shares at \$2.62 per Common Share granted in November 2007; (h) options to purchase 175,000 Common Shares at \$1.50 per Common Share granted in January 2008; (i) options to purchase 218,167 Common Shares at \$2.75 per Common Share granted in May 2008; (j) options to purchase 35,000 Common Shares at \$2.02 per Common Share granted in August 2008; (k) options to purchase 1,183,500 Common Shares at \$1.30 per Common Share granted in November 2009; and (l) options to purchase 569,500 Common Shares at \$1.75 per Common Share granted in October 2008. In October 2008, the Corporation cancelled 577,000 options including the following: (a) options to purchase 220,000 Common Shares at \$2.50 per Common Share granted before January 2007; (b) options to purchase 160,000 Common Shares at \$2.75 per Common Share granted before January 2007; (c) options to purchase 94,000 Common Shares at \$3.05 per Common Share granted in January 2007; (d) options to purchase 88,000 Common Shares at \$4.11 per Common Share granted in April 2007; (e) options to purchase 7,500 Common Shares at \$4.00 per Common Share granted in June 2007; and (f) options to purchase 7,500 Common Shares at \$4.15 per Common Share granted in June 2007.

Termination and Change of Control

General

The Corporation has entered into executive employment agreements with each of the Named Executive Officers (the "**Executive Employment Agreements**"). The Executive Employment Agreements have an indefinite term and provide for the salary, short-term incentives and benefits to be paid to each Named Executive Officer. In connection with the termination of a Named Executive Officer's employment and/or a change of control of the Corporation, certain payments may be required to be made to a Named Executive Officer pursuant to the Executive Employment Agreements. For the purposes of the Executive Employment Agreements the following terms have the meanings set forth below:

"**Resignation for Cause**" is defined as resignation by the employee on occurrence of any one or more of the following: (i) a breach of the employment agreement by the Corporation; (ii) the Corporation becoming insolvent or bankrupt, being placed into receivership, or seeking protection under any debtor protection legislation; (iii) an application having been made to dissolve the Corporation; (iv) the Corporation being merged with or acquired by another corporation or individual; or (v) a material change in the responsibilities of the employee;

"**Change of Control**" is defined as: (i) certain directors ceasing to constitute a majority of the Corporation's Board or its successor in interest by way of acquisition, merger, amalgamation, or any other transaction whatsoever; (ii) an employee who is a member of the Board of Directors of the Corporation not being re-elected to such Board at any time, provided that the employee allows his name to stand for election to the Board; or (iii) the acquisition, by whatever means, by a person (or two (2) or more persons who, in such acquisition, have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the securities of the Corporation acquired), directly or indirectly, of (A) all or substantially all of the assets of the Corporation or (B) the beneficial ownership of such number of voting securities or right to voting securities of the Corporation, which together with such person's then owned voting securities and rights to voting securities represent more than 50% of the combined voting power of the Corporation's then outstanding voting securities; and

"**cause**" is defined as a material breach of the Executive Employment Agreement, a repeated and demonstrated failure of the employee to perform the material duties of his position in a competent manner, which has not been remedied after written notice of such failure, intentional or grossly negligent disclosure of confidential information which materially adversely impacts the Corporation, or conviction of a criminal offence involving fraud or dishonesty.

Termination for Cause and Voluntary Resignation

Under the terms of the Executive Employment Agreements, in the event of termination for cause or the voluntary resignation of a Named Executive Officer, the executive is not entitled to any further compensation as of the date of termination.

Death and Disability

If a Named Executive Officer's employment with the Corporation is terminated due to death or permanent disability, no incremental payments or benefits become payable to that executive officer under the Executive Employment Agreements as a result.

Termination Without Cause, Resignation for Cause or Termination Following a Change of Control

Executive Employment Agreements

If the Executive Employment Agreements are terminated as a result of a: (i) Resignation for Cause; (ii) Change of Control (if, within the six (6) month period following the date of a Change of Control, the employee provides the Corporation with thirty (30) days' written notice of termination of his employment with the Corporation); or (iii) for any other reason whatsoever by the Corporation other than for cause in carrying out the employee's duties, the Corporation shall pay to the employee, at the date not later than ten (10) days from the date of termination, (i) a cash payment as a multiple of the annual base salary at the time notice of termination is provided to the employee; (ii) a cash settlement equal to the net value of the employee's benefits for a period of twelve (12) months; and (iii) the annual average of all cash bonuses paid to the employee by the Corporation. The Corporation may terminate any executive officer without notice or any pay in lieu of notice for cause.

Estimated Payments Upon Certain Events

The following table sets forth the estimated incremental payments that would have been required to have been made to the Named Executive Officers if the Executive Employment Agreements were terminated as a result

of a: (i) Resignation for Cause; (ii) Change of Control (if, within the six (6) month period following the date of a Change of Control, the employee provides the Corporation with thirty (30) days' written notice of termination of his employment with the Corporation); or (iii) for any other reason whatsoever by the Corporation other than for cause in carrying out the employee's duties, in each case on December 31, 2009.

**Estimated Incremental Payments as of December 31, 2009 -
Termination Without Cause, Resignation for Cause
or Following a Change of Control and Termination**

Name	Salary (\$)⁽¹⁾	Annual Incentive Bonus (\$)⁽²⁾	Benefits and Perquisites (\$)⁽³⁾	Total (\$)
Ed Gilmet	370,000	18,000	20,000	408,000
Andy Fisher	370,000	18,000	20,000	408,000
Douglas Penner	370,000	18,000	20,000	408,000
Ian Fisher	370,000	18,000	20,000	408,000

Notes:

- (1) A cash payment in the amount equal to two times (2x) the annual base salary at the time notice of termination is provided to the employee.
- (2) A cash payment in the amount equal to the annual average of all cash bonuses paid to the employee by the Corporation.
- (3) A cash payment in the amount equal to the net value of the employee's benefits for a period of twelve (12) months.

Stock Option Plan

If an optionholder shall cease to be a director, officer, consultant or employee of the Corporation or a person or company which provides management services to the Corporation (a "**Management Company Employee**") for any reason (other than death), such optionholder may exercise his or her options to the extent that the optionholder was entitled to exercise his or her options at the date of such cessation, provided that such exercise must occur within ninety (90) days after the optionholder ceases to be a director, officer, consultant, employee or Management Company Employee.

In the event of the death of an optionholder, the options previously granted to such person shall be exercisable within one (1) year after such death and then only: (i) by the person or persons to whom the optionholder's rights under the options shall pass by the optionholder's will or the laws of descent and distribution; and (ii) if and to the extent that such optionholder was entitled to exercise the options at the date of his death.

Retirement Plans

The Corporation has no formal pension, retirement or other long-term incentive compensation plan in place for its directors, officers or employees.

Director Compensation

During the financial year ended December 31, 2009, none of the directors of the Corporation were paid, awarded or granted any compensation with respect to activities performed in their capacity as directors. Ed Gilmet and Andy Fisher received compensation from the Corporation in their respective capacities as executive officers of the Corporation as disclosed above. Directors are eligible to participate in the Stock Option Plan. Directors are entitled to be reimbursed for expenses incurred by them in their capacity as directors.

Director Compensation Table

The following table summarizes the compensation paid, payable, awarded or granted to each of the independent directors of the Corporation for 2009.

Name	Fees Earned (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
M. Bruce Chernoff ⁽¹⁾	Nil	Nil	Nil	Nil	Nil
Robert J. Dales	Nil	85,309	Nil	Nil	85,309
Michael J. Laffin	Nil	85,309	Nil	Nil	85,309
J. Terry McCoy	Nil	85,309	Nil	Nil	85,309
Hank B. Swartout ⁽²⁾	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) M. Bruce Chernoff resigned from the board of directors on November 19, 2009.
(2) Hank B. Swartout resigned from the board of directors on May 20, 2009.

Outstanding Option-Based Awards

The following table sets forth all outstanding awards held by the independent directors of the Corporation as at December 31, 2009, under the Stock Option Plan, as awards under the Stock Option Plan are considered "option-based awards" under applicable securities laws. The value of the unexercised in-the-money options as at December 31, 2009, has been determined based on the excess of the closing price of the Common Shares on the TSXV on December 31, 2009, of \$1.45 per Common Share over the exercise price of such options. All outstanding option-based awards held by Ed Gilmet and Andy Fisher as at December 31, 2009, are disclosed above.

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$)
Robert J. Dales	50,000	3.05	January 10, 2012	Nil
	20,000	4.11	May 3, 2012	Nil
	25,000	2.62	November 21, 2012	Nil
	90,000	1.30	November 19, 2014	13,500
Michael J. Laffin	30,000	1.00	January 1, 2012	13,500
	15,000	1.60	January 1, 2012	Nil
	10,000	2.50	January 1, 2012	Nil
	20,000	3.05	January 10, 2012	Nil
	20,000	4.11	May 3, 2012	Nil
	25,000	2.62	November 21, 2012	Nil
	90,000	1.30	November 19, 2014	13,500

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$)
J. Terry McCoy	30,000	1.00	January 1, 2012	13,500
	15,000	1.60	January 1, 2012	Nil
	10,000	2.50	January 1, 2012	Nil
	20,000	3.05	January 10, 2012	Nil
	20,000	4.11	May 3, 2012	Nil
	25,000	2.62	November 21, 2012	Nil
	90,000	1.30	November 19, 2014	13,500

Value Vested or Earned During the Year

The following table sets forth the value of the awards that vested for each independent director of the Corporation under the Stock Option Plan in 2009. None of the independent directors earned any non-equity incentive plan compensation during 2009.

Name	Option-Based Awards – Value Vested during the Year⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation – Value Earned during the Year (\$)
Robert J. Dales	Nil ⁽²⁾	Nil
Michael J. Laffin	Nil ⁽²⁾	Nil
J. Terry McCoy	Nil ⁽²⁾	Nil

Notes:

- (1) Value vested is calculated as the dollar value that would have been realized had the option been exercised on the date it was vested less the related exercise price multiplied by the number of vesting shares.
- (2) All options, if any, vested were out-of-the-money on the date of vesting.

Indebtedness of Directors and Executive Officers

Except as disclosed herein, to the knowledge of the directors and executive officers of the Corporation, none of: (i) the current or former directors, executive officers or employees of the Corporation; or (ii) any individual who is, or at any time during the year ended December 31, 2009, was, a director or executive officer of the Corporation; (iii) any proposed director of the Corporation; or (iv) any associate of any of the foregoing; has been indebted to the Corporation at any time since January 1, 2009.

Purpose	Aggregate Indebtedness to the Corporation as at March 31, 2009 (\$)
Share Purchases	\$100,000 ⁽¹⁾
Other	Nil

Note:

- (1) On April 3, 2006, the Corporation loaned \$100,000 to Douglas Penner, Vice President, Finance and Chief Financial Officer of the Corporation. Mr. Penner used the proceeds of the loan to purchase 40,000 Common Shares at a price of \$2.50 per share. This loan is repayable, with interest calculated at the "Prescribed Rate" as determined by the Canada Revenue Agency, currently 1%, on or before April 3, 2012. This loan is secured by the underlying shares.

Indebtedness of Directors and Executive Officers under Securities Purchase Programs

The following table sets out the indebtedness of directors and executive officers of the Corporation (including any person who, during the financial year ended December 31, 2009, was, but is not at the date of this Information Circular, a director or executive officer of the Corporation), nominees for election as directors, and any associates of any of the foregoing persons, during the financial year ended December 31, 2009, to the Corporation, or to other entities if the indebtedness to such other entities is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

<u>Name and Principal Position</u>	<u>Involvement of the Corporation</u>	<u>Largest Amount Outstanding During the Financial Year Ended December 31, 2009 (\$)</u>	<u>Amount Outstanding as at March 31, 2010 (\$)</u>	<u>Financially-Assisted Securities Purchases During the Financial Year Ended December 31, 2009 (#)</u>	<u>Security for Indebtedness</u>	<u>Amount Forgiven During the Financial Year Ended December 31, 2009 (\$)</u>
Douglas Penner Vice President, Finance and Chief Financial Officer	Lender	100,000	100,000	40,000 Common Shares	40,000 Common Shares	Nil

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Corporation, nominee for director of the Corporation, or any affiliate or associate of any informed person or nominee for director, had any material interest, direct or indirect, in any transaction or proposed transaction, which has materially affected or would material affect the Corporation since the beginning of the financial year ended December 31, 2009.

For the purposes of this Information Circular, an "**informed person**" includes: (i) a director or executive officer of the Corporation; (ii) a director or executive officer of a person or company that is itself an informed person; or (iii) any person or company who beneficially owns, directly or indirectly, and/or exercises control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attaching to all outstanding voting securities of the Corporation.

REGULATORY MATTERS, BANKRUPTCIES AND INSOLVENCIES

Except as disclosed below, no nominee for director of the Corporation is, as at the date of this Information Circular, or has been, within ten (10) years before the date of this Information Circular, a director or executive officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than thirty (30) consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days; or (iii) 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.

On April 25, 2007, Mystique Energy, Inc. ("**Mystique**"), a junior oil and gas company that is traded on the TSXV, announced that its board of directors determined that it was in the best interest of all of its stakeholders to seek creditor protection under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") and it

obtained such protection pursuant to an order from the Alberta Court of Queen's Bench. Mr. J. Terry McCoy, a director of the Corporation, resigned as a director of Mystique, effective April 25, 2007.

Mr. McCoy was a director of Darian Resources Ltd. ("**Darian**"), a private Alberta company, until his resignation on March 26, 2009. On February 16, 2010, Darian sought and obtained creditor protection from the Alberta Court of Queen's Bench pursuant to the provisions of the CCAA.

No nominee for director of the Corporation has, within the ten (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.

INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

To the knowledge of the directors and executive officers of the Corporation, none of the directors, proposed directors or executive officers of the Corporation or anyone who has held such offices since January 1, 2009, or any affiliate or associate of any of the foregoing, has any material interest, direct or indirect, in any matter to be acted upon at the meeting, except as otherwise disclosed herein.

ADDITIONAL INFORMATION AND AVAILABILITY OF FINANCIAL STATEMENTS

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information concerning the Corporation is provided in its financial statements for the twelve (12) month period ending December 31, 2009, and the accompanying management's discussion and analysis, all of which can be accessed under the Corporation's profile on SEDAR at www.sedar.com or by contacting Douglas Penner, Vice President, Finance and Chief Financial Officer of the Corporation at (403) 262-0321.

Further information concerning the Corporation is included in the Annual Information Form of the Corporation for the year ended December 31, 2009, which is available on SEDAR at www.sedar.com.

AUDITORS OF THE CORPORATION

The auditors of the Corporation are KPMG LLP, Chartered Accountants, Calgary, Alberta, 2700, 205 - 5th Avenue SW, Calgary, Alberta. KPMG LLP was appointed auditors of the Corporation on March 9, 2007.

DIRECTORS' APPROVAL

The contents and the sending of this Information Circular have been approved by the directors.

DATED the 22nd day of April, 2010.

SCHEDULE "A"

CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 - *Corporate Governance Guidelines* ("NP 58-201") were adopted in each of the provinces and territories of Canada. NI 58-101 requires issuers to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices. Set forth below is a description of the Corporation's current corporate governance practices.

Board of Directors

The Board of Directors is currently composed of five (5) directors, two (2) of whom are independent for the purpose of NI 58-101. Robert J. Dales and J. Terry McCoy are independent. Andy Fisher and Ed Gilmet are executive officers of the Corporation and Michael J. Laffin is a partner of Blake, Cassels & Graydon LLP, a law firm that provides legal services to the Corporation, and as such, they are not independent. In determining that each director is independent, the Board affirmatively determined that each such director has no material relationship with the Corporation that would reasonably be expected to interfere with the exercise of the member's independent judgment, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. The Board considers five (5) directors to be appropriate for the Corporation's size, and sufficient to provide an appropriate mix of backgrounds and skills.

Directorship

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

<u>Name of Directors</u>	<u>Name of Other Issuers</u>
Robert J. Dales	Celtic Exploration Ltd. Desco Resources Inc.

Orientation and Continuing Education

The Corporation does not currently provide a formal orientation or education program for new directors. Each director is provided with copies of all relevant corporate documents, including committee charters, corporate policies and current continuous disclosure documents. New directors are given an opportunity to familiarize themselves with the nature and operation of the Corporation's business by reviewing relevant documents of the Corporation and meeting with management and the other directors. Material obtained from third-party analysts and industry experts is provided to all directors through management. As part of the review of its governance practices going forward, the Board will consider whether a more formal education and orientation program would be appropriate.

To date, the Corporation has not adopted a formal program to provide continuing education for its directors. Directors are encouraged to participate in continuing education programs of their choosing so that they may increase their knowledge and skills as directors. In order to ensure that their knowledge and understanding of the Corporation's business remains current, members of the Board are kept apprised of developments relevant to the Corporation's business regularly through presentations made by members of management.

Ethical Business Conduct

To date, the Board has not adopted a written code of conduct for directors, officers and employees. As part of the review of its governance practices going forward, the Board may consider the implementation of such a code of conduct. If such a code is implemented, the Corporation will file a copy of the code on the SEDAR website and post a copy of the code on its website.

Any situation that involves, or may reasonably be inferred to involve, a conflict between a director's personal interests and the interests of the Corporation is required to be disclosed as to the nature and extent of such director's interest. A director in a conflict of interest may not, subject to certain exceptions under applicable corporate law in Alberta, vote on a matter in respect of which a director has a material interest. From time to time, depending on the nature of the matter, the director may be asked to excuse himself from that portion of the meeting of the Board.

The Board discusses corporate governance issues and ethical conduct at its meetings from time to time. Going forward, the Board intends to specifically discuss corporate governance and ethics issues at at least one (1) meeting per year.

Nomination of Directors

The Corporation does not have a nominating committee. Any member of the Board may submit the names of suggested candidates to fill vacancies on the Board. The Board interviews the candidate prior to submitting the candidate's name to the Shareholders for election as a director. While there are no specific criteria for Board membership, the Corporation attempts to attract and retain directors with an understanding of the Corporation's business and a particular knowledge of the oil and natural gas exploration and production industry.

Compensation

The Board, with the assistance of the Compensation Committee, is responsible for approving, appointing and settling the definitive terms of employment for senior officers, with a view to making the compensation fair, but competitive, as compared to compensation that is given to senior officers of companies of a similar size and nature.

The Board, with the assistance of the Compensation Committee, is also responsible for reviewing the adequacy and form of compensation for directors, with a view to ensuring that it reflects the responsibilities and risks involved in being an effective director and is consistent with Shareholder interests.

Going forward, the Corporation may occasionally engage a compensation advisor or consultant to assist with the process of determining compensation.

Other Board Committees

In addition to the Audit and Compensation Committees, the Board also has a Reserves Committee, an Environment, Health and Safety Committee and a Corporate Governance Committee.

Reserves Committee

The members of the Reserves Committee are J. Terry McCoy (Chairman) and Andy Fisher. The Reserves Committee is the committee to which the Board has delegated certain responsibilities relating to the integrity of reserves reporting, oversight of the independent qualified reserve evaluator, and the performance of internal reserve audit functions. The Reserves Committee also prepares reports required for inclusion in the Corporation's disclosure documents. The Reserves Committee aims to assist the Board in fulfilling its oversight responsibilities (especially for accountability) in respect of the preparation and disclosure of the reserve audit statements and related matters, to enhance the independent qualified reserve evaluator's

independence and performance, to increase the transparency, credibility and objectivity of reserves reporting, and to enhance communication between management, staff responsible for producing internal reserve information, the independent qualified reserve evaluator, and the Board. While the Reserves Committee does not have a written charter, the Board intends to discuss whether the committee requires a charter.

Environment, Health and Safety Committee

The members of the Environmental, Health and Safety Committee are J. Terry McCoy (Chairman) and Andy Fisher. The objectives of the Environment, Health and Safety Committee are to assist the Board in fulfilling its oversight responsibilities (especially for accountability) in respect of development, implementation and monitoring of the Corporation's health, safety and environment policies. The Environment, Health and Safety Committee also prepares reports, if and when required, for inclusion in the Corporation's disclosure documents. While the Environmental, Health and Safety Committee does not have a written charter, the Board intends to discuss whether the committee requires a charter.

Corporate Governance Committee

The members of the Corporate Governance Committee are Michael J. Laffin (Chairman) and Ed Gilmet. The objectives of the Corporate Governance Committee are to assist and advise the Board with corporate governance and business ethics. While the Corporate Governance Committee does not have a written charter, the Board intends to discuss whether the committee requires a charter.

Assessments

The Board is responsible for annually assessing its overall performance and that of its committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. The review has regard to the mandate or charter of the Board or committee, if any, and identifies any areas where the directors or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation. The Board is also responsible for regularly assessing the effectiveness and contribution of the individual directors, having regard to the competencies and skills each director is expected to bring to the Board.

SCHEDULE "B"

AUDIT COMMITTEE INFORMATION

National Instrument 52-110 - *Audit Committees of the Canadian Securities Administrators* ("NI 52-110") requires the Corporation, as a venture issuer, to disclose annually in its management information circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

Audit Committee Mandate and Terms of Reference for Chair

The mandate and responsibilities of the audit committee of the Corporation (the "**Audit Committee**") of the board of directors is attached to this Information Circular as Schedule "C".

Composition of the Audit Committee

The members of the Audit Committee are Robert J. Dales (Chairman) and J. Terry McCoy. The Audit Committee operates under a written charter that sets out its responsibilities and composition requirements. A copy of the charter is attached to this Information Circular as Schedule "C". All members of the committee are considered to be independent and financially literate pursuant to NI 52-110.

The Corporation's Board of Directors considers Robert J. Dales to be independent for the purposes of NI 52-110. On January 1, 2007, Arcan Resources Ltd. (the "**Predecessor**") and Desco Energy Ltd. ("**Desco**") amalgamated pursuant to the *Business Corporations Act* (Alberta) (the "**Amalgamation**"). Immediately prior to the Amalgamation, Desco was approximately one-tenth (1/10th) the size of the Predecessor and had no employees, whereas the Predecessor had fourteen (14) employees. Upon the Amalgamation, Desco effectively ceased to exist, whereas the Predecessor essentially carried on the business as the Corporation without making significant changes or additions to the business. Furthermore, while Robert J. Dales was an officer of Desco, he is not and has never been employed as an employee or officer of the Corporation or the Predecessor. Accordingly, Robert J. Dales does not have a material relationship with the Corporation, which could, in the view of the Corporation's Board of Directors, be reasonably expected to interfere with the exercise of his independent judgment.

Relevant Education and Experience

Robert J. Dales, MBA

Mr. Dales has thirty (30) years of experience in the oil and gas industry and has held various administrative and management positions. Mr. Dales secured a Bachelor of Commerce degree from the University of Calgary in 1972 and a Master of Business Administration from the University of Alberta in 1973. From 1981 until 1999, Mr. Dales worked in the Operations Department of Panartic Oils Ltd., a private oil and gas exploration company, as Operations Manager. Mr. Dales was President, Chief Executive Officer and a director of Resolution Energy Inc., a public oil and gas exploration and development company, which was listed on the Canadian Venture Exchange, from June 1993 until October 2001. From 1994 until 1996, Mr. Dales was Secretary-Treasurer and a director of Energy North Inc., a public oil and gas exploration development company, which was listed on the TSX. Mr. Dales was also President and a director of Desco Resources Ltd., an oil and gas exploration and development company (now Peyto Energy Trust and listed on the TSX) from March 1997 until October 1998. Mr. Dales is currently a director of Celtic Exploration Ltd. (formerly Desco Exploration Ltd.), a public oil and gas exploration company, and President and a director of Valhalla Ventures Inc., a private investment company based in Calgary, Alberta. Currently, Mr. Dales is President and a director of Desco Resources Inc., a TSXV-listed company.

J. Terry McCoy, P. Geol.

Mr. McCoy is a senior oil and gas executive with thirty-eight (38) years of experience with major, senior-intermediate and junior oil and gas companies. As at the date hereof, Mr. McCoy is President of Koa Resources Ltd. Prior thereto, Mr. McCoy was Vice President of Exploration for Calvalley Petroleum Inc. which is an oil and gas company that is active internationally. Prior thereto, Mr. McCoy was President of Trafina Energy Ltd. Prior to joining Trafina, Mr. McCoy was Vice President of Exploration at Murphy Oil Company and prior to that, Mr. McCoy was employed for eleven (11) years at Poco Petroleum as Vice President of Exploration and subsequently as President of Burlington Resources of Canada. Prior to 1990, Mr. McCoy held executive positions at Columbia Gas Development of Canada, Conwest Exploration Company, Union Oil of Canada and Amoco Canada Petroleum Company. Mr. McCoy is a director of two (2) private companies.

Pre-Approval Policies and Procedures

The Audit Committee shall review all non-audit services and pre-approve all non-audit services to be provided to the Corporation by its external auditors in excess of \$20,000.

External Auditor Service Fees

KPMG LLP were appointed auditors of the Corporation on March 9, 2007. Fees incurred with KPMG LLP (and Deloitte & Touche LLP, prior to March 9, 2007) for audit and non-audit services in the last two (2) fiscal years are outlined in the following table:

Nature of Services	Fees Paid to Auditor in Year Ended December 31, 2009 (\$)	Fees Paid to Auditor in Year Ended December 31, 2008 (\$)
Audit Fees ⁽¹⁾	151,500	125,000
Audit-Related Fees ⁽²⁾	-	-
Tax Fees ⁽³⁾	4,775	6,350
All Other Fees ⁽⁴⁾	-	-
Total	156,275	131,350

Notes:

- (1) "Audit Fees" include fees necessary to perform the annual audit and quarterly reviews of the Corporation's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

Exemption

The Corporation is relying upon the exemption in Section 6.1 of NI 52-110 in respect of the composition of its audit committee and in respect of its reporting obligations.

SCHEDULE "C"

AUDIT COMMITTEE CHARTER

Policy Statement

It is the policy of Arcan Resources Ltd. (the "**Corporation**") to establish and maintain an audit committee, composed entirely of independent directors, to assist the Board of Directors (the "**Board**") in carrying out its oversight responsibility for the Corporation's internal controls, financial reporting and risk management processes (the "**Audit Committee**"). The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

Composition of the Committee

1. The Audit Committee shall consist of at least two (2) directors. The Board shall appoint the members of the Audit Committee and may seek the advice and assistance of the Compensation Committee in identifying qualified candidates. The Board shall appoint one (1) member of the Audit Committee to be the Chair of the Audit Committee.
2. Each director appointed to the Audit Committee by the Board must be independent. A director is independent if the director has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of the director's independent judgment. In determining whether a director is independent of management, the Board shall make reference to the then current legislation, rules, policies and instruments of applicable regulatory authorities.
3. Each member of the Audit Committee shall be "financially literate". In order to be financially literate, a director must be, at a minimum, able to read and understand financial statements that present a breadth and complexity of accounting issues generally comparable to the breadth and complexity of issues expected to be raised by the Corporation's financial statements.
4. At least one (1) member of the Audit Committee shall have "accounting or related financial management expertise", meaning the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.
5. A director appointed by the Board to the Audit Committee shall be a member of the Audit Committee until replaced by the Board or until his or her resignation.

Meetings of the Committee

6. The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the auditors, or a senior officer of the Corporation. Meetings of the Audit Committee shall correspond with the review of the quarterly and annual financial statements and management discussion and analysis of the Corporation.
7. Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee and to the auditors, who shall be entitled to attend each meeting of the Audit Committee and shall attend whenever requested to do so by a member of the Audit Committee.

8. Notice of a meeting of the Audit Committee shall:
 - (a) be in writing;
 - (b) state the nature of the business to be transacted at the meeting in reasonable detail;
 - (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
 - (d) be given at least two (2) business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
9. A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee. However, it shall be the practice of the Audit Committee to require review, and, if necessary, approval of certain important matters by all members of the Audit Committee.
10. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
11. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one (1) of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one (1) of the persons present to be the Secretary of the meeting.
12. The Chairman of the Board, senior management of the Corporation and other parties may attend meetings of the Audit Committee; however the Audit Committee (i) shall meet with the external auditors independent of management as necessary, in the sole discretion of the Committee, but in any event, not less than quarterly; and (ii) may meet separately with management.
13. Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting.

Duties and Responsibilities of the Committee

14. The Audit Committee's primary duties and responsibilities are to:
 - (a) identify and monitor the management of the principal risks that could impact the financial reporting of the Corporation;
 - (b) monitor the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
 - (c) monitor the independence and performance of the Corporation's external auditors;
 - (d) deal directly with the external auditors to approve external audit plans, other services (if any) and fees;
 - (e) directly oversee the external audit process and results and resolve any disagreements between management and the external auditor regarding financial reporting;

- (f) provide an avenue of communication among the external auditors, management and the Board; and
 - (g) ensure that an effective "whistle blowing" procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual.
15. The Audit Committee shall have the authority to:
- (a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
 - (b) discuss with the management and senior staff of the Corporation, its subsidiaries and affiliates, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
 - (c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
 - (d) to set and pay the compensation for any advisors employed by the Audit Committee.
16. The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
17. The Audit Committee shall:
- (a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditors and the compensation of the external auditors;
 - (b) consider the recommendations of management in respect of the appointment of the external auditors;
 - (c) review the audit plan with the Corporation's external auditors and with management;
 - (d) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;
 - (e) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
 - (f) review and resolve any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - (g) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
 - (h) consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management's response, if

any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;

- (i) review, and if appropriate, recommend for approval by the Board, the audited annual financial statements, management discussion and analysis and related documents in conjunction with the report of the external auditors;
 - (j) review, and if appropriate, recommend for approval by the Board, the quarterly unaudited financial statements and management discussion and analysis;
 - (k) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including annual and quarterly financial statements, management discussion and analysis, annual reports, annual information forms and press releases;
 - (l) oversee any of the financial affairs of the Corporation, its subsidiaries and affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management;
 - (m) pre-approve all non-audit services to be provided to the Corporation, its subsidiaries and affiliates by the external auditors;
 - (n) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;
 - (o) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Change of Auditors Notice and documentation required pursuant to National Instrument 51-102 (or any successor legislation) and the planned steps for an orderly transition period;
 - (p) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities laws, on a routine basis, whether or not there is to be a change of external auditors; and
 - (q) review with management at least annually, the financing strategy and plans of the Corporation.
18. The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
19. The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
20. The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Audit Committee by any member of the Board, a securityholder of the Corporation, the external auditors, or senior management.
21. The Audit Committee shall periodically review with management the need for an internal audit function.

22. The Audit Committee shall review the Corporation's accounting and reporting of environmental costs, liabilities and contingencies.
23. The Audit Committee shall establish and maintain procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
24. The Audit Committee shall review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors or auditing matters.
25. The Audit Committee shall review with the Corporation's legal counsel as required but at least annually, any legal matter that could have a significant impact on the Corporation's financial statements, and any enquiries received from regulators, or government agencies.
26. The Audit Committee shall assess, on an annual basis, the adequacy of this Mandate and the performance of the Audit Committee.

SCHEDULE "D"

STOCK OPTION PLAN OF ARCAN RESOURCES LTD.

1. Purpose

The purpose of the Stock Option Plan (the "**Plan**") of ARCAN RESOURCES LTD., a corporation amalgamated under the *Business Corporations Act* (Alberta) (the "**Corporation**") is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Corporation (the "**Shares**"), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

2. Administration

The Plan shall be administered by the Board of Directors of the Corporation or by a special committee of the directors appointed from time to time by the Board of Directors of the Corporation pursuant to rules of procedure fixed by the Board of Directors (such committee or, if no such committee is appointed, the Board of Directors of the Corporation, is hereinafter referred to as the "**Board**"). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the directors.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan, including, without limiting the generality of the foregoing, any and all elections or designations permitted or required under tax or other applicable laws. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

3. Stock Exchange Rules

All options granted pursuant to this Plan shall be subject to rules and policies of any stock exchange or exchanges on which the common shares of the Corporation are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the "**Exchange**").

4. Shares Subject to Plan

Subject to adjustment as provided in Section 15 hereof, the Shares to be offered under the Plan shall consist of common shares of the Corporation's authorized but unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding common shares of the Corporation from time to time. If any option granted hereunder shall

expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

5. **Maintenance of Sufficient Capital**

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

6. **Eligibility and Participation**

Directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or company which provides management services to the Corporation or its subsidiaries ("**Management Company Employees**") shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as "**Participants**"). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Shares to be subject to each option. In the case of employees or consultants of the Corporation or Management Company Employees, the option agreements to which they are party must contain a representation of the Corporation that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or its subsidiaries.

A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the Board shall so determine.

7. **Exercise Price**

(a) The exercise price of the Shares subject to each option shall be determined by the Board, subject to applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.

(b) Once the exercise price has been determined by the Board, accepted by the Exchange and the option has been granted, the exercise price of an option may be reduced upon receipt of Board approval, provided that in the case of options held by insiders of the Corporation (as defined in the policies of the Exchange), the exercise price of an option may be reduced only if disinterested shareholder approval is obtained.

8. **Number of Optioned Shares**

(a) The number of Shares subject to an option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an option which exceeds the maximum number permitted by the Exchange.

(b) No single Participant may be granted options to purchase a number of Shares equalling more

than 5% of the issued common shares of the Corporation in any twelve-month period unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements.

(c) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve-month period to any one consultant of the Corporation (or any of its subsidiaries).

(d) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve month period to persons employed to provide investor relation activities. Options granted to Consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than 1/4 of the options vesting in any 3 month period.

9. Duration of Option

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and shall be subject to earlier termination as provided in Sections 11 and 12, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange. For greater certainty, if the Corporation is listed on the TSX Venture Exchange ("**TSX Venture**"), the maximum term may not exceed 10 years if the Corporation is classified as a "Tier 1" issuer by the TSX Venture, and the maximum term may not exceed 5 years if the Corporation is classified as a "Tier 2" issuer by the TSX Venture.

10. Option Period, Consideration and Payment

(a) The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any option as provided in Sections 11 and 12 covering cessation as a director, officer, consultant, employee or Management Company Employee of the Corporation or its subsidiaries, or death of the Participant.

(b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

(c) Subject to any vesting restrictions imposed by the Board, options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, no options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Corporation.

(d) Except as set forth in Sections 11 and 12, no option may be exercised unless the Participant is at the time of such exercise a director, officer, consultant, or employee of the Corporation or any of its subsidiaries, or a Management Company Employee of the Corporation or any of its subsidiaries.

(e) The exercise of any option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the option is exercised and by cash payment, certified cheque or bank draft for an amount determined by the Corporation as security for any or all withholding or remittance obligations of the Corporation or the Participant pursuant to applicable law resulting from such exercise, which payment may be waived by the Corporation if other arrangements satisfactory to it are entered into with the Participant. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any common shares of the Corporation unless and until the certificates for Shares issuable pursuant to options under the Plan are issued to him or them under the terms of the Plan.

11. Ceasing To Be a Director, Officer, Consultant or Employee

(a) Subject to subsection (b), if a Participant shall cease to be a director, officer, consultant, employee of the Corporation, or its subsidiaries, or ceases to be a Management Company Employee, for any reason (other than death), such Participant may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Corporation.

(b) If the Participant does not continue to be a director, officer, consultant, employee of the Resulting Issuer upon completion of the Corporation's Qualifying Transaction (as such terms are defined in the policies of the Exchange), the options granted hereunder must be exercised by the Participant within the later of 12 months after completion of the Qualifying Transaction and 90 days after the Participant ceases to become a director, officer, consultant or employee of the Resulting Issuer.

(c) Nothing contained in the Plan, nor in any option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Corporation or of any of its subsidiaries or affiliates.

12. Death of Participant

Notwithstanding section 11, in the event of the death of a Participant, the option previously granted to him shall be exercisable only within the one (1) year after such death and then only:

(a) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and

(b) if and to the extent that such Participant was entitled to exercise the Option at the date of his death.

13. Rights of Optionee

No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such option until certificates representing such Shares shall have been issued and delivered.

14. Proceeds from Sale of Shares

The proceeds from the sale of Shares issued upon the exercise of options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

15. Adjustments

If the outstanding common shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation or another corporation or entity through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, any adjustments relating to the Shares optioned or issued on exercise of options and the exercise price per Share as set forth in the respective stock option agreements shall be made in accordance to the terms of such agreements.

Adjustments under this Section shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Share shall be required to be issued under the Plan on any such adjustment.

16. Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or the extent, if any, permitted by the Exchange. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

17. Amendment and Termination of Plan

Subject to applicable approval of the Exchange, the Board may, at any time, suspend or terminate the Plan. Subject to applicable approval of the Exchange, the Board may also at any time amend or revise the terms of the Plan; provided that no such amendment or revision shall result in a material adverse change to the terms of any options theretofore granted under the Plan, unless shareholder approval, or disinterested shareholder approval, as the case may be, is obtained for such amendment or revision.

18. Necessary Approvals

The ability of a Participant to exercise options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any option exercise price paid to the Corporation will be returned to the Participant.

19. Effective Date of Plan

The Plan has been adopted by the Board of the Corporation subject to the approval of the Exchange and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

20. Interpretation

The Plan will be governed by and construed in accordance with the laws of the Province of Alberta.