**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 Banff Room of the Delta Calgary South, 135 Southland Dr. SE, Calgary, Alberta, on Friday, the 11th day of June, 2010 at the hour of 2:30 p.m. (Calgary time), for the following purposes:

1. To elect directors;

2. To appoint the auditors;

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

4. To receive the audited financial statements of the Corporation for the fiscal year ended December 31, 2009 (with comparative statements relating to the preceding fiscal year) together with the report of the auditors thereon; and

5. 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, 2009, 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 April 26, 2010 (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 12, 2010.

BY ORDER OF THE BOARD

(signed) "R. Greg Powers"
Secretary

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**PETRO-REEF RESOURCES LTD.**
**INFORMATION CIRCULAR**

## SOLICITATION, VOTING AND 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 11, 2010 (the "Meeting") at the place and for the purposes set forth in the accompanying Notice of Meeting.

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

### REGISTERED SHAREHOLDERS

If your Common Shares in Petro-Reef Resources Ltd. ("Petro-Reef" or the "Corporation") are registered in your name in the records of the Corporation, of which CIBC Mellon Trust Company is the registrar and transfer agent, please read the following carefully.

If your Common Shares are not registered in their names but are instead registered in the name of an intermediary that the Non-Registered Shareholder deals with in respect of the shares such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans and similar plans (an "Intermediary") or the shares are held in the name of a depositary (such as CDS Clearing and Depository Services Inc.) of which the intermediary is a participant, please refer to the section headed "Non-Registered Shareholders" at page 5.

### *Solicitation Of Proxies*

While it is expected that the solicitation or proxies 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.

### *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.

### *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.

## NON-REGISTERED SHAREHOLDERS

Most shareholders of the Corporation are "non-registered" shareholders (Non-Registered Shareholders") because the shares they own are not registered in their names but are instead registered in the name of an intermediary that the Non-Registered Shareholder deals with in respect of the shares such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans and similar plans (an "Intermediary") or the shares are held in the name of a depositary (such as CDS Clearing and Depository Services Inc.) of which the intermediary is a participant. Canadian securities laws require your Intermediary to provide you with a voting instruction form or form of proxy for the number of shares you beneficially own.

*Voting by Proxy* - If you are a Non-Registered Shareholders and have not waived your right to receive materials to be provided in connection with the Meeting, you will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Non-Registered Shareholders to direct the voting of the shares they beneficially own. Non-Registered Shareholders should follow the procedures set out below, depending on which type of form they receive. **Non-Registered Shareholders**

**should follow the instructions on the forms they receive and contact their Intermediaries promptly if they need assistance.**

Voting Instructions – Usually, Non-Registered Shareholders will receive a voting instruction form with the notice of meeting and proxy materials. If you are a Non-Registered Shareholder and do not wish to attend the Meeting in person (or have another person attend and vote on your behalf), the voting instruction form must be completed, signed and returned in accordance with the directions on the form. Voting instruction forms in some cases permit the completion of the voting instruction form by telephone or through the Internet. If a Non-Registered Shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on his or her behalf), the Non-Registered Shareholder must complete, sign and return the voting instruction form in accordance with the directions provided and a form of proxy giving the right to attend and vote will be forwarded to the Non-Registered Shareholder.

Form of Proxy – Occasionally a Non-Registered Shareholder will receive with the notice of meeting and proxy materials, a form of proxy that has been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise incomplete. If you are a Non-Registered Shareholder and do not wish to attend the Meeting in person (or have another person attend and vote on his or her behalf), you must complete the form of proxy and return it to CIBC Mellon Trust Company by mail, Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1; or by facsimile at (416) 368-2502.

*Voting in Person* - Although a Non-Registered Shareholder may not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of his or her Intermediary or a depositary, the Non-Registered Shareholder may attend at the Meeting as proxy holder for the registered shareholder and vote the Common Shares in that capacity. If you are a Non-Registered Shareholders and wish to attend the Meeting and indirectly vote your common shares as proxy holder for the registered shareholder you must insert your name in the space provided on the voting instruction form or form of proxy and return it by following the instructions provided. Do not otherwise complete the form as your vote will be taken at the Meeting. Please register with the transfer agent, CIBC Mellon Trust Company, upon arrival at the Meeting.

If you are a Non-Registered Shareholder and receive a form of proxy described above, and wish to attend the Meeting in person (or have another person attend and vote on your behalf), you must strike out the names of the persons named in the proxy and insert your (or such other person's) name in the blank space provided.

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 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 April 26, 2010, (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 39,176,241 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 | 11.7% |
| Theodore M. Donhuysen | 3,959,139 | 10.1% |

## BUSINESS OF THE MEETING

### 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 April 30, 2010. 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 |
|---|---|---|---|
| Theodore M. Donhuysen (3)(4)<br>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. | 3,959,139 (5) |
| Alan P. Hallman (1)(3)<br>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 1993. | 208,500 |
| Peter A. Lubey(1)(2)(4)<br>Alberta, Canada | Director - 2007 | President JPL Consulting Inc., a private consulting business. Between 2004 and January 4, 2010 Vice President, Engineering for Twin Butte Energy Ltd. (previously Buffalo Resources Corp.). Prior thereto engineering manager, north business unit, Baytex Energy Ltd. | 42,000 |
| John R. Pantazopoulos<br>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. | 173,500 |
| Allan Rasmuson(2)(4)<br>Alberta, Canada | Director – 2010 | President of Bearpaw Business Solutions Inc. since January 2000; prior thereto various positions with BP Canada for 20 years | 195,000 |
| Gary Van Nest(1)(2)(3)<br>Ontario, Canada | Director – 2009 | President Sinalta Investments Ltd. Since 1989; prior thereto President and CEO Landmark Global Financial Corporation; Chairman of Elliot & Page, President Triaich Corporation; President Wisener & Partners (Now Merrill Lynch Canada) | 100,000 |

Notes:

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Corporate Governance Committee.

(4) Member of the Reserves Committee.

(5) Theodore M. Donhuysen owns or controls, directly or indirectly, greater than 10% of the issued and outstanding Common Shares.

As at April 30, 2010 the directors and officers of the Corporation as a group, beneficially owned, directly or indirectly, 4,678,139 Common Shares or approximately 11.9% 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 ("NEOs") 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, other than an individual who was not serving as an executive officer at the end of the most recently completed financial year.

For the fiscal year ended December 31, 2009, the Corporation's NEOs were Theodore M. Donhuysen, President and CEO, John R. Pantazopoulos, VP Finance and CFO and Larry Ness, Vice-President, Engineering. 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 CEO and CFO of the Corporation provide 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 - Committees of the Board - Compensation Committee at page 10.

#### *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 two key compensation components: base salary and annual incentive in the form of bonuses. It is intended that this approach will:

(i) attract and retain highly qualified senior personnel,

(ii) align the interests of senior personnel with shareholders' interests, and

(iii) motivate senior personnel 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 2010***

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 at the higher salary level of managerial personnel which are 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 for Theodore M. Donhuysen as President and CEO, the Compensation Committee based its recommendations using as the base salary the APEGGA survey amount .

In making its report to the Board of Directors for John Pantazopoulos, VP Finance and Chief Financial Officer and Larry Ness, Vice-President, Engineering, the Compensation Committee reviewed compensation for junior oil and gas exploration and development companies comparable to the Corporation and makes a recommendation based on that review.

Bonus Awards

In 2008, due to economic conditions, the Board of Directors suspended all bonus payments. The Corporation therefore currently does not have a bonus plan. It is expected that in 2010, the Compensation Committee will review circumstances and consider the merits of reinstituting a bonus plan.

Stock Options

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. 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 a description of the terms of the Corporation's Stock Option Plan, please see "Corporate Compensation Information - Executive Compensation - Stock Option Plan" at page 14.

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.

Those NEOs that are also Directors are paid a directors fee of $1,000 for each Directors' meeting attended.

## 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, 2009 to the Corporation's named executive officers:

| Name and Principal Position | Year | Salary ($) | Option-Based Awards[5] ($) | Non-equity incentive plan compensation[4] ($) Annual Incentive Plans | All Other Compensation[6] ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|
| Theodore M. Donhuysen President and CEO[1] | 2009 | $172,637 | $27,135 | - | $3,000 | $202,772 |
| | 2008 | $159,658 | - | $188,390 | - | $348,048 |
| | 2007 | $159,322 | $290,878 | $109,361 | - | $559,561 |
| Joseph Werner President and CEO[2] | 2009 | - | - | - | - | - |
| | 2008 | $159,658 | - | $188,390 | - | $348,048 |
| | 2007 | $159,322 | $82,070 | $109,361 | - | $348,048 |
| John R. Pantazopoulos[3] VP and CFO | 2009 | $146,562 | $27,135 | - | $3,000 | $176,697 |
| | 2008 | $120,000 | $131,205 | $89,921 | - | $341,126 |
| | 2007 | $27,500 | $102,174 | $2,173 | - | $131,847 |
| Larry Ness[4] Vice-President, Engineering | 2009 | $147,864 | $27,135 | - | - | $174,999 |
| | 2008 | $99,171 | $110,914 | - | - | $210,085 |
| | 2007 | - | - | - | - | - |

Notes:

(1) Mr. Donhuysen was appointed CEO on December 30, 2008 and prior thereto was Vice-President, Exploration and Production and COO.

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

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

(4) Mr. Ness was appointed VP Engineering on April 21, 2008.

(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 1.56% to 1.99% during 2009; volatility ranged between 93.9% to 177.4% during 2009; 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.

(6) Director's fees paid to Mr. Donhuysen and Mr. Pantazopoulos.

The Corporation does not have any Share-Based Awards or Long-Term Incentive Plans.

***Incentive Plan Awards***

Outstanding Share-Based Awards and Option-Based Awards

The following table provides information for all Outstanding Option-Based Awards Year Ended December 31, 2009.

| | Option-Based Awards | | | |
|---|---|---|---|---|
| **Name** | **Number of securities underlying unexercised options (#)** | **Option exercise price ($)** | **Option expiration date** | **Value of unexercised in-the-money options ($)** |
| Theodore M. Donhuysen | 175,000 | 0.26 | June 16, 2014 | 15,750 |
| | 290,000 | 1.70 | Jun. 21, 2012 | - |
| | 60,000 | 1.45 | Feb. 20, 2012 | - |
| John R. Pantazopoulos | 175,000 | 0.26 | June 16, 2014 | 15,750 |
| | 200,000 | 1.29 | June 4, 2013 | - |
| | 150,000 | 1.36 | Oct. 1, 2012 | - |
| Larry Ness | 175,000 | 0.26 | June 16, 2014 | 15,750 |
| | 150,000 | 1.45 | May 27, 2013 | - |

Value Vested or Earned During the Year

The following table provides information for each of the Named Executive Officers on the value that would have been realized if the options under the option-based awards had been exercised on the vesting date, in 2009.

| **Name** | **Option-based awards – Value vested during the year ($)** |
|---|---|
| Theodore M. Donhuysen | Nil |
| John R. Pantazopoulos | Nil |
| Larry Ness | Nil |

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

The Corporation does not have any Share-based awards or Non-equity incentive plan compensation for the year ended December 31, 2009.

***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.

***Termination of Employment, Change of Control***

The Corporation has entered into employment agreements with each of its NEOs: Theodore M. Donhuysen (dated March 30, 2007), John R. Pantazopoulos (dated October 1, 2007) and Larry Ness (dated April 21, 2008). Each of these contracts sets out the NEO's salary and provides for an indefinite term of employment, subject to termination in certain circumstances. The significant termination provisions of these agreements are set out below:

| | Theodore M. Donhuysen (CEO) | John R. Pantazopoulos (CFO) | Larry Ness |
|---|---|---|---|
| **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 Options terminate | Same as CEO | Same as CEO |
| **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 | 1 times | Same as CFO |
| Multiple of amount of the bonus paid to the Employee in respect of the last preceding fiscal year. | 2 times | 1 times | Same as CFO |
| Group Coverage – Number of months of the premiums due under the Corporation's group benefits package in effect at the termination date | 24 months | 12 months | Same as CFO |
| Stock Options | All vested Options held may be exercised up to 30 days, all other Options terminate | Same as CEO | Same as CEO |

| | Theodore M. Donhuysen (CEO) | John R. Pantazopoulos (CFO) | Larry Ness |
|---|---|---|---|
| **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 | 1 times | Same as CFO |
| Multiple of amount of the bonus paid to the Employee in respect of the last preceding fiscal year. | 2 times | 1 times | Same as CFO |
| Group Coverage | 24 months | 12 months | Same as CFO |
| 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 | 1 times | Same as CFO |
| Multiple of amount of the bonus paid to the Employee in respect of the last preceding fiscal year. | 2 times | 1 times | Same as CFO |
| Group Coverage | 24 months | 12 months | Same as CFO |
| Stock Options | All vested Options held may be exercised up to 30 days, all other Options terminate | Same as CEO | Same as CEO |
| 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. | | |

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.

The following table sets out estimated severance costs, had the Corporation terminated the employment of the following NEOs on December 31, 2009:

| | Theodore M. Donhuysen | John R. Pantazopoulos | Larry Ness |
|---|---|---|---|
| | | **Voluntary** | |
| Annual Salary | Nil | Nil | Nil |
| Other Amounts | Nil | Nil | Nil |
| Group Coverage | Nil | Nil | Nil |
| Total | Nil | Nil | Nil |
| | | **Constructive, Without Cause or on a Change of Control** | |
| Annual Salary | $358,750 | $143,500 | $153,750 |
| Other Amounts | - | - | - |
| Group Coverage | $4,800 | $2,400 | $2,400 |
| Total | $363,550 | $145,900 | $156,150 |

## 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, 2009, and the impact of equity compensation plans.

| 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) | 3,150,000 | $0.86 | 767,624 |
| Equity compensation plans not approved by security holders | Nil | Nil | Nil |
| Total (2) | 3,150,000 | $0.86 | 767,624 |

Notes:

(1) The current Stock Option Plan 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 Common Shares and the number of Common Shares under option that were issued under the plan.

(2) At the date of this Circular, options to acquire 3,150,000 Common Shares were outstanding, representing 8.0% 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 - Executive Compensation - Stock Option Plan" at page 14.

## 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 Corporate Governance Committee determines non-executive Directors' compensation on a periodic basis. Currently, compensation is by way of awards of options and meeting attendance fees of $1,000 for each Directors' meeting attended. 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.

The following table sets forth the elements of compensation of the directors for the year ending December 31, 2009, other than those Named Executive Officers whose compensation for service as a director is fully reflected in the summary compensation table under the heading "Corporate Compensation Information - Executive Compensation - Summary Compensation Table" at page 12.

| Name | Fees ($) | Option-based Awards | All other Compensation | Total |
|---|---|---|---|---|
| | ($) | ($) | ($) | ($) |
| Alan P. Hallman | 3,000 | 16,506 | - | 19,506 |
| Peter A. Lubey | 3,000 | 16,506 | - | 19,506 |
| Huba A. Sebo | 3,000 | 16,506 | - | 19,506 |
| David Street[(1)] | 1,000 | 102,771 | - | 103,771 |
| Gary Van Nest | 2,800 | 102,771 | - | 105,571 |

Note:

(1) Mr. Street was appointed as a Director on November 25, 2009 and resigned as a Director on January 1, 2010 following his accepting a position with a securities dealer. All options granted to Mr. Street were cancelled at that time as they had not vested.

The Corporation does not have any Share-based awards, Non-equity incentive plan compensation or pension compensation.

The following table provides information for each of the Directors, other than the Named Executive Officers, on the value that would have been realized if the options under the option-based awards had been exercised on the vesting date in 2009.

| Name | Option-based awards – Value vested during the year ($) |
|---|---|
| Alan P. Hallman | Nil |
| Peter A. Lubey | Nil |
| Huba A. Sebo | Nil |
| David Street | Nil |
| Gary Van Nest | Nil |

The Corporation does not have any Share-based awards, Non-equity incentive plan compensation or pension compensation.

## 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 seven directors, of which five 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 is 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), as at April 30, 2010:

| Director | Name of other Reporting Issuers of which he is a Director | Independent (Yes/No) | Reasons Why Not Independent |
|---|---|---|---|
| Theodore M. Donhuysen | None | No | Executive Officer |
| Alan P. Hallman | Aqua Pure Ventures Inc. | Yes | - |
| Peter A. Lubey | None | Yes | - |
| John R. Pantazopoulos | None | No | Executive Officer |
| Allan Rasmuson[1] | None | Yes | - |

| Director | Name of other Reporting Issuers of which he is a Director | Independent (Yes/No) | Reasons Why Not Independent |
|---|---|---|---|
| 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. |
| Gary Van Nest | Landmark Global Financial Corp.<br>Medx Health Corp.<br>Aquaris Coatings Inc.<br>Davis-Rea Limited<br>Crown Hill Capital | Yes | - |

Note:

(1) Allan Rasmuson was appointed to the Board of Directors on February 10, 2010.

***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***

As at April 30, 2010, the Board had established the following Board committees comprised of the members and chaired by the individuals set out in the following table:

| Committee | Members |
|---|---|
| Audit | Gary Van Nest<br>Alan HallmanPeter Lubey |
| Compensation | Gary Van Nest<br>Allan Rasmuson<br>Peter Lubey |
| Corporate Governance | Gary Van Nest<br>Theodore Donhuysen<br>Alan Hallman |

| | |
|---|---|
| Reserves | Peter Lubey<br>Theodore Donhuysen<br>Allan Rasmuson |

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 Gary Van Nest, Alan Hallman and Peter 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 |
|---|---|---|---|
| Gary Van Nest | President of Sinalta Investments for over 20 years. Prior thereto, President of Wisener & Partners (Now Merrill Lynch Canada) | Yes | Yes |
| Alan Hallman | President of Hallman and Associates for 12 years. | No | Yes |
| Peter Lubey | President JPL Consulting Inc., a private consulting business for 10 years. | 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)] |
|---|---|---|---|---|
| 2009 | $52,000 | Nil | Nil | $42,500 |
| 2008 | $52,000 | $2,048 | $3,281 | $44,625 |

Notes:

(1) This relates to services rendered to review interim financial statements as well as an attendance at a due diligence session.

*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*).

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 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.

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 is also described under the heading "Corporate Compensation Information - Compensation Discussion and Analysis - Compensation Committee and Compensation Review" at page 10.

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.

Reserves Committee

Reporting to the Board, the Reserves Committee (the "Reserves Committee") is 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.

### *Conflicts Of Interest*

Under the *Business Corporations Act* (Alberta), directors and officers are required to disclose any direct or indirect interest in any material contract or material transaction or proposed material contract or proposed material transaction and, except in a few limited cases, not vote on any resolution to approve any such contract or transaction.

### *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. In addition, the Corporate Governance Committee will accept the suggestions of the officers and directors of the Corporation in carrying out this function. The Corporate Governance Committee is comprised of a majority of independent directors to encourage an objective nomination process. See also, Corporate Governance Information - Committees of the Board - Corporate Governance Committee at page 23.

### *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, 2009, 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

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.

### 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, 2009, had any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Corporation or any of its subsidiaries.

Huba Sebo, who holds 16 2/3% of the voting shares of a private company has participated with the Corporation in a number of wells as a joint venture partner. The interests of the private company in such wells is less than 10% in each case.

## 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, 2009 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") is 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.