

PETRO-REEF RESOURCES LTD.

INFORMATION CIRCULAR

**Accompanying Notice of
Annual Meeting of Shareholders
To Be Held On
Wednesday, June 16, 2004**

TABLE OF CONTENTS

SOLICITATION OF PROXIES BY MANAGEMENT.....	2
ANNUAL MEETING.....	2
APPOINTMENT OF PROXIES.....	2
REVOCAION OF PROXIES.....	2
VOTING OF PROXIES.....	3
VOTING OF SHARES.....	3
BENEFICIAL HOLDERS OF SHARES.....	3
PERSONS MAKING THE SOLICITATION.....	4
QUORUM.....	4
COMMON SHARES AND PRINCIPAL HOLDERS THEREOF.....	4
FIXING THE NUMBER OF DIRECTORS.....	5
REQUIRED SHAREHOLDERS APPROVAL.....	5
FORM OF RESOLUTION.....	5
ELECTION OF DIRECTORS.....	5
APPOINTMENT OF AUDITORS.....	7
INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS.....	7
OTHER MATTERS TO BE ACTED UPON.....	8
EXECUTIVE COMPENSATION.....	8
SUMMARY COMPENSATION TABLE.....	8
EMPLOYEE STOCK OPTIONS.....	9
AMENDED AND RESTATED INCENTIVE STOCK OPTION PLAN.....	10
EMPLOYEE BONUS PLAN.....	10
EMPLOYMENT CONTRACTS.....	10
COMPOSITION OF THE COMPENSATION COMMITTEE.....	10
REPORT OF THE COMPENSATION COMMITTEE.....	10
COMPONENTS OF COMPENSATION.....	11
COMPENSATION OF THE CHIEF EXECUTIVE OFFICER.....	11
DIRECTORS' AND OFFICERS' LIABILITY INSURANCE.....	11
COMPENSATION OF DIRECTORS.....	11
INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS.....	12
STATEMENT OF CORPORATE GOVERNANCE PRINCIPLES.....	12
DIRECTORS' APPROVAL.....	12
CERTIFICATES.....	12

SOLICITATION OF PROXIES BY MANAGEMENT

ANNUAL MEETING

This Information Circular is furnished in connection with the solicitation of proxies by the management of Petro-Reef Resources Ltd. (the "Corporation") for use at the Annual Meeting of the Shareholders of the Corporation (the "Meeting") to be held in the Great Room Number 1 at the Sandman Hotel Downtown Calgary, 888 - 7th Avenue S.W., Calgary, Alberta, on Wednesday, June 16, 2004, at 2.30 p.m. (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 April 30, 2004. There is enclosed herewith a form of proxy for 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 to 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 meetings must deposit their forms of proxy at its head office at Suite 2020, 800 - 5th Avenue S.W., Calgary, Alberta T2P 3T6, or with CIBC Mellon Trust Company at its offices at P.O. Box 2517, Calgary, Alberta T2P 4P4 no later than 4:00 p.m. (Calgary time) on the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of such Meeting on the day of the Meeting or any adjournment thereof, prior to the use thereof at the meeting or adjourned meetings. 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.

REVOCACTION 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 4:00 p.m. on the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, 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 the instructions of the shareholder. The persons appointed under the enclosed form of proxy are conferred with 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 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 that Corporation as at the close of business on May 7, 2004 in respect of the Corporation Shareholders' 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 name be included in 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, RRIFs, 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 the 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 Holders 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/her shares.

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.

PERSONS MAKING THE SOLICITATION

The 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 the mails, proxies may be solicited by personal interviews, telephone or telegraph by directors, officers and employees of the Corporation who will not be directly compensated therefor.

QUORUM

A minimum of 2 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 PRINCIPAL HOLDERS THEREOF

As at the close of business on May 7, 2004, 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 the 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 10 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 at April 30, 2004, no person beneficially owned, directly or indirectly, or exercised control or direction over Common

Shares of the Corporation carrying more than 10 percent of the voting rights attached to all of the Common Shares of the Corporation, other than Mr. Theodore M. Donhuysen, a director and officer of the Corporation, who holds directly and indirectly 3,104,536 (17.55%) Common Shares, and Mr. Joseph Werner, a director and officer of the Corporation who holds directly and indirectly 3,317,193 (18.75%) Common Shares.

FIXING THE NUMBER OF DIRECTORS

The Articles of Incorporation provide that the Board of Directors shall consist of a minimum of three (3) and a maximum of fifteen (15) directors.

There are currently six (6) directors and it is proposed that eight (8) Directors be elected at this Meeting. This is necessary to permit the election of the additional nominees to the board.

REQUIRED SHAREHOLDERS APPROVAL

The number of directors may be fixed by an ordinary resolution of the shareholders. This resolution requires that a majority of the shareholders voting at the meeting vote in favour of the resolution.

FORM OF RESOLUTION

At the Meeting, the Disinterested Shareholders will be asked to consider, and if thought fit, approve the following:

BE IT RESOLVED as an ordinary resolution of the Shareholders of the Corporation that the number of directors which may be elected by Shareholders be fixed at eight (8).

ELECTION OF DIRECTORS

At the Meeting, it is proposed that eight (8) directors be elected until the next annual meeting or until their successors are elected or appointed. There are currently six (6) directors of the Corporation. Pursuant to the *Business Corporations 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 eight (8) people named below (the "Nominees") to be elected as directors by the common shareholders of the Corporation. 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 principal 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 May 7, 2004. The information contained herein is based upon information furnished by the respective Nominees to the Corporation. Nominee Year first became a Director of the Corporation

Nominee	Year first became a Director of the Corporation⁽⁵⁾	Office or Position in the Corporation	Principle Occupation	Common Shares Beneficially owned Directly or Indirectly
Gary W. Coleman ⁽⁹⁾	-	None	Owner and President of Coleman & Associates Psychotherapy Ltd., founded in April, 1984.	900,000
Theodore M. Donhuysen ⁽²⁾	1992	Vice-President, Exploration and Production, Chief Operating Officer and 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 ⁽⁶⁾
Alan P. Hallman ^{(1), (2)} ⁽⁴⁾	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
Robert N. Maertens-Poole ^{(3), (4), (5)}	1994	Chief Financial Officer and Director	Owner & President of Robert N. Maertens-Poole Professional Corporation, Chartered Accountants, founded in 1975.	297,000
Dennis K. Ulrich ⁽¹⁾ , ⁽³⁾ ⁽⁵⁾	2002	Director	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
Joseph Werner ^{(1), (3)}	1992	President, Chief Executive Officer & Director	Chairman of the Board, Chief Financial Officer and Director of the Company since December 1992; prior thereto Financial Officer of Hi-Lite Creations Ltd., a private Alberta Corporation since January 1992; prior thereto President & Chief Financial Officer of Devnic Energy Ltd. a public Alberta Corporation since August 1987; prior	3,317,193 ⁽⁷⁾

Jack P. Donhuysen ⁽⁹⁾	-	None	thereto Geophysical Consultant for 12 years. Founder and President of Status Engineering & Associates Ltd., founded in June, 1986.	34,000
Huba Sebo ⁽⁹⁾	-	None	Mortgage Broker for Jencor Mortgage Corporation, founded in 1996.	100,000

NOTES:

- (1) Member of the Audit Committee.
- (2) Member of the Reserves Committee.
- (3) Member of the Executive Committee.
- (4) Member of the Corporate Governance Committee.
- (5) Member of the Compensation Committee.
- (6) All of the proposed directors have been directors of the Corporation, continuously, since the date they were first elected, except for Mr. Coleman who was a director until 1998 and is now being proposed again to serve as a director of the Corporation.
- (7) 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.
- (8) 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.
- (9) New Nominee.

Mr. Lagadin has decided not to stand for re-election as a Director of the Corporation at this meeting. The other Directors wish to thank Mr. Lagadin for his many years of dedicated service to the Corporation.

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.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

To the knowledge of the Directors of the Corporation, no Director or senior officer of the Corporation, or their respective associates or affiliates, has any material interest in any matter to be acted upon at the meeting, other than the election of directors.

OTHER MATTERS TO BE ACTED UPON

Other than the foregoing, the Board of Directors of the Corporation know 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 judgement of the person or persons voting the proxy.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table discloses total compensation received by the Corporation's Chief Executive Officer. No other executive officers, received more than \$100,000 in salary and bonus for the fiscal year ended.

Summary Compensation Table						
Name and Principal Position	Year Ended	Annual Compensation			Long Term Compensation	
		Salary (\$)	Bonus (\$)	Other Annual (\$) ⁽²⁾	Securities under Options/SARs Granted ⁽³⁾ (o)	All Other (\$)
Theodore M. Donhuysen ⁽¹⁾	2003	60,000	-	-	250,000	-
President and Chief Executive Officer	2002	60,000	-	-	-	-
	2001	60,000	-	-	-	-
	2003	60,000	-	-	250,000	-
Joseph Werner ⁽¹⁾ President and Chief Executive Officer	2002	60,000	-	-	-	-
	2001	60,000	-	-	-	-
	2003	-	-	-	100,000	-
Robert N. Maertens-Poole ⁽²⁾ Chief Financial Officer	2002	-	-	-	-	-
	2001	-	-	-	-	-
	2003	-	-	-	-	-

NOTES:

- (1) Mr. Donhuysen ceased to be the President and Chief Executive Officer on July 9, 2003 and Mr. Werner became the President Chief Executive Officer on that date. Prior to that, Mr. Werner was Chairman of the Board and Chief Financial Officer.
- (2) Mr. Maertens-Poole was appointed Treasurer and Chief Financial Officer on July 9, 2003.
- (3) "Other Annual" means perquisites and other personal benefits which exceed the lesser of \$50,000 and 10% of the total annual salary and bonus for any of the named executive officers.
- (4) "Securities Under Options/SARs Granted" are grants made under the Amended and Restated Incentive Stock Option Plan.

EMPLOYEE STOCK OPTIONS

During the fiscal year ended , options to purchase a total of 800,000 Common Shares were granted by the Corporation. Of this amount, options to purchase a total of 600,000 Common Shares were granted to named executive officers, as shown in the following table.

Option/Share Appreciation Rights Granted During the Year Ended

Name	Securities Under Options/SARs Granted (#)	Percent of Total Options/SARs Granted to Employees (%)	Exercise or Base Price (\$/shares)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$)	Expiry Date
Theodore M. Donhuysen ⁽¹⁾	250,000	33⅓%	\$0.42	\$0.42	July 9, 2008
Joseph Werner ⁽¹⁾	250,000	33⅓%	\$0.42	\$0.42	July 9, 2008
Robert N. Maertens-Poole	100,000	33⅓%	\$0.30	\$0.30	January 15, 2008

NOTE:

- (1) Awards received under the Amended and Restated Incentive Stock Option Plan.

The following table provides details of stock options exercised during the fiscal year ended by named executive officers and the net value realized. The table also details at that date the number of exercisable and unexercisable options and SARs that were unexercised and also the value of such options and SARs where they were in the money.

**Aggregated Option/SAR Exercises During the Year Ended
And Financial Year End Option Values**

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs (#)		Value of Unexercised in the Money Options/SARs ⁽¹⁾ (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Theodore M. Donhuysen	0	0	0	250,000	0	\$65,750
Joseph Werner	0	0	0	250,000	0	65,750
Robert N. Maertens-Poole	0	0	0	100,000	0	\$26,300

NOTES:

- (1) Based on a 10 day closing average price on the TSX Venture Exchange of \$0.263 on January 6, 2003

AMENDED AND RESTATED INCENTIVE STOCK OPTION PLAN

On June 18, 2003, the shareholders of the Corporation approved, ratified and confirmed an Amended and Restated Incentive Stock Option Plan. Options to be granted under the Amended and Restated Incentive Stock Option Plan are expected generally to have a term of five years to expiry.

EMPLOYEE BONUS PLAN

The Corporation has not established any bonus plan for the officers, directors or employees of the Corporation.

EMPLOYMENT CONTRACTS

The Corporation has not entered into any employment contracts with its named executive officers.

COMPOSITION OF THE COMPENSATION COMMITTEE

The members of the Compensation Committee of the Board of Directors of the Corporation during the fiscal year ended were Messrs. Mr. Lagadin, Ulrich and Maertens-Poole. The Chief Executive Officer of the Corporation, provides information to the Compensation Committee and makes recommendations on compensation issues in respect of the executive officers of the Corporation, other than in respect of his compensation.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee administers the Corporation's executive compensation program and makes recommendations to the Board of Directors. The Compensation Committee is responsible for reviewing the structure and competitiveness of the Corporation's executive compensation

program and approves compensation recommendations in respect of the Corporation's named executive officers and other officers of the Corporation to the Board of Directors.

COMPONENTS OF COMPENSATION

The annual compensation of each executive officer is determined having regard to such executive officer's current responsibilities, individual performance during the year, corporate performance during the year, and the assessment by the Compensation Committee of such other matters as may be presented by management. The Corporation's compensation policy currently has two basic components: (i) base salary and benefits and (ii) stock options.

The Corporation's executive officers are eligible to participate in the Corporation's various compensation programs on the same basis as all employees. The components of the Corporation's compensation policy are intended to align the interests of executive officers with those of the Corporation's shareholders. The Corporation has not adjusted the cash compensation of the named executives since January, 2000. The Corporation has in place an Amended and Restated Incentive Stock Option Plan. Under the plan, awards have been made to executive officers in amounts relative to position, performance and what is considered competitive in the industry. See "Executive Compensation - Amended and Restated Incentive Stock Option Plan".

COMPENSATION OF THE CHIEF EXECUTIVE OFFICER

Both Mr. Donhuysen and Mr. Werner, have provided services to the Corporation or its predecessor since 1992. Mr. Donhuysen served in the capacity of Chief Executive Officer since that date until July 29, 2003 and Mr. Werner since that date. Both retain an important equity interest in the Corporation, as well as directing its activities during their respective periods as Chief Executive Officer. This interest provides a strong incentive to maintain corporate performance.

Submitted by the Compensation Committee

(Signed) John Lagadin

(Signed) Dennis K. Ulrich

(Signed) Robert N. Maertens-Poole

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation does not currently maintain any directors' and officers' liability insurance, but the board intends to acquire it during 2004. The Corporation has entered into indemnity agreements with its directors and officers.

COMPENSATION OF DIRECTORS

None of the directors of the Corporation receives any cash compensation for acting in that capacity. The directors have been granted stock options for acting in that capacity.

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 April 30, 2004, or was during the fiscal year ended December 31, 2003, indebted to the Corporation.

STATEMENT OF CORPORATE GOVERNANCE PRINCIPLES

The TSX Venture Exchange requires annual disclosure by each Tier 1 listed company of its approach to corporate governance, with specific reference to guidelines adopted by the Toronto Stock Exchange. Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board of Directors and who are charged with the day-to-day management of the Corporation. The Board of Directors is of the view that its commitment to sound corporate governance practices is in the interest of its shareholders and contributes to effective and efficient decision making. More detailed information regarding the Corporation's approach to corporate governance in the context of the Toronto Stock Exchange Guidelines is set out in Appendix "1" to this Information Circular.

DIRECTORS' APPROVAL

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

CERTIFICATES

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

Signed (Joseph Werner)
Joseph Werner
President and Chief Executive Officer

Signed (Robert N. Maertens-Poole)
Robert N. Maertens-Poole
Treasurer and Chief Financial Officer

APPENDIX 1. TO THAT INFORMATION CIRCULAR MADE BY PETRO-REEF RESOURCES LTD.,
DATED MAY 12, 2004

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The following description of the Corporation's corporate governance practices is provided as required by the Toronto Stock Exchange, with reference to guidelines adopted by the Toronto Stock Exchange in 1995. For further information on the corporate governance of the Corporation and specifically, the Corporation's response to the Toronto Stock Exchange guidelines on corporate governance, refer to the following.

Guidelines	Compliance	Comments
1. The Board should explicitly assume responsibility for the stewardship of the Corporation, and specifically for:	Yes	The Board of Directors, in consultation with management, is responsible for the stewardship of the Corporation, and generally directs the business and affairs of the Corporation. The Board of Directors has plenary authority, therefore, any responsibility that is not delegated to senior management or to Board committees remains with the Board of Directors.
(a) adoption of a strategic planning process;	Yes	The strategic planning process of the Corporation is principally the responsibility of management. The Board of Directors undertakes an annual and periodic reviews of the Corporation's strategic direction and fundamental objectives.
(b) identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks;	Partial	Environmental and operational risks are presented to the Board of Directors as identified by management from time to time and as required.
(c) succession planning, including appointing, training and monitoring senior management;	Partial	The Board of Directors receives recommendations from the Chief Executive Officer with respect to the appointment of senior management. Professional development training for senior management is encouraged by the Board of Directors, but not required. Performance of senior management is monitored on an ongoing basis by the Board as well as the Compensation Committee of the Board. The nomination of new directors is addressed by the Board of Directors as a whole, on an as needed basis.
(d) communications policy for the Corporation; and	Partial	The Chief Executive Officer and the Chief Financial Officer generally handle shareholder communications. However, other members of management and/or directors may communicate with shareholders directly, with the consent of the Board or the Executive Committee.

Guidelines	Compliance	Comments
(e) integrity of the Corporation's internal control and management systems.	Yes	Management develops internal control and management information systems for the Corporation. The Audit Committee reviews, with the assistance of external auditors, the Corporation's internal control and information systems.
2. A majority of the directors should be "unrelated".	No	Three of the six directors of the Corporation are independent and unrelated. An "unrelated" director is a director who is independent from management and is free from any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholdings. A "related" director is a director who is not an unrelated director.
3. Disclose for each director whether he or she is related and how that conclusion was reached.	Yes	Mr. Werner, the Chief Executive Officer, Mr. Donhuysen, the Chief Operating Officer and Mr. Maertens-Poole, the Chief Financial Officer of the Corporation, are related directors. Messrs. Hallman, Lagadin and Ulrich are unrelated directors.
4. Appoint a committee responsible for the appointment/assessment of directors and that is comprised exclusively of outside (i.e., non-management) directors, a majority of whom are unrelated directors.	Yes	The Corporate Governance Committee has the responsibility of assessing the effectiveness of the Board of Directors. Any director may propose new nominees to the Board of Directors. One of the three members of the Corporate Governance Committee is a related director.
5. Implement a process for assessing the effectiveness of the Board of Directors as a whole, and its committees and individual directors.	No	The Corporation does not at this time have a formal process for assessing the effectiveness of the Board. The Board may determine, however, to independently assess its effectiveness from time to time based on the industry standards for corporate governance.
6. Provide an orientation and education program for new directors.	No	Having regard to the size of the Corporation and the Corporation's resources, the Board of Directors was of the view that a formal orientation and education program for existing directors was unnecessary at this time.
7. Consider the size of the Board of Directors, and the impact of the number on the Board's effectiveness.	Yes	The Board of Directors consists of six members. The Board of Directors has concluded that taking into account the respective skills of the directors, the proposed composition and number of directors is appropriate for the size and complexity of the Corporation.
8. The Board of Directors should review the	Yes	The Compensation Committee, from time to time,

Guidelines	Compliance	Comments
adequacy and form of compensation of the directors to ensure compensation realistically reflects responsibilities and risks involved.		reviews the adequacy and form of compensation of directors of the Corporation with a view to ensuring that compensation realistically reflects the responsibilities and risks involved. Historically, this compensation has been in the form of stock options, on the basis that such form of compensation was economically most viable for the Corporation.
9. Committees of the Board of Directors should generally be composed of outside directors, a majority of whom are unrelated, although some committees, such as the executive committee, may include one or more inside directors.	Partial	The Board of Directors has established five committees: the Executive Committee, the Audit Committee, the Reserves Committee, the Compensation Committee, and the Corporate Governance Committee. One of the three members of the Executive Committee, Mr. Werner, is a related director. One of the three members of the Audit Committee, Mr. Werner, is a related director. One of the three members of the Reserves Committee, Mr. Donhuysen, is a related director. One of the three members of the Compensation Committee, Mr. Maertens-Poole, is a related director. One of the three members of the Corporate Governance Committee, Mr. Maertens-Poole, is a related director.
10. The Board of Directors should expressly assume responsibility for, or assign to a committee of directors, the general responsibility for developing the Corporation's approach to governance issues.	Yes	The Corporate Governance Committee has the responsibility of developing the Corporation's approach to governance issues, and the Executive Committee for administering the Board's relationship with management.
11. The Board of Directors should define limits to management's responsibilities by developing mandates for:	Partial	Formal mandates have not yet been developed, but there is a general understanding of the limits on management's responsibilities and authority, but is being developed..
(a) the Board of Directors and the Chief Executive Officer of the Corporation; and		
(b) the corporate objectives for which the Chief Executive Officer is responsible.	Yes	The Board of Directors develops, with management, the corporate objectives which the Chief Executive Officer and senior management of the Corporation are responsible for achieving, and periodically reviews and assesses their performance on meeting those objectives.
12. Establish structures and procedures to enable the Board of Directors to function independently of management.	Yes	There two management representatives on the Board of Directors. In addition, Mr. Maertens-Poole, who is the Chief Financial Officer, is an independent chartered accountant. The Board of Directors has established a Corporate Governance Committee for the purpose, in part, of administering the Board of Directors' relationship with management and ensuring that the Board of Directors functions independently of

Guidelines	Compliance	Comments
<p>13. Establish an audit committee with a specifically defined mandate and direct communication channels with internal and external auditors, with all members being outside directors. The audit committee's duties should include oversight responsibility for management reporting on internal control and should ensure that management has designed and implemented an effective system of internal control.</p>	Yes	<p>management.</p> <p>The Audit Committee has a mandate which it believes to be within the normal scope of the activities of audit committees, generally. The Audit Committee has direct access to the external auditors. The Corporation has no internal auditors. The Audit Committee reviews the scope and adequacy of management's system of internal control and assesses the adequacy and effectiveness of such internal control with the external auditors. The Audit Committee is comprised of three directors, two of whom are outside directors.</p>
<p>14. Implement a system to enable an independent director to engage outside advisors at the Corporation's expense. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the Board of Directors.</p>	Partial	<p>The Board of Directors has not established any policies with respect to the ability of individual directors to engage advisors at the expense of the Corporation and no situations have arisen where the directors have found a need to do so. The Board of Directors has advised the Corporation that should outside advisors be required by any committee, then that committee would be permitted to retain such advisors.</p>