PETRO-REEF RESOURCES LTD.
NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and Special General Meeting of Shareholders ("Shareholders") of Petro-Reef Resources Ltd. (the "Corporation") will be held in the Fairview Room of the Delta Calgary South, 135 Southland Dr. SE, Calgary, Alberta, on Friday, the 5th day of June, 2009 at the hour of 2:30 p.m. (Calgary time), for the following purposes:

1. To fix the number of directors of the Corporation at seven (7);

2. To elect directors;

3. To appoint the auditors;

4. To approve the Stock Option Plan of the Corporation;

5. To receive the audited consolidated financial statements of the Corporation for the fiscal year ended December 31, 2008 (with comparative statements relating to the preceding fiscal year) together with the report of the auditors thereon; and

6. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

Accompanying this Notice is the Annual Report, the audited financial statements and notes thereto for the financial year ended December 31, 2008, an Information Circular, a form of proxy and an annual request form. The accompanying Information Circular provides information relating to the matters to be addressed at the meeting and is incorporated into this Notice.

Only holders of Common Shares of the Corporation of record at the close of business on May 6, 2009 (the "Record Date") are entitled to notice of the Meeting and only those holders of the Common Shares of the Corporation of record at the close of business on the Record Date, or who subsequently become shareholders and comply with the provisions of the *Business Corporations Act* (Alberta) are entitled to vote at the Meeting.

Shareholders are entitled to vote at the Meeting either in person or by proxy in accordance with the procedures described in the Information Circular accompanying this Notice. Those who are unable to attend the meeting are requested to read, complete, sign and mail the enclosed form of proxy in accordance with the instructions set out in the proxy and in the Information Circular accompanying this Notice. Please advise the Corporation of any change in your mailing address.

DATED at Calgary, Alberta, May 8, 2009.

BY ORDER OF THE BOARD

(signed) "R. Greg Powers"
Secretary

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PETRO-REEF RESOURCES LTD.
INFORMATION CIRCULAR

SOLICITATION, VOTING AND PROXIES

SOLICITATION OF PROXIES

This Information Circular ("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 and Special General Meeting of Shareholders of the Corporation (and any adjournment thereof) to be held at 2:30 p.m. (Calgary time) on June 5, 2009 (the "Meeting") at the place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone by the regular employees of the Corporation at nominal cost. All costs of solicitation by management will be borne by the Corporation.

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

APPOINTMENT OF PROXYHOLDER

The individuals named as proxyholders in the accompanying form of proxy are the Chief Executive Officer and the Chief Financial Officer of the Corporation. A proxy will not be valid unless the completed form of proxy is received by the Corporation at its head office at Suite 970, 10655 Southport Road S.W., Calgary, Alberta, T2W 4Y1, or with Proxy Dept., CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1, fax number 416-368-2502 not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or any adjournment thereof. Proxies delivered after that time will not be accepted.

A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON OR CORPORATION (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT THE SHAREHOLDER AT THE MEETING MAY DO SO BY STRIKING OUT THE NAMES OF THOSE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY AND INSERTING THE DESIRED PERSON'S OR CORPORATION'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY.

REVOCATION OF PROXIES

A Shareholder who has given a proxy may revoke it by an instrument in writing executed by the Shareholder or by his attorney duly authorized in writing or, where the Shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivering the instrument to the registered office of the Corporation, at Suite 970, 10655 Southport Road S.W., Calgary, Alberta T2W 4Y1, at any time up to and including the last business day preceding the day of the Meeting, or if adjourned, any reconvening thereof, or to the Chairman of the Meeting on the day of the meeting or, if adjourned, any reconvening thereof, or in any other manner provided by law. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

PERSONS ENTITLED TO VOTE AT THE MEETING

ONLY REGISTERED SHAREHOLDERS OR DULY APPOINTED PROXYHOLDERS ARE PERMITTED TO VOTE AT THE MEETING. MOST SHAREHOLDERS OF THE CORPORATION ARE "NON-REGISTERED" SHAREHOLDERS BECAUSE THE SHARES THEY OWN ARE NOT REGISTERED IN THEIR NAMES BUT ARE

INSTEAD REGISTERED IN THE NAMES OF A BROKERAGE FIRM, BANK OR OTHER INTERMEDIARY OR IN THE NAME OF A CLEARING AGENCY. SHAREHOLDERS WHO DO NOT HOLD THEIR SHARES IN THEIR OWN NAME (REFERRED TO HEREIN AS "BENEFICIAL SHAREHOLDERS") SHOULD NOTE THAT ONLY REGISTERED SHAREHOLDERS MAY VOTE AT THE MEETING.

If common shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those common shares will not be registered in such Shareholder's name on the records of the Corporation. Such common shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Common shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the brokers' clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their common shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided by the Corporation to the registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge"). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of common shares to be represented at the Meeting.

A BENEFICIAL SHAREHOLDER WHO RECEIVES A BROADRIDGE VOTING INSTRUCTION FORM CANNOT USE THAT FORM TO VOTE COMMON SHARES DIRECTLY AT THE MEETING. THE VOTING INSTRUCTION FORM MUST BE RETURNED TO BROADRIDGE (OR INSTRUCTIONS RESPECTING THE VOTING OF COMMON SHARES MUST BE COMMUNICATED TO BROADRIDGE) WELL IN ADVANCE OF THE MEETING IN ORDER TO HAVE THE COMMON SHARES VOTED.

This Information Circular and accompanying materials are being sent to both registered Shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories – those who object to their identity being known to the issuers of securities which they own ("Objecting Beneficial Owners", or "OBOs") and those who do not object to their identity being made known to the issuers of the securities they own ("Non-Objecting Beneficial Owners", or "NOBOs"). Subject to the provisions of National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer ("NI 54-101"), issuers may request and obtain a list of their NOBOs from intermediaries via their transfer agents. If you are a Beneficial Shareholder, and the Corporation or its agent has sent these materials directly to you, your name, address and information about your holdings of common shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the common shares on your behalf.

The Corporation's OBOs can expect to be contacted by Broadridge or their brokers or their broker's agents as set out above.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the common shares in that capacity.

BENEFICIAL SHAREHOLDERS WHO WISH TO ATTEND THE MEETING AND INDIRECTLY VOTE THEIR COMMON SHARES AS PROXYHOLDER FOR THE REGISTERED SHAREHOLDER SHOULD ENTER THEIR OWN NAMES IN THE BLANK SPACE ON THE PROXY PROVIDED TO THEM AND RETURN THE SAME TO THEIR BROKER (OR THE BROKER'S AGENT) IN ACCORDANCE WITH THE INSTRUCTIONS PROVIDED BY SUCH BROKER.

All references to Shareholders in this Information Circular and the accompanying form of Proxy and Notice of Meeting are to registered Shareholders of record unless specifically stated otherwise.

VOTING OF PROXIES

The shares represented by a properly executed proxy in favour of persons designated as proxyholders in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder appointing the proxyholder on any ballot that may be called for; and where a choice with respect to any matter to be acted upon has been specified in the form of proxy, will be voted in accordance with the specification made in such proxy.

ON A POLL, SHARES WILL BE VOTED IN FAVOUR OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED.

The enclosed form of proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the person appointed proxyholder thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the persons designated by management as proxyholders in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Information Circular, the management of the Corporation knows of no such amendment, variation or other matter which may be presented to the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Only Shareholders of record holding common shares in the share capital of the Corporation ("Common Shares") at the close of business on May 6, 2009, (the "Record Date") who either personally attend the Meeting or who have completed and delivered a form of proxy in the manner and subject to the provisions described above shall be entitled to vote or to have their shares voted at the Meeting. The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value, which are the only authorized voting shares of the Corporation. As at the close of business on the Record Date the Corporation had outstanding 34,122,541 Common Shares.

If a Shareholder transfers the ownership of any of his or her shares subsequent to the Record Date and the transferee of those shares establishes that it owns such shares and demands, not later that ten (10) days

before the Meeting, that his or her name be included in the list of Shareholders entitled to vote at the Meeting, then such transferee will be entitled to vote those Common Shares at that Meeting.

A minimum of two (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.

On a show of hands, every individual who is present and is entitled to vote as a Shareholder or as a representative of one or more corporate Shareholders, or who is holding a valid proxy on behalf of a Shareholder who is not present at the Meeting, will have one vote, and on a poll every Shareholder present in person or represented by a valid proxy and every person who is a representative of one or more corporate Shareholders, will have one vote for each share registered in that Shareholder's name on the list of Shareholders, which is available for inspection during normal business hours at CIBC Mellon Trust Company and will be available at the Meeting. Shareholders represented by proxyholders are not entitled to vote on a show of hands.

To the knowledge of the directors and senior officers of the Corporation, the following persons or companies beneficially own, or control or direct, directly or indirectly, shares carrying 10% or more of the voting rights attached to the outstanding voting securities of the Corporation:

	Number of Common Shares	**Percentage**
Joseph Werner	4,584,605	13.4%
Theodore M. Donhuysen	3,924,139	11.5%

BUSINESS OF THE MEETING

FIX NUMBER OF DIRECTORS TO BE ELECTED

The Articles of Incorporation provide that the Board of Directors shall consist of a minimum of one (1) and a maximum of ten (10) directors. There are currently nine (9) directors and it is proposed that seven (7) directors be elected at this Meeting. Shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution fixing the number of directors to be elected. At the Meeting, it will be proposed that seven (7) directors be elected to hold office until the next annual general meeting or until their successors are elected or appointed.

In order to be effective, an ordinary resolution requires approval by not less than a majority of the votes cast by Shareholders in person or by proxy who vote in respect of this resolution. Unless otherwise directed, it is the intention of the persons named by management as proxyholders in the accompanying form of proxy to vote in favour of the ordinary resolution fixing the number of directors to be elected at seven (7).

ELECTION OF DIRECTORS

The term of office of each of the present directors expires at the Meeting. The persons named below will be presented for election at the Meeting as management's nominees and the persons named by management as proxyholders in the accompanying form of proxy intend to vote for the election of these nominees. Management does not contemplate that any of these nominees will be unable to serve as directors. Each director elected will hold office until the next Annual General Meeting of the Corporation

or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Corporation or the provisions of the *Business Corporations Act* (Alberta).

The following table and notes thereto set out the name of each of the nominees for election as a director of the Corporation, his province and country of residence, all offices of the Corporation now held by him, his principal occupation, the period of time for which he has been a director of the Corporation, and the number of shares of the Corporation beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at May 6, 2009. The information as to the municipality of residence and principal occupation, and the information as to shares beneficially owned or over which the nominee exercises control or direction, not being within the knowledge of the Corporation, has been furnished by each respective nominee.

Name and Place of Residence	**Office or Position Held & First Date of Appointment as a Director**	**Principal Occupation**	**Number of Common Shares Owned Directly or Indirectly**
Richard W. DeVries [(1)(2)] Freeport, The Bahamas	Director - 2005	Member of The Law Society of Alberta since 1977. Vice-President – Finance for International Benefits Management Corporation; Chairman and Director of the Board of Call Genie Inc.; Director of Pacific Lottery Corporation; Director of CPI Crown Properties International Corporation; Director of Tallagium Corporation; Director of Migenix Inc.; Chairman of the Board, President and Director of Capital Holdings Ltd.	nil
Jack P. Donhuysen [(3)(5)] Alberta, Canada	Director – 2004	Founder and President of Status Engineering Associates Ltd., founded in June 1986.	182,500
Theodore M. Donhuysen [(4)(5)] Alberta, Canada	President, Chief Executive Officer & Director - 1992	President and Chief Executive Officer since December 30, 2008, prior thereto Vice-President, Exploration and Production, Chief Operating Officer and Director of the Corporation since July 9, 2003; prior thereto President, Chief Executive Officer and Director of the Corporation 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.	3,924,139 [(6)]
Alan P. Hallman [(1)(2)(3)] Alberta, Canada	Director – 2001	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	155,000

		1993.	
Peter A. Lubey[1][5] Alberta, Canada	Director - 2007	Vice President, Engineering for Buffalo Resources Corp. from 2004 to present; acted as team lead for development of gas project on new First Nations Reserve Lands; prior thereto engineering manager, north business unit, Baytex Energy Ltd.	42,000
John R. Pantazopoulos [4] Alberta, Canada	Chief Financial Officer, Treasurer & Director - 2008	Vice President Finance and Chief Financial Officer of the Corporation since October 2007; prior thereto Vice President, Finance of Brooks Development Corp., and served most recently as Manager of Business Development and Internal Controls at Terra Energy Corp.	103,000
Huba A. Sebo Alberta, Canada	Director – 2004	Mortgage Broker for Jencor Mortgage Corporation, founded in 1996.	140,000

Notes:

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Corporate Governance Committee.

(4) Member of the Management Committee.

(5) Member of the Reserves Committee.

(6) Theodore M. Donhuysen owns or controls, directly or indirectly, greater than 10% of the issued and outstanding Common Shares. Northfork Energy Inc., of which Mr. Donhuysen and his wife are 50% Shareholders, holds 431,544 Common Shares. These Common Shares have been included in Mr. Donhuysen's holdings.

As at May 6, 2009 the directors and officers of the Corporation as a group, beneficially owned, directly or indirectly, 4,546,639 Common Shares or approximately 13.3% of the issued and outstanding Common Shares.

The term of each director expires at the next annual meeting of Shareholders of the Corporation.

APPOINTMENT OF AUDITOR

Shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution appointing PricewaterhouseCoopers LLP, Chartered Accountants, as auditor for the Corporation for the ensuing year, to hold office until the close of the next annual meeting of Shareholders. If appointed, the Board of Directors will be authorized to fix the remuneration of the Auditors.

In order to be effective, an ordinary resolution requires approval by not less than a majority of the votes cast by Shareholders in person or by proxy who vote in respect of this resolution. Unless otherwise directed, it is the intention of the persons named by management as proxyholders in the accompanying form of proxy to vote in favour of this resolution.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Approval of Stock Option Plan

The Shareholders passed a resolution at the Corporation's June 18, 2003 Annual and Special General Meeting adopting a stock option plan and passed certain amendments to that plan at the Corporation's June 13, 2007 Annual and Special General Meeting (the "Stock Option Plan"). The Stock Option Plan is a "rolling" plan as defined by the policies of the TSX Venture Exchange and therefore requires annual Shareholder approval. To comply with this requirement, the Shareholders will be asked at the Meeting to pass an ordinary resolution approving the Stock Option Plan.

A description of the Stock Option Plan is set out in greater detail under the heading "STATEMENT OF EXECUTIVE COMPENSATION – Stock Option Plan".

Unless such authority is withheld, the persons named in the enclosed Proxy intend to vote for the approval of the Stock Option Plan. Shareholders will be asked to pass the following ordinary resolutions:

"RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The Stock Option Plan dated May 9, 2003, approved by Shareholders at the Corporation's Annual Meeting held on June 18, 2003, as amended with the approval of Shareholders at the Corporation's Annual and Special Meeting held on June 13, 2007 (the "Stock Option Plan") attached to the Corporation's Information Circular for the Annual Meeting held on June 18, 2003 and the amendments contained in the Corporation's Information Circular for the Annual and Special Meeting held on June 13, 2007, be and is hereby approved; and

2. The Board of Directors is hereby authorized to cause all such documents, instruments and other writings to be executed, and cause all such acts and things to be done, as the directors may consider necessary or desirable in relation to the foregoing resolution including making all necessary filings with the TSX Venture Exchange."

CORPORATE COMPENSATION INFORMATION

Named Executive Officers ("NEO") means the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Corporation and each of the Corporation's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers as at the end of the most recently completed fiscal year and whose total compensation exceeded $150,000. It also includes any individual who would have been one of the Corporation's three most highly compensated executive officers except that individual was not serving as an executive officer at the end of the most recently completed financial year.

For the fiscal year ended December 31, 2008, the Corporation's NEOs were Joseph Werner, President and CEO until December 30, 2008, Theodore M. Donhuysen, Vice-President, Exploration and Production, and Chief Operating Officer until December 30, 2008 and President and CEO thereafter, and John R. Pantazopoulos, VP Finance and CFO. No other executive officers received total compensation in excess of $150,000.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Committee and Compensation Review

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 reviewing the Management Committee's compensation recommendations in respect of the Corporation's named executive officers and other officers of the Corporation to the Board of Directors. The Management Committee 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 the Chief Executive Officer's compensation. See also "Corporate Governance Information - Board Committees and Membership - Compensation Committee" at page 26.

Compensation Philosophy

The Board of Directors has adopted the philosophy that the basis of compensation for all executive officers, including the NEOs should be one that:

(i) is results oriented,

(ii) includes competitive salaries, short-term incentives, long-term incentives and benefits consistent with companies of comparable size in terms of average daily production and market capitalization, and

(iii) is a total compensation package that is able to differentiate pay based on individual, team and corporate performance.

The Corporation applies this philosophy through three key compensation components: (1) base salary, (2) annual incentive in the form of bonuses, and (3) long-term incentives in the form of stock options. It is intended that this approach will:

(i) attract and retain highly qualified executive officers,

(ii) align the interests of executive officers with shareholders' interests, and

(iii) motivate executive officers in the execution of the Corporation's business strategy and plan.

The process of executive officer compensation assessment and approval is based on the recommendations of the Compensation Committee which are then reviewed by the Board of Directors. The Board of Directors determines compensation for each of the executive officers. Each NEO has an employment agreement with the Corporation which also provides part of the basis for compensation.

Process for Determining Compensation for NEOs for 2009

In July, 2008, the Compensation Committee became concerned that the formula for the calculation and payment of a bonus under the Corporation's Bonus Plan was producing an inappropriate result and recommended to the Board of Directors that it be suspended for the balance of the fiscal year until a review could be completed and a new recommendation brought forward. On July 16, 2008, the Board of Directors of the Corporation approved the suspension of bonus payments following the second quarter payment pending the report of the Compensation Committee.

The Compensation Committee engaged Mercer (Canada) Limited ("Mercer") in September, 2008 to provide analysis and advice on executive compensation matters. This support consisted of (i) the provision of general market observations with respect to market trends and issues, and (ii) the provision of benchmark market data. The Compensation Committee also considered the results of the 2008 Value of Professional Services Study published by Association of Professional Engineers Geologists and Geophysicists of Alberta ("APEGGA").

Mercer compared the compensation packages of the executive officers of Corporation to the compensation packages of the executive officers of 20 peer group companies. The basis for choosing this peer group was:

(i) Alberta based, publicly traded, junior exploration and production companies whose operations are primarily in Canada, other than the Corporation;

(ii) Companies that have production of between 500 and 2,200 BOE/d, being approximately 50% to 200% of the Corporation's current production of 1,098 BOE/d; and

(iii) Companies that have a market capitalization of between $13 and $50 million, being approximately 50% to 200% of the Corporation's market capitalization of $25 million as at September 23, 2008 when the report was first prepared.

Management of the Corporation had also requested that Mercer provide an analysis of eight companies that management felt were similar to the Corporation in asset quality, future prospects, size and operating cost structure. Three companies in the management group peers also appear on the Mercer list. It was noted by the Compensation Committee that while the other five have production of between 500 and 2,200 BOE/d, they also have a market capitalization that is more than 200% higher than that of the Corporation and were therefore thought to be unrepresentative of the Corporation's peers.

The Mercer analysis indicated that in respect of Base Salary, relative to the peer group, the CEO and COO were at the 75th percentile, while the CFO was between the median and the 25th percentile. Total cash compensation (base salary plus bonus), relative to the peer group, the CEO, COO and CFO were substantially above 75th percentile. Total direct compensation (total compensation plus annualized expected value of long-term incentives), relative to the peer group, the CEO, COO and CFO were substantially above 75th percentile.

On December 30, 2008, Joseph Werner retired as President and CEO and was appointed Chairman of the Board. On December 30, 2008, Theodore M. Donhuysen was appointed President and CEO of the Corporation. No Chief Operating Officer has been appointed to fill the vacancy left by Mr. Donhuysen.

Base Salary

The Corporation's employment agreement with Theodore M. Donhuysen provides that his base salary is to be determined based on the APEGGA annual survey as at the higher salary level of managerial personnel which categorized as senior management, Geologist, in the Employer Salary Survey Annual Salaries by Level of Responsibility published by APEGGA, using the Median salary for Classification F.

In making its report to the Board of Directors, the Compensation Committee based its recommendations using as the base salary the APEGGA survey amount for Theodore M. Donhuysen as President and CEO, and with reference to the median amount indicated by Mercer as the base salary for John R. Pantazopoulos as VP Finance and CFO.

Bonus Awards

For the details of the Corporation's Bonus Plan, please see "CORPORATE COMPENSATION INFORMATION - **STATEMENT OF EXECUTIVE COMPENSATION – Bonus Plan**" at page 16. The recommendation of the Compensation Committee to the Board of Directors was accepted that all further bonus payments be terminated until the Bonus Plan, as currently structured, is amended and reformulated to provide a more appropriate level of compensation and a more responsive form of administration to permit the recognition of the efforts of individuals.

Stock Options

For a description of the terms of the Corporation's Stock Option Plan, please see "CORPORATE COMPENSATION INFORMATION - **STATEMENT OF EXECUTIVE COMPENSATION - Stock Option Plan**" at page 15. The Board of Directors believes that the Corporation's Stock Option Plan is an important compensation tool in both attracting new staff to the Corporation and in aligning the interests of management with that of the shareholders. The Board of Directors did not make any changes to the current number of options granted to the CEO or the CFO. It is the practice of the Corporation to replace options as they are exercised by officers and directors in like number and priced in accordance with the Policies of the TSXV at the time of the new grant.

Other Benefits and Perquisites

The Corporation also provides benefits and perquisites to executives, as well as other employees, to attract and retain qualified individuals. Benefits include life insurance, medical and dental benefits, as well as disability coverage. Perquisites include parking.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth a summary of the annual and long term compensation for services paid during the Corporation's fiscal year ended December 31, 2008 to the Corporation's named executive officers:

					Non-equity incentive plan compensation ($) [4]				
Name and Principal Position	**Year**	**Salary ($)**	**Share-Based Awards ($)**	**Option-Based Awards($) [5]**	**Annual Incentive Plans**	**Long-Term Incentive Plans**	**Pension Value ($)**	**All Other Compensation ($)**	**Total Compensation ($)**
Joseph Werner President and CEO[1]	2008	$159,658	-	-	$188,390	-	-	-	$348,048
	2007	$159,322	-	$82,070	$109,361	-	-	-	$348,048
	2006	$121,250	-	$209,935	$96,294	-	-	-	$427,479
Theodore M. Donhuysen VP and COO[2]	2008	$159,658	-	-	$188,390	-	-	-	$348,048
	2007	$159,322	-	$290,878	$109,361	-	-	-	$559,561
	2006	$121,250	-	-	$96,294	-	-	-	$217,544

John R. Pantazopoulos[3] VP and CFO	2008	$120,000	-	$131,205	$89,921	-	-	-	$341,126
	2007	$27,500	-	$102,174	$2,173	-	-	-	$131,847
	2006	-	-	-	-	-	-	-	-

Notes:

(1) Mr. Werner retired as CEO on December 30, 2008.

(2) Mr. Donhuysen was appointed CEO on December 30, 2008.

(3) Mr. Pantazopoulos was appointed CFO in October, 2007.

(4) The Corporation adopted a cash bonus plan effective as of January 1, 2005. It was amended effective as of January 1, 2008, but the plan was suspended as of the end of the second quarter in 2008, pending a further review and report from the Compensation Committee. For a description of the Bonus Plan, please see "CORPORATE COMPENSATION INFORMATION - **STATEMENT OF EXECUTIVE COMPENSATION** – **Bonus Plan**" at page 16.

(5) Based on the grant date fair value of the applicable options on the date of grant. The fair value of each option granted is determined on the date of grant using the Black-Scholes option pricing model. In the pricing model, the risk free interest rate ranged between 1.3% to 3.5% during 2008; volatility ranged between 73% to 76% during 2008; an average expected life of 3.0 years and dividends of nil. These amounts are not necessarily reflective of actual amounts that may be realized on exercise.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table provides information for all Outstanding Share-Based Awards and Option-Based Awards Year Ended December 31, 2008.

	Option-Based Awards				**Share-Based Awards**	
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**
Joseph Werner	250,000	1.30	Jun. 19, 2011	-	Nil	-
	60,000	1.45	Feb. 20, 2012	-	Nil	-
	40,000	1.70	Jun. 21, 2012	-	Nil	-
Theodore M. Donhuysen	60,000	1.45	Feb. 20, 2012	-	Nil	-
	290,000	1.70	Jun. 21, 2012	-	Nil	-
John R. Pantazopoulos	150,000	1.36	Oct. 1, 2012	-	Nil	-
	200,000	1.29	Jun. 19, 2013	-	200,000	-

Value Vested or Earned During the Year

The following table provides information for each of the Named Executive Officers on (1) the value that would have been realized if the options under the option-based awards had been exercised on the vesting date, (2) the value realized upon vesting of share-based awards, and (3) the value earned under the annual performance incentives in 2008.

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Joseph Werner	Nil	N/A	N/A
Theodore M. Donhuysen	Nil	N/A	N/A
John R. Pantazopoulos	Nil	N/A	N/A

All stock options held by Named Executive Officers were out of the money on the day the stock options would have vested.

Stock Option Plan

The purpose of the Stock Option Plan is to allow the Corporation to grant options to "Eligible Persons", which includes Employees; directors and officers of the Corporation or any of its Subsidiaries; Consultants; Consultant Companies; Management Company Employees; Investor Relations Persons and Other Eligible Recipients, as defined by the Stock Option Plan. The granting of such options is intended to align the interests of such persons with that of the Corporation. Options are exercisable over periods of up to five years as determined by the board of directors of the Corporation and are required to have an exercise price determined in accordance with the policies of the TSX Venture Exchange.

Under the Stock Option Plan, the board of directors (or any Committee delegated the responsibility of administering the Plan) may from time to time authorize the issuance of options to anyone who is an "Eligible Person". As a "rolling" plan a maximum of 10% of the issued and outstanding shares of the Corporation are reserved for issuance.

Under the Stock Option Plan the maximum number of Common Shares which may be granted in Options to: (a) 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; (b) 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; (c) 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; (d) 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; (e) 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 (f) 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.

All capitalized terms used in this part are defined in the Corporation's Stock Option Plan. The full text of the Stock Option Plan is attached as Schedule "A" to the Corporation's Information Circular dated June 18, 2003, as amended in the Corporation's Information Circular dated June 13, 2007, both of which can be obtained at www.sedar.com.

Bonus Plan

The Corporation adopted a cash bonus plan effective as of January 1, 2005. It was amended effective as of January 1, 2008, but based on experience with the plan as structured, it was suspended as of the end of the second quarter in 2008, pending a further review and report from the Compensation Committee.

Under the Corporation's Bonus Plan, the employees of the Corporation participated in a bonus pool. A summary of the terms of the Bonus Plans are as follows:

	2005 Bonus Plan	**2008 Bonus Plan**
Bonusing Authority	Compensation Committee	Compensation Committee
Basis for Bonus Pool: Net Earnings	"**Net Earnings**" means total reported revenue less general and administrative expenses (with salaries, CPP and UIC deducted), less interest and less cost of sales.	"**Net Earnings**" means total reported revenue less royalties, mineral taxes and operating expenses.
Maximum Size of Bonus Pool	For each Completed Fiscal Year, an amount not to exceed 5% of Net Earnings for that fiscal year.	For each (current) Fiscal Year, an amount equal to 6% of Net Earnings for that Fiscal Year.
Determination of Size of Bonus Pool	If the Bonusing Authority determined that one or more Bonuses should be paid, it then determined the amount of the Bonus Pool.	Fixed at 6%
Eligibility for Bonus Pool	The Bonusing Authority determines, annually prior to the first Bonus Award Date in respect of Bonuses to be awarded for a Completed Fiscal Year, the percentage of the Bonus Pool to be allocated to each of the Bonus Pool Categories. If the Bonusing Authority does not make a determination, the last determination made by it applied. The allocation was: Senior Management 65% Financial staff 20% Engineering, land, geological and geophysical staff 13% Secretarial staff 2% TOTAL 100%	The Bonusing Authority determines, annually prior to the first Bonus Payment Date for a Bonus Year, the percentage of the Bonus Pool to be allocated to each of the Bonus Pool Categories. If the Bonusing Authority does not make a determination in accordance with this subsection, the last determination made by it applied. The allocation, for the 2008 Fiscal Year was: Management 85% Staff 15% TOTAL 100%
Year of Bonus Calculation	Completed Fiscal Year	Current Fiscal Year
Year of Bonus Payments	Current Fiscal Year	Current Fiscal Year
Determination of Bonus Entitlement and Allocations	The Bonusing Authority determines if Bonuses are to be awarded in respect of the Completed Fiscal Year. If Bonuses are to be awarded, it determines, in its discretion, to whom a Bonus should be awarded, the amount of each Bonus to be paid and such other terms and conditions of the Bonus, not	The Bonusing Authority after the commencement of each Fiscal Year, determines if Bonuses are to be awarded in respect of that Fiscal Year. If Bonuses are to be awarded, it determines, in its discretion, who a Bonus should be awarded to, the amount of each Bonus and such other terms and

	2005 Bonus Plan	2008 Bonus Plan
	inconsistent with the Bonus Plan. All Bonuses to be awarded in respect of a Completed Fiscal Year shall be awarded and paid not later than May 31 of the year after that Completed Fiscal Year.	conditions of the Bonus, not inconsistent with the Bonus Plan.
Interim Payments	The Bonusing Authority may, following the end of the then current second fiscal quarter in its discretion, determine if it is in the interests of the Corporation to make Interim Bonus Payments in respect of that fiscal year. If an Interim Bonus Payment is to be made, it shall be made on the following basis: 1 The amount of the Net Earnings for the then fiscal year are estimated on an annualized basis from the Second Quarter Statements; 2 The amount of the Bonus Pool is determined on an annualized basis using the estimated Net Earnings; 3 The Interim Bonus Payment is made applying the same principles that it would have applied if the determination was being made on the basis of a Completed Fiscal Year; 4 The amount which may be paid as an Interim Bonus Payment cannot exceed 40% of the amount to which the Bonus Recipient would have received had the determination been made on the basis of a Completed Fiscal Year; 5 Following the end of the fiscal year in which an Interim Bonus Payment was made, the Bonusing Authority reviews the determinations it made and makes a decision as to whether to maintain the award or amend it.	The Bonusing Authority shall, following the end of each of the first three fiscal quarters of the Corporation in each Bonus Year, review the unaudited, quarterly Net Earnings contained in the financial statements of the Corporation as issued to its shareholders to determine the availability of an Interim Bonus Payment for that fiscal quarter. If the Bonusing Authority determines that an Interim Bonus Payment is available, the aggregate amount of that Interim Bonus Payment shall be based on that percentage of the unaudited quarterly Net Earnings that is equal to the percentage of annual Net Earnings to be distributed as determined the Bonusing Authority. If the amount available for an Interim Bonus Payment is determined to be positive, the available amount is allocated among the Bonus Recipients in proportion to the determinations made by the Bonusing Authority and shall be paid on a date this is not later than the end of the second month following that fiscal quarter.
Final Bonus Payments	If following the year-end review the Bonusing Authority determines that the Bonus to be awarded: 1 exceeds the amount of the Interim Bonus Payment, then the balance of the Bonus is paid to the Bonus Recipient; or 2 is less than the amount of the Interim Bonus Payment, then the Bonus Recipient shall pay to the Corporation on demand, the difference between the amount of the Interim Bonus Payment	Following the end of each Bonus Year the Bonusing Authority calculates the amount of the Final Bonus Payment to be made for that Bonus Year based on (1) Net Earnings for the Bonus Year, and (2) the allocation made to date to the Bonus Recipient, after taking into account the amounts of all Interim Bonus Payments made to the Bonus Recipient for that Bonus Year. If the amount of the Final Bonus Payment for a Bonus Recipient is

	2005 Bonus Plan	2008 Bonus Plan
	and the Bonus awarded.	positive, the Final Bonus Payment shall be paid not later than May 31 of the Fiscal Year following that Bonus Year. If the amount of a Bonus entitlement of a Bonus Recipient is less than the amount of the Bonus Payments received by the Bonus Recipient for the Bonus Year, then the Board may, in its discretion demand payment the difference between the amount of the Bonus Payments received by the Bonus Recipient and the amount of the calculated amount of the bonus.

At a meeting of the Board of Directors of the Corporation on November 12, 2008, a resolution was passed suspending payments under the Bonus Plan, effective as of the end of the second quarter pending the completion of the report of the Compensation Committee and the determinations of the Board of Directors in respect of the future implementation of the plan.

Termination of Employment, Change of Control

The Corporation has entered into employment agreements with each of its NEOs: Joseph Werner, Theodore M. Donhuysen (each dated March 30, 2007) and John R. Pantazopoulos (dated October 1, 2007). Each of these contracts sets out the NEO's salary and provides for an indefinite term of employment, subject to termination in certain circumstances. Joseph Werner retired on December 30, 2008, however information shown below is given as if he was the CEO on December 31, 2008. The significant terms of these agreements are set out below:

	Joseph Werner (CEO) [1]	Theodore M. Donhuysen	John R. Pantazopoulos
	Voluntary		
Annual Salary	All accrued and unpaid portions of Annual Salary due as at the effective date of the termination	Same as CEO	Same as CEO
Other Compensation	All accrued and unpaid amounts due or otherwise payable as at the effective date of the termination	Same as CEO	Same as CEO
Retiring Allowance	Nil	Nil	Nil
Group Coverage	Nil and coverage under all benefits plans and programs shall terminate on the last day worked	Same as CEO	Same as CEO
Stock Options	All vested Options held may be exercised up to 30 days, all other	Same as CEO	Same as CEO

	Joseph Werner (CEO) [1]	Theodore M. Donhuysen	John R. Pantazopoulos
	Options terminate		
	Constructive		
Annual Salary	All accrued and unpaid portions of Annual Salary due as at the date of the notice given by the Employee	Same as CEO	Same as CEO
Other Compensation	All accrued and unpaid amounts due or otherwise payable as at the effective date of the termination	Same as CEO	Same as CEO
Retiring Allowance			
Multiple of Annual Salary in effect as at the date of the notice given	2 times	2 times	1 times
Multiple of amount of the bonus paid to the Employee in respect of the last preceding fiscal year.	2 times	2 times	1 times
Group Coverage – Number of months of the premiums due under the Corporation's group benefits package in effect at the termination date	24 months	24 months	12 months
Stock Options	All vested Options held may be exercised up to 30 days, all other Options terminate	Same as CEO	Same as CEO
	Without Cause		
Annual Salary	All accrued and unpaid portions of Annual Salary due as at the effective date of the termination	Same as CEO	Same as CEO
Other Compensation	All accrued and unpaid amounts due or otherwise payable as at the effective date of the termination	Same as CEO	Same as CEO
Retiring Allowance			
Multiple of Annual Salary in effect as at the date of the notice given	2 times	2 times	1 times
Multiple of amount of the	2 times	2 times	1 times

	Joseph Werner (CEO) [1]	Theodore M. Donhuysen	John R. Pantazopoulos
bonus paid to the Employee in respect of the last preceding fiscal year.			
Group Coverage	24 months	24 months	12 months
Stock Options	All vested Options held may be exercised up to 30 days, all other Options terminate	Same as CEO	Same as CEO
Change of Control			
Annual Salary	All accrued and unpaid portions of Annual Salary due as at the effective date of the termination	Same as CEO	Same as CEO
Other Compensation	All accrued and unpaid amounts due or otherwise payable as at the effective date of the termination	Same as CEO	Same as CEO
Retiring Allowance			
Multiple of Annual Salary in effect as at the date of the notice given	2 times	2 times	1 times
Multiple of amount of the bonus paid to the Employee in respect of the last preceding fiscal year.	2 times	2 times	1 times
Group Coverage	24 months	24 months	12 months
Stock Options	All vested Options held may be exercised up to 30 days, all other Options terminate		
Mitigation	The amounts payable by the Corporation to the Employee in respect of termination, are not reduced by any amounts earned by the Employee after the termination of the employment of the Employee.		

Notes:

(1) Prior to his retirement on December 30, 2008.

Each employee named in the preceding table has the right for a period of six months following a Change of Control to terminate his employment agreement by written notice to the Corporation.

Joseph Werner's retirement was treated by the Board of Directors as a constructive dismissal and he was accordingly paid the sum of $546,989, being $325,900 in respect of Annual Salary owing at December 31, $218,281 in respect of the Bonus paid to December 31, 2007, and $2,808 in respect of amounts owed under Petro-Reef's benefits package.

The following table sets out estimated severance costs, had the Corporation terminated the employment of the following NEOs on December 31, 2008:

	Theodore M. Donhuysen	John R. Pantazopoulos
	Voluntary	
Annual Salary	Nil	Nil
Other Amounts	Nil	Nil
Group Coverage	Nil	Nil
Total	Nil	Nil
Constructive, Without Cause or Change of Control		
Annual Salary	$319,316	$125,000
Other Amounts	$218,722	$2,173
Group Coverage	$4,800	$2,400
Total	**$542,838**	**$129,573**

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATIONS PLANS

The following table sets forth information in respect of the Corporation's equity compensation plans as at December 31, 2008, and the impact of equity compensation plans, proposed for approval by the Shareholders in this Information Circular but not yet approved.

Plan Category	(A) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(B) Weighted-average exercise price of outstanding options, warrants and rights	(C) Number of securities, remaining available for future issuance under equity compensation plans (excluding securities reflected in column A)
Equity compensation plans approved by securityholders (1)	2,375,000	$1.12	1,041,154
Equity compensation plans not approved by security holders (2)	Nil	Nil	Nil
Total	2,375,000	$1.12	1,041,154

Notes:

(1) The current Stock Option Plan, approved on June 18, 2003 and amended on June 13, 2007, is a "rolling" plan reserving a maximum of 10% of the issued and outstanding shares of the Corporation at the time of a stock option grant. Thus the number securities remaining available for future issuance must take into account outstanding options and also options that were issued under the plan and already exercised.

(2) At the date of this Circular, options to acquire 2,375,000 Common Shares were outstanding, representing 7.0% of the Common Shares outstanding. The options were issued at the closing price of the Common Shares on the TSX Venture Exchange on the last day preceding the grant of the options.

For a description of the terms of the Corporation's Stock Option Plan, please see "CORPORATE COMPENSATION INFORMATION - **STATEMENT OF EXECUTIVE COMPENSATION - Stock Option Plan**" at page 15.

DIRECTORS AND OFFICERS

Directors' and Officers' Liability Insurance

The Corporation maintains directors' and officers' liability insurance. The Corporation has also entered into indemnity agreements with its directors and officers.

Compensation of Directors

The Governance Committee determines Directors' compensation on a periodic basis. Currently, compensation is entirely by way of awards of options. It is the practice of the Corporation to replace options as they are exercised by officers and directors in like number and priced in accordance with the Policies of the TSXV at the time of the new grant.

For the fiscal year ended December 31, 2008, the Corporation paid no cash compensation to the directors for services rendered as directors to the Corporation. Executive officers of the Corporation who also serve as directors of the Corporation, do not receive any additional compensation by virtue of their roles as directors. See "Executive Compensation Summary Compensation Table" at page 13.

Except for R. Greg Powers, no options or other forms of compensation were awarded to Directors of the Corporation in their capacities as directors during the fiscal year ended December 31, 2008. On June 12, 2008, R. Greg Powers was awarded options to purchase 40,000 at an exercise price of $1.27 per share. The options were exercised in full on June 12, 2008 when the market price at the close of trading on the TSXV was $1.25 per share.

The following table provides information for each of the Directors, other than the Named Executive Officers on (1) the value that would have been realized if the options under the option-based awards had been exercised on the vesting date, (2) the value realized upon vesting of share-based awards, and (3) the value earned under the annual performance incentives in 2008.

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Richard W. DeVries	Nil	N/A	N/A
Jack P. Donhuysen	Nil	N/A	N/A
Alan P. Hallman	Nil	N/A	N/A
Peter A. Lubey	Nil	N/A	N/A
R. Greg Powers	Nil	N/A	N/A
Huba A. Sebo	Nil	N/A	N/A

All stock options held by Directors, other than Named Executive Officers were out of the money on the day the stock options would have vested.

CORPORATE GOVERNANCE INFORMATION

Set forth below is a description of the Corporation's current corporate governance practices.

BOARD OF DIRECTORS

The Corporation's Board of Directors (the "Board"), which is responsible for supervising the management of the business and affairs of the Corporation, is comprised of nine directors, of which three are independent.

The Corporation shall have no fewer than three directors, at least two of whom are not officers or employees or Control Persons of the Corporation or its Affiliates. The Board shall be composed of such number of resident Canadians as are required by applicable corporate laws. At least one director must have expertise in the area of the Corporation's actual or proposed business. Each director must otherwise be acceptable to the TSX Venture Exchange and each Securities Commission having jurisdiction over the Corporation both before and after his or her appointment or election as a director of the Corporation.

Board Membership and Independence

In determining whether a Board member is independent or not, the Corporation follows the meaning of independence as set out at Section 1.4 of National Instrument 52-110. The following table identifies the independent directors, those that are not independent and the reasons for such determination and those directors that are presently also directors of other issuers that are reporting issuers (or the equivalent):

Director	Name of other Reporting Issuers of which he is a Director	Independent (Yes/No)	Reasons Why Not Independent
Richard W. DeVries	Finance for International Benefits Management Corporation; Call Genie Inc.; Pacific Lottery Corporation; CPI Crown Properties International Corporation; Tallagium Corporation; Migenix Inc.; Capital Holdings Ltd.	Yes	-
Jack P. Donhuysen	None	No	Has a material relationship with the Corporation through consulting fees paid to Status Engineering Associates Ltd., of which he is President
Theodore M. Donhuysen	None	No	Executive Officer
Alan P. Hallman	None	Yes	-
Peter A. Lubey	None	Yes	-
John R. Pantazopoulos	None	No	Executive Officer
R. Greg Powers	None	No	1. Corporate Secretary, and 2. Has a material relationship with the Corporation through legal

			fees paid to Fasken Martineau DuMoulin LLP, of which he is a partner.
Huba A. Sebo	None	No	Has a material relationship with the Corporation through joint ventures between the Corporation and Jonder Asset Management, of which he is an investor.
Joseph Werner	None	No	President and Chief Executive Officer until December 30, 2008, and Chairman of the Board thereafter

Board Mandate

The Board has approved a formal written mandate in its Corporate Governance Manual. The Board has clearly delineated its role and the role of management. The role of the Board is to establish policy, define the business plan, and supervise the management of the Corporation's business and affairs, with the objective of increasing Shareholder value. Management's role is to conduct the day-to-day operations in a way that meets this objective. The Board approves all matters expressly required in its Corporate Governance Manual, under the *Business Corporations Act* (Alberta) and all applicable corporate laws, (including all applicable securities laws and TSX Venture Exchange Rules), and the Corporation's Articles of Incorporation and By-Laws. The Board may delegate to one or more Board committees any matters which the Board is responsible for in accordance with its Corporate Governance Manual. Except as prohibited or restricted by applicable corporate laws or by internal corporate mandate, the Board may delegate the approval of certain matters to management pursuant to one or more resolutions, as passed from time to time. As part of its stewardship responsibility, the Board advises management on significant business issues.

COMMITTEES OF THE BOARD

Board Committees and Membership

The Board has established the following Board committees comprised of the members and chaired by the individuals set out in the following table:

Committee	**Members**
Audit	Richard W. DeVries (Chairman) Alan P. Hallman Peter A. Lubey
Compensation	R. Greg Powers (Chairman) Richard W. DeVries Alan P. Hallman
Corporate Governance	R. Greg Powers (Chairman)

	Alan P. Hallman Jack P. Donhuysen
Management	Theodore M. Donhuysen (Chairman) John R. Pantazopoulos
Reserves	Peter A. Lubey (Chairman) Jack P. Donhuysen Theodore M. Donhuysen

Audit Committee

Charter

For the full text of the Audit Committee's Charter, please see Schedule A hereto.

Composition of the Audit Committee

The Audit Committee is comprised of Richard W. DeVries, Allan P. Hallman and Peter A. Lubey.

Relevant Education and Experience

Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter. The education and current and past experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is summarized below:

Name	Education and Experience	Financially Literate	Independent
Richard W. DeVries	B.Comm (1974), LL.B. (1977), 30 years experiences practicing corporate law.	Yes	Yes
Alan P. Hallman	President of Hallman and Associates for 12 years.	No	Yes
Peter A. Lubey	Executive officer of another public company.	No	Yes

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board of Directors to review the performance of the Corporation's external auditors, and approve in advance the provision of services other than audit services and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Corporation. The Audit Committee is authorized to approve any non-audit services or additional work, which the Chairman of the Audit Committee deems as necessary.

External Auditor Service Fees (By Category)

The fees for auditor services billed by the Corporation's external auditors for the last two fiscal years are as follows:

Financial Year Ending December 31	Audit Fees	Audit-related Fee	Tax Fees	All Other Fees [1]
2008	$52,000	$2,048	$3,281	$44,625
2007	$50,000	$0	$0	$0

Notes:

(1) This relates to services rendered to review interim financial statements.

Exemption

The Corporation has relied upon the exemption in Section 6.1 of NI 52-110 with respect to the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) thereof.

The Corporation's Audit Committee charter was adopted by the Board of Directors. The mandate of the Audit Committee is to oversee and provide assistance in financial reporting, financial policies and internal controls as well as to work with the external auditors to ensure the accuracy of the Corporation's financial disclosures. The Audit Committee charter provides that all non-audit services to be provided by the external auditors are reviewed in advance and pre-approved.

Compensation Committee

The Compensation Committee is described under the heading Compensation Discussion and Analysis - Compensation Committee and Compensation Review at page 11. R. Greg Powers has a business relationship with the Corporation, as he is a partner in the law firm Fasken Martineau DuMoulin LLP that provides services to the Corporation. During 2008, the Corporation paid approximately $84,117 in fees to Fasken Martineau DuMoulin LLP.

Corporate Governance Committee

The Board has a strong commitment to effective corporate governance. The Corporate Governance Committee's mandate is to enhance the Corporation's governance through a continuing assessment of the Corporation's approach to corporate governance. The Charter of the Corporate Governance Committee is reviewed periodically by the Board in light of proposed governance reforms and established best practices to ensure that the governance guidelines followed by the Board are appropriate and effective in enabling the Board to fulfill its responsibilities independently of management and with a view to the best interests of the Corporation and its Shareholders. By its Charter, the Corporate Governance Committee shall: (a) set the criteria for selecting new directors; (b) recommend to the Board the size of the Board, its appropriate composition and eligible individuals for election to the Board, a majority of whom shall be unrelated directors; (c) recommend to the Board the appropriate committee structure, committee mandates, composition and membership; (d) on an ongoing basis, review and evaluate or oversee the evaluation of the performance and effectiveness of the Board as a whole and of Board committees and individual directors; (e) review and make recommendations to the Board on the remuneration of the Board Chairman, the committee chairs and non-executive directors; (f) review and recommend to the Board a set of corporate governance policies, practices and principles aimed at fostering a healthy governance culture at

the Corporation; (g) if a code of business conduct and ethics has then been adopted by the Board, monitor compliance with such code; (h) oversee the orientation and continuing education program for directors; (i) ensure the Corporation communicates effectively with its Shareholders, other interested parties and the public through a responsive communication policy; (j) assist the Board in its oversight role with respect to: (i) conflicts of interest, (ii) confidential information, (iii) complaints of Shareholders, and (iv) transactions involving related parties to the Corporation; and (k) report to the Board on all matters under its mandate. Nothing contained in the aforementioned mandate is intended to transfer to the Corporate Governance Committee the Board's responsibility to ensure the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Corporate Governance Committee.

Management Committee

The Management Committee's mandate is to improve the efficiency of Petro-Reef's Board and Committees through a process of allocating certain functions in respect of the management of the Corporation to senior management. The Management Committee reviews and makes recommendations to the Compensation Committee on the remuneration of the Executive Officers of the Corporation, other than the Chief Executive Officer, and such other officers and employees as the Board may direct.

Reserves Committee

Reporting to the Board, the Reserves Committee (the "Reserves Committee") shall be responsible for assisting the Board in its oversight of the reliability and integrity of the reporting and evaluations in respect of the oil and gas activities of Petro-Reef in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. The Reserves Committee has the authority on behalf of Petro-Reef to appoint one or more qualified reserves evaluators or auditors, each of whom is independent of Petro-Reef, to report to the Reserves Committee on the Corporation's reserves data. The Reserves Committee shall also have oversight responsibility for (i) the engagement, evaluation, remuneration and termination of the qualified reserves evaluator or auditor, (ii) the oversight of Management's system of internal controls in relation to the Corporation's oil and gas activities, and (iii) the maintenance by Management of practices and processes to assure compliance with Applicable Securities Laws in relation to the Corporation's oil and gas activities.

Descriptions for the Board, Chairperson, Committee Chairpersons and the CEO

The Board has not developed written position descriptions for the Chairperson of each Board Committee or the CEO of the Corporation. The responsibilities of directorship are communicated verbally and in a Governance Commitment Policy that outlines the role of the Chairperson and director's conduct. Each director provides feedback by completing a standard Board effectiveness survey. Each director who serves on a Board committee is responsible for carrying out the mandate outlined in that committee's charter.

Director Orientation and Continuing Education

Responsibility for Board orientation and continuing education is delegated to the Corporate Governance Committee and is specifically outlined in its Charter. New directors are provided with a Corporate Governance Manual that outlines policies of the Corporation. These include a Timely Disclosure, Confidentiality and Insider Trading Policy, and charters for the Audit Committee, Corporate Governance Committee, Compensation Committee, Management Committee and Reserves Committee. The manual is updated as the Corporation's business, governance documents and policies change. Directors are

encouraged to visit the Corporation's facilities, to interact with management and employees and to stay abreast of industry developments and the evolving business of the Corporation.

Exercise of Independent Judgment

The Board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Corporate Governance Manual and are expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere. The Corporation has a specific policy to outline the expectations of directors in the Corporate Governance Manual.

The Corporate Governance Committee is responsible for reviewing departures from the Corporate Governance Manual by executive officers, management, employees and consultants, reviewing and either providing or denying waivers from the Corporate Governance Manual, and disclosing any waivers that are granted in accordance with applicable law. The Board, as a whole, is responsible for responding to conflict of interest situations involving directors, particularly with respect to existing or proposed transactions and agreements in respect of which directors advise they have a material interest.

Conflicts Of Interest

Directors and officers are required to disclose any material interest in any transaction or agreement with the Corporation to the Corporate Governance Committee. The Corporation's directors and officers abide by the disclosure of conflict of interest provisions contained in the *Business Corporations Act* (Alberta).

Director Nomination

Responsibility for identifying new candidates to join the Board is delegated to the Corporate Governance Committee and is specifically outlined in their charter. The Corporate Governance Committee is responsible for identifying qualified candidates, recommending nominees for election as directors, and appointing directors to Committees. The Corporate Governance Committee is comprised of a majority of independent directors to encourage an objective nomination process.

Compensation

The Compensation Committee's mandate is to enhance the Corporation's governance through a continuing assessment of the Corporation's approach to corporate governance. The Charter of the Compensation Committee will be reviewed periodically by the Board in light of proposed governance reforms and established best practices to ensure that the governance guidelines followed by the Board are appropriate and effective in enabling the Board to fulfill their responsibilities independently of management and with a view to the best interests of the Corporation and its Shareholders. The Compensation Committee shall review and make recommendations to the Board on the remuneration of the Chief Executive Officer, Chief Financial Officer and all other Executive Officers of the Corporation, and such other officers and employees as the Board may direct. The Compensation Committee shall take into account any review by the Corporate Governance Committee, review and approve at least annually the corporate goals and objectives relevant to the compensation of the Chief Executive Officer, Chief Financial Officer and all other Executive Officers, evaluate the performance of the Chief Executive Officer, Chief Financial Officer and all other Executive Officers in light of those goals and objectives, report the results of such evaluation to the Board and set the compensation level of the Chief Executive Officer, Chief Financial Officer and all other Executive Officers based on this evaluation.

Director Assessment

The Corporate Governance Committee is responsible for the evaluation and assessment of the performance, contribution and effectiveness of individual directors, committees and the Board as a whole. The evaluation includes a questionnaire, which asks directors to identify their own skills, their contributions to the Board and committees, and rate their effectiveness and the effectiveness of the Board and the committees. The annual review also asks directors to provide feedback on areas where they believe improvements in Board effectiveness can be made.

OTHER CORPORATE INFORMATION

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At no time during the Corporation's fiscal year ended December 31, 2008, was any director, executive officer or employee, or any former director, executive officer or employee of the Corporation or any of its subsidiaries indebted to the Corporation, or any of its subsidiaries, nor to another entity where such indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, other than routine indebtedness.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

Other than as outlined in the paragraphs below, no proposed director of the Corporation:

(a) is, as at the date of the Circular, or has been, within the 10 years before the date of the Circular, a director or executive officer of any company (including the Corporation), that while that person was acting in that capacity,

  (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

  (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

  (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of the Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Mr. DeVries was a director of Advanced Vision Systems Corp. On July 6, 2001, the ASC issued an interim cease trade order against Advanced Vision Systems Corp. for failure to file required financial information, as did the British Columbia Securities Commission (the "BCSC") shortly thereafter (the "Financial Statement Orders"). The Alberta Venture Exchange also issued a bulletin on July 6, 2001,

suspending the trading of shares of Advanced Vision Systems Corp. (the "Trading Suspension"). The Financial Statement Orders were subsequently revoked by the ASC and the BCSC, after the required filings were made. The revocation of the Financial Statement Orders was confirmed on March 5, 2002 by the Alberta Venture Exchange, at which time the Alberta Venture Exchange advised that the Trading Suspension would not be revoked until Advanced Vision Systems Corp. met the Alberta Venture Exchange's requirements for securities trading on the Alberta Venture Exchange. On March 10, 2004, Advanced Vision Systems Corp. was transferred to the NEX board of the TSX Venture Exchange (the successor to the Alberta Venture Exchange). Mr. DeVries resigned as a director of Advanced Vision Systems Corp. in November, 2002.

PENALTIES OR SANCTIONS

In 1999, Mr. DeVries was subject to an administrative action of the ASC wherein the ASC found that Mr. DeVries had failed to act in the best interests of an issuer and further acknowledged that by acting as a director of an issuer, he was not in a position to provide independent legal advice to the issuer. On October 21, 1998, CPI Crown Properties International Corporation ("Crown Properties") caused a loan (the "Loan") to be made to Syndico Capital Inc. ("Syndico") contrary to Section 6.1 of Rule 46-501 (for the purposes of this paragraph, the "Rule") of the ASC Rules. The Loan was made by Crown Properties relying upon the advice of Mr. DeVries, who incorrectly advised Crown Properties that the Loan would not contravene the Rules. Upon Crown Properties being notified that it had breached the Rule, it caused Syndico to immediately repay the Loan, which was done on March 3, 1999. Mr. DeVries acknowledged to the ASC that in providing his advice, he failed to act in the best interests of Crown Properties and further acknowledged that by acting as a director of Crown Properties, he was not in a position to provide independent legal advice to Crown Properties. Mr. DeVries paid an administrative penalty to the ASC as well as all costs of the investigation. Crown Properties paid no costs nor was it subject to any penalty. Mr. DeVries was also required to complete the success workshop operated by the Exchange, which he successfully completed.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth herein, and other than transactions carried out in the ordinary course of business of the Corporation or any of its subsidiaries, none of the directors or executive officers of the Corporation, any Shareholder beneficially owning shares carrying more than 10% of the voting rights attached to the shares of the Corporation nor an associate or affiliate of any of the foregoing persons has, since January 1, 2008, had any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Corporation or any of its subsidiaries.

MANAGEMENT AND CONSULTING CONTRACTS

No management functions of the Corporation are to any substantial degree performed other than by the directors or executive officers of the Corporation.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Information Circular, no person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation’s most recently completed financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing, has any material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon other than the election of directors.

ANY OTHER MATTERS

Management of the Corporation knows of no matters to come before the meeting other than those referred to in the Notice of Meeting accompanying this Information Circular. However, if any other matters properly come before the meeting, it is the intention of the persons designated by management as proxyholders in the form of proxy accompanying this Information Circular to vote the same in accordance with their best judgment on any such matters.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available at www.sedar.com and on the Corporation's website at www.petro-reef.ca. Financial information regarding the Corporation is provided in the Corporation's audited financial statements for the year ended December 31, 2008 and related management's discussion and analysis.

Shareholders may request copies of the Corporation's financial statements, management's discussion and analysis and any documents incorporated by reference herein, without charge, by written notice to the Corporation at Suite 970, 10655 Southport Road S.W., Calgary, Alberta T2W 4Y1, attention: Chief Financial Officer.

Schedule A
CHARTER OF THE AUDIT COMMITTEE

1.1 MANDATE

Reporting to the Board, the Audit Committee (the "Audit Committee") shall be responsible for assisting the Board in its oversight of the reliability and integrity of the accounting principles and practices, financial statements and other financial reporting, and disclosure practices followed by the Management of Petro-Reef, in accordance with Applicable Corporate Laws, Applicable Securities Laws and Stock Exchange Rules.

The Audit Committee shall also have oversight responsibility for (i) the engagement, evaluation, remuneration and termination of the external auditors, (ii) the oversight of management's system of internal controls.

The Audit Committee shall review Petro-Reef's financial statements and shall report thereon to the Board before such financial statements are approved by the Board.

The external auditor shall report directly to the Audit Committee

In carrying out its duties, the Audit Committee has the authority to (a) engage independent counsel and other advisors as it determines necessary to carry out its duties, (b) set and pay the compensation for any advisors employed by the Audit Committee and (c) communicate directly with the internal auditors or accountants and external auditors.

1.2 OBLIGATIONS

1.2.1 Matters Requiring Audit Committee Action

The Audit Committee shall:

(a) recommend to the Board:

(i) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and

(ii) the compensation of the external auditor.

(b) be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.

(c) pre-approve all non-audit financial services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor before those services may be provided.

(d) review the Corporation's financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses this information.

(e) be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other

than the public disclosure referred to in subsection 1.2.1(d), and must periodically assess the adequacy of those procedures.

(f) establish procedures for:

(i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

(iii) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

1.2.2 De Minimus Non-Audit Services

The obligation contained in subsection 1.2.1(c) shall be satisfied if:

(a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiary entities to the Corporation's external auditor during the fiscal year in which the services are provided;

(b) the Corporation or the subsidiary entity of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

(c) the services are promptly brought to the attention of the audit committee of the Corporation and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated by the audit committee.

1.2.3 Delegation of Pre-Approval Function

The Audit Committee may delegate to one or more independent members the authority to pre-approve non-audit financial services in satisfaction of the requirement in subsection 1.2.1(c).

The pre-approval of non-audit financial services by any member to whom authority has been delegated must be presented to the audit committee at its first scheduled meeting following such pre-approval.

The Audit Committee will satisfy the pre-approval requirement in subsection 1.2.1(c) if it adopts specific policies and procedures for the engagement of the non-audit financial services, and if:

(a) the pre-approval policies and procedures are detailed as to the particular service;

(b) the audit committee is informed of each non-audit financial service; and

(c) the procedures do not include delegation of the audit committee's responsibilities to Management.

1.3 MEMBERSHIP AND QUORUM

Unless exempted by NI 52-110 as a Venture Issuer:

(a) The Audit Committee shall be composed of a minimum of three members;

(b) Every audit committee member must be a director of Petro-Reef;

(c) Subject to the qualifications set forth in NI 52-110, every audit committee member must be independent; and

(d) Subject to the qualifications set forth in NI 52-110, every audit committee member must be financially literate.

While Petro-Reef is a Venture Issuer (as defined in NI 52-110) the Audit Committee shall be comprised of a minimum of three directors, a majority of whom are not Officers, employees or Control Persons of the Corporation or any of its Associates or Affiliates (as those expressions are defined in the Stock Exchange Rules).

A majority of the members of the Audit Committee must be present at all Audit Committee meetings to constitute a quorum.

1.4 FREQUENCY AND TIMING OF MEETINGS

The Audit Committee will meet on a regular basis, and where practical contemporaneously with Petro-Reef Board meetings.

Regular meetings of the Committee may be held at such time or times as the Board, the Chairman of the Board, or the Audit Committee Chairman may determine and special meetings of the Audit Committee may be called by, or by the order of, the Chairman of the Board, the Audit Committee Chairman, or any member of the Audit Committee.

In accordance with Applicable Corporate Laws, the external auditors may also call a meeting of the Audit Committee.

The external auditors shall receive notice of every meeting of the Committee and the external auditors are entitled to attend and participate in such meetings.

The Audit Committee Chairman, or an alternate Audit Committee member, shall provide a report on each Audit Committee meeting to the Board and minutes of Audit Committee meetings shall be prepared and circulated to the Board.

Meetings shall be conducted in accordance with Applicable Corporate Laws, Applicable Securities Laws and the Articles of Incorporation of the Corporation and its By-laws.

1.5 OVERSEEING FINANCIAL REPORTING

Monitoring the quality and integrity of Petro-Reef's accounting and financial reporting process, disclosure controls and procedures, and systems of internal control, through discussions with Management, the external auditors and the internal auditors or accountants.

Reviewing the annual audited financial statements to be included in the annual report of Petro-Reef with Management and the external auditors, including Petro-Reef's MD&A disclosure, prior to their release, filing and distribution.

Reviewing the quarterly unaudited financial statements of Petro-Reef and accompanying information with Management and the external auditors, including Petro-Reef's MD&A disclosure, prior to their release,

filing and distribution, and reviewing the level and type of financial information provided, from time to time, to financial markets.

Reviewing the financial information contained in prospectuses, offering memoranda, the annual information form and other Periodic Reports, financial or otherwise, requiring Board approval.

Reviewing with the external auditors and Management, the quality, appropriateness and disclosure of Petro-Reef's accounting principles and policies, underlying assumptions and reporting practices, and any proposed changes thereto.

Reviewing any analysis or other written communications prepared by Management, the internal auditors or accountants or external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effect of alternative generally accepted accounting principles methods.

1.6 REVIEWING THE EXTERNAL AUDITORS' PERIODIC REVIEW.

Reviewing the compliance of Management certification of financial reports for the purpose of determining compliance with Applicable Laws.

Reviewing any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of Petro-Reef and the appropriateness of the disclosure thereof in the documents reviewed by the Audit Committee.

Reviewing the results of the external audit, any significant problems encountered in performing the audit, and the Management's response and/or action plan related to any Management Letter issued by the external auditors and any significant recommendations contained therein.

1.7 MONITORING INTERNAL AUDITORS OR ACCOUNTANTS

Ensuring that the chief internal auditor or accountant, as the case may be, reports directly to the Audit Committee.

Regularly monitoring the internal audit function's performance, its responsibilities, staffing and budget.

Ensuring that the internal auditors or accountants are accountable to the Audit Committee and to the Board.

1.8 MONITORING EXTERNAL AUDITORS

Recommending the retention and, if appropriate, the removal of external auditors (both subject to shareholder approval), evaluating and remunerating them, and monitoring their qualifications, performance and independence.

The external auditor shall be a "participating audit firm" as defined in National Instrument 52-108 – *Auditor Oversight*.

Approving and overseeing the disclosure of all audit services provided by the external auditors to Petro-Reef or any of its subsidiaries, determining which non-audit services the external auditors are prohibited from providing, and approving and overseeing the disclosure of permitted non-audit services by the external auditors.

Ensuring that the external auditors are accountable to the Audit Committee and to the Board.

Discussing with the external auditors the quality and not just the acceptability of Petro-Reef's accounting principles, including:

(a) all critical accounting policies and practices used;

(b) any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the treatment preferred by the external auditors; and

(c) any other material written communications between Petro-Reef and the external auditors (including any disagreement with Management), reviewing at least annually, a report by the external auditors describing their internal quality-control procedures; any material issues raised by their most recent internal quality-control review of their firm, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more audits carried out by them, to the extent available, and any steps taken to deal with any such issues.

Reviewing at least annually, the formal written statement from the external auditors stating all relationships that the external auditors have with Petro-Reef and confirming their independence, and holding discussions with the external auditors as to any relationship or services that may impact their objectivity or independence.

Reviewing hiring policies for employees or former employees of Petro-Reef's firm of external auditors.

1.9 REVIEWING FINANCINGS

Reviewing the opportunity and parameters of any debt or equity financing.

1.10 EVALUATING THE PERFORMANCE OF THE AUDIT COMMITTEE

Ensuring that processes are in place to annually evaluate the performance of the Audit Committee.

Because of the Audit Committee's demanding role and responsibilities, the Corporate Governance Committee shall review any invitation to Audit Committee members to join the audit committee of another entity. Where a member of the Audit Committee simultaneously serves on the audit committee of any other public corporation, including Petro-Reef, the Board shall determine whether such simultaneous service impairs the ability of such member to effectively serve on the Audit Committee.

As appropriate, the Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors and so advise Chairman of the Board and, if appropriate, the external auditors. The Committee shall make arrangements for the appropriate funding and for payment of the external auditors and any advisors retained by it.

The internal auditors or accountants and the external auditors must meet separately with the Audit Committee, without Management, once a year, and more frequently as required. The Audit Committee must also meet separately with Management once a year, and more frequently as required.

While the Audit Committee has the responsibilities and powers set forth in this Audit Committee Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that Petro-Reef's financial statements are complete and accurate and are in accordance with generally accepted accounting

principles. Such matters are the responsibility of Management, the internal auditors or accountants and the external auditors.

The Audit Committee shall report annually to the Board on the adequacy of its mandate and the Charter.

Nothing contained in this Charter is intended to transfer to the Audit Committee the Board's responsibility to ensure Petro-Reef's compliance with Applicable Laws or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee.

Even though the Audit Committee has a specific mandate and its members may have financial experience, they do not have the obligation to act as auditors or to perform auditing, or to determine that Petro-Reef's financial statements are complete and accurate. Members of the Audit Committee are entitled to rely, absent knowledge to the contrary, on:

(a) the integrity of the persons and organizations from whom they receive information;

(b) the accuracy and completeness of the information provided; and

(c) representations made by the Management as to the non-audit services provided to the Corporation by the external auditors.

The Audit Committee's oversight responsibilities are not established for the purpose of priority to provide an independent basis to determine that:

(d) the Management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures; or

(e) the Corporation's financial statements have been prepared and, if applicable, audited in accordance with generally accepted accounting principles.