

**NOTICE OF MEETING AND  
INFORMATION CIRCULAR**

**ANNUAL GENERAL AND SPECIAL MEETING  
OF SHAREHOLDERS  
TO BE HELD  
MAY 18, 2011**



**CANADIAN OVERSEAS PETROLEUM LIMITED**

**March 29, 2011**

## TABLE OF CONTENTS

### NOTICE OF ANNUAL GENERAL MEETING AND SPECIAL OF SHAREHOLDERS INFORMATION CIRCULAR

<b>GENERAL INFORMATION .....</b>	<b>1</b>
VOTING INFORMATION .....	2
MEETING PROCEDURE .....	3
PROXY INFORMATION .....	4
REGISTERED AND BENEFICIAL SHAREHOLDERS .....	5
<b>BUSINESS OF THE MEETING - SUMMARY .....</b>	<b>8</b>
FINANCIAL STATEMENTS .....	9
ELECTION OF DIRECTORS .....	9
<i>Cease Trade Orders, Bankruptcies, Penalties or Sanctions</i> .....	11
APPOINTMENT OF AUDITOR .....	13
APPROVAL OF AMENDED STOCK OPTION PLAN .....	13
COMPENSATION DISCLOSURE AND ANALYSIS .....	14
COMPENSATION PHILOSOPHY .....	14
COMPENSATION OBJECTIVES .....	14
<i>Compensation of Named Executive Officers</i> .....	15
<i>Summary of Executive Compensation</i> .....	15
<i>Stock Option Plan Summary</i> .....	16
<i>Pension Plan Benefits</i> .....	16
<i>Options Outstanding as at December 31, 2010</i> .....	16
<i>Grants and Exercises after the Year Ended December 31, 2010</i> .....	18
<i>Termination of Employment, Change in Responsibilities and Employment Contracts</i> .....	18
DIRECTORS' COMPENSATION .....	19
<b>COMMITTEE REPORTS .....</b>	<b>21</b>
AUDIT COMMITTEE REPORT .....	22
CORPORATE GOVERNANCE AND NOMINATING COMMITTEE REPORT .....	25
RESERVES COMMITTEE REPORT .....	27
COMPENSATION COMMITTEE REPORT .....	28
PERFORMANCE GRAPH .....	31
INDEBTEDNESS OF DIRECTORS, OFFICERS AND EMPLOYEES .....	31
INTEREST CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON .....	32
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS .....	32
ADDITIONAL INFORMATION .....	32
DIRECTORS' APPROVAL .....	32

EXHIBIT 1 – BLACKLINE COPY OF STOCK OPTION PLAN

EXHIBIT 2 – CORPORATE GOVERNANCE

EXHIBIT 3 – AUDIT COMMITTEE CHARTER

ENCLOSURES

Form of Proxy

**CANADIAN OVERSEAS PETROLEUM LIMITED**

**NOTICE OF  
ANNUAL GENERAL & SPECIAL MEETING OF SHAREHOLDERS**

TAKE NOTICE that an Annual General and Special Meeting (the "Meeting") of the Shareholders of Canadian Overseas Petroleum Limited (the "Corporation" or "COPL") will be held at Ranchmen's Club, 710 – 13 Avenue SW, Calgary, Alberta, on Wednesday, May 18, 2011 at 2:00 p.m. (Calgary time) for the following purposes:

- receiving the financial statements for the year ended December 31, 2010 and the auditors' report thereon;
- electing nominees to the board of directors to serve until the next annual general meeting of Shareholders;
- appointing auditor for the ensuing year and authorizing the directors to fix their remuneration;
- approving the Amended Stock Option Plan; and
- transacting such other business as may properly come before the Meeting or any adjournment thereof.

Shareholders who are unable to attend the Meeting or any adjournment thereof in person and who wish to ensure that their shares will be voted are requested to complete, sign and mail the enclosed form in accordance with the instructions on pages 5 and 6 of this circular. **In order to be valid and acted upon at the Meeting, the proxy must be received by Computershare Trust Company of Canada at least 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the Meeting or any adjournments thereof.** Shareholders are cautioned that the use of the mail to transmit proxies is at Shareholders' risk.

The directors have fixed the record date for the Meeting as the close of business on April 5, 2011. Only Shareholders of the Corporation of record as at that date are entitled to receive notice of and to vote at the Meeting unless a Shareholder transfers shares after the record date and the transferee of those shares establishes ownership of the shares and demands not later than the close of business 48 hours before the Meeting that the transferee's name be included in the list of Shareholders entitled to vote.

DATED at Calgary, Alberta, this 29<sup>th</sup> day of March, 2011.

By Order of the Board of Directors

**"Arthur S. Millholland"**

Arthur S. Millholland,  
President and Chief Executive Officer

# CANADIAN OVERSEAS PETROLEUM LIMITED

## INFORMATION CIRCULAR

### GENERAL INFORMATION

#### THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

##### **Meeting Information**

This information circular ("Information Circular") is furnished in connection with the solicitation of proxies by the Board and management of Canadian Overseas Petroleum Limited (we or COPL) for use at the Annual General and Special Meeting of Shareholders ("Meeting") to be held on May 18, 2011, and at any and all adjournments of that meeting.

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or independent adviser authorized, if you are in the United Kingdom, under the Financial Services and Markets Act 2000.

##### **Date of Information**

Information contained in this Information Circular is given as of March 29, unless otherwise noted.

##### **Currency and Exchange Rate**

All monetary figures are stated in Canadian currency, except as noted.

##### **Common Shares Outstanding**

At the close of business on March 29, 2010, there were 284,016,939 common shares ("Common Shares") outstanding. COPL's Common Shares trade under the symbol XOP on the TSX Venture Exchange (TSX-V). Each Common Share is entitled to one vote at the Meeting.

Based upon public filings, as of March 29, 2011, the following persons beneficially own, directly or indirectly, or exercise control or direction over more than ten percent (10%) of the issued and outstanding Common Shares of the Corporation.

Name of Shareholder	Number of Common Shares Beneficially Owned	Percentage of Outstanding Common Shares Beneficially Owned or Controlled
Columbia Wanger Asset Management, LLC	36,000,000	12.67%

To the knowledge of the Corporation's directors and executive officers, no other person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Common Shares

##### **Registered and Beneficial Shareholders**

You are a registered shareholder if your shares are held in your name and you have a share certificate.

You are a beneficial shareholder if your shares are held in the name of a nominee. That is, your certificate was deposited with a bank, trust company, securities broker, trustee or other institution. You are also called a non-registered shareholder.

##### **Mailing of Information Circular**

This Information Circular, a proxy and financial statements and Management's Discussion and Analysis will be mailed to shareholders in April 2011. We will provide proxy materials to brokers, custodians, nominees and fiduciaries and request that the materials be forwarded promptly to the beneficial owners of our common shares.

If you have sold or transferred your shares, please forward this document, together with the accompanying documents, as soon as possible, either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

## VOTING INFORMATION

### Who Votes?

Those who hold COPL common shares at the close of business on April 5, 2011, may vote on the following matters:

- Election of directors
- Appointment of auditors
- Approval of Amended Stock Option Plan
- Other business, if any

### How are matters decided?

A simple majority of votes (50% plus one vote) is required to approve all of these matters.

### Who counts the votes?

Computershare Trust Company of Canada

### Is my vote Confidential?

Yes, unless you clearly intend to communicate your position to management.

### Who can I talk to if I have a question?

Computershare Trust in:

North America	1-800-564-6253
Other Locations	1-514-982-7555

### Registered Shareholders

You are registered shareholder if your shares are held in your name. That is, you have a share certificate.

#### Voting Options:

- In person at the Meeting
- By proxy
- By telephone
- By internet  
(not available for UK shareholders)

See the instructions in the enclosed proxy form.

### Beneficial Shareholders

You are a beneficial shareholder if your shares are held in the name of a nominee. That is, your certificate was deposited with a bank, trust company, securities broker, trustee or other institution. You are also called a non-registered shareholder.

#### Voting Options:

- By internet (not available for UK shareholders)
- By telephone
- By proxy/mail
- By fax

See instructions in the enclosed voting instruction form.

## MEETING PROCEDURE

### Am I entitled to vote?

You are entitled to vote if you own common shares of COPL as of the close of business on April 5, 2011, the record date of the meeting, and if you have transferred shares after the record date, the transferee is entitled to vote if he establishes ownership of the shares and demands not later than 48 hours before the Meeting to be included on the list of shareholders entitled to vote. Each common share is entitled to one vote.

### What will I be voting on?

- Election of directors
- Appointment of auditors
- Approval of Amended Stock Option Plan
- Any other business that may properly come before the meeting or any adjournment of the meeting

### How will these matters be decided?

A simple majority (50%, plus one) of votes cast in person or by proxy at the meeting is required to approve each of the matters set out above.

### How many shareholders are required to have a quorum at the meeting?

Our by-laws state that a quorum for the transaction of business at a shareholders meeting is:

- at least two persons present in person or by means of a telephonic, electronic or other communication facility that permits all participants to communicate;
- each being a shareholder or proxyholder entitled to vote at the meeting; and
- together representing not less than 10% of the common shares of COPL

## PROXY INFORMATION

### Who is soliciting my proxy?

Proxies are being solicited by the Board and management of COPL, mainly by mail. COPL will pay for the cost of proxy solicitation. Our officers, employees and agents may solicit proxies by telephone, email, facsimile, mail or personal interviews.

### How will my proxy be voted?

You can indicate on your proxy how you want your proxyholder to vote your shares or you can let your proxyholder decide for you. If you specify on your proxy how you want your shares to be voted, then your proxyholder must vote your shares that way. If you do not specify on your proxy how you want your shares to be voted, then your proxyholder can vote your shares as he or she sees fit.

If you appoint Mr. Arthur S. Millholland, President and CEO and Ms. Faralee A. Chanin, Corporate Secretary, set out in the enclosed proxy, and do not specify how you want your shares to be voted, your shares will be voted as follows:

- Election of management nominees as FOR directors
- Appointment of auditors FOR
- Approval of Amended Stock Option Plan FOR

### What if there are amendments or if other matters are brought before the meeting?

The enclosed proxy gives the persons named in it authority to use their discretion in voting on amendments or variations to matters set out in the notice and on other matters that may properly come before the meeting.

Management does not intend to present any other business at the meeting. We are not aware of any amendments or variations to the proposed matters or any other matters which may be presented at the meeting. If other matters requiring the vote of shareholders properly come before the meeting, your proxyholder will vote on them using their best judgment.

## REGISTERED AND BENEFICIAL SHAREHOLDERS

### REGISTERED SHAREHOLDERS

You are a registered shareholder if your shares are held in your name and you have a share certificate. Otherwise, you are a beneficial shareholder.

#### How can I vote if I am a registered shareholder?

You may vote in any one of the following ways:

- In person at the meeting
- By signing and returning the enclosed proxy appointing the named persons or some other person you choose (who does not need to be a shareholder) to represent you as proxyholder and vote your shares at the meeting
- By telephone using a touch-tone telephone to submit your votes, toll free, to 1-866-732-8683 (English or French); or
- By internet at [www.investorvote.com](http://www.investorvote.com) (English or French) and following the instructions given there (not available for UK shareholders).

### BENEFICIAL SHAREHOLDERS

You are a beneficial shareholder if your shares are held in the name of a nominee. That is, your certificate was deposited with a bank, trust company, securities broker, trustee or other institution. You are also called a non-registered shareholder.

#### How can I vote if I am a beneficial shareholder?

Follow the instructions provided by your nominee. You may vote in any one of the following ways:

- By internet by accessing the website shown in the enclosed voting instruction form and following the instructions given (not available for UK shareholders);
- By using a touch-tone telephone to submit your votes to the toll free number provided in the enclosed voting instruction form;
- By signing and returning the enclosed voting instruction form appointing the named persons or some other person you choose (who does not need to be a shareholder) to represent you as proxyholder and vote your shares at the meeting; or
- By fax to the number provided in the enclosed voting instruction form.

If you vote by telephone or internet (not available for UK shareholders), enter the control number located in the bottom left corner on the back of the enclosed proxy and then enter your voting instructions.

**What if I want to vote in person?**

If you are a registered shareholder and plan to attend the Meeting and wish to vote your shares in person, do not complete or return the proxy: Your vote will be taken and counted at the meeting. Please register with the transfer agent, Computershare Trust Company of Canada, when you arrive.

If you vote by telephone or internet (not available for UK shareholders), enter the control number provided on the enclosed voting instruction form and then enter your voting instructions.

**What if I want to vote in person?**

If you are a beneficial shareholder who plans to attend the Meeting and wish to vote your shares in person, insert your own name in the space provided on the voting instruction form. Then follow the signing and return instructions provided by your nominee. Your vote will be taken and counted at the meeting so do not complete the voting instructions on the form. Please register with the transfer agent, Computershare, when you arrive.

## REGISTERED SHAREHOLDERS

### How can I vote by proxy?

Whether or not you attend the meeting, you can appoint someone else to attend and vote as your proxyholder. You can use the enclosed proxy or any other proper form of proxy to appoint your proxyholder. The persons named in the enclosed proxy are directors. **However, you can choose another person to be your proxyholder by printing that person's name in the space provided, completing the rest of the proxy, signing and returning it.** Your votes can only be counted if the person you appointed attends the meeting and votes on your behalf. If you have voted by proxy, you may not cast your vote again in person at the meeting, unless you revoke your proxy as set out below.

### What do I do with my completed proxy?

Return it to Computershare in the envelope provided or fax it to 1-866-249-7775, so that it arrives by 2:00 p.m. (Calgary time) on May 16, 2011 or, if the meeting is adjourned, at least 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the meeting to resume. This will ensure your vote is recorded.

### What if I change my mind and want to revoke my proxy?

You may revoke your proxy at any time before it is acted upon. You may do this by stating clearly, in writing, that you wish to revoke your proxy and by delivering this signed written statement to the Corporation's Secretary at Field LLP, 400 The Lougheed Building, 604 - 1st Street SW, Calgary, Alberta T2P 1M7, not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time set for the Meeting, or any adjournment thereof, or to the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof. You may also revoke your proxy by delivering to the Corporation's Transfer Agent, Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, a properly executed proxy of later date, or in any other manner permitted by law.

## BENEFICIAL SHAREHOLDERS

### How can I vote by proxy?

Whether or not you attend the meeting you can appoint someone else to attend and vote as your proxyholder. Use the enclosed voting instruction form to appoint your proxyholder. The persons named in the enclosed voting instruction form are directors and they will vote on your behalf at the meeting. **However, you can choose another person to be your proxyholder by printing that person's name in the space provided, completing the rest of the voting instruction form, signing and returning it.** Your votes can only be counted if the person you appointed attends the meeting and votes on your behalf. If you have sent in your voting instruction form, you may not cast your vote again in person at the meeting unless you revoke your instructions as set out below.

### What do I do with my completed voting instruction form?

Return it in the envelope provided or fax it to one of the numbers provided in the voting instruction form so that it arrives by 2:00 p.m. (Calgary time) on May 16, 2011 or, if the meeting is adjourned, at least 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the meeting to resume. This will ensure your vote is recorded.

### What if I change my mind and want to revoke my instructions?

Follow the procedures provided by your nominee. Your nominee must receive your request to revoke the instructions prior to 2:00 p.m. (Calgary time) on May 13, 2011. This will give your nominee time to submit the revocation to us.

## BUSINESS OF THE MEETING - SUMMARY

### **Financial Statements**

The financial statements are presented to shareholders each year and the independent registered chartered accountants, Deloitte & Touche LLP, will be available.

### **Election of Directors**

Directors are elected each year at the Meeting. The Board and management have concluded that each nominee is well qualified to serve on COPL's Board. The Board is the appropriate size for efficiency and effectiveness and appropriately composed to permit a diversity of views and staff the committees.

The Board operates independently from management and 4 of the 5 nominees are independent. The nominees as a whole have the relevant expertise essential to ensure appropriate strategic direction and oversight.

### **Appointment of Auditors**

The auditors review the financial statements and report to the Audit Committee. All auditors' fees are pre-approved by the Audit Committee.

See page 24 for more details.

### **Approval of Amended Stock Option Plan**

The existing stock option plan (the "Stock Option Plan") has been approved and adopted by the Corporation's Board of Directors and as a floating plan is subject to the approval of the Shareholders annually pursuant to Policy 4.4 of TSX-Venture Exchange ("TSXV"). This year the Board of Directors approved amendments to the Stock Option Plan to reflect changes to the withholding obligations under the *Income Tax Act* (Canada). See Exhibit 1 for details.

### **Other Business**

Management does not intend to present any other business at the meeting and we are not aware of amendments to proposed matters or any other matters calling for your action.

### **Management and Board Recommendation**

We recommend that you vote FOR all items of business being brought to the Meeting. In the opinion of the board of directors, each of the proposals described in this Information Circular is in the best interests of shareholders as a whole.

## FINANCIAL STATEMENTS

The audited financial statements of the Corporation for the year ended December 31, 2010 and the auditors' report thereon, which accompany this Information Circular will be placed before the Shareholders. These audited financial statements have been approved by the audit committee of the board of directors and by the full board of directors of the Corporation.

Shareholders will not be required to vote on these financial statements.

## ELECTION OF DIRECTORS

The articles of the Corporation currently provide that the Corporation shall have not less than three and not more than ten directors. The Board of Directors presently consists of five (5) directors and the Board has set the number of directors to be elected at the Meeting at five (5) to serve until the next annual meeting or until their successors are duly elected or appointed. The Canada Business Corporations Act and the Articles of Incorporation by which the Corporation is governed provide that the directors may, between annual meetings of the shareholders of the Corporation, appoint one or more additional directors, who shall hold office for a term expiring not later than the close of the next annual meeting of the shareholders of the Corporation, but the number of additional directors so appointed may not exceed one-third of the number of directors elected at the previous annual meeting of the shareholders of the Corporation, provided that the total number of directors shall not exceed the maximum number of directors fixed pursuant to the Articles. The Board of Directors of the Corporation does not have an executive committee. The term of the current directors will expire at the close of the upcoming Meeting.

It is proposed that the persons named below be nominated for election at the Meeting as management's nominees for election as directors. The persons designated in the enclosed proxy form, unless instructed otherwise, intend to vote for the election of these nominees. Management does not contemplate that any of the nominees will be unable to serve as director, but, if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

The following table sets forth, for all persons proposed to be nominated for election as directors, all positions and offices with the Corporation now held by them, their principal occupations for the past five years, the periods during which they have served as directors of the Corporation, and the number of Common Shares of the Corporation beneficially owned, directly or indirectly, by each of them, or over which they exercised control or direction, as of March 29, 2011.

Name & Location Of Residence	Current Positions & Offices Held	Principal Occupations During Past Five Years	Director Since	Number of Common Shares	Number of Common Share Options
Arthur S. Millholland Calgary, Alberta, Canada	Director, President and Chief Executive Officer	President and CEO of COPL since August 2009. Prior thereto, Mr. Millholland was a director and the President and CEO of Oilexco Incorporated from 1994 until July 2009. Mr. Millholland has been a professional geologist for 27 years.  Mr. Millholland has worked in a variety of regions including the UK North Sea, Canada, the Gulf of Mexico, the United States, South America, and West and North Africa. He is a member of the Association of Professional Engineers Geologists and Geophysicists, and the American Association of Petroleum Geologists. He is a graduate of the University of Waterloo where he obtained an Honours Bachelor of Science degree in Earth Science.	August 2009	832,250	4,250,000

Name & Location Of Residence	Current Positions & Offices Held	Principal Occupations During Past Five Years	Director Since	Number of Common Shares	Number of Common Share Options
Massimo C. Carello London, United Kingdom	Director	<p>Director of Uranium One from June 2007 to December 2010. Director of Orsu Metals Corporation since September 2008, Director of Canaccord Financial Inc. since August 2008. Prior thereto, Mr. Carello served as a Director of Urasia Energy Ltd. from November 2005 to April 2007. From June 2001 to June 2004 Mr. Carello served as President and CEO of Diners UK Ltd.</p> <p>Massimo Carello started his career in 1972 in Pan-European automotive manufacturing with Lucas Industries PLC in the United Kingdom. From 1980 to 1990, Mr. Carello was the Managing Director of Carello Group SpA. The company became the third largest European headlamp producer before being sold to the Fiat Group. After the sale to Fiat he was appointed Chairman and CEO of Fiat UK from 1990 to 2001. He currently lives in London, England, and is a Knight Commander of the Royal Order of Francis I of the Two Sicilies. Mr. Carello has a degree in Political Science from the University of Turin.</p>	September 2009	250,000	1,400,000
Harald H. Ludwig West Vancouver, British Columbia, Canada	Director	<p>Director of Lions Gate Entertainment Corp. since June 2005 and is the Co-Chairman of the Board of Directors, the Chairman of the Special Committee and a member of the Strategic Advisory Committee and Compensation Committee of Lions Gate Entertainment Corp. He is the President of Macluan Capital Corporation, a diversified private equity investment company. Mr. Ludwig serves as a member of the advisory Board of Tennenbaum Capital Partners, LLC. Mr. Ludwig also serves as a director of West Fraser Timber Co. Limited and is a member of its Governance and Nominating Committee and the Chairman of its Compensation Committee. He also serves as a director of Prima Colombia Hardwood Inc. and is the Chairman of its board, Chairman of its Compensation Committee and a member of its Audit Committee.</p>	September 2009	312,500	2,887,500
J. Christopher McLean Calgary, Alberta, Canada	Director	<p>President of Stonechair Capital Corporation (corporate finance advisory firm).</p> <p>Prior thereto, Mr. McLean was the head of Capital Markets and Investment Banking of Wolverton Securities Ltd. (investment dealer) from November 2007 to March 2009, and Vice President, International Opportunities of Research Capital Corporation (investment dealer) from July 2004 to October 2007. Mr. McLean received a Bachelor of Music from the University of Alberta and a Master of Fine</p>	March 2010	Nil	900,000

Name & Location Of Residence	Current Positions & Offices Held	Principal Occupations During Past Five Years	Director Since	Number of Common Shares	Number of Common Share Options
Art degree from Brandeis University.					
Richard H. Schmitt Calgary, Alberta, Canada	Director	<p>Chief Executive Officer of Wentworth Resources Limited (effective April 1, 2011). Prior thereto he was Chief Executive Officer of Afren EAX from October 2010 to January 31, 2011. Prior thereto, he was President and CEO of Black Marlin Energy Limited from October 2009 to October 2010, and President of Africa Oil Corp. (formerly Canmex Mineral Corporation) from October 2006 to October 2009. Prior thereto, Mr. Schmitt served as a consultant for Canmex Minerals from January 2006 to September 2006. From January 2001 to December 2005, Mr. Schmitt served as President and GM of Occidental Petroleum, Yemen. Mr. Schmitt has served as a director of Tyner Resources Ltd. since November 2006.</p> <p>Mr. Schmitt holds a B.Sc. in Geological Sciences from the University of Aston in Birmingham England. Mr. Schmitt has over 32 years of diverse international experience in the upstream oil and gas industry with expertise in exploration, exploitation, operations and new ventures.</p>	October 2009	100,000	900,000

### Independence and Board Committees

Committees (Number of Members)				
Name	Compensation Committee (2)	Corporate Governance and Nominating Committee (4)	Audit Committee (4)	Reserve Committee (3)
Independent Outside Directors				
Massimo C. Carello	Chairman	✓	✓	
Harald H. Ludwig	✓	Chairman	✓	
J. Christopher McLean		✓	Chairman	✓
Richard H. Schmitt		✓	✓	Chairman
Not Independent – Management Directors				
Arthur S. Millholland				✓

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as set forth herein, no director or executive officer of COPL is, as at the date of this Information Circular, or was within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any corporation that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or executive officer

ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days.

Except as set forth herein, no director or executive officer of COPL: (a) is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of a corporation that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Except as set forth herein, no director or executive officer of the Company has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

*Arthur Millholland*

Mr. Millholland was a director of Oilexco North Sea Ltd., the wholly-owned operating subsidiary of Oilexco Incorporated, when it was the subject of an order by the UK court for Administration under the provisions of paragraph 22 of Schedule B1 to the Insolvency Act of 1986 (UK) on January 7, 2009. Mr. Millholland was a director and officer of Oilexco Incorporated when it obtained a court order for protection under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") on February 5, 2009. He served in the same capacity when Oilexco Incorporated was the subject of a liquidation order from the Alberta Court of Queen's Bench on July 16, 2009.

On December 9, 2009 Mr. Millholland was reprimanded by the TSXV for failing to ensure that Oilexco Incorporated maintained a transfer agent and for failing to ensure that Oilexco Incorporated issued press releases or otherwise provided the market place with timely disclosure of the process of the CCAA proceedings in September 2009, notwithstanding that Oilexco Incorporated had no funds at such time.

*Gerald Roe*

Mr. Roe was a director of Qeva Group Inc., a company listed on the NEX Exchange, when it received a cease trade order by the Alberta Securities Commission for not filing audited financial statements for the period of October 1, 2002 to September 30, 2003. A mutual release review system application for the revocation of the cease trade order and related relief was sought and subsequently granted by the Alberta Securities Commission when the requisite financial statements were filed.

*Aleksandra Owad*

Ms. Owad was the Chief Accounting Officer of Oilexco Incorporated when it obtained a court order for protection under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") on February 5, 2009. She served as Chief Financial Officer when Oilexco Incorporated was the subject of a liquidation order from the Alberta Court of Queen's Bench on July 16, 2009.

## **APPOINTMENT OF AUDITOR**

The Shareholders will be asked to vote for the appointment of Deloitte & Touche LLP, Chartered Accountants as the auditor of the Corporation with the directors being authorized to fix their remuneration. Deloitte & Touche LLP were first appointed on August 17, 2009.

Unless such authority is withheld, the Management designees, if named as proxy, intend to vote the Common Shares represented by any such Proxy for the appointment of Deloitte & Touche LLP, Chartered Accountants, as auditor of the Corporation for the ensuing year at a remuneration to be fixed by the Board of Directors.

Certain information regarding the Corporation's Audit Committee is contained in Exhibit 3 of this Information Circular and under Audit Committee.

## **APPROVAL OF AMENDED STOCK OPTION PLAN**

A floating or "rolling" stock option plan is subject to the approval of the Shareholders annually pursuant to Policy 4.4 of TSX-Venture Exchange ("TSXV").

Due to certain changes to the tax treatment of stock options under the *Income Tax Act* (Canada), the Board has approved certain amendments to the Stock Option Plan. Certain other housekeeping amendments have also been made. These changes are indicated on the Amended Stock Option Plan attached as Exhibit 1.

Certain directors, officers, employees and consultants of the Corporation have been granted stock options pursuant to option agreements with the Corporation.

Management believes that the Corporation will benefit from the added interest that eligible persons under the amended Stock Option Plan will have in the welfare of the Corporation as a result of their proprietary interest in the Corporation's success. Under the terms of the amended Stock Option Plan, options may be granted to directors, officers, employees and consultants of the Corporation. The number of shares authorized to be issued under the terms of the amended Stock Option Plan shall not exceed 10% of the number of outstanding common shares of the Corporation, being 28,401,693 common shares. No one person may hold options representing the right to acquire more than 5% of the number of outstanding common shares of the Corporation and no one employee or consultant may hold options representing the right to acquire more than 2% of the number of outstanding shares of the Corporation.

The resolution to approve the Stock Option Plan, as amended, must be passed by ordinary resolution, meaning a resolution passed by a majority of the votes cast by shareholders who vote, either in person or by proxy, in respect of the resolution at the Meeting.

**Unless the shareholder has specified in the enclosed form of proxy that the common shares represented by the proxy are to be voted against the resolution, the management representatives designated in the enclosed form of proxy intend to vote such common shares, on any ballot that may be called for, in favour of the resolution to approve the Stock Option Plan and the amendments to the Stock Option Plan.**

## **COMPENSATION DISCLOSURE AND ANALYSIS**

COPL is committed to best practices in corporate governance, disclosure and transparency. This discussion of compensation practices at COPL is intended to provide a clear understanding of our compensation objectives and programs.

### **COMPENSATION PHILOSOPHY**

COPL's policies and practices for executive compensation are linked to its strategic business objectives, including shareholder returns. Within that framework, the overall philosophy is to compensate executives based on performance, at a level competitive with our peers, and in a manner designed to attract and retain a talented leadership team focused on managing COPL's operations, finances and assets.

Our compensation programs are designed to meet performance and competitiveness objectives. To ensure pay-for-performance, rewards are directly linked to planned performance for COPL and its divisions. Individual performance and contribution are considered in determining awards. Measures are aligned with financial and non-financial goals and shareholder interests.

In determining base salary annual cash and long term incentives for executive officers, the Compensation Committee considers individual's performance and recommendations from the CEO, CFO, Executive Vice President and senior Vice Presidents for their respective direct reports, in the context of market data provided by management. The Committee recommends all payments and grants for executive officers to the Board or independent directors for approval.

### **COMPENSATION OBJECTIVES**

Our compensation programs include three components: base salary, annual cash incentive and long-term incentive. We assess total compensation and consider the competitiveness of each component, both individually and in the aggregate. The overall goal is to provide total compensation for experienced, top-performing employees between the 50<sup>th</sup> and 75<sup>th</sup> percentile as compared to peer companies. COPL's position is compared against the peer market annually.

*Compensation of Named Executive Officers*

The Named Executive Officers of the Corporation are defined as follows:

- a. each Chief Executive Officer (CEO) meaning an individual who served as CEO of the Corporation or acted in a similar capacity for any part of the most recently completed financial year;
- b. each Chief Financial Officer (CFO) meaning an individual who served as CFO of the Corporation or acted in a similar capacity for any part of the most recently completed financial year;
- c. each of the Corporation's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total compensation was more than \$150,000; and
- d. any additional individuals for whom disclosure would have been provided under (c) except that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year-end.

*Summary of Executive Compensation*

The following table provides a summary of compensation earned by the Chief Executive Officer, the Chief Financial Officer and the two other most highly compensated officers.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year Ended Dec 31	Fees or Salary (\$)	Share based awards (\$) <sup>(1)</sup>	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation \$	Annual incentive plans <sup>(3)</sup>	Long-term incentive plans <sup>(1)</sup>	Pension value (\$) <sup>(1)</sup>	All other compensation (\$) <sup>(4)</sup>	Total compensation (\$) <sup>(5)</sup>
Arthur S. Millholland President and Chief Executive Officer (Appointed on August 7, 2009)	2010 2009	353,800 196,000	Nil Nil	700,000 140,000	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	1,053,800 336,000
Aleksandra Owad Chief Financial Officer (Appointed on October 2, 2009)	2010 2009	208,300 92,000	Nil Nil	368,000 49,000	Nil	Nil	Nil	Nil	Nil	576,300 141,000
Gerry Roe Chief Operating Officer (Appointed on October 2, 2009)	2010 2009	148,000 43,000	Nil Nil	335,000 70,000	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	483,000 113,000
William H. Smith Former Executive Vice President, General Counsel and Corporate Secretary (Appointed on August 7, 2009) (Resigned as Executive Vice President and General on February 15, 2010) (Resigned as Corporate Secretary on January 1, 2011)	2010 2009	123,600 143,000	Nil Nil	Nil 105,000	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	123,600 248,000

Notes:

1. The Corporation did not grant share-based awards and has no long-term incentive plans or pension plans.
2. Option-based awards reflect the grant date fair value using the Black-Scholes option pricing model. The indicated amounts are fair value calculations rather than payments by the Corporation to the NEO. The following assumptions were used to estimate the fair value of options on the date of the grant, for inclusion as stock-based compensation expense during the financial year ended December 31, 2010.

	<u>2009</u>	<u>2010</u>
Risk free interest rate	2.0%	1.5 - 2.0%
Weighted average years	4.0 years	4.0 years
Expected volatility	100%	80 - 100%
Dividend per share	0.00%	0.00%

3. Bonuses, if any, are approved by the board of directors on the recommendation of the Compensation Committee and paid in the year following the financial year in respect of which they are awarded.
4. All other compensation was comprised of perquisites (e.g. parking) not generally available to all employees and that in aggregate were worth less than \$50,000 or 10% of the NEO's total salary or consulting fees for the financial year.
5. Total compensation is comprised in part of option-based awards that are fair value calculations and were not paid by the Corporation nor received by the NEO.

### *Stock Option Plan Summary*

Management believes that the purpose of the Plan should be to assist the Corporation in securing and retaining key personnel of outstanding ability and to motivate such personnel to exert their best efforts on behalf of the Corporation by providing incentives through the granting of options pursuant to the Plan. Each of the directors, officers and employees of the Corporation has been granted stock options pursuant to option agreements with the Corporation.

The Plan provides for 10% of the issued and outstanding Common Shares of the Corporation to be reserved for granting of options to directors, officers, employees and consultants ("Participants") pursuant to the Plan. Currently there are options to acquire 22,007,500 Common Shares outstanding (7.7%) of the currently outstanding capital. The price payable upon the exercise of any option is set at the time of the grant, subject to regulatory requirements. The option price must not be less than the market price of the Common Shares defined as the closing market price on the TSXV on the trading day immediately prior to the grant. The Stock Option Plan restricts the granting of options to any one Participant, within a one year period, to 5% of the outstanding Common Shares and restricts the granting of options to investor relations personnel to 2% of the outstanding Common Shares.

### *Pension Plan Benefits*

The Corporation does not have any defined benefit or defined contribution pension plans or deferred compensation plans for NEO.

### *Options Outstanding as at December 31, 2010*

The following table sets forth information with respect to the Corporation's stock option plan, the only compensation plan under which equity securities of the Corporation are authorized for issuance, as at December 2010.

**Equity Compensation Plan Information as at December 31, 2010**

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options (a)</b>	<b>Weighted-average exercise price of outstanding options (\$/Sh) (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by securityholders	9,592,500	0.66	604,094
Equity compensation plans not approved by securityholders	NIL	N/A	N/A
<b>Total</b>	<b>9,592,500</b>		<b>604,094</b>

**OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS**

The following table presents details of all outstanding share-based awards and outstanding unvested share-based awards at December 31, 2010.

<b>Name</b>	<b>Option-based Awards</b>				<b>Share-based Awards<sup>(2)</sup></b>	
	<b>Number of Securities underlying unexercised options (#)</b>	<b>Option exercise price (\$/Share)</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money options<sup>(1)</sup> (\$)</b>	<b>Number of shares or units or shares that have not vested (#)</b>	<b>Market or payout value of share-based awards that have not vested (\$)</b>
Arthur S. Millholland	250,000	0.80	August 7, 2014	Nil	Nil	Nil
Arthur S. Millholland	2,000,000	0.59	Dec 10, 2015	280,000	Nil	Nil
Gerry Roe	125,000	0.80	August 7, 2014	Nil	Nil	Nil
Gerry Roe	62,500	1.20	June 1, 2015	Nil	Nil	Nil
Gerry Roe	800,000	0.59	Dec 10, 2015	112,000	Nil	Nil
Aleksandra Owad	87,500	0.80	August 7, 2014	Nil	Nil	Nil
Aleksandra Owad	100,000	1.20	June 1, 2015	Nil	Nil	Nil
Aleksandra Owad	800,000	0.59	Dec 10, 2015	112,000	Nil	Nil
William Smith	187,500	0.80	August 7, 2014	Nil	Nil	Nil
<b>Total</b>	<b>4,412,500</b>			<b>504,000</b>		

Notes:

1. Calculated as the difference between the \$0.73 closing price of COPL common shares on the TSX Venture Exchange on December 31, 2010 and the exercise price of the option. All options were vested at that date.
2. No share-based awards are held by any NEO.

## INCENTIVE PLAN AWARDS

The following table presents details of all awards that vested in the most recently completed calendar year.

	Option-based awards—Value vested during the year (\$)	Share-based awards—Value vested during the year <sup>(1)</sup> (\$)	Non-equity incentive plan compensation—Value earned during the year (\$)
Arthur S. Millholland	Nil	Nil	Nil
Gerry Roe	Nil	Nil	Nil
Aleksandra Owad	Nil	Nil	Nil
William H. Smith	Nil	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

Notes:

<sup>(1)</sup> All options vested on the grant date so had no immediate in-the-money value.  
<sup>(2)</sup> No share-based awards are held by any NEO.

### *Grants and Exercises after the Year Ended December 31, 2010*

From the end of the last fiscal period to the date of this Information Circular, options in the aggregate of 12,415,000 were granted to directors, officers, consultants and employees. 22,007,500 options are outstanding as at the date of the Information Circular.

From the end of the last fiscal period to the date of this Information Circular, no options to acquire Common Shares were exercised by directors, officers, consultants or employees.

### *Termination of Employment, Change in Responsibilities and Employment Contracts*

The Corporation may terminate an NEO without just cause at any time by giving the NEO written notice of such termination and a payment of 1.5 times the Annual Base Salary plus 1.5 times the last bonus together with 18 times the Corporation's monthly contributions to all benefits the NEO received. The NEO may terminate employment in the sixty (60) day period following a Change of Control, by giving the Corporation thirty (30) days written notice of his/her intent to do so, in which case the Corporation shall pay the NEO 1.5 times the Annual Base Salary plus 1.5 times the last bonus together with 18 times the Corporation's monthly contributions to all benefits the NEO received. In the event of termination for just cause, no payment is required and all unexercised options terminate.

"Change of Control" means the occurrence of:

- (a) a Person or Persons acting jointly or in concert (as determined by the *Securities Act (Alberta)*), whether directly or indirectly, comes to beneficially own or exercise control or direction of thirty-five (35%) percent or more of the voting securities of COPL, whether through the acquisition of previously issued and outstanding voting securities, or voting securities that have not been previously issued, or any combination thereof, or any other transaction having a similar effect;
- (b) thirty-five (35%) percent or more of the issued and outstanding voting securities of COPL become subject to;
- (c) an amalgamation, arrangement, merger, or other consolidation or combination of COPL with another Person or Person;
- (d) a liquidation, dissolution, or winding-up of COPL;

- (e) the sale, lease, transfer, exchange or other disposition of all or substantially all of the assets of COPL, whether in one transaction or in a series of transactions over a period not exceeding;
- (f) the occurrence of any other transaction or arrangement which would have a similar effect as those matters referred to in subsections (a) to (e) above.

## **DIRECTORS' COMPENSATION**

Directors receive compensation from the Corporation for services in their capacity as directors. Annual retainers paid to the independent directors are \$150,000 to the Non-Executive Chairman of the Board, \$75,000 to the other independent directors, \$25,000 to the Chairman of the Audit Committee, \$15,000 to the Chairman of each of the other committees and \$2,000 to each committee member. Independent directors also receive a fee of \$1,500 for each directors' meeting and committee meeting attended. They are also compensated through grants of stock options. The Board believes that the compensation of independent directors realistically reflects the responsibilities and risk involved in being an effective director.

Please see the following chart for a summary of the fees paid to directors in 2010.

**2010 Director Compensation Table**

Name	Fees earned \$	Share-based awards \$	Option-based awards \$ <sup>(2)</sup>	Non-equity incentive plan compensation \$	Pension value \$	All other compensation \$	Total \$
Harald H. Ludwig	190,000	Nil	637,500	Nil	Nil	Nil	827,500
Massimo C. Carello	115,000	Nil	315,500	Nil	Nil	Nil	430,500
Richard H. Schmitt	110,500	Nil	228,000	Nil	Nil	Nil	338,500
J. Christopher McLean <sup>(1)</sup>	91,500	Nil	228,000	Nil	Nil	Nil	319,500
<b>TOTAL</b>	<b>507,000</b>		<b>1,409,000</b>				<b>1,916,000</b>

**Notes:**

1. J. Christopher McLean was appointed as a director in March 2010.
2. See footnote 2 to the table on page 15, for explanation.

The following table sets forth for each non-management director all outstanding option-based awards and share-based awards outstanding at December 31, 2010.

Name	Option-based Awards				Share-based Awards	
	Number of Securities underlying unexercised options (#)	Option exercise price (\$/Share)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units or shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Harald Ludwig	187,500	1.20	June 1, 2015	Nil	Nil	Nil
Harald Ludwig	1,350,000	0.59	Dec 10, 2015	189,000	Nil	Nil
Massimo Carello	100,000	1.20	June 1, 2015	Nil	Nil	Nil
Massimo Carello	650,000	0.59	Dec 10, 2015	91,000	Nil	Nil
Richard Schmitt	100,000	1.20	June 1, 2015	Nil	Nil	Nil
Richard Schmitt	400,000	0.59	Dec 10, 2015	56,000	Nil	Nil
J. Christopher McLean <sup>(2)</sup>	100,000	1.20	June 1, 2015	Nil	Nil	Nil
J. Christopher McLean	400,000	0.59	Dec 10, 2015	56,000	Nil	Nil
<b>Total</b>	<b>3,287,500</b>			<b>\$392,000</b>		

Notes:

1. Calculated as the difference between the \$0.73 closing price of COPL common shares on the TSX Venture Exchange on December 31, 2010 and the exercise price of the option. All options were vested at that date.
2. J. Christopher McLean was appointed as a director in March 2010.

The following table sets forth for each non-management director the value of option-based awards and share-based awards vested during 2010 and the value of non-equity incentive plan compensation earned during the financial year ended December 31, 2010 and the value of non-equity incentive plan compensation earned during the year.

	Option-based awards—Value vested during the year (\$)	Share-based awards—Value vested during the year (\$)	Non-equity incentive plan compensation—Value earned during the year (\$)
Harald Ludwig	Nil	Nil	Nil
Massimo Carello	Nil	Nil	Nil
Richard Schmitt	Nil	Nil	Nil
J. Christopher McLean <sup>(1)</sup>	Nil	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

Note:

1. J. Christopher McLean was appointed as a director in March 2010.
2. All options vested on the grant date so had no immediate in the money value.

## COMMITTEE REPORTS

The board of directors has established four committees: the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Reserves Committee. All committees are comprised of independent directors.

The Audit Committee reviews the annual financial statements of COPL and meets with the external independent auditors to review and consider audit procedures and to assess the appropriateness and effectiveness of COPL's policies, business practices, internal controls and management information systems which impact the financial integrity of COPL. The members of the Audit Committee have direct access to the external auditors of COPL. The Audit Committee also reviews the unaudited quarterly financial statements and management's discussion and analysis of financial results.

The Corporate Governance and Nominating Committee is responsible for ensuring that an appropriate corporate governance system is in place for the Board's overall stewardship responsibility and the discharge of its obligations to the stakeholders of the Corporation. The Corporate Governance and Nominating Committee is also responsible for proposing new nominees to the Board and for assessing the overall performance of the Board and the committees of the Board.

The Reserves Committee is mandated to review the selection of COPL's independent engineers, review the reserves estimates and evaluations prepared by such engineers, including methodologies applied, and review the procedures for providing, and the reliability of the information COPL's independent engineers relied upon in their work.

The Compensation Committee determines the policy for executive compensation, including key human resources policies, the remuneration policy, reviewing Management's recommendations and the compensation and performance objectives of COPL's executive officers, recommending to the Board any bonuses to be paid.

## AUDIT COMMITTEE REPORT

The Audit Committee is directly responsible for appointing (subject to shareholder approval), compensating and overseeing auditors. The auditors are accountable to and report directly to the Committee, and understand that they must maintain an open and transparent relationship with the Committee, as representatives of the Shareholders.

The Committee assists the Board in overseeing internal accounting and financial reporting controls, internal and external audit processes, and implementation of the ethics policy. Mr. J. Christopher McLean, Chairman of the Audit Committee, pre-approves non-audit services on behalf of the Audit Committee.

Management is responsible for our internal controls and financial reporting process. The auditors are responsible for performing and reporting on an independent audit of our consolidated financial statements according to generally accepted auditing standards. The Committee's responsibility is to monitor and oversee these processes.

### Relevant Experience of Audit Committee Members

Name of Member	Status	Relevant Education and Experience
J. Christopher McLean Chairman	Financially literate and independent	Mr. McLean is the founder of Stonechair Capital Company and has been an active participant of venture capital projects for the last ten years. Prior to starting Stonechair Capital, he was the Head of Capital Markets and Investment Banking at Wolverton Securities Ltd., a resource focused boutique investment dealer, and the Vice President of International Opportunities at Research Capital Corporation, a national investment banking firm. Mr. McLean's experience with public and private companies has seen him finance projects throughout Africa, Europe, South and North America and Australia. He previously sat on the board of directors Black Marlin Energy Holdings Ltd, an exploration company with assets in East Africa and was also its Corporate Secretary. He was also the Chief Financial Officer and a director of its predecessor Kristina Capital Corp.
Massimo C. Carello	Financially literate and independent	Mr. Carello has over 30 years of international senior management and board level experience, including as President and Chief Executive Officer of Diners Club U.K. Ltd. from 2001 to 2004, Chairman and Chief Executive Officer of Fiat U.K. Ltd. from 1990 to 2001 and Non Executive Director of Anker plc from 2004 to 2005. Mr. Carello is a director of Canaccord Financial Inc. and is a member of its Audit Committee, and also serves as a director of Orsu Metals Company and is a member of its Audit Committee. He previously served as a director of Uranium One Inc. where he was a member of the Audit Committee. While at Anker plc. he was a member of the Audit Committee.

Name of Member	Status	Relevant Education and Experience
Harald H. Ludwig	Financially literate and independent	Mr. Ludwig has over 30 years of extensive business and investment experience, including as President of Macluan Capital Corporation (a diversified private equity investment company), as Co Chairman of the Board of Directors of Lions Gate Entertainment Corp. (NYSE) and as Chairman of its Special Committee and a member of its Strategic Advisory Committee and Compensation Committee. He is a director of West Fraser Timber Co. Ltd. (TSE) and is Chairman of its Compensation Committee, a member of its Governance and Nominating Committee and former Chairman of its Audit Committee. He is a director and Chairman of the board for Prima Colombia Hardwood Inc. (TSXV), and is Chairman of its Compensation Committee and a member of its Audit Committee. He is a founding partner or private equity investor in a number of North American and international private equity firms, hedge funds, mezzanine lenders, growth capital providers, distressed investment firms and real estate investment vehicles.
Richard H. Schmitt	Financially literate and independent	Mr. Schmitt holds a B.Sc. in Geological Sciences from the University of Aston in Birmingham, England. He has over 32 years of diverse international experience in the upstream oil and gas industry with expertise in exploration, exploitation, operations and new ventures. A significant part of his career has been spent managing and developing projects in Yemen, culminating in five years as Occidental's President and General Manager in that country. Mr. Schmitt was the President and Chief Executive Officer of Africa Oil Corp. from October 2006 to October 2009 and was the President & Chief Executive Officer of Black Marlin Energy Holdings Limited and its predecessor company until October 2010. He also served as Chief Executive Officer of Afren EAX before being appointed as CEO of Wentworth Resources Limited.

## Key Activities in 2010

- Met separately with management and the auditors to review financial statements and year-end financial statements and MD&A for December 31, 2010 and the interim periods
- Pre-approved non-audit fees to be paid to auditor
- Recommended acceptance of the statements for filing on SEDAR and dissemination to shareholders
- Discussed new international accounting standards being developed for the oil and gas industry

## Audit Partner Rotation

In compliance with applicable law, the lead audit partner of our auditors is replaced every five years.

## Auditor Engagement

Before Deloitte & Touche LLP is engaged by COPL or its subsidiaries to render audit or non-audit services, the engagement is approved by the Committee. All audit-related, tax and other services provided by Deloitte & Touche LLP since August 17, 2009, have been approved by the Committee.

The fees paid by the Corporation to auditors Deloitte & Touche LLP & MacKay LLP for professional services rendered in the Corporation's last two fiscal years are as follows:

	2009	2010
Audit fees <sup>(1)</sup>	\$40,000	\$31,000
Audit-related fees <sup>(2)</sup>	23,000	89,500
Tax fees <sup>(3)</sup>	Nil	2,500
All other fees	Nil	Nil
<b>Total</b>	<b>\$63,000</b>	<b>\$123,000</b>

The nature of each category of fees is described below.

**Audit Fees**

Audit fees were paid for professional services rendered by the auditors for the audit of the Corporation's annual financial statements or services provided in connection with statutory and regulatory filings or engagements.

**Audit Related Fees**

Fees allocated to this category included fees paid for professional services rendered by the auditors with respect to prospectuses and quarterly reviews of financial information.

**Tax Fees**

Tax fees were paid for preparation of income tax returns and advice with respect to tax compliance and international tax compliance.

**Committee Approval**

The Committee is of the view that the provision of services by Deloitte & Touche LLP described in "All Other Fees" above is compatible with maintaining that firm's independence.

For a copy of the Audit Committee's Charter and certain other information, please see Exhibit 3 of the Information Circular and the Appendix D of the Annual Information Form for COPL.

**Submitted on behalf of the Audit Committee:**

J. Christopher McLean (Chairman)  
Massimo C. Carello  
Harald H. Ludwig  
Richard H. Schmitt

## **CORPORATE GOVERNANCE AND NOMINATING COMMITTEE REPORT**

The Corporate Governance and Nominating Committee assists the Board in overseeing implementation of our corporate governance programs, recommending nominees for director appointments and evaluating the Board to ensure COPL is implementing best-in-class corporate governance practices.

### **Principles and Systems for the Management of Corporate Governance**

COPL's Board and management are committed to best practices in corporate governance as evidenced by the Committee's annual activities and its commitment to continuous improvement.

Our governance practices are reported in Exhibit 1 which set out our compliance in regard to National Instrument 58-101 – Disclosure of Corporate Governance Practices.

The Board exercises its independent supervision over the Corporation's management through a combination of formal meetings of the Board as well as informal discussions amongst the Board members. The independent directors can also hold scheduled meetings at which non-independent directors and members of management are not in attendance. Where matters arise at Board meetings which require decision making and evaluation that is independent of management and interested directors, the meeting breaks into an in camera session among the independent and disinterested directors.

### **Identifying Qualified Candidates for Board and Committee Appointments**

The Committee reviews the make up of the Board and committee appointments of all directors annually and makes recommendations to the Board. The Committee considers the independence tests set out in our categorical standards, together with the skills and preferences of the directors, in making its recommendations.

### **Performance Evaluations**

The full Board has responsibility for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors. Owing to the small size of the Board, this task has not been assigned to any committee of directors and no formal process is in place.

### **Orientation and Continuing Education**

Due to the early stage of the Corporation's development, there is no formal orientation program for directors.

The Board does not provide formal continuing education for directors. Directors maintain the skill and knowledge necessary to meet their obligations as directors through a combination of their existing education, experience as businessmen and managers, service as directors of other issuers and advice from the Corporation's legal counsel, auditor and other advisers.

### **Key Activities in 2010**

- Reviewed and updated policies of the Corporation for Board review and approval
- Received update on Canadian corporate governance issues

## **Committee Approval**

The Committee has reviewed and discussed the corporate governance disclosure in this document and has recommended to the Board that it be included in the Information Circular.

### **Submitted on behalf of the Corporate Governance and Nominating Committee:**

Harald H. Ludwig (Chairman)  
Massimo C. Carello  
J. Christopher McLean  
Richard Schmitt

## **RESERVES COMMITTEE REPORT**

The Reserves Committee will assist the Board in meeting its responsibilities to review the qualifications, experience, reserve evaluation approach and costs of independent engineering firms that perform reserve evaluation and review annual independent engineering reports. The Committee reviews, and recommends for approval by the Board on an annual basis, the statements of reserve data and other information specified in Canadian Securities Administrators' National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

### **Key Activities in 2010**

- Received regular updates on reserves-related regulatory developments;
- Discussed the appointment of independent qualified reserves evaluators and their engagements for other services;
- Reviewed the process for determining the year-end reserves estimates, including procedures for providing information to the independent qualified reserves evaluators;
- Assessed and revised the reserves policy in light of regulatory developments and best practices.

### **Committee Approval**

On March 29, 2011, after meeting with management, the Committee recommended approval of COPL's annual reserves report and related oil and gas disclosures to the Audit Committee and the Board.

### **Submitted on behalf of the Reserves Committee:**

Richard H. Schmitt (Chairman)  
Arthur S. Millholland  
J. Christopher McLean

## COMPENSATION COMMITTEE REPORT

The Compensation Committee assists the Board in overseeing key compensation and human resources policies, CEO and executive management compensation, and executive management succession and development. The Committee reports to the Board, as set out in its mandate, and the Board or independent directors give final approval to compensation matters. It is comprised solely of independent directors. The Compensation Committee makes specific recommendations regarding compensation of the Corporation's executive officers, including the objectives of the compensation program, what the program is designed to reward and the elements of compensation.

As set out elsewhere in the Information Circular, the Committee has adopted a compensation philosophy for the Corporation to achieve an effective compensation structure that aligns the interests of management with that of the Shareholders.

The Corporation's policy is to provide a total package which will both attract and retain qualified executive officers and employees and at the same time closely link incentives to corporate performance and increases in shareholder value. Currently the compensation program for employees of the Corporation is composed of salary and benefits, a possible bonus, stock options as more particularly described as follows:

Until the closing of a private placement, the services of executive officers were provided to the Corporation under consulting contracts. Many of the consultants became employees in June 2010 and the executive compensation program has been implemented.

The Corporation's executive compensation program has been designed to attract and retain highly qualified and motivated individuals, and to provide fair and competitive compensation in accordance with industry standards and with the individual's expertise and experience. The compensation program consists of four principal components: (i) base salaries; (ii) deferred compensation; (iii) annual bonuses; and (iv) stock options. Compensation is more heavily weighted towards long-term compensation through the granting of stock options in order to align the interests of officers and employees with the performance of the Corporation and with the interests of shareholders. The Compensation Committee reviews the various aspects of the compensation program from time to time to ensure its effectiveness and whether it adequately reflects the Corporation's business objectives.

1. Base Salary: base salary is paid on the basis of position held and related responsibilities and functions performed by the executive officer, having regard to base salary ranges for similar positions in a comparative group. In addition, individual and corporate performance is taken into account.

The annual base salaries for the President and Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer are intended to be comparable to amounts paid to executives of similar sized companies in Canada with limited operations. Salary increases for each executive are established based on the performance of the executive and competitiveness with the market. The Compensation Committee also takes into account the Corporation's early stage of development and current lack of revenue. As the Corporation matures and increases revenues, the Compensation Committee intends to review the appropriateness of executive compensation levels. This is typically determined by periodically participating in third party salary surveys as well as by reviewing other external market data.

2. Deferred Compensation

Compensation levels for executive officers were set substantially lower than received by them for past employment, to reflect the Corporation's early stage of development. As revenues and cash flow increase, "catch up" payments reflecting deferred compensation may be made.

3. Bonus: a discretionary bonus, based upon performance during the year, is available to executive officers.

Annual Bonuses

Each of the executive officers is eligible for an annual bonus based on the performance of the Corporation, including relative to its peers, and on the officer's individual performance. Bonuses are paid by March 31 of the year following the financial year ended December 31 in respect of which any bonuses are awarded. Factors considered in determining bonus amounts include financial criteria such as cash flow, net earnings and share price performance, as well as operational criteria such as growth in projection volumes, operating cost efficiencies, safety record and reserve growth on an absolute basis and on a per share basis.

4. Stock Options

The Corporation's long-term incentive program involves the granting of stock options to the executive officers as well as all employees of the Corporation. The purpose of the stock option plan is to advance the interests of the Corporation by encouraging directors, officers, employees, consultants and other eligible service providers of the Corporation and its subsidiaries to acquire common shares, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

The Named Executive Officer's compensation are comprised of the components described above and are determined in accordance with the parameters and principles discussed above. Stock options were granted on the basis of the level of responsibility and to maintain a competitive level with industry counterparts.

In summary, the Committee believes that long term shareholder value will be enhanced by compensation that is closely aligned with corporate performance achievement, and the policies of the Corporation are intended to reflect that belief.

**Key Activities in 2010**

- Reviewed existing compensation programs and investigated methods of improving the administration of the programs
- Investigated programs for retention and compensation
- Evaluated CEO performance with respect to performance of COPL and goals of CEO and recommended his compensation
- Review of grant of stock options to key employees

### **Committee Approval**

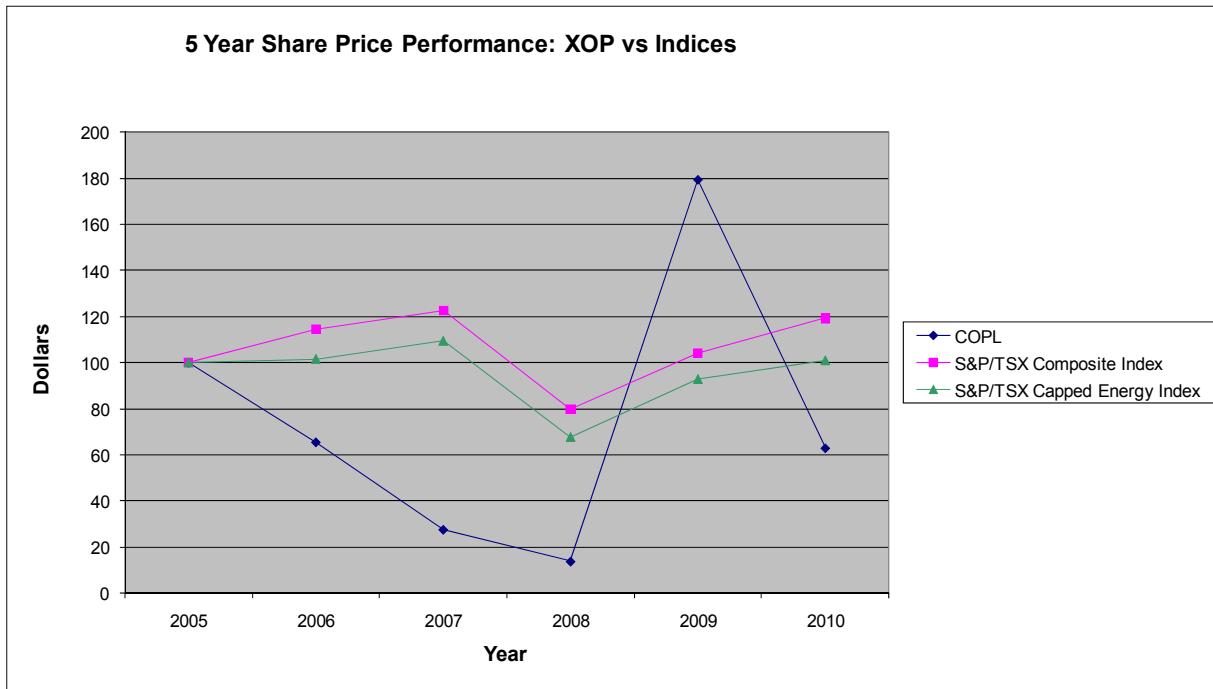
The Committee has reviewed and discussed the compensation disclosure included in this document, including the information in the Compensation Overview section on pages 14 to 19, in the Directors' Compensation section on pages 19 to 20 and in the Compensation Committee Report on pages 28 to 30, and has recommended to the Board that it be included in the Information Circular.

### **Submitted on behalf of the Compensation Committee:**

Massimo C. Carello (Chairman)  
Harald H. Ludwig

## PERFORMANCE GRAPH

The following graph displays the relative change in value over a 5 year period (2005 – 2010 inclusive) of \$100 invested in COPL Common Shares, the S&P/TSX Composite Index and the S&P/TSX Capped Energy Index. The data points represent total shareholder return, and include share price appreciation and dividend reinvestment. The purpose of the graph is to compare the performance of COPL's total shareholder return to that of reasonable benchmarks.



	Dec 31, 2005	Dec 31, 2006 <sup>(1)</sup>	Dec 31, 2007 <sup>(1)</sup>	Dec 31, 2008 <sup>(1)</sup>	Dec 31, 2009 <sup>(1)</sup>	Dec 31, 2010 <sup>(1)</sup>
Canadian Overseas	100	66	28	14	179	63
S&P/TSX Composite	100	115	123	80	104	119
Index						
S&P/TSX Capped	100	102	109	68	93	101
Energy Index						

Note:

(1) The year-end values of each investment shown on the graph are based on share price appreciation, where applicable. COPL did not pay dividends on the Common Shares in the period covered by the graph.

## INDEBTEDNESS OF DIRECTORS, OFFICERS AND EMPLOYEES

No present or former executive officers, directors or employees of the Corporation or any of its subsidiaries, or their associates, are or have been indebted to the Corporation since the beginning of the most recently completed financial year of the Corporation (i.e. January 1, 2010), other than routine indebtedness for travel or expense advances. In addition, no indebtedness of any of these persons to another entity is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries since the beginning of the most recently completed financial year.

## **INTEREST CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON**

Management of the Corporation is not aware of any material interest 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 (i.e. January 1, 2010) or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as described below or elsewhere in this Information Circular, the Corporation is not aware of any material interest, direct or indirect, of an informed person of the Corporation in any transaction since the commencement of the Corporation's most recently completed financial year (i.e. January 1, 2010) or in any proposed transaction of the Corporation which has materially affected or would materially affect the Corporation or any of its subsidiaries. An "informed person" is (a) director or executive officer of the Corporation, (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Corporation, or (c) any person or company who beneficially owns, directly or indirectly, voting securities of the Corporation or who exercises control or direction over voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation.

The Audit Committee Charter requires the Audit Committee to review material related party transactions. There are no other specific policies and procedures for the review, approval or ratification of transactions with related persons. The Corporation believes that existing legal protections are sufficient. The *Canada Business Corporations Act* requires a director or an officer of a corporation to disclose to the corporation the nature and extent of any interest that he or she has in a material contract or material transaction with the corporation, and to refrain from voting on any resolution to approve the contract or transaction. In addition, there are rules under the Canadian securities laws for the protection of minority security holders in certain special transactions, including related party transactions. Those rules may require, depending on the circumstances and subject to the availability of certain exemptions, disclosure, a formal valuation, independent director review and minority shareholder approval.

## **ADDITIONAL INFORMATION**

Additional Information relating to the Corporation is on SEDAR at [www.sedar.com](http://www.sedar.com). Securityholders who wish to obtain copies of the Corporation's financial statements and Management's Discussion & Analysis may contact the Corporation at Suite 3200, 715 – 5<sup>th</sup> Avenue SW, Calgary Alberta T2P 2X6 or call the Corporation at (403) 262-5441.

Financial information is provided in the Corporation's consolidated comparative financial statements and Management's Discussion & Analysis for its most recently completed financial year.

## **DIRECTORS' APPROVAL**

This Information Circular and the sending thereof to shareholders have been authorized by the Board of Directors.

**EXHIBIT 1**  
**CANADIAN OVERSEAS INCORPORATED**  
**BLACKLINE COPY OF THE AMENDED STOCK OPTION PLAN**

**CANADIAN OVERSEAS PETROLEUM LIMITED**

**STOCK OPTION PLAN**

**~~VELO ENERGY INC.~~**

**STOCK OPTION PLAN**  
**(Rolling 10%)**

**(as amended to ~~October 21, 2009~~January 1, 2011)**

## TABLE OF CONTENTS

	<u>Page</u>
<b>SECTION 1 - DEFINITIONS AND INTERPRETATION</b>	<b>1</b>
1.1 Definitions.....	1
1.2 Choice of Law.....	54
1.3 Headings .....	54
<b>SECTION 2 - GRANT OF OPTIONS</b> .....	<b>54</b>
2.1 Grant of Options .....	54
2.2 Record of Option Grants.....	54
2.3 Effect of Plan .....	65
<b>SECTION 3 - PURPOSE AND PARTICIPATION</b> .....	<b>65</b>
3.1 Purpose of Plan .....	65
3.2 Participation in Plan.....	65
3.3 Limits on Option Grants .....	65
3.4 Notification of Grant.....	65
3.5 Copy of Plan .....	75
3.6 Limitation on Service.....	76
3.7 No Obligation to Exercise.....	76
3.8 Agreement.....	76
3.9 Notice.....	76
3.10 Representation to <del>TSX-VN</del> .....	7 <del>TSXV</del>
	<u>6</u>
<b>SECTION 4 - NUMBER OF SHARES UNDER PLAN</b> .....	<b>86</b>
4.1 Board to Approve Issuance of Shares.....	86
4.2 Number of Shares.....	86
4.3 Fractional Shares.....	86
<b>SECTION 5 - TERMS AND CONDITIONS OF OPTIONS</b> .....	<b>87</b>
5.1 Exercise Period of Option .....	87
5.2 Number of Shares Under Option.....	87
5.3 Exercise Price of Option .....	87
5.4 Termination of Option .....	97
5.5 Vesting of Option and Acceleration.....	108
5.6 Additional Terms .....	108
<b>SECTION 6 - TRANSFERABILITY OF OPTIONS</b> .....	<b>108</b>
6.1 Non-transferable .....	108
6.2 Death of Option Holder.....	109
6.3 Disability of Option Holder .....	119
6.4 Disability and Death of Option Holder .....	119
6.5 Vesting .....	119
6.6 Deemed Non-Interruption of Engagement.....	119
<b>SECTION 7 - EXERCISE OF OPTION</b> .....	<b>119</b>
7.1 Exercise of Option .....	119
7.2 Issue of Share Certificates.....	129
7.3 No Rights as Shareholder.....	1210
7.4 Payment of Taxes.....	10
7.5 Withholding and Remittance for Taxes .....	10

## TABLE OF CONTENTS

	<u>Page</u>
<b>SECTION 8 - ADMINISTRATION.....</b>	<b><u>12</u><u>10</u></b>
<b>8.1</b> Board or Committee.....	<b><u>12</u><u>10</u></b>
<b>8.2</b> Appointment of Committee .....	<b><u>12</u><u>10</u></b>
<b>8.3</b> Quorum and Voting .....	<b><u>12</u><u>10</u></b>
<b>8.4</b> Powers of Committee.....	<b><u>12</u><u>11</u></b>
<b>8.5</b> Administration by Committee.....	<b><u>13</u><u>11</u></b>
<b>8.6</b> Interpretation.....	<b><u>13</u><u>11</u></b>
<b>SECTION 9 - APPROVALS AND AMENDMENT .....</b>	<b><u>14</u><u>12</u></b>
<b>9.1</b> Shareholder Approval of Plan.....	<b><u>14</u><u>12</u></b>
<b>9.2</b> Amendment of Option or Plan .....	<b><u>14</u><u>12</u></b>
<b>SECTION 10 - CONDITIONS PRECEDENT TO ISSUANCE OF OPTIONS AND SHARES .....</b>	<b><u>14</u><u>12</u></b>
<b>10.1</b> Compliance with Laws.....	<b><u>14</u><u>12</u></b>
<b>10.2</b> Obligation to Obtain Regulatory Approvals .....	<b><u>14</u><u>12</u></b>
<b>10.3</b> Inability to Obtain Regulatory Approvals.....	<b><u>15</u><u>12</u></b>
<b>SECTION 11 - ADJUSTMENTS AND TERMINATION .....</b>	<b><u>15</u><u>13</u></b>
<b>11.1</b> Termination of Plan .....	<b><u>15</u><u>13</u></b>
<b>11.2</b> No Grant During Suspension of Plan.....	<b><u>15</u><u>13</u></b>
<b>11.3</b> Alteration in Capital Structure .....	<b><u>15</u><u>13</u></b>
<b>11.4</b> Triggering Events.....	<b><u>15</u><u>13</u></b>
<b>11.5</b> Notice of Termination by Triggering Event.....	<b><u>16</u><u>14</u></b>
<b>11.6</b> Determinations to be Made By Committee.....	<b><u>16</u><u>14</u></b>

## **STOCK OPTION PLAN**

### **SECTION 1- DEFINITIONS AND INTERPRETATION**

#### **1.1 Definitions**

As used herein, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the meanings set forth below:

- (a) **Administrator** means such Executive or Employee of the Company as may be designated as Administrator by the Committee from time to time, if any.
- (b) **Associate** means, where used to indicate a relationship with any person:
  - (i) any relative, including the spouse of that person or a relative of that person's spouse, where the relative has the same home as the person;
  - (ii) any partner, other than a limited partner, of that person;
  - (iii) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity; and
  - (iv) any corporation of which such person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the corporation.
- (c) **Black-Out** means a restriction imposed by the Company on all or any of its directors, officers, employees, insiders or persons in a special relationship whereby they are to refrain from trading in the Company's securities until the restriction has been lifted by the Company.
- (d) **Board** means the board of directors of the Company.
- (e) **Change of Control** means an occurrence when either:
  - (i) a Person or Entity, other than the current control person of the Company (as that term is defined in the *Securities Act*), becomes a control person of the Company; or
  - (ii) a majority of the directors elected at any annual or extraordinary general meeting of shareholders of the Company are not individuals nominated by the Company's then-incumbent Board.
- (f) **Committee** means a committee of the Board appointed in accordance with this Plan or if no such committee is appointed, the Board itself.
- (g) **Company** means Veto Energy IncCanadian Overseas Petroleum Limited.
- (h) **Consultant** means an individual who:
  - (i) is engaged to provide, on an ongoing *bona fide* basis, consulting, technical, management or other services to the Company or any Subsidiary other than services provided in relation to a distribution (as that term is described in the *Securities Act*);
  - (ii) provides the services under a written contract between the Company or any Subsidiary and the individual or a Consultant Entity (as defined in clause (h)(v) below);
  - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or any Subsidiary; and

(iv) has a relationship with the Company or any Subsidiary that enables the individual to be knowledgeable about the business and affairs of the Company or is otherwise permitted by applicable Regulatory Rules to be granted Options as a Consultant or as an equivalent thereof;

and includes:

(v) a corporation of which the individual is an employee or shareholder or a partnership of which the individual is an employee or partner (a **Consultant Entity**); or

(vi) an RRSP or RRIF established by or for the individual under which he or she is the beneficiary.

(i) **Disability** means a medically determinable physical or mental impairment expected to result in death or to last for a continuous period of not less than 12 months, and which causes an individual to be unable to engage in any substantial gainful activity, or any other condition of impairment that the Committee, acting reasonably, determines constitutes a disability.

(j) **Employee** means:

(i) an individual who works full-time or part-time for the Company or any Subsidiary and such other individual as may, from time to time, be permitted by applicable Regulatory Rules to be granted Options as an employee or as an equivalent thereto; or

(ii) an individual who works for the Company or any Subsidiary either full-time or on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company or any Subsidiary over the details and methods of work as an employee of the Company or any Subsidiary, but for whom income tax deductions are not made at source,

and includes:

(iii) a corporation wholly-owned by such individual; and

(iv) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.

(k) **Executive** means an individual who is a director or officer of the Company or a Subsidiary, and includes:

(i) a corporation wholly-owned by such individual; and

(ii) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.

(l) **Exercise Notice** means the written notice of the exercise of an Option, in the form set out as Schedule **B** hereto, duly executed by the Option Holder.

(m) **Exercise Period** means the period during which a particular Option may be exercised and is the period from and including the Grant Date through to and including the Expiry Time on the Expiry Date provided, however, that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.

(n) **Exercise Price** means the price at which an Option is exercisable as determined in accordance with section 5.3.

(o) **Expiry Date** means the date the Option expires as set out in the Option Agreement or as otherwise determined in accordance with sections **5.1**, 5.4, 6.2, 6.3, 6.4 or 11.4.

(p) **Expiry Time** means the time the Option expires on the Expiry Date, which is 5:00 p.m. local time in Calgary, Alberta on the Expiry Date.

- (q) **“Grant Date”** means the date on which the Committee grants a particular Option, which is the date the Option comes into effect provided however that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.
- (r) **“Insider”** means an insider as that term is defined in the *Securities Act*;
- (s) **“Market Value”** means the market value of the Shares as determined in accordance with section 5.3.
- (t) **“Option”** means an incentive share purchase option granted pursuant to this Plan entitling the Option Holder to purchase Shares of the Company.
- (u) **“Option Agreement”** means an agreement, in substantially the form set out as Schedule **“A”** hereto, evidencing the Option.
- (v) **“Option Holder”** means a Person or Entity who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.
- (w) **“Outstanding Issue”** means the number of Shares that are outstanding (on a non-diluted basis) immediately prior to the Share issuance or grant of Option in question.
- (x) **“Person or Entity”** means an individual, natural person, corporation, government or political subdivision or agency of a government, and where two or more persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such partnership, limited partnership, syndicate or group shall be deemed to be a Person or Entity.
- (y) **“Personal Representative”** means:
  - (i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and
  - (ii) in the case of an Option Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder.
- (z) **“Plan”** means this stock option plan as from time to time amended.
- (aa) **“Regulatory Approvals”** means any necessary approvals of the Regulatory Authorities as may be required from time to time for the implementation, operation or amendment of this Plan or for the Options granted from time to time hereunder.
- (bb) **“Regulatory Authorities”** means all organized trading facilities on which the Shares are listed, and all securities commissions or similar securities regulatory bodies having jurisdiction over the Company, this Plan or the Options granted from time to time hereunder.
- (cc) **“Regulatory Rules”** means all corporate and securities laws, regulations, rules, policies, notices, instruments and other orders of any kind whatsoever which may, from time to time, apply to the implementation, operation or amendment of this Plan or the Options granted from time to time hereunder including, without limitation, those of the applicable Regulatory Authorities.
- (dd) **“Securities Act”** means the *Securities Act* (Alberta), as from time to time amended.
- (ee) **“Share”** or **“Shares”** means, as the case may be, one or more common shares without par value in the capital stock of the Company.
- (ff) **“Subsidiary”** means a wholly-owned or controlled subsidiary corporation of the Company.

(gg) **“Triggering Event”** means:

- (i) the proposed dissolution, liquidation or wind-up of the Company;
- (ii) a proposed merger, amalgamation, arrangement or reorganization of the Company with one or more corporations as a result of ~~which~~which, immediately following such event, the shareholders of the Company as a group, as they were immediately prior to such event, are expected to hold less than a majority of the outstanding capital stock of the surviving corporation;
- (iii) the proposed acquisition of all or substantially all of the issued and outstanding shares of the Company by one or more Persons or Entities;
- (iv) a proposed Change of Control of the Company;
- (v) the proposed sale or other disposition of all or substantially all of the assets of the Company; or
- (vi) a proposed material alteration of the capital structure of the Company which, in the opinion of the Committee, is of such a nature that it is not practical or feasible to make adjustments to this Plan or to the Options granted hereunder to permit the Plan and Options granted hereunder to stay in effect.

(hh) **“TSX-VN”** **“TSXV”** means the TSX Venture Exchange.

(ii) **“Vest”** or **“Vesting”** means that a portion of the Option granted to the Option Holder which is available to be exercised by the Option Holder at any time and from time to time.

## **1.2      Choice of Law**

The Plan is established under, and the provisions of the Plan shall be subject to and interpreted and construed in accordance with, the laws of the Province of Alberta. The Company and each Option Holder hereby attorn to the jurisdiction of the Courts of Alberta.

## **1.3      Headings**

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

# **SECTION 2 - GRANT OF OPTIONS**

## **2.1      Grant of Options**

The Committee shall, from time to time in its sole discretion, grant Options to such Persons or Entities and on such terms and conditions as are permitted under this Plan.

## **2.2      Record of Option Grants**

The Committee shall be responsible to maintain a record of all Options granted under this Plan and such record shall contain, in respect of each Option:

- (a) the name and address of the Option Holder;
- (b) the category (Executive, Employee or Consultant) under which the Option was granted to him, her or it;
- (c) the Grant Date and Expiry Date of the Option;
- (d) the number of Shares which may be acquired on the exercise of the Option and the Exercise Price of the Option;
- (e) the vesting and other additional terms, if any, attached to the Option; and

(f) the particulars of each and every time the Option is exercised.

### **2.3 Effect of Plan**

All Options granted pursuant to the Plan shall be subject to the terms and conditions of the Plan notwithstanding the fact that the Option Agreements entered into in respect thereof do not expressly contain such terms and conditions but instead incorporate them by reference to the Plan. In the case of a dispute with regard to any matter in respect thereof, the provisions of the Plan and the records of the Company shall prevail over the terms and conditions in the Option Agreement.

## **SECTION 3 - PURPOSE AND PARTICIPATION**

### **3.1 Purpose of Plan**

The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Executives, Employees and Consultants, to ~~intend~~incent such individuals to contribute toward the long term goals of the Company, and to encourage such individuals to acquire Shares of the Company as long term investments.

### **3.2 Participation in Plan**

The Committee shall, from time to time and in its sole discretion, determine those Executives, Employees and Consultants, if any, to whom Options are to be granted.

### **3.3 Limits on Option Grants**

The following limitations shall apply to the Plan and all Options thereunder so long as such limitations are required by the ~~TSX-VNTSXV~~:

- (a) the maximum number of Options which may be granted to any one Option Holder under the Plan within any 12 month period shall be 5% of the Outstanding Issue;
- (b) ~~with respect to section 5.1,~~ the Expiry Date of an Option shall be no later than the tenth anniversary of the Grant Date of such Option, subject to section 5.1 with respect to a Black-Out;
- (c) the maximum number of Options which may be granted to any one Consultant within any 12 month period must not exceed 2% of the Outstanding Issue; and
  - (d) ~~must not exceed 2% of the Outstanding Issue; and~~
  - (e) ~~the maximum number of Options which may be granted within any 12 month period to Employees or~~
- (d) the maximum number of Options which may be granted within any 12 month period to Employees or Consultants engaged in investor relations activities must not exceed 2% of the Outstanding Issue and such options must vest in stages over 12 months with no more than 25% of the Options vesting in any three month period,

and such limitation will not be an amendment to this Plan requiring the Option Holders consent under section 9.2 of this Plan.

### **3.4 Notification of Grant**

Following the granting of an Option, the Administrator shall, within a reasonable period of time, notify the Option Holder in writing of the grant and shall enclose with such notice the Option Agreement to be entered into with respect to

the Option so granted. In no case will the Company be required to enter into an Option Agreement with an Option Holder until such time as the Company has obtained all necessary Regulatory Approvals for the grant of the Option.

### **3.5 Copy of Plan**

Each Option Holder, concurrently with the notice of the grant of the Option, shall be provided with a copy of the Plan. A copy of any amendment to the Plan shall be promptly provided by the Administrator to each Option Holder.

### **3.6 Limitation on Service**

The Plan does not give any Option Holder that is an Executive the right to serve or continue to serve as an Executive of the Company or any Subsidiary, nor does it give any Option Holder that is an Employee or Consultant the right to be or to continue to be employed or engaged by the Company or any Subsidiary.

### **3.7 No Obligation to Exercise**

Option Holders shall be under no obligation to exercise Options granted under this Plan.

### **3.8 Agreement**

The Company and every Option Holder granted an Option hereunder shall be bound by and subject to the terms and conditions of this Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Company to be bound by the terms and conditions of this Plan. In the event that the Option Holder receives his, her or its Options pursuant to an oral or written agreement with the Company or a Subsidiary, whether such agreement is an employment agreement, consulting agreement or any other kind of agreement ~~of any~~of any kind whatsoever, the Option Holder acknowledges that in the event of any inconsistency between the terms relating to the grant of such Options in that agreement and the terms attaching to the Options as provided for in this Plan, the terms provided for in this Plan shall prevail and the other agreement shall be deemed to have been amended accordingly.

### **3.9 Notice**

Any notice, delivery or other correspondence of any kind whatsoever to be provided by the Company to an Option Holder will be deemed to have been provided if provided to the last home address, fax number or email address of the Option Holder in the records of the Company and the Company shall be under no obligation to confirm receipt or delivery.

### **3.10 Representation to ~~TSX-VN~~TSXV**

As a condition precedent to the issuance of an Option, the Company must be able to represent to ~~TSX-VN~~TSXV as of the Grant Date that the Option Holder is a *bona fide* Executive, Employee or Consultant of the Company or any Subsidiary.

## **SECTION 4 - NUMBER OF SHARES UNDER PLAN**

### **4.1 Board to Approve Issuance of Shares**

The Board shall approve by resolution the issuance of all Shares to be issued to Option Holders upon the exercise of Options, such authorization to be deemed effective as of the Grant Date of such Options regardless of when it is actually done. The Board shall be entitled to approve the issuance of Shares in advance of the Grant Date, retroactively after the Grant Date, or by a general approval of this Plan.

### **4.2 Number of Shares**

Subject to adjustment as provided for herein, the number of Shares which will be available for purchase pursuant to Options granted pursuant to this Plan will not exceed 10% of the number of Shares which are issued and outstanding on

the particular Grant Date. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to this Plan.

#### **4.3 Fractional Shares**

No fractional shares shall be issued upon the exercise of any Option and, if as a result of any adjustment, an Option Holder would become entitled to a fractional share, such Option Holder shall have the right to purchase only the next lowest whole number of Shares and no payment or other adjustment will be made for the fractional interest.

### **SECTION 5 - TERMS AND CONDITIONS OF OPTIONS**

#### **5.1 Exercise Period of Option**

Subject to the next following sentence and to sections 5.4, 6.2, 6.3, 6.4 and 11.4, 11.4, the Grant Date and the Expiry Date of an Option shall be the dates fixed by the Committee at the time the Option is granted and shall be set out in the Option Agreement entered into in respect of such Option. If the Expiry Date of an Option falls within a Black-Out, then the Expiry Date will be extended until the fifth trading day following the end of the Black-Out.

#### **5.2 Number of Shares Under Option**

The number of Shares which may be purchased pursuant to an Option shall be determined by the Committee and shall be set out in the Option Agreement entered into in respect of the Option.

#### **5.3 Exercise Price of Option**

The Exercise Price at which an Option Holder may purchase a Share upon the exercise of an Option shall be determined by the Committee and shall be set out in the Option Agreement entered into in respect of the Option. The Exercise Price shall not be less than the Market Value of the Shares as of the Grant Date. The Market Value of the Shares for a particular Grant Date shall be determined as follows:

- (a) for each organized trading facility on which the Shares are listed, Market Value will be the closing trading price (b) of the Shares on the day immediately preceding the Grant Date, and may be less than this price if it is within the discounts permitted by the applicable Regulatory Authorities;
- (b) (c) if the Company's Shares are listed on more than one organized trading facility, the Market Value shall be the Market Value as determined in accordance with subparagraph (a) above for the primary organized trading facility on which the Shares are listed, as determined by the Committee, subject to any adjustments as may be required to secure all necessary Regulatory Approvals;
- (c) (d) if the Company's Shares are listed on one or more organized trading facilities but have not traded during the ten trading days immediately preceding the Grant Date, then the Market Value will be, subject to any adjustments as may be required to secure all necessary Regulatory Approvals, such value as is determined by the Committee; and
- (d) (e) if the Company's Shares are not listed on any organized trading facility, then the Market Value will be, subject to any adjustments as may be required to secure all necessary Regulatory Approvals, such value as is determined by the Committee to be the fair value of the Shares, taking into consideration all factors that the Committee deems appropriate, including, without limitation, recent sale and offer prices of the Shares in private transactions negotiated at arms' length.

Notwithstanding anything else contained herein, in no case will the Market Value be less than the minimum prescribed by each of the organized trading facilities that would apply to the Company on the Grant Date in question.

#### **5.4 Termination of Option**

Subject to such other terms or conditions that may be attached to Options granted hereunder, an Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period shall terminate and become null, void and of no effect as of the Expiry Time on the Expiry Date. The Expiry Date of an Option shall be the earlier of the date ~~so fixed by the Committee at the time the Option is granted as set out in the Option Agreement determined by section 5.1~~ and the date established, if applicable, in paragraphs (a) or (b) below or sections 6.2, 6.3, 6.4, or 11.4 of this Plan. In each such case, if the Expiry Date of an Option falls within a Black-Out, then the Expiry Date will be extended until the fifth trading day following the end of the Black-Out.

(a) *Ceasing to Hold Office* — In the event that the Option Holder holds his or her Option as an Executive and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless determined otherwise by the Committee, 90 days following the date the Option Holder ceases to hold such position unless the Option Holder ceases to hold such position as a result of:

- (i) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Company;
- (ii) a special resolution having been passed by the shareholders of the Company removing the Option Holder as a director of the Company or any Subsidiary; or
- (iii) an order made by any Regulatory Authority having jurisdiction to so order;

in which case the Expiry Date shall be the date the Option Holder ceases to hold such position;

#### OR

(b) *Ceasing to be Employed or Engaged* — In the event that the Option Holder holds his or her Option as an Employee or Consultant and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless determined otherwise by the Committee, 90 days following the date the Option Holder ceases to hold such position, unless the Option Holder ceases to hold such position as a result of:

- (i) termination for cause; or
- (ii) an order made by any Regulatory Authority having jurisdiction to so order;

in which case the Expiry Date shall be the date the Option Holder ceases to hold such position.

In the event that the Option Holder ceases to hold the position of Executive, Employee or Consultant for which the Option was originally granted, but comes to hold a different position as an Executive, Employee or Consultant prior to the expiry of the Option, the Committee may, in its sole discretion, choose to permit the Option to stay in place for that Option Holder with such Option then to be treated as being held by that Option Holder in his or her new position and such will not be considered to be an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan. Notwithstanding anything else contained herein, in no case will an Option be exercisable later than the Expiry Date of the Option.

#### **5.5 Vesting of Option and Acceleration**

The vesting schedule for an Option, if any, shall be determined by the Committee and shall be set out in the Option Agreement entered into in respect of the Option. The Committee may elect, at any time, to accelerate the vesting schedule of one or more Options including, without limitation, on a Triggering Event, and such acceleration will not be considered an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan.

## **5.6 Additional Terms**

Subject to all applicable Regulatory Rules and all necessary Regulatory Approvals, the Committee may attach additional terms and conditions to the grant of a particular Option, such terms and conditions to be set out in the Option Agreement. In the case of a dispute with regard to any matter in respect thereof, the provisions of this Plan and the records of the Company shall prevail over the terms and conditions in the Option Agreement.

# **SECTION 6 - TRANSFERABILITY OF OPTIONS**

## **6.1 Non-~~u~~transferable**

Except as provided otherwise in this Section 6, Options are non-~~u~~assignable and non-~~u~~transferable.

## **6.2 Death of Option Holder**

In the event of the Option Holder<sup>u</sup>'s death, any Options held by such Option Holder shall pass to the Personal Representative of the Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of six months following the date of death and the applicable Expiry Date.

## **6.3 Disability of Option Holder**

If the employment or engagement of an Option Holder as an Employee or Consultant or the position of an Option Holder as a director or officer of the Company or a Subsidiary is terminated by the Company by reason of such Option Holder<sup>u</sup>'s Disability, any Options held by such Option Holder shall be exercisable by such Option Holder or by the Personal Representative on or before the date which is the earlier of six months following the termination of employment, engagement or appointment as a director or officer and the applicable Expiry Date.

## **6.4 Disability and Death of Option Holder**

If an Option Holder has ceased to be employed, engaged or appointed as a director or officer of the Company or a Subsidiary by reason of such Option Holder's Disability and such Option Holder dies within six months after the termination of such engagement, any Options held by such Option Holder that could have been exercised immediately prior to his or her death shall pass to the Personal Representative of such Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of six months following the death of such Option Holder and the applicable Expiry Date.

## **6.5 Vesting**

Unless the Committee determines otherwise, Options held by or exercisable by a Personal Representative shall, during the period prior to their termination, continue to vest in accordance with any vesting schedule to which such Options are subject.

## **6.6 Deemed Non-Interruption of Engagement**

Employment or engagement by the Company shall be deemed to continue intact during any military or sick leave or other *bona fide* leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Option Holder<sup>u</sup>'s right to re-~~u~~employment or re-~~u~~engagement by the Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Option Holder<sup>u</sup>'s re-~~u~~employment or re-~~u~~engagement is not so guaranteed, then his or her employment or engagement shall be deemed to have terminated on the ninety-first day of such leave.

**SECTION 7 -  
EXERCISE OF OPTION**

**7.1      Exercise of Option**

An Option may be exercised only by the Option Holder or the Personal Representative of any Option Holder. An Option Holder or the Personal Representative of any Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period up to the Expiry Time on the Expiry Date by delivering to the Administrator the required Exercise Notice, the applicable Option Agreement and a cheque (which need not be a certified cheque) or bank draft payable to the Company in an amount equal to the aggregate Exercise Price of the Shares then being purchased pursuant to the exercise of the Option. Notwithstanding anything else contained herein, Options may not be exercised during Black-out unless the Committee determines otherwise.

**7.2      Issue of Share Certificates**

As soon as reasonably practicable following the receipt of the Exercise Notice, the Administrator shall cause to be delivered to the Option Holder a certificate for the Shares so purchased. If the number of Shares so purchased is less than the number of Shares subject to the Option Agreement surrendered, the Company shall also enter into a new Option Agreement for the balance of Shares available under the Option to the Option Holder concurrent with delivery of the Share Certificate.

**7.3      No Rights as Shareholder**

Until the date of the issuance of the certificate for the Shares purchased pursuant to the exercise of an Option, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option, unless the Committee determines otherwise. In the event of any dispute over the date of the issuance of the certificates, the decision of the Committee shall be final, conclusive and binding.

**7.4      Payment of Taxes**

Each Option Holder shall be responsible for the payment of all applicable taxes, including income taxes payable in connection with the exercise of any Options under this Plan. The Company, the Board, the Committee and the Company's officers, employees and agents shall bear no liability to the Option Holder in connection with the payment of such taxes.

**7.5      Withholding and Remittance for Taxes**

In order to fulfill the Company's obligations under the *Income Tax Act* (Canada) or any other applicable tax laws in respect of withholding and remittance on account of tax payable by an Option Holder on the exercise of Options under this section 7, the Company shall advise an Option Holder, as soon as practical after receiving the Option Holder's Exercise Notice, of the amount of such remittance amount (the "Remittance Amount"). Prior to the delivery to the Option Holder of a certificate for the Shares purchased on exercise of Options, the Company may, in its sole discretion:

- (a) require the Option Holder to pay the Remittance Amount to the Company as an additional amount, within one week of exercise of the Options;
- (b) retain and sell on behalf of the Option Holder, on the principal stock exchange on which the Shares are traded, such number of Shares to obtain net proceeds of sale sufficient to satisfy the Remittance Amount;
- (c) withhold from any remuneration or consideration payable to the Option Holder an amount equal to the Remittance Amount; or
- (d) any combination of the above.

## SECTION 8- ADMINISTRATION

### **8.1 Board or Committee**

The Plan shall be administered by the Board, by a Committee of the Board appointed in accordance with section 8.2 below, or by an Administrator appointed in accordance with subsection 8.4(b).

### **8.2 Appointment of Committee**

The Board may at any time appoint a Committee, consisting of not less than two of its members, to administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and appoint new members in their place, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

### **8.3 Quorum and Voting**

A majority of the members of the Committee shall constitute a quorum and, subject to the limitations in this Section 8, all actions of the Committee shall require the affirmative vote of members who constitute a majority of such quorum. Members of the Committee may vote on any matters affecting the administration of the Plan or the grant of Options pursuant to the Plan, except that no such member shall act upon the granting of an Option to himself or herself (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee during which action is taken with respect to the granting of Options to that member). The Committee may approve matters by written resolution signed by a majority of the quorum.

### **8.4 Powers of Committee**

The Committee (or the Board if no Committee is in place) shall have the authority to do the following:

- (a) administer the Plan in accordance with its terms;
- (b) appoint or replace the Administrator from time to time;
- (c) determine all questions arising in connection with the administration, interpretation and application of the Plan, including all questions relating to the Market Value of the Shares;
- (d) correct any defect, supply any information or reconcile any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan;
- (e) prescribe, amend, and rescind rules and regulations relating to the administration of the Plan;
- (f) determine the duration and purposes of leaves of absence from employment or engagement by the Company which may be granted to Option Holders without constituting a termination of employment or engagement for purposes of the Plan;
- (g) ~~(f)~~ do the following with respect to the granting of Options:
  - (i) determine the Executives, Employees or Consultants to whom Options shall be granted, based on the eligibility criteria set out in this Plan;
  - (ii) determine the terms of the Option to be granted to an Option Holder including, without limitation, the Grant Date, Expiry Date, Exercise Price and vesting schedule (which need not be identical with the terms of any other Option);
  - (iii) subject to any necessary Regulatory Approvals and section 9.2, amend the terms of any Options;

- (iv) determine when Options shall be granted; and
- (v) determine the number of Shares subject to each Option;
- (h) ~~(vi)~~ accelerate the vesting schedule of any Option previously granted; and
- (i) ~~(vii)~~ make all other determinations necessary or advisable, in its sole discretion, for the administration of the Plan.

#### **8.5 Administration by Committee**

All determinations made by the Committee in good faith shall be final, conclusive and binding upon all persons. The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan.

#### **8.6 Interpretation**

The interpretation by the Committee of any of the provisions of the Plan and any determination by it pursuant thereto shall be final, conclusive and binding and shall not be subject to dispute by any Option Holder. No member of the Committee or any person acting pursuant to authority delegated by it hereunder shall be personally liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Committee and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Company.

### **SECTION 9 - APPROVALS AND AMENDMENT**

#### **9.1 Shareholder Approval of Plan**

If required by a Regulatory Authority or by the Committee, this Plan may be made subject to the approval of a majority of the votes cast at a meeting of the shareholders of the Company or by a majority of votes cast by disinterested shareholders at a meeting of shareholders of the Company. Any Options granted under this Plan prior to such time will not be exercisable or binding on the Company unless and until such shareholder approval is obtained.

#### **9.2 Amendment of Option or Plan**

Subject to any required Regulatory Approvals, the Committee may from time to time amend any existing Option or the Plan or the terms and conditions of any Option thereafter to be granted provided that where such amendment relates to an existing Option and it would:

- (a) materially decrease the rights or benefits accruing to an Option Holder; or
- (b) materially increase the obligations of an Option Holder;

then, unless otherwise excepted out by a provision of this Plan, the Committee must also obtain the written consent of the Option Holder in question to such amendment. If at the time the Exercise Price of an Option is reduced the Option Holder is an Insider of the Company, the Insider must not exercise the option at the reduced Exercise Price until the reduction in Exercise Price has been approved by the disinterested shareholders of the Company.

### **SECTION 10 - CONDITIONS PRECEDENT TO ISSUANCE OF OPTIONS AND SHARES**

#### **10.1 Compliance with Laws**

An Option shall not be granted or exercised, and Shares shall not be issued pursuant to the exercise of any Option, unless the grant and exercise of such Option and the issuance and delivery of such Shares comply with all applicable Regulatory Rules, and such Options and Shares will be subject to all applicable trading restrictions in effect pursuant to such

Regulatory Rules and the Company shall be entitled to legend the Option Agreements and the certificates representing such Shares accordingly.

## **10.2      Obligation to Obtain Regulatory Approvals**

In administering this Plan, the Committee will seek any Regulatory Approvals which may be required. The Committee will not permit any Options to be granted without first obtaining the necessary Regulatory Approvals unless such Options are granted conditional upon such Regulatory Approvals being obtained. The Committee will make all filings required with the Regulatory Authorities in respect ~~of the~~ Plan and each grant of Options hereunder. No Option granted will be exercisable or binding on the Company unless and until all necessary Regulatory Approvals have been obtained. The Committee shall be entitled to amend this Plan and the Options granted hereunder in order to secure any necessary Regulatory Approvals and such amendments will not require the consent of the Option Holders under section 9.2 of this Plan.

## **10.3      Inability to Obtain Regulatory Approvals**

The Company's inability to obtain Regulatory Approval from any applicable Regulatory Authority, which Regulatory Approval is deemed by the Committee to be necessary to complete the grant of Options hereunder, the exercise of those Options or the lawful issuance and sale of any Shares pursuant to such Options, shall relieve the Company of any liability with respect to the failure to complete such transaction.

# **SECTION 11 - ADJUSTMENTS AND TERMINATION**

## **11.1      Termination of Plan**

Subject to any necessary Regulatory Approvals, the Committee may terminate or suspend the Plan.

## **11.2      No Grant During Suspension of Plan**

No Option may be granted during any suspension, or after termination, of the Plan. Suspension or termination of the Plan shall not, without the consent of the Option Holder, alter or impair any rights or obligations under any Option previously granted.

## **11.3      Alteration in Capital Structure**

If there is a material alteration in the capital structure of the Company and the Shares are consolidated, subdivided, converted, exchanged, reclassified or in any way substituted for, the Committee shall make such adjustments to this Plan and to the Options then outstanding under this Plan as the Committee determines to be appropriate and equitable under the circumstances, so that the proportionate interest of each Option Holder shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustments may include, without limitation:

- (a) a change in the number or kind of shares of the Company covered by such Options; and
- (b) a change in the Exercise Price payable per Share provided, however, that the aggregate Exercise Price applicable to the unexercised portion of existing Options shall not be altered, it being intended that any adjustments made with respect to such Options shall apply only to the Exercise Price per Share and the number of Shares subject thereto.

For purposes of this section 11.3, and without limitation, neither:

- (c) the issuance of additional securities of the Company in exchange for adequate consideration (including services); nor
- (d) the conversion of outstanding securities of the Company into Shares shall be deemed to be material alterations of the capital structure of the Company.

Any adjustment made to any Options pursuant to this section 11.3 shall not be considered an amendment requiring the Option Holder's consent for the purposes of Section 9.2 of this Plan.

#### **11.4 Triggering Events**

Subject to the Company complying with section 11.5 and any necessary Regulatory Approvals and notwithstanding any other provisions of this Plan or any Option Agreement, the Committee may, without the consent of the Option Holder or Holders in question:

- (a) cause all or a portion of any of the Options granted under the Plan to terminate upon the occurrence of a Triggering Event; or
- (b) cause all or a portion of any of the Options granted under the Plan to be exchanged for incentive stock options of another corporation upon the occurrence of a Triggering Event in such ratio and at such exercise price as the Committee deems appropriate, acting reasonably.

Such termination or exchange shall not be considered an amendment requiring the Option Holder's consent for the purpose of section 9.2 of the Plan.

#### **11.5 Notice of Termination by Triggering Event**

In the event that the Committee wishes to cause all or a portion of any of the Options granted under this Plan to terminate on the occurrence of a Triggering Event, it must give written notice to the Option Holders in question not less than 10 days prior to the consummation of a Triggering Event so as to permit the Option Holder the opportunity to exercise the vested portion of the Options prior to such termination. Upon the giving of such notice and subject to any necessary Regulatory Approvals, all Options or portions thereof granted under the Plan which the Company proposes to terminate shall become immediately exercisable notwithstanding any contingent vesting provision to which such Options may have otherwise been subject.

#### **11.6 Determinations to be Made By Committee**

Adjustments and determinations under this Section 11 shall be made by the Committee, whose decisions as to what adjustments or determination shall be made, and the extent thereof, shall be final, binding, and conclusive.

**SCHEDULE "A" "A"**

**VELO ENERGY INC.**

**CANADIAN OVERSEAS PETROLEUM LIMITED**

**STOCK OPTION PLAN**

**OPTION AGREEMENT**

This Option Agreement is entered into between Velo Energy Inc. Canadian Overseas Petroleum Limited (the "Company") and the Option Holder named below pursuant to the attached or accompanying Stock Option Plan of the Company (the "Name" "Plan") and confirms that:

- (a) on •, 20••201• (the "Grant Date");
- (b) • (the "Option Holder");
- (c) was granted an option to purchase • Shares of the Company (the "Options");
- (d) exercisable [immediately] or [as to •% on each of the Grant Date and the first, second, third and fourth (or otherwise) anniversary dates of the Grant Date on a cumulative basis];
- (e) at a price (the "Exercise Price") of \$• per Share; and "Exercise Price" of \$• per Share; and
- (f) for a term expiring at 5:00 p.m., Calgary time, on •, 20••201• (the "Expiry Date");

all on the terms set out in the Plan. By signing this agreement, the Option Holder acknowledges that he or she has read and understands the Plan and accepts the Options in accordance with the terms of the Plan.

• [add any other required provisions]

**IN WITNESS WHEREOF** the Company and the Option Holder have executed this Option Agreement as of •, 20••201•.

**VELO ENERGY INC. CANADIAN OVERSEAS**  
**PETROLEUM LIMITED**

• [name of Option Holder]

SCHEDULE **"B"**"B"

**VELO ENERGY INC.**

**CANADIAN OVERSEAS PETROLEUM LIMITED**

**STOCK OPTION PLAN**

**NOTICE OF EXERCISE OF OPTION**

TO: The Administrator, Stock Option Plan  
Canadian Overseas Petroleum Limited

**Velo Energy Inc.**

The undersigned hereby irrevocably gives notice, pursuant to the Stock Option Plan (the "**Plan**") of **Velo Energy Inc.** (**the** "**Plan**") of **Canadian Overseas Petroleum Limited** (**the** "**Company**"), of the exercise of the Option to acquire and hereby subscribes for (cross out inapplicable item):

(a) all of the Shares; or  
(b) \_\_\_\_\_ of the Shares;

which are the subject of the Option Agreement attached hereto (attach your original Option Agreement).

The undersigned tenders herewith a cheque or bank draft (**circle one**) payable to "**Velo Energy Inc.**" "**Canadian Overseas Petroleum Limited**" in an amount equal to the aggregate Exercise Price of the aforesaid Shares and directs the Company to issue the certificate evidencing said Shares in the name of the undersigned to be mailed to the undersigned at the following address (**provide full complete address**):

\_\_\_\_\_  
The undersigned acknowledges the Option is not validly exercised unless this Notice is completed in strict compliance with this form notice of exercise and delivered to the required address with the required payment of the Exercise Price prior to 5:00 p.m. local time in Calgary, Alberta on the Expiry Date of the Option.

**DATED** the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

The undersigned understands that the Company is obligated to remit to the Receiver General for Canada through the Canada Revenue Agency an amount, which the Company will advise the undersigned of, on account of the undersigned's tax in connection with the Option exercise (the "**Remittance Amount**"). The undersigned agrees to pay the Remittance Amount to the Company, as an additional amount, within one week of exercise of the Options, failing which the Company may retain and sell on behalf of the undersigned, on the stock exchange on which the Shares are traded, such number of Shares to obtain net proceeds of sale sufficient to satisfy the Remittance Amount.

Dated the \_\_\_\_\_ day of \_\_\_\_\_, 201 \_\_\_\_.



\_\_\_\_\_  
Name of Option Holder

\_\_\_\_\_  
Signature of Option Holder

## EXHIBIT 2

### CANADIAN OVERSEAS INCORPORATED

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

#### Statement of Corporate Governance Practices

COPL's Board believes in the importance of maintaining sound corporate governance practices, and has therefore established the Corporate Governance and Nominating Committee to periodically review, evaluate and modify governance processes as necessary. The following table summarizes COPL's governance procedures according to National Instrument 58-101.

The Combined Code of Corporate Governance presents the corporate governance regime applicable to listed companies incorporated in the United Kingdom. As COPL is incorporated under the laws of the province of Alberta, it is not required to comply with the requirements of the Combined Code of Corporate Governance issued by the Financial Reporting Council, but must disclose whether or not it complies with the corporate governance regime applicable to reporting issuers in Canada and the significant ways in which its actual practices differ from those set out in the Combined Code. For that purpose, the following table and the comments which follow the table summarizes COPL's compliance with the corporate governance regime applicable to reporting issuers in Canada as well as, where relevant, the significant ways in which COPL's actual practices differ from those set out in the Combined Code.

CSA Corporate Governance Guideline	Comments																		
<b>1. Board of Directors</b>																			
(a) Disclose the identity of directors who are independent	The independent directors are:  Massimo C. Carello Harald H. Ludwig J. Christopher McLean Richard H. Schmitt																		
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination	Arthur S. Millholland, President and Chief Executive Officer																		
(c) Disclose whether or not a majority of directors are independent	A majority of the board of directors is independent.																		
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer	<table border="1"><thead><tr><th>Name of Director</th><th>Other Directorship</th><th>Stock Exchange Listing</th></tr></thead><tbody><tr><td>Arthur Millholland</td><td>N/A</td><td>N/A</td></tr><tr><td>Massimo C. Carello</td><td>Canaccord Financial Inc.  Orsu Metals Corporation</td><td>Toronto Stock Exchange ("TSX") &amp; London AIM  TSX &amp; London AIM</td></tr><tr><td>Harald H. Ludwig</td><td>Lions Gate Entertainment Corp. West Fraser Timber Co. Ltd. Prima Colombia Hardwood Inc.</td><td>New York Stock Exchange TSX TSXV</td></tr><tr><td>J. Christopher McLean</td><td>N/A</td><td>N/A</td></tr><tr><td>Richard H. Schmitt</td><td>Newton Energy Corporation Tyner Resources Ltd. Wentworth Resources Limited</td><td>TSXV TSXV Oslo Stock Exchange</td></tr></tbody></table>	Name of Director	Other Directorship	Stock Exchange Listing	Arthur Millholland	N/A	N/A	Massimo C. Carello	Canaccord Financial Inc.  Orsu Metals Corporation	Toronto Stock Exchange ("TSX") & London AIM  TSX & London AIM	Harald H. Ludwig	Lions Gate Entertainment Corp. West Fraser Timber Co. Ltd. Prima Colombia Hardwood Inc.	New York Stock Exchange TSX TSXV	J. Christopher McLean	N/A	N/A	Richard H. Schmitt	Newton Energy Corporation Tyner Resources Ltd. Wentworth Resources Limited	TSXV TSXV Oslo Stock Exchange
Name of Director	Other Directorship	Stock Exchange Listing																	
Arthur Millholland	N/A	N/A																	
Massimo C. Carello	Canaccord Financial Inc.  Orsu Metals Corporation	Toronto Stock Exchange ("TSX") & London AIM  TSX & London AIM																	
Harald H. Ludwig	Lions Gate Entertainment Corp. West Fraser Timber Co. Ltd. Prima Colombia Hardwood Inc.	New York Stock Exchange TSX TSXV																	
J. Christopher McLean	N/A	N/A																	
Richard H. Schmitt	Newton Energy Corporation Tyner Resources Ltd. Wentworth Resources Limited	TSXV TSXV Oslo Stock Exchange																	

CSA Corporate Governance Guideline	Comments										
(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.	<p>All committees consist of a majority of independent directors. Periodically, the Board of Directors meets in Executive Session at which only the independent directors are in attendance.</p> <p>Given the size of the Board and the nature of the Corporation, the Board is currently satisfied that effective communication exists with shareholders and between management and the independent Board member. The independent Board members informally but regularly communicate directly with members of the senior management team and with each other.</p>										
(f) Disclose whether or not the chair 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.	The Chairman of the Board of Directors is Mr. Harald H. Ludwig who is an independent director.										
(g) (i) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.	<table> <tbody> <tr> <td>Arthur S. Millholland</td> <td>11 of 11</td> </tr> <tr> <td>Massimo C. Carello</td> <td>11 of 11</td> </tr> <tr> <td>Harald H. Ludwig</td> <td>11 of 11</td> </tr> <tr> <td>J. Christopher McLean</td> <td>6 of 6</td> </tr> <tr> <td>Richard H. Schmitt</td> <td>8 of 11</td> </tr> </tbody> </table>	Arthur S. Millholland	11 of 11	Massimo C. Carello	11 of 11	Harald H. Ludwig	11 of 11	J. Christopher McLean	6 of 6	Richard H. Schmitt	8 of 11
Arthur S. Millholland	11 of 11										
Massimo C. Carello	11 of 11										
Harald H. Ludwig	11 of 11										
J. Christopher McLean	6 of 6										
Richard H. Schmitt	8 of 11										
<b>2. Board Mandate</b>											
Disclose the text of the Board's written mandate.	<p>The Board has adopted a mandate which includes:</p> <ul style="list-style-type: none"> <li>• adoption of a corporate strategic planning process;</li> <li>• managing risks and protecting shareholder value;</li> <li>• succession planning including appointing, developing and monitoring senior management;</li> <li>• communications policy;</li> <li>• internal corporate controls and management information systems;</li> <li>• corporate governance; and</li> <li>• knowledge and understanding of the business; and business conduct and integrity.</li> </ul>										
<b>3. Position Descriptions</b>											
(a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee.	The Board has adopted written position descriptions for the Chairman of the Board and the Chairman of the Audit Committee.										

CSA Corporate Governance Guideline	Comments
(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO.	The Board has adopted a written position description for the President and Chief Executive Officer.
<b>4. Orientation &amp; Continuing Education</b>	
(a) Briefly describe what measures the Board takes to orient new directors regarding	
(i) the role of the Board, its committees and its directors, and	The Corporation is in the process of populating a directors' website which will contain current and historical information.
(ii) the nature and operation of the issuer's business.	At each Board meeting, the Chairman reviews and discusses current business issues, challenges and opportunities. Senior managers, other COPL employees and external advisors, make periodic presentations at Board meetings on a variety of business issues and strategies. In addition, the Board has a regular program of visits to drilling rigs, suppliers' facilities and various COPL offices. The Board members have regular access to the senior staff.
(b) Briefly describe what measures the Board takes to provide continuing education for its directors.	The Corporation pays tuition and expenses for courses and membership dues. The Corporate Secretary provides information to the directors on external education opportunities.
<b>5. Ethical Business Conduct</b>	
(a) Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:	The Board of Directors has approved a Code of Business Conduct and Ethics for the Corporation that is applicable to all directors, officer and employees.
i) disclose how a person or company may obtain a copy of the code	The Code will be mailed to anyone on request by contacting COPL's Chief Financial Officer and is posted on the website and filed on SEDAR.
(ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and	All new employees are required to read and sign off of the Code as part of the orientation process.  Employees are reminded annually about COPL's policies, including the Code of Business Conduct and Ethics, as part of the annual performance review process.
(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	The Board has not granted any waiver of the Code of Business Conduct and Ethics.

CSA Corporate Governance Guideline	Comments
(b) Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest	<p>The Board is involved in the strategic direction of the Corporation and also approves the annual operating and capital budgets. Major decisions outside the ordinary course of business are also within the purview of the Board. The Board reviews operations and finances at every meeting compared to plan.</p> <p>COPL's Code of Business Conduct and Ethics outlines the Corporation's conflict of interest guidelines.</p> <p>If a director has a material interest in a specific topic, they are not permitted to be present when the matter is discussed or voted upon. Care is taken to ensure all director conflicts are documented in the meeting minutes.</p>
(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.	Ethical business conduct is a constant focus of the Board. Board members are encouraged to interact with employees and members of the management team. The Board encourages senior management to promote ethical conduct amongst all employees.
<b>6. Nomination of Directors</b>	
(a) Describe the process by which the Board identifies new candidates for Board nomination.	The Corporate Governance and Nominating Committee is responsible for identifying new candidates for recommendation to the Board for ultimate recommendation to the shareholders. There is no specific written process for the nomination process.
(b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors.	The nomination process is the responsibility of the Corporate Governance and Nominating Committee, which is composed entirely of independent directors.
(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	See response in the above comment.
<b>7. Compensation</b>	
(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.	The Compensation Committee receives data on salary levels from the Company and from independent surveys. Compensation is based upon top quartile levels as determined by industry salary publications for comparable positions and on individual performance and experience in the position. All compensation levels are reviewed annually.
(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors.	Compensation matters are a responsibility of the Compensation Committee, which is composed entirely of independent directors.

CSA Corporate Governance Guideline	Comments
(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	See response in the above comment.
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained.	None retained.
<b>8. Other Board Committees</b>	
If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Board has no active Committees other than the Audit Committee, the Corporate Governance and Nominating Committee, the Compensation Committee and the Reserve Committee.
<b>9. Assessments</b>	
Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.	The Corporate Governance and Nominating Committee has the responsibility for assessing the Board's effectiveness as a whole. As the Board is small, there is significant communication among the directors with respect to effectiveness. This process examines the effectiveness of the Board as a whole and specifically reviews areas that Board members believe could be improved to ensure the continued effectiveness of the Board in the execution of its responsibilities. An assessment of each individual director is not performed.

**EXHIBIT 3**  
**CANADIAN OVERSEAS INCORPORATED**  
**AUDIT COMMITTEE CHARTER**

**CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

---

**1. PURPOSE**

The Audit Committee (the “Committee”) of Canadian Overseas Petroleum Limited (“COPL”) is a committee of the Board of Directors with the responsibility under the governing legislation of COPL to review the financial statements, accounting policies and reporting procedures of COPL.

The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information provided by COPL to any governmental body or the public, the systems of internal controls of COPL regarding finance, accounting and legal compliance that management and the Board have established, and the auditing, accounting and financial reporting processes of COPL generally. Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the policies, procedures and practices at all levels of COPL.

The primary duties and responsibilities of the Committee are to:

- Serve as an independent and objective party to monitor the financial reporting process and the system of internal controls of COPL.
- Monitor the independence and performance of the auditor of COPL (the “Auditor”) and the internal audit function of COPL.
- To communicate directly with the internal and external auditors and provide an open avenue of communication among the Auditor, financial and senior management and the Board of Directors.

The Committee will primarily fulfill these responsibilities by carrying out the activities set out in Section 4 of this Charter.

---

**2. COMPOSITION**

- The Committee shall be comprised of three or more directors as determined by the Board of Directors. The composition of the Committee shall adhere to all applicable corporate and securities laws and all requirements of the stock exchanges on which shares of COPL are listed.
- All members of the Committee shall have a working familiarity with basic finance and accounting practices, and be in accordance with applicable laws and all requirements of the stock exchanges on which shares of COPL are listed or become financially literate within a reasonable period of time following his or her appointment.
- Members of the Committee shall be elected by the Board at the meeting of the Board held immediately after the annual meeting of shareholders or such other times as shall be determined by the Board and shall serve until the next such meeting or until their successors shall be duly elected and qualified.
- Any member of the Committee may be removed or replaced at any time by the Board of Directors and shall cease to be a member of the Committee as soon as such member ceases to be a director. Subject to the foregoing, each member of the Committee shall hold such office until the next annual meeting of shareholders after his or her election as a member of the Committee.
- The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board of Directors may from time to time determine.

---

### **3. MEETINGS**

---

- The Committee may appoint one of its members to act as Chairman of the Committee. The Chairman will appoint a secretary who will keep minutes of all meetings (the "Secretary"). The Secretary does not have to be a member of the Committee or a director and can be changed by written notice from the Chairman.
- No business may be transacted by the Committee except at a meeting at which a quorum of the Committee is present or by a consent resolution in writing signed by all members of the Committee. A majority of the members of the Committee shall constitute a quorum, provided that if the number of members of the Committee is an even number, one half of the number of members plus one shall constitute a quorum.
- The Committee will meet as many times as is necessary to carry out its responsibilities, but at least quarterly to review the financial statements of COPL. The Committee will meet with management and the Auditor in separate executive sessions to discuss any matters that the Committee or these parties believe should be discussed privately.
- The time at which, and the place where, the meetings of the Committee shall be held, the calling of meetings and the procedure in all respects of such meetings shall be determined by the Chairman, unless otherwise provided for in the By-Laws of COPL or otherwise determined by resolution of the Board of Directors.
- The Committee may invite to, or require the attendance at, any meeting of the Committee, such officers and employees of COPL, legal counsel or other persons as it deems necessary in order to perform its duties and responsibilities
- Subject to the provisions of the governing legislation of COPL and applicable regulations the Chairman of the Committee may exercise the powers of the Committee in between meetings of the Committee. In such event, the Chairman shall immediately report to the members of the Committee and the actions or decisions taken in the name of the Committee shall be recorded in the proceedings of the Committee.

---

### **4. RESPONSIBILITIES AND DUTIES**

---

To fulfill its responsibilities and duties the Committee shall:

#### **Documents/Reports Review**

- Review and recommend for approval to the Board of Directors of COPL any revisions or updates to this Charter. This review should be done at least annually.
- Review the interim unaudited quarterly financial statements and the annual audited financial statements and accompanying MD&A, and the related press releases of COPL and report on them to the Board of Directors.
- Satisfy itself, on behalf of the Board of Directors, that the unaudited quarterly financial statements and annual audited financial statements of COPL are fairly presented both in accordance with generally accepted accounting principles and otherwise, and recommend to the Board of Directors whether the quarterly and annual financial statements should be approved.
- Satisfy itself, on behalf of the Board of Directors, that the information contained in the quarterly financial statements of COPL, annual report to shareholders and similar documentation does not contain any untrue statement of any material fact or omit to state a material fact that is required or necessary to make a statement not misleading, in light of the circumstances under which it was made.
- Review any reports or other financial information of COPL submitted to any governmental body, or the public, including any certification, report, opinion or review rendered by the Auditor.
- Review, and if deemed advisable, approve any related party transactions.

- Have the right, for the purpose of performing their duties: (i) to inspect all the books and records of COPL; (ii) to discuss such accounts and records and any matters relating to the financial position of COPL with the officers and auditors of COPL and the Auditor; (iii) to commission reports or supplemental information relating to the financial information; (iv) to require the Auditor to attend any or every meeting of the Committee; and (v) to engage such independent counsel and other advisors as are necessary in the determination of the Committee.
- Permit the Board of Directors to refer to the Committee such matters and questions relating to the financial position of COPL and its affiliates or the reporting related to it as the Board of Directors may from time to time see fit.

#### **Independent Auditor**

- Be directly and solely responsible for the appointment, compensation, and oversight of the work of the Auditor of COPL upon shareholder approval of the appointment, with such Auditor being ultimately accountable to the shareholders, the Board and the Committee.
- Act as the Auditor's channel of direct communication to COPL. In this regard, the Committee shall, among other things, receive all reports from the Auditor of COPL, including timely reports of:
  1. all critical accounting policies and practices to be used;
  2. all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the management of COPL, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Auditor of COPL; and
  3. other material written communications between the Auditor and the management of COPL, including, but not limited to, any management letter or schedule of unadjusted differences.
- Satisfy itself, on behalf of the Board of Directors that the Auditor is "*independent*" of management, within the meaning given to such term in the rules and pronouncements of the applicable regulatory authorities and professional governing bodies. In furtherance of the foregoing, the Committee shall request that the Auditor at least annually provide a formal written statement delineating all relationships between the Auditor and COPL, and request information from the Auditor and management to determine the presence or absence of a conflict of interest. The Committee shall actively engage the Auditor in a dialogue with respect to any disclosed relationships or services that may impact the objectivity and independence of the Auditor. The Committee shall take, or recommend that the full Board take, appropriate action to oversee the independence of the Auditor.
- Be responsible for pre-approving all audit and non-audit services provided by the Auditor; provided, however, that the Committee shall have the authority to delegate such responsibility to one or more of its members to the extent permitted under applicable law and stock exchange rules.
- Review the performance of the Auditor and make recommendations to the Board of Directors as to whether or not to continue to engage the Auditor.
- Determine and review the remuneration of the Auditor and any independent advisors (including independent counsel) to the Committee.
- Satisfy itself, on behalf of the Board of Directors, that any matter which the Auditor wishes to bring to the attention of the Board of Directors has been addressed and that there are no "*unresolved differences*" with the Auditor.

#### **Financial Reporting Process and Risk Management**

- Review the audit plan of the Auditor for the current year and review advice from the Auditor relating to management and internal controls and the responses of COPL to the suggestions made put forth.

- Monitor the internal accounting controls, informational gathering systems and management reporting on internal controls of COPL.
- Review with management and the Auditor the relevance and appropriateness of the accounting policies of COPL and review and approve all significant changes to such policies.
- Satisfy itself, on behalf of the Board of Directors, that COPL has implemented appropriate systems of internal control over financial reporting and the safeguarding of the assets of COPL and other “*risk management*” functions (including the identification of significant risks and the establishment of appropriate procedures to manage those risks and the monitoring of corporate performance in light of applicable risks) affecting the assets of COPL, management, financial and business operations and the health and safety of employees and that these systems are operating effectively.
- Review and approve the investment and treasury policies of COPL and monitor compliance with such policies.
- Establish procedures for the receipt and treatment of (i) complaints received by COPL regarding accounting, controls, or auditing matters and (ii) confidential, anonymous submissions by employees of COPL as to concerns regarding questionable accounting or auditing.

### **Legal and Regulatory Compliance**

- Satisfy itself, on behalf of the Board of Directors, that all material statutory deductions have been withheld by COPL and remitted to the appropriate authorities.
- Without limiting its rights to engage independent counsel and other advisors as it determines necessary to carry out its duties generally, review, with the principal legal external counsel of COPL, any legal matter that could have a significant impact on the financial statements of COPL.
- Satisfy itself, on behalf of the Board of Directors, that all regulatory compliance issues have been identified and addressed.

### **Budgets**

- Assist the Board of Directors in the review and approval of operational, capital and other budgets proposed by management.

### **General**

- Perform any other activities consistent with this Charter, the Articles of COPL and governing law, as the Committee or the Board of Directors deem necessary or appropriate.
- The audit committee must review and approve COPL's hiring policies regarding partners, employees and former partners or employees of the present or former external auditor of COPL.