



Storm Resources Ltd.
Suite 1208, 250 - 2nd Street S.W.
Calgary, Alberta T2P 0C1

**INFORMATION CIRCULAR
for the Annual Meeting of the Holders of Common Shares
to be held on Thursday, May 16, 2013**

THIS INFORMATION CIRCULAR (the "**Circular**") IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY OR ON BEHALF OF THE MANAGEMENT OF STORM RESOURCES LTD. (the "**Corporation**") for use at the Annual Meeting of the holders (the "**Shareholders**") of common shares (the "**Common Shares**") of the Corporation to be held at Livingston Place Conference Centre, 2nd Floor, Livingston Place South Tower, 222 – 3rd Avenue S.W., Calgary, Alberta on Thursday, May 16, 2013 at 3:30 p.m. (Calgary time), and any and all adjournments or postponements thereof (the "**Meeting**"), for the purposes set forth in the accompanying Notice of Meeting.

Unless otherwise specified, the information contained herein is given as at March 28, 2013.

SOLICITATION OF PROXIES

The solicitation of proxies is made on behalf of the management of the Corporation. Solicitation of proxies by management will be primarily by mail, but may also be in person or by telephone. The cost of solicitation will be borne by the Corporation.

RECORD DATE

The record date for the Meeting is April 4, 2013. Any Shareholder of record at the close of business on April 4, 2013 who either personally attends the Meeting or has completed and delivered a form of proxy in the manner and subject to the provisions described below will be entitled to vote or to have his or her Common Shares voted at the Meeting. To the extent that a registered Shareholder has transferred the ownership of any shares subsequent to April 4, 2013, the transferee of such Common Shares shall not be entitled to vote such Common Shares unless the transferee produces properly endorsed share certificates, or otherwise establishes that they own the Common Shares and requests, not later than ten (10) days before the Meeting, that their name be included on the shareholder list before the Meeting, in which case the transferee shall be entitled to vote their Common Shares at the Meeting.

COMPLETION OF PROXIES

The form of proxy affords Shareholders or intermediaries an opportunity to specify that the Common Shares registered in their name shall be voted for or against or withheld from voting in respect of fixing the number of directors for the ensuing year; the election of directors; the appointment of the auditor of the Corporation (including in the resolution granting the authority for the directors to fix the remuneration of the auditor); the continuance of the Corporation's stock option plan and on certain other matters as specified in the accompanying Notice of Meeting or any other matter which may properly come before the Meeting.

The persons named in the enclosed form of proxy are the President and Chief Executive Officer and the Chief Financial Officer, respectively, of the Corporation.

A REGISTERED SHAREHOLDER OR AN INTERMEDIARY HOLDING COMMON SHARES ON BEHALF OF AN UNREGISTERED SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE THE SHAREHOLDER, TO ATTEND AND ACT ON THEIR BEHALF AT THE MEETING, IN THE PLACE OF THE PERSONS DESIGNATED IN THE FORM OF PROXY FURNISHED BY THE CORPORATION. TO EXERCISE THIS RIGHT, THE SHAREHOLDER OR INTERMEDIARY SHOULD STRIKE OUT THE NAMES OF THE

PERSONS NAMED IN THE FORM OF PROXY AND INSERT THE NAME OF THEIR NOMINEE IN THE BLANK SPACE PROVIDED, OR SUBMIT ANOTHER APPROPRIATE PROXY.

A proxy must be dated and signed by the registered Shareholder, or by his or her attorney authorized in writing or by the intermediary. In the case of a Shareholder that is a corporation, the proxy must be executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation with proof of authority accompanying the proxy.

In order to be effective, the proxy, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof, must be mailed so as to be deposited at the office of the Corporation's transfer agent, Alliance Trust Company, 450, 407 - 2nd Street S.W., Calgary, Alberta, T2P 2Y3, not later than 3:30 p.m. (Calgary time) on the second last business day preceding the day of the Meeting or deposited with the Chairman of the Meeting on the day of the Meeting prior to the commencement of the Meeting. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date of its execution. If a proxy is not dated, it will be deemed to bear the date on which it was mailed by management of the Corporation.

EXERCISE OF DISCRETION BY PROXIES

A Shareholder or intermediary may indicate the manner in which the persons named in the enclosed form of proxy are to vote with respect to any matter by checking the appropriate space. On any poll, those persons will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the directions, if any, given in the form of proxy. If the Shareholder or intermediary wishes to confer a discretionary authority with respect to any matter, the space should be left blank. IN SUCH INSTANCE, THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY INTEND TO VOTE THE COMMON SHARES REPRESENTED BY THE PROXY IN FAVOUR OF EACH MOTION.

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 the Circular, management of the Corporation knows of no such amendment, variation or other matter. However, if any other matters which are not now known to management should properly come before the Meeting, the proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of the management nominees.

REVOCATION OF PROXIES

A Shareholder or intermediary who has submitted a proxy may revoke it by instrument in writing executed by the Shareholder or intermediary or his or her attorney authorized in writing, or, if the Shareholder is a corporation, under its corporate seal and executed by a director, officer or attorney thereof duly authorized, and deposited either with the Corporation at its offices as aforesaid at any time prior to the close of business on the second last business day preceding the day of the Meeting, 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 previous proxy is revoked.

ADVICE TO BENEFICIAL HOLDERS OF SECURITIES

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

Co. are held. Therefore, Beneficial Shareholders cannot be recognized at the Meeting for the purposes of voting the Common Shares in person or by way of proxy, except as set forth below.

Applicable regulatory policy requires intermediaries and brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary and broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder 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. ("**BFSI**"). BFSI typically prepares its own proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to BFSI. BFSI then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a proxy from BFSI cannot use that proxy to vote Common Shares directly at the Meeting - the proxy must be returned to BFSI well in advance of the Meeting in order to have the Common Shares voted.**

IF YOU ARE A BENEFICIAL SHAREHOLDER AND WISH TO VOTE IN PERSON AT THE MEETING, PLEASE CONTACT YOUR BROKER OR AGENT WELL IN ADVANCE OF THE MEETING TO DETERMINE HOW YOU CAN DO SO.

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

Except as disclosed in this Circular, Management of the Corporation is not aware of any material interest, direct or indirect, of any director or nominee for director, or senior officer or anyone who has held office as such, since the beginning of the Corporation's last financial year or any associates or affiliates of any of the foregoing in any matter to be acted on at the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation consists of an unlimited number of Common Shares, and an unlimited number of preferred shares, issuable in series. As at March 28, 2013, an aggregate of 61,824,256 Common Shares were issued and outstanding; no preferred shares were issued or outstanding. Shareholders of Common Shares are entitled to one vote for each share held.

Any registered Shareholder of the Corporation at the close of business on April 4, 2013 who either personally attends the Meeting or who completes and delivers a proxy will be entitled to vote or have his or her Common Voting Shares voted at the Meeting. However, a person appointed under the form of proxy will be entitled to vote the Common Voting Shares represented by that form only if it is effectively delivered in the manner set out under the heading "*Completion of Proxies*" in this Circular.

To the best of the knowledge of the directors and officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or discretion over more than 10% of the voting rights attached to voting securities of the Corporation other than funds managed by Libra Advisors, LLC which holds 7,236,182 Common Shares (11.7%) of the Corporation.

MATTERS TO BE ACTED UPON AT THE MEETING

1. Fixing the Number of Directors

It is proposed that the number of directors to be elected at the Meeting to hold office until the next annual meeting or until their successors are elected or appointed, subject to the Articles and By Laws of the Corporation, be fixed at eight (8). There are presently eight (8) directors of the Corporation, each of whom will retire from office at the Meeting. Each of the current directors is a nominee for election as a director for the ensuing year at the Meeting.

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE RESOLUTION FIXING THE NUMBER OF DIRECTORS FOR THE ENSUING YEAR AT EIGHT (8), UNLESS OTHERWISE DIRECTED.

2. Election of Directors

Action is to be taken at the Meeting with respect to the election of directors. The board of directors (the “**Board**” or “**Board of Directors**”) of the Corporation presently consists of eight (8) members. It is proposed that the under mentioned persons will be nominated at the Meeting.

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE ELECTION OF THE FOLLOWING PERSONS TO THE BOARD OF DIRECTORS UNLESS OTHERWISE DIRECTED. MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF SUCH NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR. HOWEVER, IF FOR ANY REASON ANY OF THE PROPOSED NOMINEES DOES NOT STAND FOR ELECTION OR IS UNABLE TO SERVE AS SUCH, **THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, RESERVE THE RIGHT TO VOTE FOR ANY OTHER NOMINEE IN THEIR SOLE DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS OR HER PROXY THAT HIS OR HER COMMON SHARES ARE TO BE WITHHELD FROM VOTING ON THE ELECTION OF DIRECTORS.**

Each director elected will hold office until the next annual meeting of the Corporation or until his successor is duly elected or appointed, unless his office be earlier vacated in accordance with the Corporation’s By Laws. The following information relating to the nominees as directors is based partly on the Corporation’s records and partly on information received by the Corporation from said nominees, and sets forth the name and city of residence of each of the persons proposed to be nominated for election as a director, his principal occupation at present, all other positions and offices in the Corporation held by him, the year in which he was first elected a director, and the number of Common Shares that he has advised are beneficially owned by him, directly or indirectly, or over which control or direction is exercised by him.

Nominees as Directors	Position Presently Held	Director Since	Principal Occupation for Previous Five Years	Common Shares Beneficially Owned or Controlled as of March 28 , 2013⁽⁵⁾
Stuart G. Clark ⁽¹⁾ Priddis, Alberta Age: 58	Chairman and Director	June 8, 2010	August 2010 – Present: Chairman of the Board of the Corporation; June 2004 – August 2010: Director of Storm Exploration Inc. (“ SEO ”).	3,068,193
Brian Lavergne Calgary, Alberta Age: 47	President, Chief Executive Officer and Director	June 8, 2010	August 2010 – Present: President and Chief Executive Officer and a Director of the Corporation; June 2004 – August 2010: President and Chief Executive Officer and a Director of SEO.	1,692,460
Matthew J. Brister ⁽³⁾ Calgary, Alberta Age: 54	Director	June 8, 2010	June 2003 - Present: Chief Executive Officer and a Director, Chinook Energy Inc. (“ Chinook ”); July 2004 – August 2010: Director of SEO.	1,449,797
John A. Brussa ⁽²⁾ Calgary, Alberta Age: 56	Director	June 8, 2010	Vice Chairman and a partner with Burnet, Duckworth & Palmer LLP.	278,560
James K. Wilson ⁽¹⁾⁽⁴⁾ Calgary, Alberta Age: 60	Director	June 8, 2010	October 2010 – Present: Managing Director, Walwil Resources Ltd.; May 2011 to February 2013: Chief Financial Officer, Mako Hydrocarbons Ltd.; September 2004 – September 2010: Vice President, Finance and Chief Financial Officer, Grizzly Resources Ltd.; March to August 2010: Director of SEO.	55,200

Nominees as Directors	Position Presently Held	Director Since	Principal Occupation for Previous Five Years	Common Shares Beneficially Owned or Controlled as of March 28, 2013⁽⁵⁾
Mark A. Butler ⁽¹⁾⁽²⁾⁽⁴⁾ Calgary, Alberta Age: 51	Director	June 8, 2010	December 2007 – Present: Business Consultant; June 2005 – December 2007: President Westpac LNG Corporation; May – August 2010: Director of SEO.	196,363
P. Grant Wierzba ⁽³⁾ Calgary, Alberta Age: 62	Director	June 8, 2010	November 2004 - Present: Vice President, Operations and a Director, Chinook; July 2004 – August 2010: Director of SEO.	497,518
Gregory G. Turnbull, QC ⁽²⁾ Calgary, Alberta Age: 58	Director	June 8, 2010	Partner with McCarthy Tétrault LLP.	147,830

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation, Governance and Nomination Committee.
- (3) Member of the Reserves Committee.
- (4) Holds ICD.D director certification from the Institute of Corporate Directors.
- (5) In addition to Common Shares, the directors (other than Mr. Lavergne whose option holdings are disclosed on page 12 hereof) each own options to purchase 72,000 Common Shares, of which: (i) 36,000 options were granted on August 18, 2010, which have an exercise price of \$3.28 per Common Share, vest as to $\frac{2}{3}$ on each anniversary of the date of its grant and expire on August 18, 2014; and (ii) 36,000 options were granted on January 28, 2013, which have an exercise price of \$1.75 per Common Share, vest as to $\frac{1}{3}$ on each anniversary of the date of its grant and expire on January 28, 2017.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of management of the Corporation, other than as set forth below, there has been no director or officer, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation that is, or within the 10 years before the date of this Circular, has been a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; or
- (b) 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 30 consecutive days; or
- (c) 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.

Mr. Gregory G. Turnbull, a director of the Corporation, was a director of Action Energy Inc., a corporation engaged in the exploration, development and production of oil and gas in Western Canada. Action Energy Inc. was placed into receivership on October 28, 2009 by its major creditor and Mr. Turnbull resigned as a director immediately thereafter.

Penalties or Sanctions

To the knowledge of management of the Corporation, no director or officer, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has:

- A. been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with the Canadian securities regulatory authority; or
- B. been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of management of the Corporation, there has been no director or officer, or any shareholder holding sufficient number of securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of any such person that has, within the 10 years before the date of this Circular, become 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 the assets of the director or officer.

3. Appointment of Auditor

Ernst & Young LLP Chartered Accountants, of Calgary, Alberta, acted as the Corporation's auditor since April 12, 2011. It is proposed that Ernst & Young LLP be appointed as auditor of the Corporation for the ensuing year, until the next annual meeting of the shareholders at a remuneration to be fixed by the Board of Directors.

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE APPOINTMENT OF ERNST & YOUNG LLP, CHARTERED ACCOUNTANTS, OF CALGARY, ALBERTA, AS THE AUDITOR OF THE CORPORATION, TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF THE SHAREHOLDERS, AT A REMUNERATION TO BE FIXED BY THE BOARD OF DIRECTORS, UNLESS OTHERWISE DIRECTED.

4. Annual Approval of the Corporation's Stock Option Plan

The TSX Venture Exchange ("**TSXV**") requires all listed companies with a 10% rolling stock option plan to obtain annual shareholder approval of such plan. Shareholders will be asked at the Meeting to vote on a resolution to approve, for the ensuing year, the stock option plan originally approved by shareholders on August 16, 2010 and approved, in an amended form, by the shareholders on May 17, 2012 (the "**Stock Option Plan**"). See "*Executive Compensation – Stock Option Plan*" in this Circular.

The full text of the Stock Option Plan is available for review at the Corporation's office located at Suite 1208, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1, during regular business hours.

The Board believes that the passing of the following resolution is in the best interest of the Corporation and recommends that shareholders of the Corporation vote in favour of the resolution.

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

"BE IT RESOLVED THAT:

1. the 10% rolling incentive stock option plan originally approved by the shareholders on August 16, 2010 and approved in an amended form by the shareholders on May 17, 2012, as described in the Management Information Circular of the Corporation dated March 28, 2013, be and is hereby approved for the ensuing year; and
2. any director or officer of the Corporation be and is hereby authorized and directed, for and on behalf of the Corporation, to do all such acts and things and to execute and

deliver under the corporate seal or otherwise all such deeds, documents, instruments and assurances and take such other actions as such director or officer may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such action.”

IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE APPROVAL OF THE STOCK OPTION PLAN, UNLESS OTHERWISE DIRECTED.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The objectives of the Corporation’s executive compensation policy are to attract and retain individuals of high calibre to serve as officers of the Corporation, to motivate their performance in order to achieve the Corporation’s strategic objectives and to align the interests of executive officers with the long term interests of the Corporation’s shareholders. These objectives are designed to ensure that the Corporation continues to grow on an absolute basis as well as to grow funds from operations and earnings per share. The Corporation’s compensation policy is designed to reward performance and, accordingly, the performance of the Corporation and of the executive officers as individuals are both examined by the Compensation, Governance and Nomination Committee (the “**Compensation Committee**”).

The Compensation Committee considered the implications of the risks associated with the Corporation’s compensation policies and practises and did not identify any risks arising from the Corporation’s compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation. See “*Executive Compensation – Compensation Governance*” in this Circular.

The Corporation does not have any written policies which prohibit a named executive officer (as defined below) or director from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the named executive officer or director.

Executive officer compensation consists of essentially three components: (i) base salary; (ii) bonuses; and (iii) participation in long-term incentive compensation programs, including the Stock Option Plan and the employee stock savings plan (“**ESSP**”). More specifically, Storm’s executive compensation philosophy is based on encouraging a higher relative level of share ownership by the executive group and includes: (i) options, which represent a longer term incentive as they do not fully vest until three years after date of grant; and (ii) cash compensation, which includes salaries based on industry compensation surveys plus a cash bonus if corporate performance has met or exceeded peer group comparisons.

Each component of the Corporation’s executive officer compensation arrangements is briefly described as follows.

Base Salaries

The Corporation intends to pay base salaries that are competitive with, but not above, those of comparable companies in the oil and gas industry. The Compensation Committee compares the base salaries of the executive officers of the Corporation with that of executive officers at peer surveyed companies in the oil and gas industry and expects to set executive officers’ pay levels at comparable levels for each position while attempting to adjust for the Corporation’s size at the start of each year. Factors looked at in assessing peer companies include total revenue, total assets, funds from operations, total level of capital expenditures, total operating and general and administrative expenses, number of employees and daily production levels. The Compensation Committee reviews comparative data provided by independent third parties. Typically, base salaries for executive officers are lower than peer companies while equity ownership, including stock options, is at a higher level.

Retention of named executive officers is a risk considered by the Compensation Committee. The Compensation Committee is of the view that the personal investment of these individuals in the Corporation provides considerable incentive for them to remain as officers of the Corporation.

Annual Performance Bonuses

Some of the elements to be considered in detail by the Compensation Committee in assessing the performance of the executive officers are as follows: (a) annual growth in production and reserves on an aggregate basis and on a per share basis; (b) annual operating costs and general and administrative costs on an aggregate basis and on a per barrel of oil equivalent basis; (c) finding and on stream costs (both annually and over longer periods); (d) funds from operations per share changes; and (e) the Corporation's overall performance relative to its stated goals and objectives and the performance of its industry peer group. Different weight will be given to these factors each year, as determined by the Compensation Committee and communicated to management. It is expected that the primary focus will be on production per share growth, net asset value per share growth, cash costs, and finding, development and acquisition costs.

Element (d) in the preceding paragraph, funds from operations per share, does not conform to generally accepted accounting principles ("**GAAP**"). The most similar GAAP compliant measure is cash flows from operating activities. Non-GAAP funds from operations is derived from cash flows from operating activities by adding to or reducing cash flow from operating activities by the amount of the net change in related non-cash working capital items for the reporting period.

The Compensation Committee sets specific performance objectives in assessing the performance of the executive officers which is included along with its experience and judgment in determining bonuses for the executive officers.

Stock Option Plan

Key to the Corporation's long-term incentive compensation program is its Stock Option Plan. Directors, key employees and officers, consultants of the Corporation and its subsidiaries (the "**Participants**") are eligible to participate in the Stock Option Plan. As of December 31, 2012, all of the Corporation's employees and directors participated in the Stock Option Plan. Awards are granted at varying levels depending on the individual's level of responsibility within the Corporation. All awards are approved by the Board of Directors.

Description of Plan

Pursuant to the policies of the TSXV, the Corporation is permitted to maintain a "rolling" stock option plan. On August 16, 2010, the shareholders of the Corporation first approved the Stock Option Plan. On May 17, 2012, the shareholders of the Corporation approved the current, amended version of the Stock Option Plan.

Eligibility

The Stock Option Plan provides for the granting of Options to purchase Common Shares to directors, officers, key employees and consultants of the Corporation.

Administration

The Stock Option Plan is administered by the Board of Directors and the Board of Directors may, subject to applicable law, delegate its powers to administer the Stock Option Plan to a committee of the Board of Directors. Options may be granted at the discretion of the Board of Directors, in such number that may be determined at the time of grant, subject to the limits set out in the Stock Option Plan. Previous grants are taken into account when considering new grants.

Exercise Price

The exercise price of Options granted under the Stock Option Plan will be fixed by the Board of Directors at the time of grant, provided that the exercise price shall be not less than the greater of: (i) the Discounted Market Price (as such term is defined in the Stock Option Plan) of the Common Shares; or (ii) the VWAP (as such term is

defined in the Stock Option Plan) of the Common Shares for the five trading days immediately preceding the date of grant. The exercise price as calculated above is intended to be the fair market value of the Common Shares at the date of grant and, subject to the approval of the Board of Directors, the TSXV and the shareholders of the Corporation (where required), the exercise price may be adjusted if necessary to achieve that result. Disinterested Shareholder Approval (as such term is defined in the Stock Option Plan) will be required for the reduction of the exercise price of any Options.

Maximum Percentage of Common Shares Reserved

The aggregate number of Common Shares that may be issued pursuant to the exercise of Options awarded under the Stock Option Plan and all other share compensation arrangements of the Corporation is 10% of the Common Shares outstanding from time to time, subject to the following limitations:

1. the aggregate number of Common Shares reserved for issuance to any one person under the Stock Option Plan, together with all other share compensation arrangements of the Corporation, within a 12 month period, must not exceed 5% of the outstanding issue of Common Shares (on a non-diluted basis);
2. the aggregate number of Common Shares reserved for issuance to any one insider (as defined in the Stock Option Plan) and such insider's associates pursuant to the Stock Option Plan, together with all other share compensation arrangements of the Corporation, must not exceed 5% of the outstanding issue of Common Shares;
3. the aggregate number of Common Shares reserved for issuance to insiders pursuant to the Stock Option Plan, together with all other share compensation arrangements of the Corporation, within a 12 month period, must not exceed 10% of the outstanding issue of Common Shares;
4. the aggregate number of Common Shares reserved for issuance to any one participant employed to provide investor relations activities (as defined in the Stock Option Plan) within a 12 month period, must not exceed 2% of the outstanding issue of Common Shares;
5. the aggregate number of Common Shares reserved for issuance to consultants pursuant to the Stock Option Plan, together with all other share compensation arrangements of the Corporation, shall not exceed 2% of the outstanding issue of Common Shares; and
6. the aggregate number of Common Shares reserved for issuance to any single consultant under the Stock Option Plan, together with all other share compensation arrangements of the Corporation, within a 12 month period, shall not exceed 2% of the outstanding issue of Common Shares.

Transferability

The Options are not assignable or transferable by an optionee, except for a limited right of assignment in the event of the death of the optionee.

Term and Vesting

The term of Options granted shall be determined by the Board of Directors in its discretion, to a maximum of four years from the date of the grant of the Option. The vesting period or periods within this period during which an Option or a portion thereof may be exercised shall be determined by the Board of Directors. In the absence of any determination by the Board of Directors as to vesting, and subject to the policies of the TSXV, vesting shall be as to one third on each of the first, second and third anniversaries of the date of grant. Further, the Board of Directors may, in its sole discretion at any time or in the Option agreement in respect of any Options granted, accelerate or provide for the acceleration of, vesting of Options previously granted.

Early Expiration

Unless otherwise provided in an agreement evidencing the grant of Options, Options shall terminate at the earlier of: (i) the close of business 30 days after the optionee ceasing (other than by reason of death or termination with cause) to be at least one of an officer, director, employee (in active employment carrying out regular and normal

duties), or consultant of the Corporation or a Subsidiary of the Corporation, as the case may be; (ii) the close of thirty (30) business days after the optionee has been provided with written notice of dismissal related to (i); and (iii) the expiry date of the Option. If before the expiry of an Option in accordance with the terms thereof a participant ceases to be an employee, officer, director or consultant by reason of the death of the participant, any unvested portion of such Option shall immediately vest. In addition, such Option may, subject to the terms thereof and any other terms of the Stock Option Plan, be exercised by the legal personal representative(s) of the participant's estate or at any time before 5:00 p.m. (Calgary time) up to six months after the date of death of the participant, or until the expiry date of the Option, if earlier.

Change of Control

In the event of a Change of Control (as defined in the Stock Option Plan) occurring, all Options which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the Options, for a period of time ending on the earlier of the expiry time of the Option and the thirtieth (30th) day following the Change of Control.

Voluntary Black-out Periods

The Corporation has adopted a policy on trading in the securities of the Corporation which includes self-imposed black-out periods from time to time, preventing officers, directors, employees and consultants, in certain circumstances, from exercising options. For example, these black-out periods are imposed prior to the release of financial statements and when the Corporation is considering various possible transactions or is completing material operations that could, if consummated or successfully completed, have a significant effect on the trading price or value of the Corporation's securities. This policy was adopted as part of the Corporation's approach to responsible governance. However, the imposition of voluntary black-out periods can penalize the Corporation and its insiders and employees where their Options have not been exercised prior to the voluntary black out period and such Options would expire during such period.

Pursuant to the Stock Option Plan, the expiration of the term of any Options that would fall during a voluntary black out period or within 10 Business Days following the termination of a voluntary black out period will be extended for a period of 10 Business Days following the expiry of such black out period such that all optionees will always have a maximum of 10 Business Days following a voluntary black out period to exercise Options. This provision applies to all optionees.

Amendment to Options

The Board of Directors may amend or discontinue the Stock Option Plan at any time without the consent of the participants provided that such amendment shall not alter or impair any Option previously granted under the Stock Option Plan except as permitted by the provisions of the Stock Option Plan and that such amendment or discontinuance has been approved, if required, by the TSXV. However, the Board of Directors of the Corporation is not entitled to amend the amendment provisions of the Stock Option Plan without the approval of the TSXV and Disinterested Shareholder Approval. In addition, the Board of Directors of the Corporation may not amend the Stock Option Plan or any Option previously granted under the Stock Option Plan without the approval of the TSXV and Disinterested Shareholder Approval in the event such amendment would: (i) reduce the exercise price of an Option; (ii) extend the expiry date of an Option other than as contemplated by Article 4.5 of the Stock Option Plan; (iii) permit Options to be transferable or assignable other than for normal estate settlement purposes; or (iv) increase the maximum number of Common Shares that may be issued upon the exercise of Options granted under the Stock Option Plan.

As at March 28, 2013, an aggregate of 6,182,425 Common Shares (10% of the issued and outstanding Common Shares) were available for issuance under the Stock Option Plan. Of this amount, options in respect of 3,966,500 Common Shares have been issued, of which all were unexercised at March 28, 2013.

As at March 28, 2013, there remained options in respect of 2,215,925 Common Shares which are available for future option grants under the Stock Option Plan.

Employee Stock Savings Plan

The ESSP is designed to encourage employees, including the officers and directors of the Corporation, to invest in Common Shares and to allow the Corporation to provide contributions as an incentive.

Under the ESSP, employees of the Corporation are provided with an opportunity to purchase Common Shares, through regular payroll deductions and the Corporation's proportionate contribution, therefore aligning the employees' interests with the financial success of the Corporation. The ESSP is a voluntary plan open to all eligible employees. All permanent full-time and part-time employees are considered to be eligible employees and are allowed to participate in the ESSP once they have completed a three-month probationary period.

A participant may contribute, by monthly payroll deductions, a maximum of 8% of the participant's regular salary towards the purchase of Common Shares. The Corporation will contribute an additional amount equal to 1.5 times the employee's contribution accumulated during that month, which contribution will be combined with the employee's contribution to purchase Common Shares. In addition, employees may contribute up to 45% of any annual performance bonus paid to them for investment under the ESSP; the Corporation will contribute an additional amount equal to 0.4 times the employee's contribution to acquire Common Shares of the Corporation.

Each director of the Corporation may contribute up to a maximum of 45% of the fee payable to such director for the services rendered as a director of the Corporation for investment under the ESSP. The Corporation will contribute an amount of funds equal to 1.0 times the director's contribution, which contribution will be combined with the director's contribution to acquire Common shares of the Corporation.

Common Shares will be purchased through the facilities TSXV by a trustee within five (5) working days of the trustee receiving the participant's and the Corporation's contributions and written direction from the Corporation.

The Corporation's contributions will vest to the respective participant immediately on the contribution being made by the Corporation. Subject to certain exceptions, there will be a twelve month restriction on the sale of any Common Shares acquired under the ESSP.

The Corporation is responsible for carrying out the administration of the ESSP and establishes rules from time to time for the administration of the ESSP. The Corporation is responsible for the payment of any fees or charges incurred in the operation of the ESSP, including payments to the administrator, counsel and other agents employed by the Corporation in connection with the operation of the ESSP.

Compensation Governance

The Compensation Committee exercises general responsibility regarding overall employee and executive officer compensation. It determines the total compensation of the Chief Executive Officer, subject to Board approval. The Compensation Committee meets with the Chief Executive Officer to review all other salaries and compensation items, but direct approval of these salaries and compensation items is approved by the Board annually in the overall general and administrative expense budget.

The Compensation Committee is comprised of three members: Gregory G. Turnbull, Chairman, Mark A. Butler and John A. Brussa. Mr. Butler is an independent director and is ineligible to participate in any of the Corporation's executive officer compensation programs, other than the Corporation's Stock Option Plan and ESSP. Messrs. Turnbull and Brussa are not independent directors as described in Section 1(c) of Appendix A, but are ineligible to participate in any of the Corporation's executive officer compensation programs, other than the Corporation's Stock Option Plan and ESSP.

Each of Messrs. Brussa and Turnbull are or have been members of the compensation or equivalent committees of other publicly listed corporations and have direct experience with respect to the implementation and application of compensation policies, as well as assessment as to their effectiveness. Each member of the Compensation Committee was a member of the equivalent committee of Storm Exploration Inc. from June 2004 until August 2010.

Summary Compensation Table

The following table provides a summary of compensation earned during the period ended December 31, 2012 by the Chief Executive Officer, Chief Financial Officer and the other three most highly compensated executive officers of the Corporation, other than the Chief Executive Officer and Chief Financial Officer, who were serving as executive officers as at December 31, 2012 (collectively, the “**named executive officers**”).

Name and principal position	Year	Salary (\$)	Share based awards (#) ⁽³⁾	Option-based awards (#) ⁽³⁾	Non-equity incentive plan compensation (\$)			All other compensation (\$) ⁽⁴⁾	Total compensation (\$)
					Annual incentive plans (\$)	Long term incentive plans (\$)	Pension value (\$)		
Brian Lavergne ⁽¹⁾⁽²⁾⁽⁵⁾ President and Chief Executive Officer	2010	20,250	-	144,000	-	-	-	-	20,250
	2011	81,000	-	-	-	-	-	-	81,000
	2012	144,250	-	-	-	-	-	12,180	156,430
Robert S. Tiberio ⁽¹⁾ Chief Operating Officer	2010	50,625	-	144,000	-	-	-	-	50,625
	2011	135,000	-	-	-	-	-	-	135,000
	2012	154,250	-	-	-	-	-	11,760	166,010
Donald G. McLean ⁽¹⁾⁽²⁾ Chief Financial Officer	2010	40,500	-	144,000	-	-	-	-	40,500
	2011	108,000	-	-	-	-	-	-	108,000
	2012	123,000	-	-	-	-	-	8,820	131,820
Daniel J. Fitzgerald ⁽¹⁾⁽⁶⁾ Vice President, Corporate Development	2010	45,000	-	255,000	-	-	-	-	45,000
	2011	135,000	-	-	-	-	-	-	135,000
	2012	141,573	-	-	-	-	-	9,912	151,485
John Devlin ⁽¹⁾ Vice President, Finance	2010	40,500	-	144,000	-	-	-	-	40,500
	2011	135,000	-	-	-	-	-	-	135,000
	2012	154,250	-	-	-	-	-	11,760	166,010

Notes:

- (1) Annual Compensation for 2010 includes compensation paid to the applicable named executive officer by any subsidiary or affiliate of the Corporation during the period from August 18, 2010 to December 31, 2010 other than Mr. Fitzgerald who began his role as Vice President, Corporate Development on September 1, 2010.
- (2) Mr. Lavergne’s and Mr. McLean’s salaries reflect the pro-ration of an annual salary of \$135,000 from January 1 to March 31, 2012 and \$174,000 and \$168,000, respectively, from April 1 to December 31, 2012.
- (3) The grant date fair value for the share based and option based awards is the same as the financial statement fair value.
- (4) Perquisites and other personal benefits do not exceed \$10,000 for any of the named executive officers. Included are contributions made by the Corporation on behalf of each named executive officer to the ESSP. The ESSP is described under the heading “Executive Compensation – Employee Stock Savings Plan” in this Circular.
- (5) Brian Lavergne is an executive director of the Corporation. No amounts were paid to Mr. Lavergne for his role as a director of the Corporation.
- (6) Mr. Fitzgerald ceased to be an employee of the Corporation on December 31, 2012.

Incentive Plan Awards

Outstanding share based awards and option based awards

The following table provides a summary of share based awards and option based awards outstanding at December 31, 2012.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#) ⁽¹⁾	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Brian Lavergne President and Chief Executive Officer	144,000	3.28	August 18, 2014	-	-	-	-
Robert S. Tiberio Chief Operating Officer	144,000	3.28	August 18, 2014	-	-	-	-
Donald G. McLean Chief Financial Officer	144,000	3.28	August 18, 2014	-	-	-	-
Daniel J. Fitzgerald ⁽²⁾ Vice President, Corporate Development	255,000	3.28	August 18, 2014	-	-	-	-
John Devlin Vice President, Finance	144,000	3.28	August 18, 2014	-	-	-	-

Notes:

- (1) Subsequent to the year ended December 31, 2012, the Corporation granted 156,000 options to each of Mr. Lavergne, Mr. Tiberio, and Mr. Devlin and 78,000 options to Mr. McLean. The options were granted on January 28, 2013, have an exercise price of \$1.75 per Common Share, vest as to 1/3 on each anniversary of the date of its grant and expire on January 28, 2017.
- (2) Mr. Fitzgerald ceased to be an employee of the Corporation on December 31, 2012.

Incentive Plan Awards – Value Vested or earned during the year

The following table provides a summary of the incentive plan awards earned during the period ended December 31, 2012, by the named executive officers.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Annual Incentive Plans - Value earned during the year (\$)
Brian Lavergne President and Chief Executive Officer	-	-	-
Robert S. Tiberio Chief Operating Officer	-	-	-
Donald G. McLean Chief Financial Officer	-	-	-
Daniel J. Fitzgerald ⁽¹⁾ Vice President, Corporate Development	-	-	-
John Devlin Vice President, Finance	-	-	-

Note:

(1) Mr. Fitzgerald ceased to be an employee of the Corporation on December 31, 2012.

The Stock Option Plan is described under the heading “*Executive Compensation – Stock Option Plan*” in this Circular. Details regarding the number of securities and exercise prices are described under the heading “*Executive Compensation – Incentive Plan Awards*” in this Circular.

Pension Plan Benefits

The Corporation has no pension nor retirement plans for its directors, officers or employees.

Termination and Change of Control Benefits

The Corporation does not have any written employment agreements in respect of the named executive officers.

Director Compensation

The following table provides a summary of compensation the non-executive directors earned during the period ended December 31, 2012.

Name	Fees Paid (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Stuart G. Clark	25,000	-	-	-	-	-	25,000
Matthew J. Brister	17,000	-	-	-	-	-	17,000
John A. Brussa	17,000	-	-	-	-	-	17,000
Mark A. Butler	21,000	-	-	-	-	-	21,000
P. Grant Wierzba	17,000	-	-	-	-	-	17,000
Gregory Turnbull	17,000	-	-	-	-	-	17,000
James K. Wilson	27,500	-	-	-	-	-	27,500

In 2012, non-executive directors received an annual retainer of \$10,000 payable quarterly, received a per meeting fee of \$1,000 and were reimbursed for expenses incurred by them in attending directors’ meetings and committee meetings. In addition, the Chairman received an additional \$5,000 and the Chairman of the Audit Committee received an additional \$7,500 for acting in those positions.

Option Based Awards for Non-Executive Directors

Outstanding share based awards and option based awards

The following table provides a summary of share based awards and option based awards outstanding at December 31, 2012 for non-executive directors.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)⁽¹⁾	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Stuart G. Clark	36,000	3.28	August 18, 2014	-	-	-	-

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#) ⁽¹⁾	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Matthew J. Brister	36,000	3.28	August 18, 2014	-	-	-	-
John A. Brussa	36,000	3.28	August 18, 2014	-	-	-	-
Mark A. Butler	36,000	3.28	August 18, 2014	-	-	-	-
P. Grant Wierzba	36,000	3.28	August 18, 2014	-	-	-	-
Gregory Turnbull	36,000	3.28	August 18, 2014	-	-	-	-
James K. Wilson	36,000	3.28	August 18, 2014	-	-	-	-

Note:

(1) Subsequent to the year ended December 31, 2012, the Corporation granted an additional 36,000 options to each of the non-executive directors on January 28, 2013. All options granted on January 28, 2013 have an exercise price of \$1.75 per Common Share, vest as to 1/3 on each anniversary of the date of its grant and expire on January 28, 2017.

Incentive Plan Awards – Value Vested or earned during the year

The following table provides a summary of the incentive plan awards earned during the period ended December 31, 2012, by non-executive directors.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Annual Incentive Plans - Value earned during the year (\$)
Stuart G. Clark	-	-	-
Matthew J. Brister	-	-	-
John A. Brussa	-	-	-
Mark A. Butler	-	-	-
P. Grant Wierzba	-	-	-
Gregory Turnbull	-	-	-
James K. Wilson	-	-	-

The Stock Option Plan is described under the heading “*Executive Compensation – Stock Option Plan*” in this Circular. Details regarding the number of securities and exercise prices are described under the heading “*Director Compensation – Option Based Awards for Non-Executive Directors*” in this Circular.

MANAGEMENT CONTRACTS

The Corporation has not entered into any management contracts.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information with respect to compensation plans under which equity securities are authorized for issuance as at December 31, 2012, aggregated for all compensation plans previously approved by the Shareholders and all compensation plans not previously approved by the Shareholders.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
(a)	(b)	(c)	
Equity compensation plans approved by security holders ⁽¹⁾⁽²⁾	2,722,500 ⁽²⁾	\$2.96	3,459,925 ⁽²⁾
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	2,722,500⁽²⁾	\$2.96	3,459,925⁽²⁾

Notes:

- (1) The Corporation has a Stock Option Plan. The Stock Option Plan is described under the heading “*Executive Compensation – Stock Option Plan*” in this Circular.
- (2) The Corporation issued an aggregate of 1,449,000 options to purchase Common Shares under its Stock Option Plan on January 28, 2013, 255,000 options were cancelled on January 31, 2013 and 50,000 options were granted on March 11, 2013. As of March 28, 2013, the Corporation had 3,966,500 options to purchase common shares outstanding, and 2,215,925 options remaining available for issuance under its Stock Option Plan.

DIRECTORS’ AND OFFICERS’ LIABILITY INSURANCE

The Corporation has in place a corporate liability insurance policy for its directors and officers through Lloyd’s of London. The coverage is for \$20 million and expires on September 30, 2013. The annual premium for the policy is \$32,500.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

As at March 28, 2013, there exists no indebtedness of any of the directors or named executive officers to the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed herein and as disclosed in the Corporation’s annual information form dated March 28, 2013 (the “AIF”), there are no material interests, direct or indirect, of directors, executive officers of the Corporation or any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, in any transaction since the commencement of the Corporation’s most recently completed financial year. See “*General Development of the Business – Year Ended 2012*” and “*Material Contracts*” in the AIF.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Policy 58-201 – *Corporate Governance Guidelines* (the “**Guidelines**”) came into force on June 30, 2005. These Guidelines address such matters as the constitution and independence of boards of directors, the functions to be performed by boards and their committees, and the relationship between boards of directors, management and shareholders. The Board of Directors and senior management consider good corporate governance to be central to the effective and efficient operation of the Corporation. The recommended disclosure is set out in matrix form and attached to this Circular as Appendix A. Given the history and nature of the Corporation’s development, not all of the recommendations contained in the Guidelines have been followed. Disclosure respecting the Corporation’s approach to corporate governance is set out below and in Appendix A hereto.

MANDATE OF THE BOARD

The Board of Directors is generally responsible for managing the business and affairs of the Corporation. The primary responsibility of the Board is to promote the best interests of the Corporation and its Shareholders. This responsibility includes: (i) approving annual capital expenditure budgets and general and administrative expense budgets and reviewing fundamental operating, financial and other corporate plans, strategies and objectives; (ii) outlining key operating parameters including debt levels and ratios; (iii) evaluating the performance of the Corporation and senior management; (iv) determining, evaluating and fixing the compensation of executive officers; (v) adopting policies of corporate governance and conduct; (vi) considering risk management matters and hedging policies; (vii) reviewing the process of providing appropriate financial and operational information to Shareholders and the public generally; and (viii) evaluating the overall effectiveness of the Board of Directors. The Board explicitly acknowledges its responsibility for the stewardship of the Corporation. The Board reviews with management matters of strategic planning, business risk identification, succession planning, communications policy and integrity of internal control and management information systems. The Board fulfills its responsibilities through regular meetings. It meets a minimum of five times per year. In addition, the Board meets at such other times as may be required if it is not possible to deal with the Corporation's business at a regularly scheduled meeting.

COMPOSITION OF THE BOARD OF DIRECTORS

The Guidelines recommend that the board of directors of every listed company should be constituted with a majority of individuals who qualify as "independent" directors. An "independent" director is a director who has no direct or indirect material relationship with the issuer. A "material relationship" means a relationship which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of a member's independent judgement. Section 1.4 of Multilateral Instrument 52-110 - *Audit Committees* contains further detail regarding the meaning of "independence" and "material relationship".

Based on these definitions, five of Storm's eight existing directors are independent directors. Mr. Lavergne (President and Chief Executive Officer), Mr. Turnbull and Mr. Brussa are the only board members who are not independent. Mr. Lavergne is not considered independent since he serves as an executive officer of the Corporation. Messrs. Turnbull and Brussa are not considered independent because each is a partner in a law firm that provides legal services, from time to time, to the Corporation. The Chairman of the Board, Mr. Stuart Clark, is an independent director.

BOARD COMMITTEES

The Board of Directors has established the Audit Committee, the Compensation Committee, and the Reserves Committee, as committees of the Board. Terms of reference for each committee, which delineate the mandate of the committee, the composition of the committee, the frequency of committee meetings and other relevant matters, have been approved and adopted by the Board for each committee.

Audit Committee

The Audit Committee is composed of three directors, James K. Wilson (Chairman), Mark A. Butler and Stuart G. Clark, each of whom are independent directors. The Audit Committee is responsible for reviewing and approving the financial statements and public reports of the Corporation, considering the existence and adequacy of internal and management controls, reviewing the annual audit and quarterly reviews and communicating directly with the external auditors as to their findings and reviewing and approving material accounting policies or estimates. The Audit Committee's mandate provides for regularly scheduled meetings each year in conjunction with the review and approval of the annual financial statements and meets to review the quarterly financial statements and reports to shareholders. Additional meetings may be held as warranted with respect to public financing initiatives and other material transactions. Each of the members of the Audit Committee are "financially literate" within the meaning of National Instrument 52-110 – *Audit Committees*. See "Management of the Corporation" in the AIF for descriptions of the Audit Committee members' relevant education and experience. The text of the Audit Committee charter can be found in Appendix B to this Circular.

The aggregate fees billed to the Corporation by Ernst & Young LLP in 2012 for audit services were \$73,200 (2011 - \$37,000). In addition, Ernst & Young LLP billed the Corporation for non-audit services: \$25,200 for non-audit reviews of interim financial statements in 2012 (2011 - \$19,000); \$28,800 for translation services, review of

information circulars and review of corporate acquisitions in 2012 (2011 - \$29,000); and \$16,400 for tax services in 2012 (2011 - \$2,000). The Audit Committee reviews the annual audit fee and all other fees and considers the issue of auditor independence in the context of all services provided to the Corporation.

Compensation, Governance and Nomination Committee

The Compensation Committee is currently composed of three directors, Gregory G. Turnbull (Chairman), John Brussa and Mark A. Butler, one of whom is an independent director. The Compensation Committee is responsible for assisting the board in determining the compensation strategies for the Corporation, recommending the forms and amounts of compensation for directors, officers and other employees and assessing the performance of officers in fulfilling their responsibilities and meeting corporate objectives. The Compensation Committee is also responsible for assessing the performance of the Chief Executive Officer and reviewing and assisting with management succession planning and professional development for officers of the Corporation. The Compensation Committee holds meetings as warranted with respect to officer appointments or other compensation related matters.

Reserves Committee

The Reserves Committee is currently composed of two directors, Grant Wierzba (Chairman) and Matthew Brister, each of whom is an independent director. The Reserves Committee has the responsibility of meeting with the independent engineering firm commissioned to conduct the reserves evaluation on the Corporation's oil and natural gas assets and to discuss the results of such evaluation with each of the independent engineers and management. Specifically, the Reserves Committee's responsibilities include, but are not limited to, a review of management's recommendations for the appointment of independent engineers, review of the independent engineering reports and consideration of the principal assumptions upon which such reports are based, appraisal of the expertise of the independent engineering firms retained to evaluate the Corporation's reserves, review of the scope and methodology of the independent engineers' evaluations, reviewing any problems experienced by the independent engineers in preparing the reserve evaluation, including any restrictions imposed by management or significant issues on which there was a disagreement with management and a review of reserve additions and revisions which occur from one report to the next. The Reserves Committee meets at least once annually or otherwise as circumstances warrant.

OTHER MATTERS COMING BEFORE THE MEETING

Management knows of no other matters to come before the Meeting other than referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the Shares represented by proxy solicited hereby will be voted on such matters in accordance with the best judgment of the person voting such proxy.

EXEMPTION

The Corporation is relying upon the exemption in section 6.1 of NI 52-110 with respect to compliance with the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110.

ADDITIONAL INFORMATION

Additional information regarding the business of the Corporation is contained in the Corporation's annual information form for the fiscal year ended December 31, 2012, and documents incorporated by reference therein, including the Corporation's Management's Discussion & Analysis for the fiscal year ended December 31, 2012. Additional financial information regarding the Corporation is provided in the Corporation's financial statements for the year ended December 31, 2012. Copies of these documents, any interim financial statements for periods subsequent to December 31, 2012 and additional copies of this Circular are available on the SEDAR website at www.sedar.com and on the Corporation's website at www.stormresourcesltd.com. In addition, these documents may also be obtained upon request from the Corporation's Investor Relations Department, Storm Resources Ltd., Suite 1208, 250 – 2nd Street S.W., Calgary, Alberta, T2P 0C1.

DIRECTORS' APPROVAL

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

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

(signed) ***“Brian Lavergne”***

(signed) ***“Donald G. McLean”***

Brian Lavergne
President and Chief Executive Officer

Donald G. McLean
Chief Financial Officer

Calgary, Alberta
March 28, 2013

APPENDIX A
STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The board of directors (the “**Board**”) and management (“**Management**”) of Storm Resources Ltd. (the “**Corporation**”) believe in the importance of good corporate governance and its effectiveness in promoting enhanced shareholder value. In disclosing its approach to corporate governance, the Corporation makes particular reference to the guidelines set out in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”). When the Corporation’s corporate governance system differs from these guidelines, an explanation of the differences is provided. The guidelines contained in NI 58-101 are not mandatory.

The Board and Management will continue to monitor the current initiatives of the securities regulatory authorities in Canada with respect to corporate governance in order to ensure that the Corporation’s corporate governance practice complies with all applicable legal requirements.

Management believes that good corporate governance is effective in promoting enhanced shareholder value. Management has the responsibility for the day to day management of the business of the Corporation. The Board retains responsibility for significant matters such as acquisitions and divestitures, major capital expenditures and debt and equity financing transactions.

The Board has ultimate oversight for adoption of the Corporation’s strategic planning process and receives regular updates on execution of the Corporation’s business plan.

The Board is responsible for understanding the principal risks associated with the Corporation’s business and it is the responsibility of Management to ensure that the Board and its committees are kept well informed of these changing risks. The Board has adopted policies designed to ensure the good governance of the Corporation. Directors and officers are subject to an insider trading policy. In addition, the Corporation has adopted a disclosure policy requiring the timely dissemination of all material information. Communications with the Shareholders are undertaken through a variety of means, including the publication of its year-end report, quarterly reports, annual information form, news releases, and the Corporation’s website. The Corporation’s website, www.stormresourcesltd.com, contains annual/year end and quarterly reports, news releases, corporate presentations and other information considered helpful to investors.

As a publicly listed company on the TSX Venture Exchange, the Corporation is subject to a variety of corporate governance guidelines and requirements which have been enacted by Canadian Securities Administrators. The Corporation’s corporate governance compliance is as follows:

FORM 58-101 F2
CORPORATE GOVERNANCE DISCLOSURE

Guidelines	Does the Corporation Comply?	Description of Approach
1. Board of Directors	In Part	
(a) Disclose the identity of directors who are independent.		<ul style="list-style-type: none"> • The Board has affirmatively determined that a majority of the Board is independent including Messrs. Brister, Clark, Wilson, Wierzba and Butler and have no direct or indirect material relationship with the Corporation which could reasonably be expected to interfere with the exercise of independent judgement and are independent in accordance with NI 58-101. The Compensation, Governance and Nomination Committee and the Board participate in the determination of director independence. The determination is based on information concerning the personal, business and other relationships and dealings between

Guidelines	Does the Corporation Comply?	Description of Approach
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	<ul style="list-style-type: none"> • Messrs. Lavergne, Turnbull and Brussa are not independent. Mr. Lavergne is the President and Chief Executive Officer of the Corporation. Mr. Turnbull is a partner of McCarthy Tétrault LLP, a law firm which provides legal services to the Corporation. Mr. Brussa is Vice Chairman and a partner of Burnet, Duckworth & Palmer LLP, a law firm which provides legal services to the Corporation. 	
(c) Disclose whether or not a majority of directors are independent.	<ul style="list-style-type: none"> • A majority of the directors are independent, as the Board has five directors who have been determined to be independent and three directors who are related to the Corporation. 	
(d) Disclose the names of directors who are directors of any other reporting issuer and the name of the reporting issuer.	<ul style="list-style-type: none"> • Mr. Wierzba serves as a director of Chinook Energy Inc. • Mr. Brister serves as a director of Chinook Energy Inc. • Mr. Brussa is a director of Argent Energy Ltd. (Administrator of Argent Energy Trust) Baytex Energy Corp., Crew Energy Inc., Enseco Energy Services Corp., Just Energy Group Inc., Long Run Exploration Ltd., Penn West Petroleum Ltd., Pinecrest Energy Inc., RMP Energy Inc., TORC Oil & Gas Ltd., Twin Butte Energy Ltd. and Yoho Resources Inc. • Mr. Clark serves as a director of Chinook Energy Inc. and Rock Energy Inc. • Mr. Wilson serves as a director of Rock Energy Inc. • Mr. Turnbull is a director of Crescent Point Energy Corp., Heritage Oil PLC, Hyperion Exploration Corp., Hawk Exploration Ltd., Sonde Resources Corp., Porto Energy Corp. and Sunshine Oilsands Ltd. 	

**Does the
Corporation
Comply?**

Guidelines

Description of Approach

- (e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed fiscal year.
- (f) Disclose whether or not the Chairman of the board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.
- (g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed fiscal year.

- The independent Directors do not hold regularly scheduled in camera meetings. The Board does, however, hold in camera sessions within regularly scheduled meetings where the subject matter of the Board's discussions warrants such sessions.
- The Chairman of the Board, Mr. Stuart Clark, is an independent director. His role and responsibilities are to chair all Board and Shareholder meetings, to ensure that the Board reviews and approves the Corporation's corporate strategy as developed by Management, to ensure that the Board receives regular updates on all issues of importance to the Corporation, to work closely with each Committee chair to ensure that each of the Committee's functions are carried out, to communicate with the President and Chief Executive Officer to provide feedback and coaching as required and to work collectively and individually with members of the Board to ensure optimum performance of the Board.
- Each Director's attendance at Board and Committee meetings during 2012 is as follows:

Name	Board	Audit	Comp	Reserve
Mr. Brister	5	N/A	N/A	1
Mr. Brussa	5	N/A	1	N/A
Mr. Butler	5	4	1	N/A
Mr. Clark	5	4	N/A	N/A
Mr. Lavergne	5	N/A	1	1
Mr. Turnbull	5	N/A	1	N/A
Mr. Wierzba	5	N/A	N/A	1
Mr. Wilson	5	4	N/A	N/A

2. Board Mandate

Yes

- (a) Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the board delineates its roles and responsibilities.
- A description of how the Board delineates its roles and responsibilities can be found under the heading "Mandate of the Board" in this Circular.

Guidelines	Does the Corporation Comply?	Description of Approach
3. Position Descriptions	In Part	
(a) Disclose whether or not the Board has developed written position descriptions for the Chairman and the Chairman of each Board Committee.		<ul style="list-style-type: none"> The Corporation does not have a formal position description for the Chairman although 1(f) above sets out his responsibilities. The Board considers the Board's Committee charters, including the position description for each Committee Chairman contained therein, to be sufficiently comprehensive of the roles and responsibilities of each Committee Chairman and of each director who participates on a Committee.
(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO.		<ul style="list-style-type: none"> A formal position description for the CEO has not been developed.
4. Orientation and Continuing Education		
(a) Briefly describe what measures, if any, the Board of Directors takes to orient new Board members regarding:		<ul style="list-style-type: none"> Directors or the Chairman will provide an initial orientation where required for new directors with respect to the role of the Board and its Committees.
(i) the role of the Board, its Directors and the committees of the Board; and		<ul style="list-style-type: none"> Management provides an initial orientation for new directors with respect to operations.
(ii) the nature and operation of the Company's business.		
(b) Briefly describe what measures, if any, the Board of Directors takes to provide continuing education for its members.		<ul style="list-style-type: none"> Although the Corporation does not currently have any formal ongoing education programs for directors, the services of outside experts may be retained for specific matters.
5. Code of Business Conduct and Ethics	No	
(a) Disclose whether or not the Board has adopted a written code for directors, officers and employees. If the board has adopted a written code;		<ul style="list-style-type: none"> The Corporation has not adopted a written code of conduct for directors, officers and employees. The Corporation believes that the oversight role of the Board, linked to the management practices of the Corporation, ensures that the Corporation carries out its business in an ethical and responsible fashion with due recognition to its obligations to all stakeholders.

Guidelines	Does the Corporation Comply?	Description of Approach
<p>(i) disclose how a person or company may obtain a copy of the code;</p> <p>(ii) disclose how the Board monitors compliance with its code;</p> <p>(iii) provide a cross reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>		<ul style="list-style-type: none"> The Corporation believes that the recruitment of appropriate officers and employees will also result in the Corporation's business being conducted in a responsible ethical fashion.
6. Nomination of Directors	In Part	
<p>(a) Disclose the process by which the Board identifies new candidates for Board nomination.</p>		<ul style="list-style-type: none"> The Board's Compensation, Governance and Nomination Committee has the mandate to recommend candidates for filling vacancies on the Board and considers the governance processes of the Corporation.
<p>(b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors.</p>		<ul style="list-style-type: none"> Mr. Butler, one of the three members of the Compensation, Governance and Nomination Committee is an independent director. The other members, Messrs. Turnbull and Brussa, are not independent directors; however, neither is an executive officer of the Corporation. Messrs. Butler, Turnbull and Brussa are ineligible to participate in any of the Corporation's executive officer compensation programs, other than the Stock Option Plan and ESSP.
<p>(c) If the Board has a nominating committee, describe its responsibilities, powers and operation.</p>		<ul style="list-style-type: none"> The responsibilities, powers and operation of the Compensation, Governance and Nomination Committee are described in this Circular under "Statement of Corporate Governance Practice – Board Committees – Compensation, Governance and Nomination Committee".

	Guidelines	Does the Corporation Comply?	Description of Approach
7.	Compensation	Yes	
(a)	Disclose who determines compensation.		<ul style="list-style-type: none"> The Compensation, Governance and Nomination Committee determines compensation. The members of the Committee are Messrs. Turnbull, Brussa and Butler.
(b)	Describe the processes by which the Board determines the compensation for the Company's directors and officers.		<ul style="list-style-type: none"> The Compensation, Governance and Nomination Committee obtains the results of a survey of the compensation provided to directors and officers of similar sized Corporations and makes annual recommendations to the Board regarding director and officer compensation. The Committee does not believe that it is possible to remunerate directors for all of the risks and responsibilities assumed.
(c)	Disclose whether or not the board has a compensation committee composed entirely of independent Directors.		<ul style="list-style-type: none"> Mr. Butler, one of the three members of the Compensation, Governance and Nomination Committee is an independent director. The other members, Messrs. Turnbull and Brussa, are not independent directors; however, neither is an executive officer of the Corporation. Messrs. Turnbull, Brussa and Butler are ineligible to participate in any of the Corporation's executive officer compensation programs, other than the Stock Option Plan and ESSP.
(d)	Describe the responsibilities, powers and operation of the Compensation, Governance and Nomination Committee.		<ul style="list-style-type: none"> The Compensation, Governance and Nomination Committee reviews annually employment and remuneration policies and recommendations. It also reviews the performance of the Chief Executive Officer and other officers as required.
(e)	If a compensation consultant or advisor has, at any time since the beginning of the Company's most recently completed fiscal year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform other work for the Corporation, state that fact and briefly describe the nature of the work.		<ul style="list-style-type: none"> N/A.

	Guidelines	Does the Corporation Comply?	Description of Approach
8.	Other Board Committees If the Board has other standing committees, other than Audit, Compensation, Governance and Nominating committees, identify the committees and describe their function.	Yes	<ul style="list-style-type: none"> The Corporation also has a Reserves Committee. The composition and function of the Reserves Committee are described in this Circular under "Statement of Corporate Governance Practice Board Committees – Reserves Committee".
9.	Regular Board Assessments (a) Describe the manner in which the Board of Directors regularly assesses its own effectiveness and performance, the effectiveness and performance of each of the committees of the board, and the effectiveness and performance of each board member.	Yes	<ul style="list-style-type: none"> No formal process exists for assessing the effectiveness of the Board or individual directors and Committees, however, effectiveness is assessed on an ad hoc basis.

APPENDIX B
AUDIT COMMITTEE CHARTER

I. The Board of Directors' Mandate for the Audit Committee

1. **The Board of Directors** (the "**Board**") has responsibility for the stewardship of Storm Resources Ltd. (the "**Company**"). To discharge that responsibility, the Board is obligated by the *Business Corporations Act* (Alberta) to supervise the management of the business and affairs of the Company. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Company's business and affairs.

Public financial reporting and disclosure by the Company are fundamental to the Company's business and affairs and to its status as a publicly listed enterprise. The objective of the Board's monitoring of the Company's financial reporting and disclosure is to gain reasonable assurance of the following:

- (a) that the Company complies with all applicable laws, regulations, rules, policies and other requirement of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (b) that the accounting principles, significant judgments and disclosures which underlie or are incorporated in the Company's financial statements are appropriate in the prevailing circumstances;
- (c) that the Company's quarterly and annual financial statements are accurate within a reasonable level of materiality and present fairly the Company's financial position and performance in accordance with generally accepted accounting principles; and
- (d) that appropriate information concerning the financial position and performance of the Company is disseminated to the public in a timely manner in accordance with corporate and securities law and with stock exchange regulations.

The Board is of the view that monitoring of the Company's financial reporting and disclosure policies and procedures cannot be reliably met unless the following activities (the "**Fundamental Activities**") are, in all material respects, conducted effectively:

- (i) the Company's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Company's financial transactions;
- (ii) the internal financial controls are regularly assessed for effectiveness and efficiency;
- (iii) the Company's quarterly and annual financial statements are properly prepared by management to comply with International Financial Reporting Standards ("**IFRS**"); and
- (iv) the Company's quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Company.

To assist the Board in its monitoring of the Company's financial reporting and disclosure and to conform to applicable corporate and securities law, the Board has established the Audit Committee (the "**Committee**") of the Board.

2. Composition of Committee

- (a) The Committee shall be appointed annually by the Board and consist of at least three members from among the directors of the Company, each of whom shall be an independent director (as determined under applicable laws). Officers of the Company, who are also directors, may not serve as members of the Audit Committee;

- (b) The Board shall designate the Chairman of the Committee; and
- (c) In the event of a vacancy arising in the Committee or a loss of independence of any member, the Committee will fill the vacancy within six months or by the following annual shareholders' meeting if sooner.

3. Reliance on Experts

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

- (a) financial statements of the Company represented to him by an officer of the Company or in a written report of the external auditors to present fairly the financial position of the Company in accordance with IFRS; and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. Limitations on Committee's Duties

In contributing to the Committee's discharging of its duties under Terms of Reference, each member of the Company shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in these Terms of Reference is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to endeavour to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the objectives of the Company's financial reporting are being met and to enable the Committee to report thereon to the Board.

II. Audit Committee Terms of Reference

The Audit Committee's Terms of Reference outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. Terms of Reference reflect the following:

- Operating Principles;
- Operating Procedures; and
- Specific Responsibilities and Duties.

A *Operating Principles*

The Committee shall fulfill its responsibilities within the context of the following principles:

1) Committee Values

The Committee expects the management of the Company to operate in compliance with corporate policies; reflecting laws and regulations governing the Company; and to maintain strong financial reporting and control processes.

2) Communications

The Committee and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee Chairmen, the external auditors, and other key Committee advisors or Company staff members as applicable.

3) **Financial Literacy**

All Committee Members should be sufficiently versed in financial matters to read and understand the Company's financial statements and also to understand the Company's accounting practices and policies and the major judgements involved in preparing the financial statements.

4) **Annual Audit Committee Work Plan**

The Committee, in consultation with management and the external auditors, shall develop an annual Committee work plan responsive to the Committee's responsibilities as set out in these Terms of Reference. In addition, the Committee, in consultation with management and the external auditors, shall participate in a process for review of important financial topics that have the potential to impact the Company's financial disclosure.

The work plan will be focused primarily on the annual and interim financial statements of the Company; however, the Committee may at its sole discretion, or the discretion of the Board, review such other matters as may be necessary to satisfy the Committee's Terms of Reference.

5) **Meeting Agenda**

Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditors.

6) **Committee Expectations and Information Needs**

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at a reasonable time in advance of meeting dates.

7) **External Resources**

To assist the Committee in discharging its responsibilities, the Committee may at its discretion, in addition to the external auditors, at the expense of the Company, retain one or more persons having special expertise, including independent counsel.

8) **In Camera Meetings**

At the discretion of the Committee, the members of the Committee shall meet in private session with the external auditors, with management, and with the Committee members only.

9) **Reporting to the Board**

The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.

10) **Committee Self-Assessment**

The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

11) **The External Auditors**

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall report directly to and be accountable to the Board through the Committee. The external auditors shall report all material issues or potentially material issues, either specific to the Company or to the financial reporting environment in general, to the Committee.

B Operating Procedures

- 1) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two (2) members of the Committee or at the request of the external auditors.
- 2) A quorum shall be a majority of the members.
- 3) Unless the Committee otherwise specifies, the Secretary (or his or her deputy) of the Company shall act as Secretary of all meetings of the Committee.
- 4) In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
- 5) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Company in a timely fashion.

C Specific Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Financial Reporting

- 1) Review, prior to public release, the Company's annual and quarterly financial statements with management and the external auditors with a view to gaining reasonable assurance that the statements (i) are accurate within reasonable levels of materiality, (ii) complete, (iii) represent fairly the Company's financial position and performance in accordance with IFRS. The Committee shall report thereon to the Board before such financial statements are approved by the Board;
- 2) Receive from the external auditors reports or their review of the annual and quarterly financial statements;
- 3) Receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;
- 4) Review, prior to public release, and, if appropriate, recommend approval to the Board, of news releases and reports to shareholders issued by the Company with respect to the Company's annual and quarterly financial statements;
- 5) Review and, if appropriate, recommend approval to the Board of prospectuses, material change disclosures of a financial nature, management discussion and analysis, annual information forms and similar disclosure documents to be issued by the Company; and
- 6) Review and validate procedures for the receipt, retention and resolution of complaints received by the Company from any party regarding accounting, auditing or internal controls. For greater certainty, the Committee's responsibilities in this area will not include complaints about minor operational issues. (Examples of minor operational issues include late payment of invoices, minor disputes over accounts owing or receivable, revenue and expense allocations and other similar items characteristic of the normal daily operations of the accounting department of an oil and gas company.)

Accounting Policies

- 1) Review with management and the external auditors the appropriateness of the Company's accounting policies, disclosures, reserves, key estimates and judgements, including changes or variations thereto;
- 2) Obtain reasonable assurance that they are in compliance with IFRS from management and external auditors and report thereon to the Board;

- 3) Review with management and the external auditors the apparent degree of conservatism of the Company's underlying accounting policies, key estimates and judgements and provisions along with quality of financial reporting; and
- 4) Participate, if requested, in the resolution of disagreements, between management and the external auditors.

Risk and Uncertainty

- 1) Acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Company, determine the Company's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
 - (a) reviewing with management the Company's tolerance for financial risks;
 - (b) reviewing with management its assessment of the significant financial risks facing the Company;
 - (c) reviewing with management the Company's policies and any proposed changes thereto for managing those significant financial risks; and
 - (d) reviewing with management its plans, processes and programs to manage and control such risks.
- 2) Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
- 3) Where relevant, review foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;
- 4) Review the adequacy of insurance coverage maintained by the Company; and
- 5) Review regularly with management, the external auditors and the Company's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company and the manner in which these matters have been disclosed in the financial statements.

Financial Controls and Control Deviations

- 1) Review the plans of the external auditors to gain reasonable assurance that the evaluation and testing of applicable internal financial controls is comprehensive, coordinated and cost-effective;
- 2) Receive regular reports from management and the external auditors on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto;
- 3) Institute a procedure that will permit any employee, including management employees, to bring to the attention of the Board, under conditions of confidentiality, concerns relating to financial controls and reporting which are material in scope and which cannot be addressed, in the employee's judgment, through existing reporting structures in the Company; and
- 4) Review, and periodically assess the adequacy of controls over financial information disclosed to the public, which is extracted or derived from the Company's financial statements.

Compliance with Laws and Regulations

- 1) Review regular reports from management and others (e.g. external auditors) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including:

- (a) tax and financial reporting laws and regulations;
 - (b) legal withholding requirements; and
 - (c) other laws and regulations which expose directors to liability.
- 2) Review the filing status of the Company's tax returns and those of its subsidiaries.

Relationship with External Auditors

- 1) Recommend to the Board the nomination of the external auditors;
- 2) Approve the remuneration and the terms of engagement of the external auditors as set forth in the Engagement Letter;
- 3) Review the performance of the external auditors annually or more frequently as required;
- 4) Receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;
- 5) Receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Company;
- 6) Review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, and the materiality levels which the external auditors propose to employ;
- 7) Meet with the external auditors in the absence of management to determine, *inter alia*, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
- 8) Establish effective communication processes with management and the Company's external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee; and
- 9) Establish a reporting relationship between the external auditors and the Committee such that the external auditors can bring directly to the Committee matters that, in the judgment of the external auditors, merit the Committee's attention. In particular, the external auditors will advise the Committee as to disagreements between management and the external auditors regarding financial reporting and how such disagreements were resolved.

Other Responsibilities

- 1) Approve annually the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;
- 2) After consultation with the Chief Financial Officer and the external auditors, consider at least annually, of the quality and sufficiency of the Company's accounting and financial personnel and other resources;
- 3) Approve in advance non-audit services, including tax advisory and tax compliance services, provided by the external auditors. However, the Committee can establish a threshold amount for fees for non-audit services to be provided by the external auditors without advance approval of the Committee. The nature of such services and the associated cost will be provided to the Committee at the next following meeting;
- 4) Investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
- 5) Perform such other functions as may from time to time be assigned to the Committee by the Board;
- 6) Review and update the Terms of Reference on a regular basis for approval by the Board; and

- 7) The Committee will review disclosures regarding the organization and duties of the Audit Committee to be included in any public document, including quarterly and annual reports to shareholders, information circulars and annual information forms.

