

PETRO-REEF RESOURCES LTD.

INFORMATION CIRCULAR
Accompanying Notice of Annual Meeting of Shareholders
to be held on
Wednesday June 18, 2003

SOLICITATION OF PROXIES BY MANAGEMENT

ANNUAL MEETING

The Information Circular is furnished in connection with the solicitation of proxies by the management of Petro -Reef Resources Ltd. ("the Corporation") for the use at the Annual Meeting of the Shareholders of the Corporation (the "Meeting") to be held in the Great Room No.1 at the Sandman Hotel Downtown Calgary, 888-7th Avenue SW Calgary, Alberta on Wednesday June 18, 2003 at 2:30 pm (Calgary time), or at any adjournment thereof, for the purposes set forth in the Notice of Meeting.

Unless otherwise specified, the information contained herein is given as of Friday May 09, 2003.

There is enclosed herewith a form of proxy for the use at the Meeting. Each holder of Common Shares of the Corporation who is entitled to attend and vote at the Meeting is urged to participate in the Meeting and vote on matters to be considered in person or by proxy.

APPOINTMENT OF PROXIES

Those shareholders desiring to be represented by proxy at the respective Meeting must deposit their forms of proxy at the head office of the Corporation at suite 2020, 800-5th Avenue SW Calgary, Alberta T2P 3T6 no later than 4:00pm (Calgary time) on the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting, or any adjournment thereof. A proxy must be executed by the holder of Common Shares or his attorney authorized in writing, or if the shareholder is a Corporation, under its seal or by an officer or attorney thereof duly authorized. A proxy is valid only at the Meeting in respect of which it is given or any adjournment of that Meeting.

Each Shareholder submitting a proxy has the right to appoint a person or Corporation, other than the persons designated in the form of proxy furnished by the Corporation to represent him, her or it at the Meeting. The shareholder may exercise this right by striking out the names of the persons so designated and inserting the name of the desired representative in the blank space provided, or by completing another proper form of proxy and in either case depositing the proxy at the place and within the time specified above for the deposit of proxies.

REVOCAION OF PROXIES

An instrument of proxy may be revoked by the person giving it, any time prior to the exercise thereof. **If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person.** In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or his attorney authorized in writing, or if the shareholder is a Corporation, under its seal or by an officer or attorney authorized in writing, and deposited either at the place for the delivery of proxies, at any time up to and including 4:00pm (Calgary time) on the last business day preceding the date of the Meeting, or any adjournment thereof, at which the proxy is to be issued, or with the chairman of such Meeting on the day of the Meeting, or adjournment thereof, and upon the occurrence of either of such events the proxy is revoked.

VOTING OF PROXIES

The shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with instructions of the shareholder. The persons appointed under the enclosed form of proxy are conferred with the discretionary authority to act in accordance with their best judgement with respect to amendments or variations of those matters specified in the proxy and Notice of the Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this Information Circular, the management of the Corporation know of no such amendment, variation, or other matter.

Unless otherwise specified, proxies in the accompanying form will be voted in favour of each of the resolutions set forth in the Notice of Meeting.

VOTING OF SHARES

Each holder of record of shares of the Corporation entitled to vote at the Meeting of the Corporation as at the close of business on Friday May 10, 2002 in respect of the Corporation Shareholder's Meeting will be entitled to notice of and to attend and vote at the Meeting, provided that to the extent that the Shareholder transfers the ownership of any of its shares subsequent to the applicable Record Date and the transferee of those shares establishes that it owns such shares and

demands, not later than ten (10) days before the Meeting, that his / her name be included on the list of shareholders entitled to vote at the Meeting, then such transferee will be entitled to vote those shares at that Meeting.

BENEFICIAL HOLDERS OF SHARES

EVERY SHAREHOLDER WHOSE SHARES ARE HELD IN A BROKER'S OR FINANCIAL ADVISOR'S ACCOUNT SHOULD READ THE FOLLOWING INSTRUCTIONS.

Only registered holders of Common Shares of the Corporation, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Common Shares of the Corporation beneficially owned by a holder (a "Non-Registered Holder") are registered either:

(a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the Common Shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIps, RESPs and similar plans; or

(b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant.

In accordance with the requirements of National Policy Statement No. 41 of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice of Meeting, this Information Circular and the form of Proxy (collectively, "meeting materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the meeting materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive the meeting materials will either:

1) be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is completed as to number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it in accordance with the accompanying instructions; or

2) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form (which may in some cases permit the completion of the voting instruction form by telephone).

The purpose of these procedures is to permit Non-Registered to direct the voting of the Common Shares they beneficially own.

The Non-Registered Holder will not be recognized as a registered shareholder and will therefore be unable to vote at the meeting in person. The Non-Registered Holder will, however, be able to direct his / her Intermediary to vote his / hershares.

Non-Registered Holders are urged to carefully read and follow all instructions received from the Intermediary. Voting instructions must be returned within the time limits described in the meeting materials.

PERSON MAKING THE SOLICITATION

This solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of both the proxy and this Information Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, telephone or telegraph by directors, officers, and employees of the Corporation who will not be directly compensated therefore.

QUORUM

A minimum of two shareholders personally present or represented by proxies, holding not less than at least 15% of the issued and outstanding Common Shares must be present at the Meeting to constitute a quorum at the Meeting.

COMMON SHARES AND PRINCIPLE HOLDERS THEREOF

At the close of business on Friday May 09, 2003 the record date for determining those holders of the Corporation's common shares entitled to vote at the Meeting, the Corporation had outstanding 17,688,937 common shares without nominal or par value. Each common share confers upon the holder thereof on a poll the right to one vote. The record date is the date for determination of holders of common shares who are entitled to notice of and to attend and vote at the Meeting. Any transferee or person acquiring common shares after such date may, on proof of ownership of common shares demand, not later than ten days before the Meeting that his name be included in the list of persons entitled to attend and vote at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, as of Friday May 09, 2003 no person beneficially owned, directly or indirectly, or exercised control or direction over common shares of the Corporation carrying more than 10% of the voting rights attached to all the common shares of the Corporation, other than Theodore M. Donhuysen, a director and officer of the Corporation, who holds directly and indirectly 3,104,536 common shares, and Joseph Werner, a director and officer of the Corporation who holds directly or indirectly 3,217,193 common shares.

ELECTION OF DIRECTORS

At the Meeting, it is proposed that six directors be elected until the next annual meeting or until their successors are elected or appointed. There are currently five directors of the Corporation. Pursuant to the Business Corporation Act (Alberta), the current directors will cease to hold office at the close of the Meeting, if the proposed directors are elected.

Unless otherwise specified, proxies in the accompanying form will be voted in favour of the six people named below (the "Nominees") to be elected by the common shareholders. However, if a vacancy occurs among such Nominees because of death or for any other reason, prior to the Meeting, proxies shall not be voted to fill such vacancy.

The following table sets forth, in respect of each Nominee, all positions currently held with the Corporation, present principle occupation or employment, material occupations and positions currently held and the approximate number of Common Shares of the Corporation beneficially owned directly or indirectly as of Friday May 10, 2002. The information contained herein is based upon information furnished by the respective Nominees to the Corporation.

Nominee	Year first became Director of the Corporation	Office or Position in the Corporation	Principle Occupation	Common Shares Beneficially owned Directly or Indirectly
Theodore M. Donhuysen (3)	1992	President, Chief Executive Officer & Director	President and Chief Executive Officer of the company since December 1992; prior thereto President of Hi-Lite Creations Ltd. a private Alberta Corporation, since January 1992; prior thereto Chief Executive Officer of Devnic Energy Ltd. a public Alberta Corporation since August 1987, prior thereto President of Devnic Resources Ltd. a private Alberta Corporation since December 1982; prior thereto Geological Consultant.	3,104,536
Robert N. Maertens-Poole (1)	1994	Director	Owner & President of Robert N. Maertens-Poole Professional Corporation, Chartered Accountant	275,000
John Lagadin (1)	1997	Director	President & Director of several private companies. Director of Dynamic Oil & Gas, Inc. Formally Director of Cabre Exploration Ltd. & Alliance Pipeline Ltd.	468,272
Alan P. Hallman (2)	2001	Director	President of Hallman and Associates Inc. since December 1997; prior thereto Executive Director, Alberta Growth Summit, office of the Premier, Calgary, Alberta since October 1996; prior thereto Director of Research, Office of the Government Leader, Whitehorse, Yukon Territory since May 1995; prior thereto Director of Community Relations, Office of the Premier Calgary, Alberta since January 1993.	15,000
Dennis K. Ulrich	-	-	President and co-owner of Pakowki Ranching Co. Ltd. since 1979; President and co-owner of D & K Mobile Welding Ltd. since 1985.	400,143

NOTES:

(1) The Board of Directors has a Compensation Committee and is required, pursuant to the Business Corporations Act (Alberta), to have an Audit Committee. Joseph Werner, Robert N. Maertens-Poole and John Lagadin comprise the Audit Committee of the Corporation.

(2) All of the proposed directors have been directors of the Corporation, continuously, since the date they were first elected.

(3) Theodore M. Donhuysen owns or controls, directly or indirectly, greater than 10% of the issued common shares. Northfork Energy Inc. of which Mr. Donhuysen and his wife are 50% of the shareholders holds 397,412 common shares.

(4) Joseph Werner owns or controls, directly or indirectly, greater than 10% of the issued common shares. Orphan Holdings Inc. of which Mr. Werner and his wife are all the shareholders holds 1,317,412 common shares.

APPOINTMENT OF AUDITORS

It is proposed that PricewaterhouseCoopers, Chartered Accountants, be appointed as the auditors of the Corporation to hold office until the next annual meeting of shareholders of the Corporation. If appointed, the Directors will be authorized to fix the remuneration of the auditors.

In accordance with and subject to the Policies and requirements of the Toronto Venture Exchange.

AND RESOLVED THAT and officer or director of the Corporation is hereby authorized to execute and deliver any documents, instruments or other writings and to do all acts and things as may be necessary or desirable to give effect to the foregoing resolution.”

OTHER MATERS TO BE ACTED ON:

Adoption of Incentive Stock Option Plan

Management seeks shareholder approval for the adoption of a formal stock option plan (the Stock Option Plan) in accordance with and subject to the rules and policies of the TSX Venture Exchange (the Exchange). The Exchange recently amended its policy respecting the granting of stock options to require that all companies listed on the Exchange adopt a stock option plan containing certain specific terms. In addition, the Alberta Securities Commission has recently issued a Blanket Order which permits the Corporation to issue options to certain entities controlled by persons entitled to hold options granted by the Corporation or of which those persons are the sole beneficiaries, such as RRSPs. The Stock Option Plan is being established to replace the existing plan (the Old Plan) and to provide incentive to employees, directors, officers, management companies and consultants who provide services to the Corporation. The intention of management in proposing the Stock Option Plan is to conform to the new rules. A copy of the Stock Option Plan is attached to this Information Circular as Exhibit A. The final form of the Stock Option Plan is subject to such alterations, amendments, changes and modifications as may be required by the Exchange.

The Stock Option Plan will be a rolling stock option plan reserving a maximum of 10% of the issued shares of the Corporation at the time of the stock option grant, with no vesting provisions. The Old Plan is based on this approach, but was not used since March 1, 2000 because it did not conform to changes made to the rules of the Canadian Venture Exchange at that time. Since March 1, 2000, the Corporation granted options on an individual basis in accordance with the policies of the Exchange, rather than under the Old Plan. As of the date hereof the Corporation has issued and outstanding a total of 17,688,937 Common Shares and has a total of 610,000 common shares are reserved for issuance pursuant to the exercise of outstanding stock options, while the grant of an additional 700,000 options is pending the approval of the Stock Option Plan. Therefore, if the Stock Option Plan were approved and adopted, the total number of shares reserved for issuance pursuant to the granting of stock options both under the Stock Option Plan and prior to the adoption of the Stock Option Plan would be approximately 7% of outstanding share capital. Any new options will be granted under the Stock Option Plan. The Corporation is presently classified as a Tier 2 Corporation by the Exchange.

It is intended to vote the proxies hereby solicited, unless otherwise directed therein by the shareholder, in favor of the approval of the Stock Option Plan.

The full text of the proposed ordinary resolutions are as follows:

BE IT RESOLVED, as ordinary resolutions, that:

1. the Stock Option Plan, approved by the Board of Directors of the Corporation on May 9, 2003, and attached as Exhibit A to the Information Circular of the Corporation dated April 30, 2003, is hereby ratified and approved, subject to such additions, deletions, alterations and changes thereto, may approved or required by the TSX Venture Exchange.
2. the Directors of the Corporation are hereby authorized to reserve up to 10% of the number of outstanding common shares in connection with grants of options pursuant to the Stock Option Plan.

3. Any director or officer of the Corporation is hereby authorized to take all steps and proceedings necessary or desirable to implement and give effect to the foregoing, including without restricting the generality of the foregoing, preparing, distributing and delivering all documents and other instruments relating thereto, with full power and authority to execute, amend, modify and change all such documents as he may approve, such approval to be evidenced by his signature thereon.

Disinterested Shareholder Approval

The Exchange, requires that listed companies obtain the approval of their shareholders for any implementation or amendment to stock option plans. Under those rules, a Corporation having shares which are listed on the Exchange must obtain "disinterested shareholder approval" in respect of stock options where: (a) a stock option plan, together with all of the Corporations other previously established or proposed stock option grants could result at any time in: (i) the number of shares reserved for issuance pursuant to stock options granted to Insiders exceeding 10% of the outstanding issued shares; (ii) the issuance to Insiders, within a one year period of a number of shares exceeding 10% of the outstanding issued shares; or (iii) the issuance to any one Insider and such Insiders associates, within a one year period of a number of shares exceeding 5% of the outstanding issue (the ability to grant in excess of 5% per year to Insiders is restricted to Tier 1 companies); or (b) the Corporation is decreasing the exercise price of stock options previously granted to Insiders.

Where (a) or (b) applies, the share compensation arrangement must be approved by a majority of the votes cast at the shareholders meeting other than votes attaching to securities beneficially owned by: (a) Insiders to whom shares may be issued pursuant to the stock option plan; and (b) associates of persons referred to in (a).

Non-voting and subordinate voting shares are to be given full voting rights in these circumstances. There are no non-voting or subordinate voting shares issued by the Corporation. The term "Insider" is defined in the *Securities Act* (Alberta) and generally includes (i) directors and senior officers of the Corporation, (ii) directors or senior officers of a Corporation that is an Insider or subsidiary of the Corporation, and (iii) holders of greater than 10% of the voting securities of the Corporation.

The Corporations Insiders will participate in the Corporations new Stock Option Plan and will in all likelihood acquire the majority of shares allocated under the Stock Option Plan. Accordingly, if required by the Exchange, disinterested shareholder may be a condition for the approval for the new Stock Option Plan and/or the approval of the grant of options to the employees, officers and directors.

Other than the foregoing, the Board of Directors of the Corporation knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.

EXECUTIVE COMPENSATION

DEFINED TERMS

In this section, the following expressions have the following meanings:

“executive officer” means an individual who was, at any time during the last financial year:

- (a) the chair of the Corporation, if that individual performed the function of the office on a full-time basis,
- (b) the vice-chair of the Corporation, if that individual performed the function of the office on full-time basis,
- (c) the president of the Corporation
- (d) a vice president of the Corporation in charge of a principle business unit, division or function such as sales, finance or production, or

(e) an officer of the Corporation or any of its subsidiaries or any other person who performed a policy-making function in respect of the Corporation.

CASH

There are two executive officers of the Corporation. They received gross cash compensation from the Corporation for services rendered during the fiscal year ended December 31, 2002 for a total of \$.

DIRECTORS COMPENSATION

During the fiscal year ended December 31, 2002, no director was entitled to any compensation in respect of his acting as a Director.

TERMINATION OF EMPLOYMENT ON CHANGE OF CONTROL

The Corporation has no plan or arrangement in respect of compensation received or that may be received by executive officers in the event of the termination of their employment or a change in their responsibilities following a change of control of the Corporation.

OTHER COMPENSATION

Other compensation not disclosed herein does not exceed the lesser of \$10,000 in the aggregate for all executive officers or 10% of the compensation described above during the fiscal year ended December 31, 2002.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

No director, executive officer or senior officer of the Corporation, or proposed nominee for election as a director of the Corporation, or their respective associates, was as at Friday May 09, 2003 or was during the fiscal year ended December 31, 2001, indebted to the Corporation.

DIRECTOR APPROVAL

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

CERTIFICATES

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

BY ORDER OF THE BOARD OF DIRECTORS OF PETRO-REEF RESOURCES LTD.

“Theodore M. Donhuysen”
Theodore M. Donhuysen
Chief Executive Officer
Calgary, Alberta

“Joseph Werner”
Joseph Werner
Chief Financial Officer
Calgary, Alberta

INCENTIVE STOCK OPTION PLAN
(Dated: May 9, 2003)

OF
PETRO-REEF RESOURCES LTD.

Baker & McKenzie
Suite 2600
255 - Fifth Avenue S.W.
Calgary, Alberta
T2P 3G6

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INCENTIVE STOCK OPTION PLAN

Petro-Reef Resources Ltd.

1. INTERPRETATION

In this Plan (including this Section), unless there is something in the subject or context inconsistent therewith, words importing the singular number shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and the expressions following shall have the following meanings, respectively:

- 1.1 “**Applicable Securities Rules**” means the securities act, regulations, policies, rules, instruments, orders and notices to which this Plan and the issue of securities hereunder are subject.
- 1.2 “**Affiliate**” a Corporate Entity is an affiliate of another Corporate Entity if:
 - 1.2.1 one of them is the subsidiary of the other, or
 - 1.2.2 each of them is controlled by the same Person.
- 1.3 “**Associate**” has the meaning ascribed to that expression in the Securities Act (Alberta).
- 1.4 “**Board**” means the Board of Directors of the Corporation.
- 1.5 “**Change of Control**” means:
 - 1.5.1 the acquisition by any person or company, or any persons or companies which, together with all other voting securities of the Corporation, acting jointly or in concert (as determined in accordance with the *Securities Act (Alberta)*), whether directly or indirectly, of voting securities of the Corporation which constitute, in the aggregate, more than **25%** of all outstanding voting securities of the Corporation;
 - 1.5.2 an amalgamation, arrangement or other form of business combination of the Corporation with another corporation which results in the holders of voting securities of that other company holding, in the aggregate, 25% or more of all outstanding voting securities of the Corporation (including a merged or successor corporation) resulting from the business combination; or
 - 1.5.3 the sale, lease or exchange of all or substantially all of the property of the Corporation, other than in the ordinary course of business of the Corporation or to a Subsidiary, to another person or company.

- 1.6 “**Chief Executive Officer or CEO**” for the purposes of the Plan means:
- 1.6.1 the individual from time to time designated as the Chief Executive Officer of the Corporation, either by the Board or under By-Laws of the Corporation; or
 - 1.6.2 if no such designation is made, the individual from time to time designated by the Board to perform the duties of the CEO under Section 3 hereof; or
 - 1.6.3 if no such designation is made, the President of the Corporation.
- 1.7 “**Common Share**” means a voting common share in the capital stock of the Corporation as constituted at from time to time.
- 1.8 “**Committee**” means a committee of Directors duly appointed by the Board and authorized to exercise such powers as herein described.
- 1.9 “**Consultant**” means in relation to the Corporation, an individual or Consultant Company, other than an Employee or a Director of the Corporation, that:
- 1.9.1 is engaged to provide on a ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation, other than services provided in relation to a Distribution;
 - 1.9.2 provides the services under a written contract between the Corporation or the Affiliate and the individual or the Consultant Company;
 - 1.9.3 in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate of the Corporation; and
 - 1.9.4 has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation.
- 1.10 “**Consultant Company**” means for an individual consultant, a corporation or partnership of which the individual is an employee, shareholder or partner.
- 1.11 “**Control**” other than for the purposes of the expression “Change of Control”, means, in the case of:
- 1.11.1 a Corporate Entity that has directors, the ownership by a Person, or right to direct the voting by a Person, of shares or other securities carrying more than 50 percent of the votes required for the election of directors, or entitling such Person to elect a majority of the directors of the corporation or body corporate;

- 1.11.2 a Corporate Entity, other than a limited partnership, that does not have directors, contractual rights vested in a Person or the ownership by a Person of sufficient interests in such entity to direct management of the entity; or
- 1.11.3 a limited partnership, the Person who “controls” the general partner.
- 1.12 “**Corporate Entity**” means unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, unincorporated association or other entity other than an individual.
- 1.13 “**Corporation**” means Petro-Reef Resources Ltd. and any successor or continuing corporation resulting from any form of corporate reorganization.
- 1.14 “**Early Termination Date**” means the date that an Option terminates prior to the Normal Expiration Date pursuant to subsection 9.7.
- 1.15 “**Eligible Person**” means a Person who is:
 - 1.15.1 an Employee of the Corporation;
 - 1.15.2 a director or officer of the Corporation or any of its Subsidiaries;
 - 1.15.3 a Consultant;
 - 1.15.4 a Consultant Company;
 - 1.15.5 a Management Company Employee;
 - 1.15.6 an Investor Relations Person; or
 - 1.15.7 an Other Eligible Recipient.
- 1.16 “**Employee**” means:
 - 1.16.1 an individual who is considered an employee of the Corporation or any Subsidiary under *the Income Tax Act (Canada)* (i.e. for whom income tax, employment insurance and CPP deductions must be made at source);
 - 1.16.2 an individual who works full-time for the Corporation or any Subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or Subsidiary, as the case may be, over the details and methods of work as an employee of the Corporation or Subsidiary, as the case may be, but for whom income tax deductions are not made at source; or

- 1.16.3 an individual who works for the Corporation or any Subsidiary on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or Subsidiary, as the case may be, over the details and methods of work as an employee of the Corporation or Subsidiary, as the case may be, but for whom income tax deductions are not made at source.
- 1.17 “**Exchange**” means the TSX Venture Exchange.
- 1.18 “**Exchange Policies**” means the Policies, Guidelines, notices and rules of the Exchange and the decisions of the staff of the Exchange in connection therewith, in effect at the time in question.
- 1.19 “**Expiry Date**” means the Normal Expiration Date or the Early Termination Date, as the case may be.
- 1.20 “**Grant Date**” means the date on which an Option is granted as set out in the Option Agreement relating to that Option.
- 1.21 “**Insider**” means:
- 1.21.1 an insider as defined in the *Securities Act (Alberta)*, other than a person who falls within that definition solely by virtue of being a director or senior officer of a Subsidiary; and
- 1.21.2 an associate, as defined in the *Securities Act (Alberta)*, of any person who is an insider by virtue of 1.21.1 above;
- 1.22 “**Investor Relations Activities**” means any activities, by or on behalf of the Corporation or Shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:
- 1.22.1 the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation
- (a) to promote the sale of products or services of the Corporation, or
- (b) to raise public awareness of the Corporation, that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;
- 1.22.2 activities or communications necessary to comply with the requirements of:
- (a) applicable Securities Laws,

- (b) Exchange Requirements or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Corporation;
- 1.22.3 communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if
 - (a) the communication is only through the newspaper, magazine or publication, and
 - (b) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or
- 1.22.4 activities or communications that may be otherwise specified by the Exchange.
- 1.23 “**Investor Relations Person**” means a Person who carries out Investor Relations Activities.
- 1.24 “**Holding Entity**” means a Person that is controlled by and Eligible Person who is:
 - 1.24.1 an Employee of the Corporation,
 - 1.24.2 a director or officer of the Corporation or any of its Subsidiaries, or
 - 1.24.3 an Investor Relations Person.
- 1.25 “**Management Company Employee**” means an individual employed by a Person providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a Person engaged in Investor Relations Activities.
- 1.26 “**Market Price**” means the market price of the Common Shares as determined in accordance with the Exchange Policies (including any discounts if permitted and authorized by the Board).
- 1.27 “**Maximum Reserved Shares**” means that number of Common Shares which may be issued under this Plan and any other Share Compensation Arrangement from time to time, in accordance with Section 4.
- 1.28 “**Named Optionee**” means:
 - 1.28.1 a Consultant Company;
 - 1.28.2 an Other Eligible Recipient;
 - 1.28.3 a Holding Entity; or

1.28.4 a Tax Trust.

- 1.29 “**Normal Expiration Date**” means, in respect of any Option, the date determined by the Board on which the Option would normally terminate (except as otherwise provided in subsection 9.7 hereof), which date shall in no event be later than 10 years after the Option Date.
- 1.30 “**Notice of Exercise**” means a written notice from an Optionee to the Corporation, giving notice of the exercise of an Option previously granted to the Optionee, in the form prescribed by the Board, if any.
- 1.31 “**Option**” means an option to purchase Common Shares pursuant to the Plan which has not been exercised, expired or otherwise terminated.
- 1.32 “**Option Agreement**” means an agreement entered into between the Corporation and an Eligible Person pursuant to which an Option is granted to an Eligible Person which agreement shall contain such provisions not inconsistent with the Plan as the Board or the Committee may determine.
- 1.33 “**Option Date**” means the date on which an Option is granted as set out in the Option Agreement relating to that Option;
- 1.34 “**Option Shares**” means the Common Shares which a Eligible Person is entitled to purchase under an Option Agreement.
- 1.35 “**Optionee**” means an Eligible Person who has entered into an Option Agreement with the Corporation.
- 1.36 “**Other Eligible Recipient**” means any Person permitted to receive a grant of an Option under Applicable Securities Rules and Exchange Policies.
- 1.37 “**Other Purchase Rights**” means any Share Compensation Arrangement, other than Options granted pursuant to this Plan.
- 1.38 “**Outstanding Issue**” means, at a specific time, the number of shares of the applicable class outstanding on a non-diluted basis, and as otherwise determined pursuant to the rules and policies of the Exchange.
- 1.39 “**Person**” means any individual, corporation, body corporate, partnership, joint venture, association, group, trust, or other legal entity and includes any duly constituted government and any minister, department, commission, board, bureau, agency, authority, instrumentality or court and the like of any such government.

- 1.40 “**Plan**” means this Incentive Stock Option Plan of the Corporation.
- 1.41 “**Purchase Price**” means the purchase price of Common Shares under an Option Agreement determined as provided in subsection 9.4 hereof.
- 1.42 “**Qualifying Person**” means:
- 1.42.1 in the case of an Eligible Person to whom an Option is granted, a Person who is:
- (a) Employee of the Corporation,
 - (b) a director or officer of the Corporation or any of its Subsidiaries, or
 - (c) an Investor Relations Person; and
- 1.42.2 in the case of an Option granted to a Named Optionee, the Eligible Person who has designated the Named Optionee to hold an Option for that Eligible Person.
- 1.43 “**Share Compensation Arrangement**” means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of shares to one or more Eligible Persons, whether granted prior to or after the date of the Plan, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guaranty or otherwise.
- 1.44 “**Shareholder Approval**” means such approvals of the holders of the voting, non-voting or restricted voting shares as required by the Exchange.
- 1.45 “**Subsidiary**” a Corporate Entity (the “First Corporation”) is a subsidiary of another Corporate Entity (the “Second Corporation”) if:
- 1.45.1 the First Corporation is controlled by:
- (a) the Second Corporation, or
 - (b) the Second Corporation and one or more other Corporate Entities, each of which is controlled by the Second Corporation, or
 - (c) two or more Corporate Entities, each of which is controlled by the Second Corporation, or
- 1.45.2 it is a subsidiary of a Corporate Entity that is that Second Corporation’s subsidiary.
- 1.46 “**Tax Trust**” means a Person which is created under the *Income Tax Act* (Canada), such as a Registered Retirement Savings Plan, or Registered Retirement Income Fund (and such

other Persons as are permitted under Applicable Securities Laws and the Exchange Policies) of which an Eligible Person, who is a:

- (a) an Employee of the Corporation, or
- (b) a director or officer of the Corporation or any of its Subsidiaries,

is the sole beneficiary.

1.47 “**Trading Day**” means:

1.47.1 with respect to the Exchange, a day and on which the Common Shares the Common Shares were traded through the facilities of the Exchange, or

1.47.2 with respect to an over-the-counter market, a day on which Common Shares were traded through the facilities of that market,

as the case may be.

2. PURPOSE OF THE PLAN

The purpose of the Plan is to encourage common share ownership in the Corporation and to provide an incentive to Persons qualifying as Eligible Persons who are primarily responsible for the management and profitable growth of the Corporation and to achieve the long term objectives of the Corporation and to attract and retain persons of experience and ability.

3. ADMINISTRATION, ELIGIBLE PERSONS AND ALLOTMENTS

The Plan shall be administered by the Board. In carrying out its duties hereunder, the following shall apply.

3.1 The Board may at any time or from time to time delegate to the Committee the responsibility for administering the Plan or elements thereof, other than the responsibility for making the final determination as to grants under the Plan.

3.2 The Board shall have full authority to interpret the Plan, and any decision of the Board regarding the administration of the Plan shall be binding and conclusive on the Corporation and all other persons. The Board’s guidelines, rules and regulations regarding the Plan shall be conclusive and binding on the Corporation and all other persons.

3.3 The Board shall receive the recommendations of the Committee, if then appointed, (including the recommendations of the CEO pursuant to subsection 3.9 hereof), and shall determine from time to time those Eligible Persons to whom Options should be granted, the Expiry Date, the vesting schedule for such Options, the number of Common Shares which should be optioned from time

to time to any Eligible Person and such other terms and conditions of the Option Agreement, not inconsistent with the Plan and the rules of the Exchange, as the Board in its discretion may determine.

- 3.4 The Board or the Committee may prescribe rules and regulations relating to the Plan and may approve the form and content and prescribe the use of such forms of applications, directions, powers of attorney, and other documents or instruments, either generally or in specific cases, as may be deemed necessary or advisable, for the grant or issuance of Options under the Plan and for the proper administration and operation of the Plan.
- 3.5 The Board or the Committee shall review the Plan from time to time with a view to making revisions to it, granting additional Options and, in the case of the Committee, making appropriate recommendations to the Board.
- 3.6 An Option granted by the Board to an Eligible Person pursuant to the Plan is subject to, and shall be of no force and effect until the execution and delivery of an Option Agreement by both the Corporation and such Eligible Person.
- 3.7 Options may be exercised in whole or in part by an Optionee on such date or dates as are determined by the Board and set out in the Option Agreement.
- 3.8 The Board may determine at any time and from time to time after the Grant Date that a particular Option will be exercisable in whole or in part on earlier dates for any reason, including the occurrence of a proposal by the Corporation or any other person or company to implement a transaction that would, if implemented, result in a Change of Control.
- 3.9 Subject to the limitations of the Plan and the other determinations of the Board, the CEO, with input solicited from management, will:
 - 3.9.1 recommend to the Board or the Committee, as directed by the Board:
 - (a) which Eligible Persons (other than directors and officers of the Corporation and of its subsidiaries) are to be granted Options and award such Options to those Eligible Persons;
 - (b) the number of Options to be granted to an Eligible Person (other than directors and officers of the Corporation and of its subsidiaries) within the parameters established by the Board from time to time, and based upon an assessment of each Eligible Person's past and expected future performance and his/her contribution and expected future contribution to increase shareholder value;

- (c) the Grant Date of such Options; and
- 3.9.2 be authorized to sign all Option Agreements, provided that those for directors and officers have been approved by the Board or the Committee, except for any Option Agreement with the CEO which shall be signed by an authorized member of the Board.
- 3.10 The Corporation shall be responsible for all costs of administration of the Plan, including the fees, if any, of any trustee, and the fees of all advisors or consultants retained by such persons to assist them in the performance of their respective duties.
- 3.11 The implementation, interpretation, and, from time to time, the operation and administration of the Plan is subject to:
 - 3.11.1 receipt by the Corporation of all necessary approvals, advance rulings, exemptions or registrations required or deemed advisable under applicable law or regulation including without limiting the generality of the foregoing, all necessary approvals or registrations required by any and all stock exchanges upon which the Common Shares are listed, and compliance with Section 21 hereof; and
 - 3.11.2 filings by or on behalf of Optionees pursuant to applicable law or regulation.

4. MAXIMUM COMMON SHARES RESERVED

The maximum number of Common Shares which may be reserved for issuance for all purposes under the Plan shall be Ten Percent (10%) of the Outstanding Issue, from time to time, without Shareholder Approval, but otherwise in accordance with the Exchange Policies (the “Maximum Reserved Shares”).

5. RESERVATION OF COMMON SHARES

- 5.1 The Corporation shall, from time to time, reserve for issuance Common Shares for the purposes of granting Options to Eligible Persons pursuant to the Plan; provided, however, that in no event may the aggregate number of Common Shares so reserved for issuance by the Corporation pursuant to the Plan, at any time, exceed the maximum number of Common Shares permitted to be reserved pursuant to Section 4 hereof, at such time.
- 5.2 In no event may the number of Common Shares issued under this Plan exceed the total number of Common Shares then reserved by the Corporation for issuance hereunder.
- 5.3 Any Common Shares covered by any Option which are not purchased prior to the expiration or termination of such Option shall become part of the Common Shares reserved for issuance under the Plan but unallocated to any particular Option.

5.4 So long as any Options are outstanding under the Plan, but subject always to Section 4 hereof, the Board shall at all times reserve at least that number of unissued Common Shares that is sufficient to enable all of such Options to be exercised in accordance with their terms.

6. LIMITATION ON ALLOCATION OF COMMON SHARES RESERVED

Unless otherwise permitted herein and subject to the Exchange Policies, the maximum number of Common Shares which may be granted in Options out of the Maximum Reserved Shares to:

- 6.1.1 any one Eligible Person, other than an Investor Relations Person or Consultant, during a rolling 12 month period, pursuant to the Plan and all Other Purchase Rights, shall not exceed five percent (5%) of the Outstanding Issue at the time of grant;
- 6.1.2 any one Investor Relations Person, during a rolling 12 month period, pursuant to the Plan and all Other Purchase Rights, shall not exceed two percent (2%) of the Outstanding Issue at the time of grant;
- 6.1.3 any one Consultant, during a rolling 12 month period, pursuant to the Plan and all Other Purchase Rights, shall not exceed two percent (2%) of the Outstanding Issue at the time of grant;
- 6.1.4 all Insiders, at anytime pursuant to the Plan and all Other Purchase Rights, shall not exceed ten (10%) of the Outstanding Issue at the time of the grant;
- 6.1.5 all Insiders, during a rolling 12 month period, pursuant to the Plan and all Other Purchase Rights, shall not exceed ten percent (10%) of the Outstanding Issue at the time of grant; and
- 6.1.6 any one Insider (including such Insider's Associates), a rolling 12 month period, pursuant to the Plan and all Other Purchase Rights, shall not exceed five percent (5%) of the Outstanding Issue at the time of grant.

7. ALLOCATIONS IN EXCESS OF AMOUNTS SET OUT IN SECTION 6

An Option which exceeds the maximum number of Common Shares permitted by Section 6, shall not be void, but shall not be exercisable unless the grant and the exercise of the Option is otherwise permitted by the Exchange.

8. PARTICIPATION VOLUNTARY

Participation in the Plan by an Eligible Person is entirely voluntary and will not affect the Eligible Person's relationship with the Corporation as an Eligible Person. The Plan and any Options granted thereunder shall not of itself give any Eligible Person the right to continue in that relationship with the Corporation.

9. CERTAIN TERMS OF OPTION AGREEMENTS

The Option Agreements shall (or may, if so indicated) contain provisions providing for the following terms with respect to the exercise of Options under the Plan:

- 9.1 The Board may in respect of any Option specify a number or percentage of Common Shares that the Eligible Person may exercise in any specified period, year or number of years.
- 9.2 Options shall be exercisable within the period fixed by the Board from time to time, which period in respect of each Option Right granted, shall in no event exceed 5 years following the Option Date.
- 9.3 Options may be exercised in whole or in part by an Optionee on such date or dates as are determined by the Board and set out in the Option Agreement.
- 9.4 The Purchase Price shall be the price per Common Share fixed by the Board (with no discount) on the Option Date.
- 9.5 The Purchase Price of Common Shares as to which an Option shall be exercised shall be paid in full in Canadian funds by cheque or bank draft payable to or to the order of the Corporation at the time of exercise.
- 9.6 Each Option shall terminate on its Normal Expiration Date but subject always to the provisions of subsection 9.7.
- 9.7 If subsequent to the Option Date and before the Normal Expiration Date the Optionee ceases to be an Eligible Person, or in the case of a Named Optionee, the Designating Eligible Person ceases to be an Eligible Person:
 - 9.7.1 by reason of death or permanent disability of the Qualifying Person, such Optionee's Option may be exercised during the period of one year after such date of death or date that the Qualifying Person, ceased to be an Eligible Person by reason of permanent disability (but only as to such Common Shares in respect of which the Option would have been exercisable under the Option Agreement on such date of death, or date that the qualifying Person, ceased to be an Eligible Person by reason of permanent disability, if the Qualifying Person had not ceased to be an Eligible Person as aforesaid); provided that in the event that the date of death or the date that the Qualifying Person ceased to be an Eligible Person by reason of permanent disability occurs less than twelve months prior to the Normal Expiration Date then the Option may be exercised (but only as to such Common Shares in respect of which the Option would have been exercisable under the provisions of the appropriate Option Agreement on such date of death, or date that the Qualifying Person ceased to be an Eligible Person by reason of permanent disability, if the Qualifying Person had not ceased to be an Eligible Person as aforesaid) within the period of twelve months after such date of death or date that the Qualifying Person ceased to be an Eligible Person by reason of permanent

disability notwithstanding such period of twelve months will extend beyond the Normal Expiration Date; provided that, notwithstanding anything provided for in this paragraph 9.7.1, no Option may be exercised after the fifth anniversary of the Option Date of such Option; in this Plan “**permanent disability**” means the illness or physical or mental disability of an Qualifying Person which in the opinion of appropriate professional advisors will, for the foreseeable future, prevent the Qualifying Person from carrying on as an Eligible Person;

- 9.7.2 by reason of the Qualifying Person being dismissed from his or her office or employment for cause, including where a Qualifying Person resigns his office or employment after being requested to do so by the Corporation as an alternative to being dismissed or terminated by the Corporation for cause, all Options held by the Optionee shall terminate immediately;
- 9.7.3 in the case of the Qualifying Person resigning his or her office or employment (except where such resignation is requested by the Corporation pursuant to subsection 9.7.2) or he or she is dismissed without cause, the portion of the Option that is exercisable on the date the Qualifying Person ceased to be an Eligible Person up to a date not later than ninety (90) days (or such longer period as the Committee in its discretion may determine and subject to the Exchange Policies) after the sooner of the date the Qualifying Person ceased to be an Eligible Person or up to the Normal Expiration Date, whichever date shall first occur; and
- 9.7.4 for any reason (other than death, permanent disability, termination or resignation for cause), or on retirement of the Qualifying Person, such Optionee’s Option may be exercised (but only as to such Common Shares in respect of which the Option would have been exercisable under the provisions of the Option Agreement on the date on which such Qualifying Person ceased to be an Eligible Person) up to a date not later than ninety (90) days (or such longer period as the Committee in its discretion may determine and subject to the Exchange Policies) after the the sooner of the date the Qualifying Person ceased to be an Eligible Person or up to the Normal Expiration Date, whichever date shall first occur;
- 9.7.5 by reason of the agreement under which the Corporation engaged the services of an Eligible Person (other than a Qualifying Person) being terminated for cause, including where the Eligible Persons agrees to such termination after being requested to do so by the Corporation as an alternative to being terminated by the Corporation for cause, all Options held by the Optionee shall terminate immediately;
- 9.7.6 by reason of the agreement under which the Corporation engaged the services of an Eligible Person (other than a Qualifying Person) terminating in accordance with its terms or being terminated without cause, such Optionee’s Option may be exercised (but only as to such Common Shares in respect of which the Option would have been exercisable under the provisions of the Option Agreement on such date of termination) up to a date not later than thirty (30) days (or such longer period as the Committee in its discretion may determine and subject to the Exchange Policies) after the the sooner of the date the Person ceased to be an Eligible Person or up to the Normal Expiration Date, whichever date shall first occur.

- 9.8 With respect to paragraph 9.7.1 the rights under the Option exercisable after the death of the Qualifying Person, as therein specified, may be exercised by the person or persons to whom the Optionee's rights under the Option Agreement shall pass by will or applicable law or, if no such person has such right, by the deceased Optionee's executors or administrators.
- 9.9 An Optionee shall have no rights whatsoever as a shareholder in respect of any of the Option Shares (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of Option Shares in respect of which the Optionee shall have exercised his Option to purchaser thereunder and which the Optionee shall have actually taken up and paid for.
- 9.10 Each Option Agreement with Employees, Consultants or Management Company Employees shall contain a representation that the Optionee is a *bona fide* Employee, Consultant or Management Company Employee, as the case may be.

10. DELIVERY OF OPTION AGREEMENTS

Upon the grant of an Option, the Corporation will deliver to the Optionee an Option Agreement dated the Grant Date, containing the terms of the Option and executed by the Corporation, and upon delivery to the Corporation of the Option Agreement executed by the Optionee such Optionee will be a participant in the Plan and have the right to purchase the Option Shares on the terms set out in the Option Agreement and in the Plan.

11. ANTI-DILUTION PROVISIONS

The number of Common Shares delivered to an Optionee upon exercise of an Option will be adjusted in the following events and manner, subject to the right of the Board to make such other or additional adjustments as are appropriate in the circumstances.

11.1 Upon:

- 11.1.1 a subdivision of the Common Shares into a greater number of Common Shares,
- 11.1.2 a consolidation of the Common Shares into a lesser number of Common Shares or
- 11.1.3 the issue of a stock dividend (out of the ordinary course) to holders of the Common Shares,

the Corporation will deliver upon exercise of an Option, in addition to or in lieu of the number of Optioned Shares in respect of which the right to purchase is being exercised and without the Optionee making any additional payment, such greater or lesser number of Common Shares as result from the subdivision, consolidation or stock dividend.

11.2 Upon distribution by the Corporation to holders of the Common Shares of:

11.2.1 shares of any class (whether of the Corporation or another corporation) other than Common Shares,

11.2.2 rights, options or warrants,

11.2.3 evidences of indebtedness or

11.2.4 cash (other than dividends in the ordinary course), securities or other property or assets,

the Corporation will deliver upon exercise of an Option, in addition to the number of Optioned Shares in respect of which the right to purchase is being exercised and without the Optionee making any additional payment, such other securities, evidence or indebtedness or assets as result from such distribution.

11.3 Upon a capital reorganization, reclassification or change of the Common Shares, amalgamation, arrangement or other form of business combination of the Corporation with another corporation or a sale, lease or exchange of all or substantially all of the property of the Corporation, the Corporation will deliver upon exercise of an Option, in lieu of the Optioned Shares in respect of which the right to purchase is being exercised, the kind and amount of shares or other securities or property as result from such event.

11.4 An adjustment will take effect at the time of the event giving rise to the adjustment, and the adjustments provided for in this section are cumulative.

11.5 The Corporation will not be required to issue fractional Common Shares or other securities under the Plan and any fractional interest in a Common Share or other security that would otherwise be delivered upon the exercise of an Option will be cancelled.

11.6 The Board's determination of any adjustments required pursuant to this Section 4.8 shall be final and binding on all Optionees.

12. EXERCISE OF OPTIONS

12.1 An Optionee who is entitled to exercise an Option to acquire Common Shares may do so by delivering the following to the Corporation on or before the Expiry Date of the Option:

12.1.1 a completed Notice of Exercise; and

12.1.2 a cheque (which need not be a certified cheque) or, at the request of the Corporation, a bank draft payable to the Corporation for the aggregate Exercise Price for the Optioned Shares being acquired,

and otherwise comply with the terms, covenants, conditions and provisions of the Plan and the Option Agreement in respect of which the Option is being exercised.

12.2 If the Optionee is deceased, the Option may be exercised by the legal personal representatives of the Optionee who, in addition to delivering to the Corporation the Notice of Exercise and cheque or bank draft described above, must also deliver to the Corporation evidence of their status.

12.3 Not later than seven business days after receipt of the Notice of Exercise and payment in full for the Optioned Shares being exercised, the Corporation will direct its transfer agent to issue a certificate in the name of the Optionee (or, if deceased, his estate) for the number of Optioned Shares purchased by the Optionee (or his estate), which will be issued as fully paid and non-assessable Common Shares.

13. COMMON SHARES FULLY PAID AND NON-ASSESSABLE

13.1 All Common Shares issued upon the exercise of any Option shall be issued as fully paid and non-assessable Common Shares.

13.2 Not later than three business days after receipt of the Notice of Exercise and payment in full for the Optioned Shares being exercised, the Corporation will direct its transfer agent to issue a certificate in the name of the Optionee (or, if deceased, his estate) for the number of Option Shares purchased by the Optionee (or his estate).

14. CONDITIONS OF ISSUANCE OF SHARES

14.1 If at any time the Board shall determine, in its discretion that:

14.1.1 the registration or qualification of the Common Shares which are the subject of any Option Agreement upon, or the consent or approval of, any securities exchange or any stock exchange upon which the Common Shares are listed;

14.1.2 the registration or qualification under any laws of Canada or any Province thereof or of the United States or any state thereof or the consent or approval of any regulatory authority thereof;

14.1.3 evidence (in form and content satisfactory to the Board) of the investment intent of the Optionee; and/or

14.1.4 an undertaking of the Optionee as to the sale or disposition of such Common Shares purchased pursuant to an Option Agreement to the effect that such Common Shares so purchased will not be traded by the Optionee for a specified period of time

is necessary or desirable as a condition of the issuance of any Common Shares pursuant to any Option Agreement, then the issuance of any Common Shares shall not be made unless and until

such registration, qualification, consent, approval, evidence or undertaking shall have been effected or obtained free of any condition not acceptable to the Board.

14.2 Any trade by the Optionee in any Common Shares issued to the Optionee pursuant to the Plan and including any sale or disposition for valuable consideration, and any transfer, pledge or encumbrance of any Common Shares issued to an Optionee pursuant to the Plan shall be subject to such regulatory approvals as may be required at the time of such trade. Accordingly, the Corporation makes no representation as to the ability of any Optionee to trade in such Common Shares.

14.3 The Corporation cannot assure a profit or protect the Optionee against a loss on the Common Shares purchased under the Plan. The Corporation assumes no responsibility relating to any tax liability of the Optionee by reason of the exercise of any Option or any subsequent trade.

14.4 Nothing herein shall prevent the Board from adopting other or additional compensation arrangements, subject to required approvals.

15. NON EXCLUSIVITY

Nothing contained in this Plan will prevent the Board from adopting other or additional Other Purchase Rights, subject to obtaining any required regulatory or shareholder approvals.

16. NO RIGHTS AS A SHAREHOLDER

An Optionee will only have rights as a Shareholder of the Corporation with respect to those of the Optioned Shares that the Optionee has acquired through exercise of the Option in accordance with its terms.

17. NO ASSURANCE OF TENURE

Nothing in this Plan or in any Option Agreement will confer on any Optionee any right to remain as a director, officer or employee of the Corporation or any Subsidiary.

18. AMENDMENTS TO THE PLAN

The Board may amend, suspend or terminate the Plan at any time, provided that no such amendment, suspension or termination may:

- 18.1.1 be made without obtaining any required regulatory approvals and Shareholder Approval;
- 18.1.2 increase the maximum number of Common Shares that may be reserved for issuance pursuant to Options granted under the Plan without shareholder approval; or
- 18.1.3 alter or impair any Options previously granted to an Optionee without the consent or deemed consent of the Optionee.

19. AMENDMENTS TO OPTION AGREEMENTS

The Board may amend the terms of any outstanding Option (including, without limitation, the cancellation of an Option or an amendment to the date or dates on which an Option or a portion thereof vests and so becomes exercisable), provided that:

- 19.1.1 any required regulatory approvals and Shareholder Approval are obtained;
- 19.1.2 the Board would have had the authority to initially grant the Option under terms as so amended; and
- 19.1.3 the consent or deemed consent of the Optionee is obtained.

20. ACCOUNTS AND STATEMENTS

The Corporation shall maintain records indicating the number of Options granted to each Optionee and the number of Options exercised under the Plan. Upon written request from an Optionee, the Corporation shall furnish to that Optionee a statement indicating the number of Options held on his behalf.

21. COMPLIANCE WITH LEGISLATION

The Plan, the grant and exercise of Options hereunder and the Corporation's obligations to sell and deliver Common Shares upon the exercise of Options shall be subject to all applicable federal, provincial and foreign laws, rules and regulations, the rules, regulations and policies of any and all stock exchanges on which the Common Shares are listed for trading and to such approvals by any and all regulatory or governmental agencies as may, in the opinion of the Board, be required. The Corporation shall not be obligated by any provision of the Plan or the grant of any Option or the terms of any Option Agreement to issue or sell Common Shares in violation of such laws, rules, regulations and policies or any condition of such approvals. No Option shall be granted and no Common Shares issued or sold hereunder where such grant, issue or sale would require registration of the Plan or Common Shares under the securities laws of any foreign jurisdiction and any purported grant of any Option or issue or sale of Common Shares hereunder in violation of this provision shall be void. The Corporation shall have no obligation to issue any Common Shares pursuant to the Plan or any Option Agreement unless such Common Shares shall have been duly listed, upon official notice of issuance, with all stock exchanges on which the Common Shares are listed for trading.

22. WAIVER

No waiver by the Corporation of any term of this Plan or any breach thereof by an Optionee shall be effective or binding on the Corporation unless the same be expressed in writing and any waiver so expressed shall not limit or affect its rights with respect to any other or future breach.

23. NOTICES

The manner of giving notices to the Corporation or to an Optionee shall be specified in the Option Agreement with such Optionee.

24. GENERAL

- 24.1 Any Option Agreement entered into pursuant to the Plan shall be treated in all respects as an Alberta contact, subject to the laws of the Province of Alberta.
- 24.2 The Board may from time to time designate any officer or director or combination thereof to execute and deliver, under corporate seal or otherwise, all instruments and documents (including, without limitation, Option Agreements) and do all things necessary or desirable for carrying out the provisions of the Plan.
- 24.3 Nothing contained herein shall restrict or limit or be deemed to restrict or limit the rights or powers of the Board in connection with any allotment and issuance of shares in the capital stock of the Corporation which are not reserved for issuance hereunder.
- 24.4 The interest of any Optionee hereunder or under any Option Agreement shall not be transferable or alienable by the Optionee either by assignment or in any other manner whatsoever and, during his lifetime, shall be vested only in him, but shall, subject to the terms hereof and of the Option Agreement, enure to the benefit of and be binding upon the legal personal representatives of the Optionee.
- 24.5 Words denoting the singular number include the plural and vice versa and words denoting the masculine include the feminine.
- 24.6 In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.
- 24.7 This Plan sets out the entire agreement between the Corporation and the Optionee relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

DATED at Calgary, Alberta, May 9, 2003.