

PAINTED PONY PETROLEUM LTD.

**NOTICE OF ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS TO BE HELD
JUNE 3, 2009**

and

**INFORMATION CIRCULAR
Dated April 15, 2009**

PAINTED PONY PETROLEUM LTD.

**NOTICE OF THE
ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS TO BE HELD ON JUNE 3, 2009**

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "**Meeting**") of the shareholders of Painted Pony Petroleum Ltd. (the "**Corporation**" or "**Painted Pony** ") will be held at the Viking Room, Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta, on Wednesday, the 3rd day of June, 2009 at 3:00 p.m. (Calgary time) for the following purposes:

1. To receive and consider the consolidated financial statements of the Corporation for the year ended December 31, 2008 and the auditor's report thereon;
2. To fix the number of directors to be elected at the Meeting at six (6) and to elect the Board of Directors of the Corporation;
3. To appoint auditors and to authorize the directors to fix the remuneration as such;
4. To consider, and if thought fit, to pass an ordinary resolution set out in the Information Circular ratifying the Corporation's incentive stock option plan, as more particularly described in the Information Circular; and
5. To transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Information relating to the matters to be brought before the Meeting is set forth in the Information Circular which accompanies this Notice of Meeting.

DATED at Calgary, Alberta as of the 15th day of April, 2009.

BY ORDER OF THE BOARD OF DIRECTORS

"Patrick R. Ward"

Patrick R. Ward

President & Chief Executive Officer

IMPORTANT

Only holders of class A shares and class B shares of the Corporation (collectively referred to as the "**Shares**") of record at the close of business on April 14, 2009 (the "**Record Date**") are entitled to notice of and to participate at the Meeting and only such persons or those who become holders of Shares after the Record Date and comply with the provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**") are entitled to vote at the Meeting. If you are unable to attend in person, kindly fill in, sign and return the enclosed proxy in the envelope provided for that purpose. Proxies, to be valid, must be deposited at the registrar and transfer agent of the Corporation, Olympia Trust Company, 2300, 125 – 9 Avenue S.E., Calgary, Alberta T2G 0P6, Fax: (403) 265-1455 at any time, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) preceding the Meeting or any adjournment thereof.

Shareholders are cautioned that the use of the mail to transmit proxies is at each shareholder's risk.

PAINTED PONY PETROLEUM LTD.

**300, 602 - 12th Avenue S.W.
Calgary, Alberta, Canada, T2R 1J3**

INFORMATION CIRCULAR

PURPOSE OF SOLICITATION

This Information Circular is furnished in connection with the solicitation of proxies by the management of Painted Pony Petroleum Ltd. (the "Corporation" or "Painted Pony ") for use at the annual and special meeting (the "Meeting") of shareholders of the Corporation ("Shareholders") to be held at the Viking Room, Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta, on Wednesday, June 3, 2009, at 3:00 p.m., Calgary time, and at any adjournment thereof for the purposes set out in the accompanying Notice of Meeting. Unless otherwise stated, the information contained in this Information Circular is given as at April 15, 2009. Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone by directors, officers or regular employees of the Corporation. Arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of the class A shares (the "Class A Shares") and the class B shares (the "Class B Shares") of the Corporation (collectively referred to as the "Shares"). The cost of any such solicitation will be borne by the Corporation.

VOTING OF PROXIES

All Shares represented at the Meeting by properly executed proxies will be voted and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Shares represented by the proxy will be voted in accordance with such specifications. In the absence of any such specifications, the management designees, if named as proxy, will vote in favour of all the matters set out herein.

The enclosed Instrument of Proxy confers discretionary authority upon the management designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. At the date of this Information Circular, the Corporation is not aware of any amendments to, or variations of, or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the management designees intend to vote in accordance with the judgment of the management of the Corporation.

Proxies, to be valid, must be deposited at the registrar and transfer agent of the Corporation, Olympia Trust Company, 2300, 125 – 9 Avenue S.E., Calgary, Alberta T2G 0P6, Fax: (403) 265-1455, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or any adjournment thereof.

APPOINTMENT OF PROXY

A Shareholder has the right to designate a person (who need not be a Shareholder of the Corporation) other than Patrick R. Ward and Joan E. Dunne, the management designees who are directors and/or officers of the Corporation, to attend and act for the Shareholder at the Meeting. Such right may be exercised by inserting in the blank space provided the name of the person to be designated and deleting therefrom the names of the management designees, or by completing another

proper instrument of proxy and, in either case, depositing the instrument of proxy with Olympia Trust Company, 2300, 125 – 9 Avenue S.E., Calgary, Alberta T2G 0P6, Fax: (403) 265-1455, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or any adjournment thereof.

REVOCATION OF PROXIES

A Shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy.

A Shareholder may revoke a proxy by depositing an instrument in writing, executed by the Shareholder or its attorney authorized in writing, or, if the Shareholder is a corporation, under its corporate seal or signed by a duly authorized officer or attorney for the corporation:

- (a) at the offices of the registrar and transfer agent of the Corporation, Olympia Trust Company, 2300, 125 – 9 Avenue S.E., Calgary, Alberta T2G 0P6, Fax: (403) 265-1455, at any time, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or an adjournment of the Meeting at which the proxy is to be used; or
- (b) with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

In addition, a proxy may be revoked by the Shareholder executing another form of proxy bearing a later date and depositing same at the office of the registrar and transfer agent of the Corporation within the time period set out under the heading "Voting of Proxies", or by the Shareholder personally attending the Meeting and voting its Shares.

ADVICE TO BENEFICIAL HOLDERS OF SHARES ON VOTING THEIR SHARES

The information set forth in this section is of significant importance to many Shareholders of the Corporation, as a substantial number of Shareholders do not hold their Shares in their own name. Shareholders who do not hold their Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Shares can be recognized and acted upon at the Meeting. If Shares are listed in an account statement provided to a Shareholder by a broker, then, in almost all cases, those shares will not be registered in the Shareholder's name on the records of the Corporation. Such 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 nominee of The Canadian Depository for Securities Limited, which acts as depository for many Canadian brokerage firms). Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting shares for the broker's clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person.

Applicable regulatory rules require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the

registered Shareholder (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**") (formerly ADP Investor Communications). Broadridge typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or website address where shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction request or a proxy with a Broadridge sticker on it cannot use that instruction request or proxy to vote Shares directly at the Meeting. The voting instruction request or proxy must be returned to Broadridge well in advance of the Meeting in order to have the Shares voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of his or her broker (or an agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote the Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Shares as proxyholder for the registered Shareholder, should enter their own names in the blank space on the form of 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 (or agent), well in advance of the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The only outstanding securities of the Corporation carrying voting rights are the Class A Shares and Class B Shares. The Corporation is authorized to issue an unlimited number of Shares without nominal or par value, of which, as at the date hereof 28,222,700 Class A Shares and 1,173,600 Class B Shares are issued and outstanding and entitled to vote at the Meeting on the basis of one (1) vote for each Share held.

The holders of Shares of record at the close of business on the record date, set by the board of directors of the Corporation (the "**Board of Directors**" or "**Board**") to be April 14, 2009 (the "**Record Date**"), are entitled to vote such Shares at the Meeting, except to the extent that:

- (a) such person transfers its Shares after the Record Date; and
- (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes his or her ownership to the shares and makes a demand to the registrar of the Corporation, not later than 10 days before the Meeting, that its name be included on the Shareholders list for the Meeting.

The by-laws of the Corporation provide that one person present and representing, in person or by proxy, not less than 10% of the issued shares entitled to vote constitute a quorum for meetings of Shareholders of the Corporation.

To the knowledge of the directors and executive officers of the Corporation, as of the date hereof, no person or company beneficially owns or controls or directs, directly or indirectly, ten percent (10%) or more of the voting rights attached to any class of voting securities of the Corporation, other than as set forth below:

<u>Name and Address</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>Number</u>	<u>% of Class of Shares</u>
Shelter Bay Energy Inc.	Class A	Direct	5,861,200	20.7%
Interward Asset Management Ltd. ⁽¹⁾	Class B	Control or Direction	188,750	16.1%

Notes:

- (1) Interward Asset Management Ltd. exerts control and/or direction over both Interward Capital Corp., which owns 134,750 Class B Shares of the Corporation, and Rockhaven Holdings Ltd., which owns 54,000 Class B Shares of the Corporation.
- (2) Based on information provide by or in public filings made by the above entities and as of the date of the last public filings of or information provided by such entities, being April 14, 2009.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Board of Directors of the Corporation, the only matters to be placed before the Meeting are those matters set forth in the accompanying Notice of Meeting relating to: (i) receipt of the consolidated financial statements of the Corporation for the financial year ended December 31, 2008; (ii) fixing the number of directors to be elected at the Meeting and the election of directors until the next annual meeting of Shareholders; (iii) the appointment of auditors; and (iv) the ratification of the Corporation's incentive stock option plan.

I. Financial Statements

At the Meeting, Shareholders will receive and consider the audited consolidated financial statements of the Corporation for the most recently completed financial year ended December 31, 2008, together with the auditors' report thereon.

II. Election of Directors

There are presently six (6) directors of the Corporation, each of whose term of office shall expire at the termination of the Meeting unless such director is re-elected as a director at the Meeting.

It is proposed that the number of directors to be elected at the Meeting be set at six, and to elect the six (6) nominees set forth below. Unless otherwise directed, it is the intention of the management designees, if named as proxy, to vote proxies in the accompanying form in favour of an ordinary resolution fixing the number of directors to be elected at the Meeting at six members and in favour of the election as directors of the six nominees hereinafter set forth:

Kevin Angus

Glenn R. Carley

Ronald R. Talbot

Allan K. Ashton

Arthur J.G. Madden

Patrick R. Ward

Management does not contemplate that any of such nominees will be unable to serve as directors; however, if, for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion, unless the Shareholder has specified in its proxy that its shares are to be withheld from voting in the election of directors. Each director elected will hold office until the Corporation's next annual meeting of Shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation.

The names, education and residence of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned, or controlled or directed, directly or indirectly, the number of Options held, the offices held by each in the Corporation, the period served as director and the principal occupation of each are set forth below.

The following information relating to the nominees as directors is based on information received by the Corporation by the nominees.

Nominee for Election as Director	Age	Director Since	Number of Class A Shares Owned, Controlled or Directed		Options	
			Dec 31, 2008	April 15, 2009	Dec 31, 2008	April 15, 2009
<p>Patrick R. Ward Calgary, Alberta, Canada</p> <ul style="list-style-type: none"> • <i>President and Chief Executive Officer</i> 	53	April 3, 2007	1,271,688	1,271,688	360,000	360,000
<p>President of the Corporation since May 6, 2007. Mr. Ward has been President of 764503 Alberta Ltd. (a private company) since 1997. Mr. Ward was Vice-President, Exploration of Innova Exploration (a public oil and gas company) from May 2004 to May 2006. Mr. Ward co-founded Chowade Energy Ltd. (a private oil and gas company) in 2003 which merged into Innova Exploration in 2004. From 1999 to 2003 Mr. Ward was Manager, Geology & Geophysics with the NCE Resources Group and Petrofund Energy Trust (a public oil and gas energy trust). Mr. Ward was Vice-President and Chief Operating Officer at Rockport Energy Corp. (a public oil and gas company) from 1998 to 1999. Mr. Ward held various positions, lastly as Exploration Manager from 1981 to 1997 for Total Petroleum Canada (subsequently Rigel Oil & Gas, both public oil and gas companies).</p> <p>Mr. Ward, <i>P. Geol.</i>, graduated from the University of Calgary in 1978 with an Honours Degree in Geology. Mr. Ward is a member of Association of Professional Engineers, Geologists and Geophysicists of Alberta ("APEGGA").</p>						
<p>Ronald R. Talbot Calgary, Alberta, Canada</p> <ul style="list-style-type: none"> • <i>Non-Executive Chairman</i> • <i>Chairman, Compensation Committee</i> • <i>Corporate Governance Committee</i> 	57	April 3, 2007	140,000	140,000	75,000	75,000
<p>President of 557146 Alberta Inc. (a private investment company) since 1993. Mr. Talbot was an energy industry consultant focusing on exploration strategies from 2003 to 2008. Prior to that, Mr. Talbot was Dean of the Energy Department at the Southern Alberta Institute of Technology (SAIT) from January 2000 to 2002. Mr. Talbot served in an executive capacity at Lexxor Energy Inc. (a public oil and gas company) commencing in 1995, including roles as founding President, Chief Executive Officer, and Chairman. Mr. Talbot was co-founder, President, Chief Executive Officer and Chairman of Quadron Resources Ltd. (a public oil and gas company) from March 1990 to June 1995. Mr. Talbot was Vice-President, Exploration at Westmin Resources Ltd. (a public oil and gas company) from 1986 to 1990. Mr. Talbot was a founding director of Baytex Energy Ltd. (a public oil and gas company) from 1993 to 1995.</p> <p>Mr. Talbot, <i>P. Geol.</i>, graduated from the University of Calgary in 1974 with a Bachelor of Science in Geology and is a member of APEGGA.</p>						
<p>Arthur J. G. Madden Edmonton, Alberta, Canada</p> <ul style="list-style-type: none"> ➤ <i>Chairman, Audit Committee</i> ➤ <i>Chairman, Corporate Governance Committee</i> 	54	August 27, 2008	Nil	Nil	75,000	75,000
<p>President of 554492 Alberta Ltd. (a private company providing consulting services to the energy sector) since 1993. Mr. Madden was Vice-President Finance, Chief Financial Officer, and Director of Adamant Energy Inc. (a private oil and gas company) from July 2004 to May 2008. Mr. Madden was Vice-President, Finance, and Chief Financial Officer of Cavell Energy Corporation (a public oil and gas company) from June 1994 to July 2004.</p> <p>Mr. Madden, <i>C.M.A., M.B.A.</i>, has a Certified Management Accountant designation as well as a Masters of Business Administration from Queens University, is a member of Financial Executives International, and the Institute of Corporate Directors and is enrolled in the certification course for the ICD designation.</p>						

Nominee for Election as Director	Age	Director Since	Number of Class A Shares Owned, Controlled or Directed		Options	
			Dec 31, 2008	April 15, 2009	Dec 31, 2008	April 15, 2009
Glenn R. Carley Calgary, Alberta, Canada <ul style="list-style-type: none"> • <i>Compensation Committee</i> • <i>Audit Committee</i> 	56	April 3, 2007	216,000	216,000	75,000	75,000
			<p>Executive Chairman and Director of Galleon Energy Inc. (a public oil and gas company) since March 2005 and Chairman of Culane Energy Corp. (a public oil and natural gas company) since December 2002. Chairman of High Point Resources Inc. from October 2001 to August 2005. Mr. Carley has also been the President of Selinger Capital Inc., a private investment company for more than the last five years. He was the Chairman and Chief Executive Officer of Venture Energy Inc. (a private oil and gas company) from December 2002 to December 2004. Mr. Carley was Executive Chairman of Flagship Energy Inc. (a public oil and gas company) from April 2005 to July 2008. Mr. Carley was the Chairman and Chief Executive of New Venture Energy Inc. (a private oil and gas company) from December 2004 to December 2005. Mr. Carley was a director of High Point Resources Inc. (a public oil and natural gas company) from October 2001 to August 2005. Mr. Carley was co-founder, Chairman and Chief Executive Officer of Magin Energy Inc. (a public oil and gas company) from January 1994 to June 2001.</p> <p>Mr. Carley, <i>B.A., LL.B., M.B.A.</i>, holds a Masters of Business Administration, a Bachelor of Laws degree and a Bachelor of Arts degree.</p>			
Kevin Angus Calgary, Alberta, Canada <ul style="list-style-type: none"> • <i>Compensation Committee</i> • <i>Corporate Governance Committee</i> 	49	April 3, 2007	164,000	164,000	75,000	75,000
			<p>Executive Vice-President and Director of Pegasus Oil and Gas Inc. (a public oil and gas company) since June 2006 and prior to that, Vice-President, Exploration at Mustang Resources Inc. (a public oil and gas company) from June 2003 to July 2005. Mr. Angus was at Husky Oil Operations Ltd. (a public oil and gas company) from 1983 to 1994. Thereafter, Mr. Angus worked in senior geophysical positions at three junior oil and natural gas companies, Petrorep Resources Inc. (1994 to 1995), Ulster Petroleum Ltd., (1995 to 1996) and Archean Energy Ltd. (1997). Mr. Angus was President of KD Angus & Associates Ltd. (a private company providing exploration consulting services) from 1997 to 2002.</p> <p>Mr. Angus, <i>P. Geoph.</i>, graduated in 1983 with a Bachelors of Science degree. Mr. Angus is registered as a Professional Geologist with A.P.E.G.G.A. and is a member of the CSEG and the SEG.</p>			
Allan K. Ashton Priddis, Alberta, Canada <ul style="list-style-type: none"> • <i>Chairman, Reserves Sub Committee</i> • <i>Audit Committee</i> 	65	April 3, 2007	234,000	234,000	75,000	75,000
			<p>President of Ashton Petroleum Consultants Ltd. (a private company providing consulting services to the energy sector) since 1985. Mr. Ashton joined the Board of Directors of Cobalt Energy Ltd., (a public oil and gas company) in 2007. Mr. Ashton was Chairman of the Board and co-founder of AJM Petroleum Consultants ("AJM") since co-founding it in 1999 until March 2009. AJM specializes in the evaluation of corporate reserves, acquisitions and divestitures and unconventional reserves, such as coalbed methane and tight gas. Mr. Ashton joined British American Oil (subsequently Gulf Canada, a public oil and gas company) in 1965, holding various positions lastly as Manager of Reservoir Engineering until 1983. In 1986 Mr. Ashton co-founded AMH Group Ltd., which subsequently merged with Ashton Jenkins and Associates to form AJM. Mr. Ashton co-founded and was a director of Moreland Oil and Gas Ltd., (a public oil and natural gas company) from 1987 to 1990.</p> <p>Mr. Ashton, <i>P. Eng.</i>, graduated from the University of Alberta in 1965 with a Bachelor of Science degree in Chemical Engineering. Mr. Ashton is a member of APEGGA and the Petroleum Society of CIM.</p>			

Cease Trade Orders

To the knowledge of management, no proposed director of the Corporation is, as of the date of this Information Circular, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued (i) while that person was acting in such capacity, or (ii) after that person ceased to act in such capacity but which resulted from an event that occurred while that person was acting in such capacity.

Bankruptcies

To the knowledge of management, no proposed director of the Corporation is, as of the date of this Information Circular, or has been, within 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of management, no proposed director of the Corporation has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties or Sanctions

To the knowledge of management, no proposed director of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

III. Appointment of Auditors

KPMG LLP was appointed as auditors of the Corporation at the last annual meeting of the Corporation held on June 4, 2008. KPMG LLP has been the auditors of the Corporation since August 15, 2007.

The management designees, if named as proxy, intend to vote the Shares represented by any such proxy in favour of a resolution to reappoint KPMG LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next annual general meeting of Shareholders and to authorize the directors to fix their remuneration, unless the Shareholder has specified in the Shareholder's proxy that the Shareholder's shares are to be withheld from voting in the appointment of auditors. The resolution must be approved by a simple majority approval of the votes cast at the Meeting by the holders of Shares. If elected, KPMG LLP will hold office as auditor of the Corporation until the next annual meeting of Shareholders or until their successor is duly elected or appointed pursuant to the by-laws of the Corporation, unless their position is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Alberta) (the "ABCA") or the Corporation's by-laws.

IV. Ratification of Stock Option Plan

On December 15, 2008, the TSX Venture Exchange ("**TSXV**") amended certain provisions in its policy regarding incentive stock option plans. On April 14, 2009, the Board of Directors approved and implemented an amended ten percent (10%) rolling incentive stock option plan (the "**Stock Option Plan**") for the Corporation, which conforms to the new TSXV requirements. Pursuant to the policies of the TSXV, Shareholders will be asked to consider and if thought fit, approve an ordinary resolution to approve the Stock Option Plan.

The Stock Option Plan provides that the Board of Directors may from time to time, in its discretion, grant to the directors, officers, employees, consultants and other personnel of the Corporation and its subsidiaries or affiliates options to purchase Class A Shares ("**Options**"). The number of authorized but unissued Class A Shares that may be issued upon the exercise of Options granted under the Stock Option Plan at any time plus the number of Class A Shares and Class B Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the aggregate number of Class A Shares and Class B Shares. As at the date hereof, this represents 2,939,630 Class A Shares available under the Stock Option Plan. To date, Options to purchase a total of 2,790,000 Class A Shares have been granted to directors, officers, employees and consultants of the Corporation.

Unless disinterested Shareholder approval is obtained, the number of Class A Shares that may be reserved for issuance to any one person under Options granted in any 12 month period shall not exceed 5% of the outstanding Class A and Class B Shares determined at the date of grant. The number of Class A Shares that may be reserved for issuance to any one person under Options granted in any twelve month period shall not exceed 2% of the issued and outstanding Class A and Class B Shares in the case of an optionee who is a consultant or who performs investor relations activities for the Corporation. The Board of Directors determines the price per Class A Share and the number of Class A Shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the Options, subject to the rules of the TSXV. The price per Class A Share set by the Board of Directors is subject to minimum pricing restrictions set by the TSXV.

The Stock Option Plan provides that if an Option expires or terminates without having been exercised in full, the Class A Shares not purchased become available again under the Stock Option Plan. Options granted under the Stock Option Plan may be exercisable for a period of up to ten (10) years, and may vest at such times as determined at the time of grant, subject to acceleration in accordance with the terms of the Stock Option Plan. The exercise price must be paid in full on any exercise of Options.

If an optionee ceases to hold his position with the Corporation for any reason other than death, his Options may be exercised within the earlier of the expiry date and a reasonable period following the date the Option ceases to be in that role, but only to the extent the optionee was entitled to exercise the Option at the date of such cessation. In the event of death of an optionee, his Options may be exercised within the earlier of the expiry date and one (1) year after his death and only to the extent the Optionee was entitled to exercise the Options at the date of death. Options granted pursuant to the Stock Option Plan may not be transferred or assigned. The full text of the Stock Option Plan is set out in Schedule "A" hereto.

The directors are seeking ratification of the Stock Option Plan by Shareholders for the ensuing year. As a result, management of the Corporation will place before the Meeting the following resolution relating to the approval of the Stock Option Plan:

"BE IT RESOLVED THAT:

- (a) The stock option plan of the Corporation set forth in Schedule "A" to the Notice of the Annual and Special Meeting of Shareholders and Information Circular of the Corporation dated April 15, 2009 is hereby ratified and approved as the incentive stock option plan of the Corporation;
- (b) Any one director or officer of the Corporation be authorized to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under corporate seal or otherwise, as may be considered necessary or advisable to give full force and effect to the foregoing; and
- (c) The directors of the Corporation may revoke this resolution before it is acted upon without further approval of the Shareholders, if they consider it in the best interests of the Corporation to do so."

The foregoing resolution must be passed by a simple majority of the votes cast by Shareholders who vote on the resolution at the Meeting. **It is the intention of the management designees, if named as proxy, to vote for the foregoing resolution, unless otherwise directed in the Instrument of Proxy.**

STATEMENT OF EXECUTIVE COMPENSATION**Role and Composition of the Compensation Committee**

The Corporation's executive compensation program is administered by the compensation committee (the "**Compensation Committee**") of the Board. The Compensation Committee's mandate includes reviewing and making recommendations to the Board in respect of compensation matters relating to the executive officers, employees and directors, including the "Named Executive Officers" who are identified in the "Summary Compensation Table" below. The Compensation Committee is comprised of:

- Ronald R. Talbot (Chairman)
- Glenn R. Carley
- Kevin Angus

All of these directors are "independent" for the purposes of National Instrument 58-201 – *Corporate Governance Guidelines*. Ronald R. Talbot and Glenn R. Carley were appointed to the Compensation Committee on May 17, 2007. Kevin Angus was appointed to the Compensation Committee on August 27, 2008.

Form 51-102F6 - *Statement of Executive Compensation*, defines "Named Executive Officers" as the Chief Executive Officer, the Chief Financial Officer and each of the Corporation's three most highly compensated officers other than the Chief Executive Officer and Chief Financial Officer, whose total compensation was more than \$150,000.

Compensation Discussion and Analysis

The executive compensation program is designed to support the strategic objectives of the Corporation. It is comprised of the following components: (a) base salary; (b) annual incentive; and (c) long-term incentives. Annual incentives are short-term incentive compensation comprised of discretionary cash bonuses. Long-term incentives are comprised of share options.

Together, these components support our long-term growth strategy and the following objectives:

- to align executive officers and other employees compensation with shareholders' interests;
- to attract and retain highly qualified management;
- to focus performance by linking incentive compensation to the achievement of business objectives and financial results; and
- to encourage retention of key executives for leadership succession.

The compensation program is designed to pay for performance. Employees, including senior executives, are rewarded for the achievement of annual operating and financial goals, progress in executing the Corporation's long-term growth strategy and delivering strong total shareholder return performance. The Compensation Committee also recognizes that the executive compensation program must be sufficiently flexible in order to adapt to unexpected developments in the oil and gas industry and the impact of internal and market related occurrences from time to time.

The Corporation reviews the compensation practices of various companies available in the public domain and through private conversations. Additional information in respect to certain positions is also obtained through and during the competitive hiring process of employees and is compared with those of comparable sized oil and gas exploration companies. Generally, the committee targets base salaries at levels approximating those for similar positions in companies in the industry that may be of similar size, scope and complexity and hopes to achieve superior total compensation levels through the fixed and variable components.

The Corporation's total compensation mix places a significant portion of the executive's compensation at risk. The design takes into account individual and corporate performance. Compensation practices, including the mix of base salary, short-term incentives and long-term incentives, are regularly assessed to ensure they are competitive, take into account external market trends, and support the Corporation's long-term growth strategies.

Base salary is compensation for discharging job duties and responsibilities and reflects the level of skills and capabilities demonstrated by the executive. Annual salary adjustments take into account the market value of the role and the executive's demonstrated capability during the year. Annual incentives, in the form of cash payments, are designed to add a variable component of compensation based on overall corporate performance and the executive's individual performance. The Corporation's stock option plan is designed to provide an incentive to the optionees to achieve the longer-term objective of the Corporation.

Option-Based Awards

Stock options are granted to provide an incentive to the directors, officers, employees and consultants of the Corporation to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. Previous grants of incentive stock options are taken into account when considering new grants.

Implementation of a new incentive stock option plan and amendments to the existing stock option plan are the responsibility of the Corporation's Compensation Committee.

Summary Compensation Table

The following table sets forth the total compensation paid to or earned by the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") and the three most highly compensated officers, other than the CEO and CFO, at the end of the year ended December 31, 2008 whose total compensation was more than \$150,000 (each a "Named Executive Officer" ("NEO") and collectively, the "Named Executive Officers" or "NEOs") for the Corporation's fiscal year ended December 31, 2008.

Name and Principal Position	Year Ended Dec. 31	Salary (\$)	Option-Based Awards ⁽¹⁾⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation			Total Compensation (\$)
				Annual Incentive Plans ⁽³⁾ (\$)	Long-Term Incentive Plans ⁽⁴⁾ (\$)	All Other Compensation ⁽⁵⁾ (\$)	
Patrick R. Ward President and Chief Executive Officer	2008	100,000	832,146	35,000	N/A	Nil	967,146
Joan E. Dunne Vice-President, Finance and Chief Financial Officer	2008	100,000	681,155	20,000	N/A	Nil	801,155
James H. French Vice-President, Engineering	2008	100,000	510,866	20,000	N/A	Nil	630,866
James S. Thomson Vice-President, Land	2008	100,000	510,866	20,000	N/A	Nil	630,866
Donald J. Slater Vice-President, Geophysics	2008	100,000	510,866	20,000	N/A	Nil	630,866
Bruce Mezei Vice-President, Geology	2008	100,000	510,866	20,000	N/A	Nil	630,866

Notes:

- (1) Based on the grant date fair value of the applicable awards. The fair value of Options granted are estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rates of 3.12% to 3.34%; dividend yield of 0%, volatility factors of the market price of the Class A shares of 80%; and, an average expected life of the Options of five years. This method was selected due to its acceptance as an appropriate valuation used by similar sized oil and gas companies.
- (2) There were no adjustments, amendments, cancellations, replacement or modifications made to Options granted to the NEOs.
- (3) The Annual Incentive Plan is comprised of the Corporation's cash bonus.
- (4) The Corporation's only Long-Term Incentive Plan is the Stock Option Plan.
- (5) All Other Compensation, being the value of perquisites received by NEO's, including properties or other personal benefits provided to the NEO's that is not available to other employees, was not greater than \$50,000 or 10% of his salary for the financial year. The value of perquisites is based on the actual cost to the Corporation for items including health and dental care, and parking (all of which are generally available to all NEO's and employees) and club memberships and dues.
- (6) The Corporation did not make any share based awards in the last completed financial year, nor are there any share based awards outstanding. The Company does not have a pension plan; therefore there is no pension value benefit.

Incentive Plan Awards

Stock Option Plan

The Corporation's Stock Option Plan permits the granting of Options to purchase Class A Shares to directors, officers, employees of, and consultants to, the Corporation. The Option Plan limits the total number of Class A Shares that may be issued on exercise of Options outstanding at any time under the Option Plan to 10% of the aggregate number of Class A Shares and Class B Shares outstanding.

Options granted pursuant to the Option Plan have a term not in excess of ten years as determined by the Board at the time of grant. Options vest in such manner as determined by the Board and vesting may be accelerated in the discretion of the Board, including on a change of control of the Corporation. The exercise price of Options granted pursuant to the Stock Option Plan is determined by the Board at the

time of grant and may not be less than the Discounted Market Price (as defined in the policies of the TSXV) of the Class A Shares on the last trading day immediately prior to the date of grant.

Unless disinterested Shareholder approval is obtained, the number of Class A Shares that may be reserved for issuance to any one person under Options granted in any 12 month period shall not exceed 5% of the outstanding Class A and Class B Shares determined at the date of grant. The number of Class A Shares that may be reserved for issuance to any one person under Options granted in any twelve month period shall not exceed 2% of the issued and outstanding Class A and Class B Shares in the case of an optionee who is a consultant or who performs investor relations activities for the Corporation. In addition, the maximum number of securities of the Corporation issuable to insiders and their associates and affiliates at any time pursuant to all security based compensation arrangements of the Corporation shall not exceed 10% of the number of outstanding Shares. Options granted under the Stock Option Plan are not transferable or assignable.

If an optionee ceases to be a director, officer or employee of, or consultant to, the Corporation or a subsidiary (other than by reason of death) the optionee may exercise its options within a reasonable period following the date the optionee ceased to be a director, officer, employee or consultant, but only to the extent that the optionee was entitled to exercise the Options at the date of such cessation. In the event of death of the optionee, the Options shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier.

Without the prior approval of the shareholders of the Corporation, the Board may not: (i) make any amendment to the Stock Option Plan to increase the percentage of Class A Shares issuable on exercise of outstanding Options at any time, (ii) reduce the exercise price of any outstanding Options, (iii) make any amendment to extend the term of any outstanding Option beyond the original expiry date of such Option, (iv) make any amendment to increase the maximum limit on the number of securities that may be issued to insiders, or (v) amend the amending provisions of the Stock Option Plan. Subject to the restrictions set out above, the Board may amend or discontinue the Stock Option Plan and Options granted thereunder at any time without shareholder approval; provided any amendment to the Stock Option Plan that requires approval of any stock exchange on which the Class A Shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Stock Option Plan or Options granted pursuant to the Stock Option Plan may be made without the consent of the optionee, if it adversely alters or impairs any Option previously granted to such optionee.

Outstanding Option-Based Awards

The following table sets forth the options granted to the Named Executive Officers to purchase or acquire securities of the Corporation outstanding at the end of the financial year ended December 31, 2008.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
Patrick R. Ward	180,000	\$3.97	Jan 21, 2013	Nil
	180,000	\$6.68	July 9, 2013	Nil
Joan E. Dunne	180,000	\$3.97	Jan 21, 2013	Nil
	120,000	\$6.68	July 9, 2013	Nil
James H. French	135,000	\$3.97	Jan 21, 2013	Nil
	90,000	\$6.68	July 9, 2013	Nil

James S. Thomson	135,000 90,000	\$3.97 \$6.68	Jan 21, 2013 July 9, 2013	Nil Nil
Donald J. Slater	135,000 90,000	\$3.97 \$6.68	Jan 21, 2013 July 9, 2013	Nil Nil
Bruce Mezei	135,000 90,000	\$3.97 \$6.68	Jan 21, 2013 July 9, 2013	Nil Nil

Notes:

- (1) Calculated based on the difference between the closing price of the Class A Shares on December 31, 2008 of \$1.21 and the exercise price of the Options.
- (2) All option-based awards have been issued at fair market value.
- (3) The Corporation did not make any share-based awards in the last completed financial year, nor are there any share-based awards outstanding.

Please see "Statement of Executive Compensation – Compensation Discussion and Analysis" for a discussion of the processes that the Corporation uses in the granting of Option-based awards.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to Named Executive Officers during the financial year ended December 31, 2008.

Name	Option-based awards – Value vested during the year⁽¹⁾ (\$)	Share-based awards – Value vested during the year⁽²⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Patrick R. Ward	Nil	Nil	35,000
Joan E. Dunne	Nil	Nil	20,000
James H. French	Nil	Nil	20,000
James S. Thomson	Nil	Nil	20,000
Donald J. Slater	Nil	Nil	20,000
Bruce Mezei	Nil	Nil	20,000

Notes:

- (1) Represents the aggregate dollar value that would have been realized if the Options under the option-based award had been exercised on the vesting date.
- (2) The Corporation did not make any share-based awards in the last completed financial year, nor are there any share-based awards outstanding.

Termination and change of control benefits

The Corporation does not currently have in place any employment agreements or contracts between the Corporation, nor any affiliate thereof and its Named Executive Officers.

Director Compensation

Director Compensation Table

The following table sets forth the value of all compensation provided to directors of the Corporation, not including those directors who are also Named Executive Officers, for the Corporation's most recently completed financial year.

Name	Fees earned (\$)	Share-based awards ⁽³⁾ (\$)	Option-based awards ⁽⁴⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other Compensation ⁽⁵⁾ (\$)	Total (\$)
Ronald R. Talbot	Nil	Nil	170,289	Nil	Nil	Nil	170,289
Glenn R. Carley	Nil	Nil	170,289	Nil	Nil	Nil	170,289
Kevin Angus	Nil	Nil	170,289	Nil	Nil	Nil	170,289
Allan K. Ashton	Nil	Nil	170,289	Nil	Nil	Nil	170,289
Craig Reed ⁽¹⁾	6,667	Nil	78,795	Nil	Nil	10,000	95,462
Arthur J. G. Madden ⁽²⁾	Nil	Nil	121,623	Nil	Nil	Nil	121,623

Notes:

- (1) Mr. Reed resigned as a Director on August 27, 2008.
- (2) Mr. Madden was appointed a Director on August 27, 2008.
- (3) The Corporation did not make any share-based awards in the last completed financial year, nor are there any share-based awards outstanding.
- (4) Based on the grant date fair value of the applicable awards. The fair value of Options granted are estimated at the date of grant using a Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rates of 2.68% to 3.34%; dividend yield of 0%, volatility factors of the market price of the Class A shares of 80%; and, an average expected life of the Options of five years. This method was selected due to its acceptance as an appropriate valuation used by similar sized oil and gas companies.
- (5) Mr. Reed was paid \$10,000 for consulting services.

Directors' Fees

Other than Craig Reed, who received \$6,667 in directors fees during the financial year ended December 31, 2008, the Corporation did not pay any cash compensation to its outside directors as a retainer or for attendance at board and committee meetings. Directors are entitled to be reimbursed for expenses actually incurred by them in their capacity as director.

Outstanding Option-Based Awards

The following table sets forth the options granted to the directors of the Corporation, not including those directors who are also Named Executive Officers, to purchase or acquire securities of the Corporation outstanding as at the end of the financial year ended December 31, 2008.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽³⁾ (\$)
Ronald R. Talbot	45,000	3.97	Jan 21, 2013	Nil
	30,000	6.68	July 9, 2013	Nil
Glenn R. Carley	45,000	3.97	Jan 21, 2013	Nil
	30,000	6.68	July 9, 2013	Nil

Kevin Angus	45,000	3.97	Jan 21, 2013	Nil
	30,000	6.68	July 9, 2013	Nil
Allan K. Ashton	45,000	3.97	Jan 21, 2013	Nil
	30,000	6.68	July 9, 2013	Nil
Craig Reed ⁽¹⁾	15,000	3.97	August 27, 2009	Nil
	9,000	6.68	August 27, 2009	Nil
Arthur J. G. Madden ⁽²⁾	75,000	5.00	Sept 3, 2013	Nil

Notes:

- (1) Mr. Reed resigned as a Director on August 27, 2008 and subsequently accepted a position as a consultant to the Corporation for the period ending August 27, 2009. The Board elected to vest all of Mr. Reed's unvested options as at August 27, 2008.
- (2) Mr. Madden was appointed a Director on August 27, 2008.
- (3) Calculated based on the difference between the closing price of the Class A Shares on December 31, 2008 of \$1.21 and the exercise price of the Options.
- (4) The Corporation did not make any share-based awards in the last completed financial year, nor are there any share-based awards outstanding.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to directors of the Corporation, not including those directors who are also Named Executive Officers, during the most recently completed financial year.

Name	Option-based awards –	Share-based awards –	Non-equity incentive plan compensation –
	Value vested during the year ⁽¹⁾	Value vested during the year	Value earned during the year
	(\$)	(\$)	(\$)
Ronald R. Talbot	Nil	Nil	Nil
Glenn R. Carley	Nil	Nil	Nil
Kevin Angus	Nil	Nil	Nil
Allan K. Ashton	Nil	Nil	Nil
Craig Reed	Nil	Nil	Nil
Arthur J. G. Madden	Nil	Nil	Nil

Note:

- (1) Represents the aggregate dollar value that would have been realized if the Options under the option-based award had been exercised on the vesting date.

EQUITY COMPENSATION PLAN

The Corporation has the Stock Option Plan under which equity securities of the Corporation (being Class A Shares) are granted. The following table sets forth summary information regarding the Corporation's equity compensation plans as at December 31, 2008. As at April 15, 2009, 2,790,000 options were issued at an average price of \$5.00 with 149,630 securities remaining available for future issuance.

Plan Category	Number of Class A Shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
(a)	(b)	(c)	(c)
Equity compensation plans approved by securityholders:			
- Stock Option Plan	2,840,000	\$5.03	99,630
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	2,840,000		99,630

Note:

- (1) Based on the number of outstanding Class A and Class B shares as at December 31, 2008 and the number of Options outstanding as at December 31, 2008. As at December 31, 2008, there were 28,222,700 Class A shares outstanding and 1,173,600 Class B shares outstanding. Pursuant to the Option Plan, the maximum number of Class A Shares that may be subject to Options granted and outstanding thereunder at any time shall not exceed 10% of the total outstanding Shares.

CORPORATE GOVERNANCE

General

The Board of Directors believes that good corporate governance improves corporate performance and benefits all Shareholders. The Canadian Securities Administrators (the "CSA") have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101"), which prescribes certain disclosure by the Corporation of its corporate governance practices. This disclosure is presented below.

Board of Directors

Composition of the Board

The Board of Directors is comprised of six (6) directors, of whom each of Messrs. Talbot, Carley, Angus, Ashton and Madden are independent for the purposes of NI 58-101, so that a majority of the directors are independent. Mr. Ward is not independent as he is an executive officer of the Corporation.

The Chairman of the Board of Directors (Mr. Talbot) is independent for the purposes of NI 58-101. As Chairman of the Board of Directors, Mr. Talbot is responsible for providing direction to the Board of Directors in overseeing operations and strategic planning. To that end, he calls meetings of the Board of Directors as required between the regularly scheduled quarterly meetings, as issues of substance arise, and is responsible for chairing meetings of the Board of Directors. He is readily available for consultation with the Corporation's Chief Executive Officer and Chief Financial Officer.

There are no special structures or processes in place to facilitate the functioning of the Board of Directors independently of the Corporation's management. However the independent directors are given full access to management so that they may express their own views and communicate their expectations of the

management. In addition, the independent directors of the Corporation regularly meet for a portion of each Board meeting without non-independent directors or management being present.

Certain of the directors are also directors of other reporting issuers, as follows:

Director	Other Reporting Issuers
Glenn R. Carley	Culane Energy Corp. Galleon Energy Inc.
Kevin Angus	Pegasus Oil and Gas Inc.
Allan K. Ashton	Cobalt Energy Ltd.

There were five meetings of the Board during the financial year ended December 31, 2008 and three meetings since that time. Each director attended each meeting.

Board Mandate

The mandate of the Board of Directors, in accordance with the ABCA, is to manage or supervise the management of the business and affairs of the Corporation. The Board has a written charter, the text of which is attached as Schedule "B" hereto.

Position Descriptions

The Board has developed written position descriptions for the Chairman, the Chair of each committee and the Chief Executive Officer. These descriptions are set out fully in written charter of the Board, the text of which is attached as Schedule "B" hereto.

Orientation and Continuing Education of Board Members

New Board members receive an information package which includes reports on operations and results, the Corporation's Policies and committee mandates and public disclosure filings by the Corporation. Board committee meetings are sometimes held at the Corporation's offices and are combined with presentations by the Corporation's management and employees to give the directors additional insight into the Corporation's business. In addition, management of the Corporation makes itself available for discussion with all Board members.

Measures to Encourage Ethical Business Conduct

The Board of Directors has adopted a written code of ethics, as well as policies relating to trading in securities and non-public information of companies and whistleblower policies. The Board of Directors encourages and promotes a culture of ethical business conduct through various measures. The Board of Directors discourages transactions involving related parties. To the extent that such transactions arise, full disclosure is required in accordance with the provisions of the ABCA, the corporate statute governing the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the ABCA. The Board of Directors has delegated to executive management the appropriate financial and operational authority to execute the approved annual budget and operating plan and subsequent amendments thereof.

Nomination of Directors

The Board is responsible for fixing the size of the Board and, subject to the approval of the Shareholders, determining its membership. The Board has established a corporate governance committee, which is currently comprised of Arthur J.G. Madden (Chairman), Ronald R. Talbot and Kevin Angus, all of whom are independent directors.

The committee's mandate includes recommending to the Board of Directors appropriate criteria for the selection of new directors, periodically reviewing the criteria adopted by the Board of Directors, and, if deemed desirable, recommending to the Board of Directors changes to such criteria. The committee's mandate also includes identifying and recommending qualified candidates to the Board of Directors, although all board members are encouraged to recommend new candidates.

Determination of Compensation of Directors and Officers

The Board's mandate includes reviewing and approving appropriate practices for determining and establishing compensation for the directors and officers of the Corporation. The Board has appointed a compensation committee which is currently comprised of Ronald R. Talbot (Chairman), Glenn R. Carley and Kevin Angus, all of whom are independent directors. The committee has a written mandate which includes assisting the Board in carrying out its responsibilities by reviewing compensation and human resources issues in support of the achievement of the Corporation's business strategy and making recommendations to the Board as appropriate. In particular, the committee is responsible for reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation, evaluating the Chief Executive Officer's performance against those goals and objectives and making recommendations to the Board with respect to the Chief Executive Officer's compensation. The committee also approves and reports to the Board on compensation matters for the Corporation's other senior officers. The committee meets at least annually to fulfill its mandate. The committee may engage outside resources if deemed advisable and it has the authority to retain and terminate any consultant used in the evaluation of the compensation of the Corporation's directors and officers.

Other Board Committees

The Board of Directors has appointed a Reserves Sub Committee of the Audit Committee. The Board of Directors has established a mandate for the Reserves Sub Committee, which includes periodic review and updating of the Corporation's internal reserves data, meeting with the Corporation's independent reserves evaluators independent of management and reviewing the way the Corporation's reserves information is evaluated and presented.

The sole member and the chairman of the Reserves Sub Committee is Mr. Ashton who has the relevant experience in the oil and gas exploration and development industry. Mr. Ashton meets with the Corporation's independent engineers, reviews the reserve report, reviews the Corporation's procedures for providing, assembling and reporting information associated with the Corporation's oil and gas activities and assists as required in the preparation of required securities law filings related to such matters.

The Board of Directors has appointed a Corporate Governance Committee. The Board of Directors has established a mandate for the Corporate Governance Committee, which includes, among other duties and responsibilities: monitoring the effectiveness of the system of governance within the Corporation; assessing the effectiveness of the Board of Directors as a whole, committees of the Board of Directors and the contributions of individual members; and identifying, recommending, orienting and educating new directors. The Corporate Governance Committee is comprised of Messrs. Madden (Chairman), Talbot and Angus.

Assessments

The Board of Directors assesses, on a periodic basis, the effectiveness of the Board as a whole and of the Committees of the Board and the contribution of individual members.

AUDIT COMMITTEE

Audit Committee Charter

In accordance with the policies of the TSXV, the Board has developed written terms of reference outlining the Audit Committee's roles and responsibilities and which provide appropriate guidance to Audit Committee members as to their duties. These terms of reference are reviewed annually by the Board of Directors. The Audit Committee reviews and approves the annual and interim financial statements of the Corporation and makes recommendations to the Board of Directors with respect to such statements. The Audit Committee also reviews the nature and scope of the annual audit as proposed by the auditors and management, and the adequacy of the internal accounting control procedures and systems within the Corporation. The Audit Committee is responsible to ensure that management has implemented an effective system of internal control and has oversight responsibility for management reporting on internal controls. The full text of the Audit Committee charter is attached as Schedule "C" hereto.

Composition of the Audit Committee

The Audit Committee is currently comprised of Messrs. Madden, Carley and Ashton, all of whom are financially literate and independent under National Instrument 52-110 *Audit Committees*.

Relevant Education and Experience

The following relevant education and experience of the members of the Audit Committee have been used in assessing their financial literacy:

Arthur J.G. Madden

Mr. Madden holds a Certified Management Accountant (CMA) designation as well as a Masters of Business Administration (MBA) from Queens University. Mr. Madden has 32 years of experience in the oil and gas industry. Mr. Madden was Vice-President Finance, Chief Financial Officer, and Director of Adamant Energy Inc. from July 2004 to May 2008 and prior to Adamant was Vice-President, Finance, and Chief Financial Officer of Cavell Energy Corporation from June 1994 to July 2004.

Glenn R. Carley

Mr. Carley holds a Masters of Business Administration, a Bachelor of Laws degree and a Bachelor of Arts degree. Mr. Carley has been involved in the oil and gas industry for the past 31 years. Mr. Carley has been Chairman and a member of the Audit Committee of Culane Energy Corp. since December 2002, with responsibility for all functions including financial oversight. From January 1994 to June 2001, Mr. Carley was Chairman and Chief Executive Officer of a Toronto Stock Exchange 300 listed oil and gas company with responsibility for all functions including financial oversight. From May 2003 to May 2005, Mr. Carley was Chairman and Chief Executive Officer of Galleon Energy Inc., with responsibility for all functions including financial oversight. From June 2005 to July 2008, Mr. Carley was Chairman and Chief Executive Officer of Flagship Energy Inc. with responsibility for all functions including financial oversight.

Allan K. Ashton

Mr. Ashton holds a Bachelor of Science degree in Chemical Engineering and has been involved in the oil and gas industry for the past 43 years. From 1965 to 1983 he worked for Gulf Canada Resources in areas of increasing responsibility and was Manager of Reserves and Reservoir Engineering when he left Gulf in 1983 to start his own consulting practice. For over 25 years he was involved in all aspects of the business, including financial oversight, and was instrumental in the growth of AJM Petroleum Consultants, a tier one reserve evaluation company based in Calgary with a world wide client base and over 70 employees. Mr. Ashton is also on the Board of Directors of Cobalt Energy Ltd., a public junior oil and gas company based in Calgary.

Pre-Approval Policies and Procedures

The following services have been pre-approved by the Board of Directors and are recurring or otherwise reasonably expected to be provided. The Audit Committee will be subsequently informed, quarterly, of the services on the attached list for which the auditor has been actually engaged.

Audit

- Audit of the Corporation's financial statements;
- Reviews of the unaudited interim financial statements of the Corporation;
- Services associated with prospectuses, private placements, business acquisition reports, periodic reports and other documents filed with securities regulatory bodies or other documents issued in connection with securities offerings (e.g., comfort letters and consent letters) and assistance in responding to comment letters from securities regulatory bodies; and
- Consultations with the Corporation's management as to the accounting or disclosure treatment of transactions or events.

Audit-related services

- Due diligence services related to accounting and tax matters in connection with potential acquisitions/dispositions;
- Advice, documentation assistance, and review with respect to internal controls over financial reporting and disclosure controls and procedures of the Corporation; and
- Consultation with the Corporation's management as to the conversion to IFRS.

Tax services

- Assistance with the preparation of corporate income tax returns and related schedules;
- Assistance in responding to Canada Revenue Agency on proposed reassessments and other matters; and
- Assistance and advising on routine planning matters.

Other services

- French translation associated with prospectuses or other documents filed with regulatory bodies.

Approval of additional services

Any additional non-prohibited service will be submitted to the chairman of the Audit Committee for consideration and approval. The full Audit Committee will subsequently be informed of the service, at its next meeting. The engagement may commence upon approval of the chairman of the Audit Committee.

External Auditor Service Fees (By Category)

The following table provides information about the fees billed to the Corporation for professional services rendered by KPMG LLP during fiscal 2008 and by Soberman LLP and KPMG LLP during fiscal 2007.

	<u>2008 (KPMG LLP)</u>	<u>2007 (KPMG LLP)</u>	<u>2007 (Soberman LLP)⁽¹⁾</u>
Audit Fees ⁽²⁾⁽³⁾	\$69,000	\$23,000	\$31,662
Audit-Related Fees	-	-	-
Tax Fees ⁽⁴⁾	25,515	41,448	1,000
All other Fees ⁽⁵⁾	-	-	5,000
Total:	\$94,515	\$64,448	\$37,662

Notes:

- (1) Soberman LLP was the Corporation's auditor until August 15, 2007.
- (2) Audit fees for professional services rendered by Soberman LLP and KPMG LLP for the audit of the Corporation's annual consolidated financial statements as well as services provided in connection with statutory and regulatory filings.
- (3) Audit-related fees for professional services rendered with respect to services provided in connection with statutory and regulatory filings.
- (4) Tax fees for tax compliance, tax advice and tax planning.
- (5) All other fees related to limited procedures performed by the Corporation's previous auditors related to interim reports.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former executive officer, director or employee of the Corporation or of any of its subsidiaries is, or at any time since the beginning of the most recently completed financial year has been, indebted: (i) to the Corporation or any of its subsidiaries; or (ii) to another entity, where the indebtedness is 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.

MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by the directors and executive officers of the Corporation and are not to any substantial degree performed by any other person. The Corporation does not currently have in place any employment agreements or contracts between the Corporation, nor any affiliate thereof and its Named Executive Officers.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth herein, management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, or of any nominee for election as a director, or of any associate or affiliate of any such persons, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The management of the Corporation is not aware of any material interest, direct or indirect, of any informed person or proposed director of the Corporation or any associate or affiliate of any such persons in any transaction since the commencement of the financial year ended December 31, 2008 or in any proposed transaction, which has materially affected or would materially affect the Corporation or any of its subsidiaries.

For the purposes of this Information Circular, an "informed person" means (i) a director or officer of the Corporation, (ii) a director or officer of a person or company that is itself an informed person, or (iii) any person or company who beneficially owns, directly or indirectly, and/or exercises control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attaching to all outstanding voting securities of the Corporation.

ADDITIONAL INFORMATION

Financial information is provided in the Corporation's audited annual consolidated financial statements and accompanying management's discussion and analysis ("**MD&A**") for the year ended December 31, 2008. The 2008 audited annual consolidated financial statements and MD&A will be mailed to all Shareholders concurrently with this Information Circular.

Under National Instrument 51-102 *Continuous Disclosure Obligations*, any person or company who wishes to receive annual or interim financial statements from the Corporation may deliver a written request for such material to the Corporation or the Corporation's agent, together with a signed statement that the person or company is the owner of securities of the Corporation. Shareholders who wish to receive annual or interim financial statements are encouraged to send the enclosed mail card, together with the completed form of proxy, in the addressed envelope provided, to the Corporation's registrar and transfer agent, Olympia Trust Company, 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6. The Corporation will maintain a supplemental mailing list of persons or companies wishing to receive annual or interim financial statements.

Additional information relating to the Corporation is available on the SEDAR website at www.sedar.com or may be obtained by contacting the Corporation at 300, 602 - 12th Avenue S.W., Calgary, Alberta, T2R 1J3, or by telephone at (403) 475-0440.

GENERAL

All matters referred to herein for approval by the Shareholders require a simple majority of the Shareholders voting, in person or by proxy, at the Meeting. The contents and sending of this Information Circular have been approved by the Board of Directors of the Corporation.

Unless otherwise stated, the information contained herein is given as of the 15th day of April, 2009.

THIS IS SCHEDULE "A" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF PAINTED PONY PETROLEUM LTD. TO BE HELD ON JUNE 3, 2009, AND ANY ADJOURNMENT THEREOF

PAINTED PONY PETROLEUM LTD.

STOCK OPTION PLAN

1. Purpose

The purpose of the Plan is to provide an incentive to the directors, officers, employees, consultants and other personnel of the Corporation or any of its subsidiaries to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract to and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

2. Definitions and Interpretation

When used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

- (a) **"Board of Directors"** means the Board of Directors of the Corporation;
- (b) **"Class A Shares"** means class A shares in the capital of the Corporation;
- (c) **"Class B Shares"** means class B shares in the capital of the Corporation;
- (d) **"Corporation"** means Painted Pony Petroleum Ltd. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;
- (e) **"Discounted Market Price"** means the last per share closing price for the Class A Shares on the Exchange before the date of grant of an Option, less any applicable discount under Exchange Policies;
- (f) **"Exchange"** means the TSX Venture Exchange Inc. or any other stock exchange on which the Class A Shares are listed;
- (g) **"Exchange Policies"** means the policies of the Exchange, including those set forth in the Corporate Finance Manual of the Exchange;
- (h) **"Insider"** has the meaning ascribed thereto in Exchange Policies;

- (i) **"Option"** means an option granted by the Corporation to an Optionee entitling such Optionee to acquire a designated number of Class A Shares from treasury at a price determined by the Board of Directors;
- (j) **"Option Period"** means the period determined by the Board of Directors during which an Optionee may exercise an Option, not to exceed a period of 10 years from the date the Option is granted unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are then listed and as specifically provided by the Board, and as permitted under the rules of any stock exchange or exchanges on which the Shares are then listed;
- (k) **"Optionee"** means a person who is a director, officer, employee, consultant or other personnel of the Corporation or a subsidiary of the Corporation; a corporation wholly-owned by such persons; or any other individual or body corporate who may be granted an option pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan; and
- (l) **"Plan"** shall mean the Corporation's incentive stock option plan as embodied herein and as from time to time amended.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policy, including without limitation "Consultant", "Employee", "Insider", "Investor Relations Activities", "Management Company Employee", "Tier 1 Issuer" and "Tier 2 Issuer".

Wherever the singular or masculine is used in this Plan, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context or the parties so require.

3. **Administration**

The Plan shall be administered by the Board of Directors. The Board of Directors shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board of Directors shall be binding and conclusive upon the Corporation and on all persons eligible to participate in the Plan, subject to Shareholder approval if required by the Exchange. Notwithstanding the foregoing or any other provision contained herein, the Board of Directors shall have the right to delegate the administration and operation of the Plan to a special committee of directors appointed from time to time by the Board of Directors, in which case all references herein to the Board of Directors shall be deemed to refer to such committee.

4. **Eligibility**

The Board of Directors may at any time and from time to time designate those Optionees who are to be granted an Option pursuant to the Plan and grant an Option to such Optionee. Subject to Exchange Policies and the limitations contained herein, the Board of Directors is authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as it shall determine. No Option shall be granted to any person except upon recommendation of the Board of Directors. A person who has been granted an Option may, if he is otherwise eligible and if permitted by Exchange Policies, be granted an additional Option or Options if the Board of Directors shall so determine. Subject to Exchange Policies, the Corporation shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee (as such terms are defined in Exchange Policies) in respect of Options granted to such Optionees.

5. **Participation**

Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Optionee's relationship or employment with the Corporation.

Notwithstanding any express or implied term of this Plan or any Option to the contrary, the granting of an Option pursuant to the Plan shall in no way be construed as conferring on any Optionee any right with respect to continuance as a director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation.

Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director or officer of or a consultant to the Corporation or any of its subsidiaries, where the Optionee at the same time becomes or continues to be a director, officer or full-time employee of or a consultant to the Corporation or any of its subsidiaries.

Options will not be granted to an officer, employee or consultant of the Corporation, unless such Participant is a *bona fide* officer, employee or consultant of the Corporation.

No Optionee shall have any of the rights of a Shareholder of the Corporation in respect to Class A Shares issuable on exercise of an Option until such Class A Shares shall have been paid for in full and issued by the Corporation on exercise of the Option, pursuant to this Plan.

6. **Shares Subject to Options**

The number of authorized but unissued Class A Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Class A Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Class A Shares and Class B Shares on a non-diluted basis at any time, and such aggregate number of Class A Shares shall automatically increase or decrease as the number of issued and outstanding Class A Shares and Class B Shares changes. Unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are listed to exceed such threshold, the Options granted under the Plan together with all of the Corporation's other previously established stock option plans or grants, shall not result at any time in:

- (a) the number of Class A Shares reserved for issuance pursuant to Options granted to Insiders exceeding 10% of the issued and outstanding Class A Shares and Class B Shares; or

- (b) the grant to Insiders within a 12 month period, of a number of Options exceeding 10% of the outstanding Class A Shares and Class B Shares.

Unless disinterested shareholder approval is obtained, the aggregate number of Class A Shares reserved for issuance to any one (1) Optionee under Options granted in any 12 month period shall not exceed 5% of the issued and outstanding Class A Shares and Class B Shares determined at the date of grant. The number of Class A shares that may be reserved for issuance to any one person under option granted in any 12 month period shall not exceed 2% of the issued and outstanding Class A Shares and Class B Shares in the case of an Optionee who is a Consultant or an Employee conducting Investor Relations Activities.

Appropriate adjustments shall be made as set forth in Section 14 hereof, in both the number of Class A Shares covered by individual grants and the total number of Class A Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Corporation.

If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased Class A Shares subject thereto shall again be available for the purpose of the Plan.

7. Option Agreement

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Class A Shares subject to option, the exercise price and any other terms and conditions approved by the Board of Directors, all in accordance with the provisions of this Plan (herein referred to as the "Stock Option Agreement"). The Stock Option Agreement will be in such form as the Board of Directors may from time to time approve, and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the Optionee may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.

8. Option Period and Exercise Price

Each Option and all rights thereunder shall be expressed to expire on the date set out in the respective Stock Option Agreement, which shall be the date of the expiry of the Option Period (the "Expiry Date"), subject to earlier termination as provided in Sections 10 and 11 hereof.

Subject to Exchange Policies and any limitations imposed by any relevant regulatory authority, the exercise price of an Option granted under the Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the Discounted Market Price of the Class A Shares.

9. Exercise of Options

An Optionee shall be entitled to exercise an Option granted to him at any time prior to the expiry of the Option Period, subject to Sections 10 and 11 hereof and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

The exercise of any Option will be conditional upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Class A Shares in respect of which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Class A Shares with respect to which the Option is being exercised.

Class A Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Class A Shares pursuant thereto shall comply with all relevant provisions of applicable securities law, and the requirements of any stock exchange or consolidated stock price reporting system on which prices for the Class A Shares are quoted at any given time. As a condition to the exercise of an Option, the Corporation may require the person exercising such Option to represent and warrant at the time of any such exercise that the Class A Shares are being purchased only for investment and without any present intention to sell or distribute such Class A Shares if, in the opinion of counsel for the Corporation, such a representation is required by law.

10. Ceasing to be a Director, Officer, Employee or Consultant

If an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, the Optionee may, but only within a reasonable period after the Optionee's ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation. For greater certainty, any Optionee who is deemed to be an employee of the Corporation pursuant to any medical or disability plan of the Corporation shall be deemed to be an employee for the purposes of the Plan.

11. Death of Optionee

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier, and then only:

- (a) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and
- (b) to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death.

12. Optionee's Rights Not Transferable

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except by bequeath or the laws of descent and distribution, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

Subject to the foregoing, the terms of the Plan shall bind the Corporation and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

13. Takeover or Change of Control

The Corporation shall have the power, in the event of:

- (a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or
- (b) any change in control of the Corporation,

to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including without limitation, to amend any Stock Option Agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction. If the Corporation shall exercise such power, the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Corporation prior to the completion of such transaction.

14. Anti-Dilution of the Option

In the event of:

- (a) any subdivision, redivision or change of the Class A Shares at any time during the term of the Option into a greater number of Class A Shares, the Corporation shall deliver, at the time of any exercise thereafter of the Option, such number of Class A Shares as would have resulted from such subdivision, redivision or change if the exercise of the Option had been made prior to the date of such subdivision, redivision or change;
- (b) any consolidation or change of the Class A Shares at any time during the term of the Option into a lesser number of Class A Shares, the number of Class A Shares deliverable by the Corporation on any exercise thereafter of the Option shall be reduced to such number of Class A Shares as would have resulted from such consolidation or change if the exercise of the Option had been made prior to the date of such consolidation or change;
- (c) any reclassification of the Class A Shares at any time outstanding or change of the Class A Shares into other shares, or in case of the consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in a reclassification of the outstanding Class A Shares or a change of the Class A Shares into other shares), or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation, at any time during the term of the Option, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Class A Shares to which he was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such reclassification, change, consolidation, amalgamation, merger or transfer if, on the effective date thereof, he had been the holder of the number of Class A Shares to which he was entitled upon exercise of the Option.

Adjustments shall be made successively whenever any event referred to in this section shall occur. For greater certainty, the Optionee shall pay for the number of shares, other securities or property as aforesaid, the amount the Optionee would have paid if the Optionee had exercised the Option prior to the effective date of such subdivision, redivision, consolidation or change of the Class A Shares or such reclassification, consolidation, amalgamation, merger or transfer, as the case may be.

15. Costs

The Corporation shall pay all costs of administering the Plan.

16. Termination and Amendment

- (a) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder at any time without the approval of the Shareholders of the Corporation or any Optionee whose Option is amended or terminated, in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the Exchange or any relevant regulatory authority, whether or not such amendment or termination would affect any accrued rights, subject to the approval of the Exchange or such regulatory authority.
- (b) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder for any reason other than the reasons set forth in Section 16(a) hereof, subject to the approval of the Exchange or any relevant regulatory authority and the approval of the Shareholders of the Corporation if required by the Exchange or such regulatory authority. Subject to Exchange Policies, disinterested Shareholder approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment. No such amendment or termination will, without the consent of an Optionee, alter or impair any rights which have accrued to him prior to the effective date thereof.
- (c) The Plan, and any amendments thereto, shall be subject to acceptance and approval by the Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance are given.

17. Applicable Law

This Plan shall be governed by, administered and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

18. Effective Date

This Plan shall become effective as of and from, and the effective date of the Plan shall be April 14, 2009, subject to receipt of all necessary regulatory approvals.

THIS IS SCHEDULE "B" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF PAINTED PONY PETROLEUM LTD. TO BE HELD ON JUNE 3, 2009, AND ANY ADJOURNMENT THEREOF

PAINTED PONY PETROLEUM LTD.

BOARD OF DIRECTORS CHARTER

MAJOR GOALS

The major goals and responsibilities of the Board of Directors of Painted Pony Petroleum Ltd. (the "Corporation") are to:

- Oversee the management of the business and affairs of the Corporation;
- Establish policy direction and the fundamental objectives of the Corporation;
- Protect and enhance the assets of the owners of the Corporation and to look after their interests in general;
- Ensure continuity in the governance of the Corporation.

MAJOR DUTIES

1. Determine and control in broad terms the purposes, goals, activities, and general characteristics of the Corporation. These duties range from establishing objectives, scope of operations, fundamental strategies and policies and key strategic initiatives down to approving annual budgets, long-range plans, major capital investments, mergers and acquisitions, issuance of stock options and stock, and other specific actions that are likely to have a substantial effect on the Corporation or that the Board is legally required to take. Day-to-day operation of the Corporation's business is, generally speaking, the responsibility of management.
2. Appoint a chief executive officer and other senior officers, define their respective duties, monitor and evaluate their performance, provide for adequate succession, and replace the chief executive officer or other officers when appropriate.
3. Identify the principal risks of the Corporation's business and ensure the implementation of appropriate systems to manage these risks.
4. Oversee corporate financial operations, including:
 - debt and equity financings;
 - selection of outside auditors for approval by the shareholders; and

- appoint an audit committee, oversee the activities of the audit committee and receive and consider the recommendations of the audit committee with respect to the financial statements of the Corporation and related disclosures, reports to shareholders and other related communications, establishment of appropriate financial policies and integrity of accounting systems and internal controls.
5. Set policies related to, and assist management in its relations and sensitive communications with:
- shareholders;
 - the investing public;
 - governments and regulatory agencies;
 - employees;
 - the financial community;
 - communities in which the Corporation operates; and
 - appoint a corporate governance committee, oversee the activities of the corporate governance committee and receive and consider the recommendations of the corporate governance committee.
6. Require the Corporation to comply with appropriate laws and regulations.
7. Manage Board operations:
- fix the size of the Board and, subject to the approval of the shareholders, determine its membership;
 - appoint a Chairman, appropriate committees including an audit committee, compensation committee and corporate governance committee, and committee chairmen;
 - define the duties of the Chairman and the committees;
 - be responsible, through the corporate governance committee, for developing the Corporation's approach to governance issues generally, including its response to any applicable governance guidelines;
 - formulate, through the corporate governance committee, rules and guidelines governing and regulating the affairs of the Board such as tenure, retirement and compensation of directors;
 - ensure that the information needs of the members of the Board are being met; and
 - assess any actual, apparent or perceived conflicts arising as a result of any individual business interests of directors.

ROLE AND RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER, CHAIRMAN OF THE BOARD

Chairman of the Board

The Chairman of the Board shall have, among others, the following responsibilities:

- in conjunction with the Chief Executive Officer, planning the meetings of the Board, establishing the agenda of these meetings, and coordinating the activities of the Corporate Secretary as regards the affairs of the Board and its committees;
- chairing all of the meetings of the Board, ensuring the proper and efficient conduct thereof, ensuring that all members are able to express their opinions on the topics being discussed and making sure that the decisions made by the Board are clear;
- ensuring that all strategically important issues are communicated to the Board for approval and that the Board receives the information, reports, documents it needs to allow its members to assume their role fully;
- following up on the implementation of decisions made by the Board;
- ensuring that all policies of the Board relating to compliance with regulations as well as ethics and conduct standards are communicated to all interested parties;
- receiving any complaint respecting breaches of the code of ethics on the part of the independent directors and bringing these to the attention of the Board in order that the matter may be dealt with appropriately; and
- in collaboration with the Independent Board Leader, ensuring that the Board and each of its committees respect their respective mandates (or charters).

Chief Executive Officer

The Chief Executive Officer shall have, among others, the following responsibilities:

- in conjunction with the Chairman, planning the meetings of the Board and establishing the agenda of the meetings;
- supervising the management team and employees of the Company;
- in collaboration with the management team, preparing strategic plans and budgets, financial statements and any other information respecting the affairs of the Company that must periodically be submitted to the Board for approval or verification;
- ensuring the daily management and execution of the strategic plan of the Company as well as implementing the decisions, guidelines and policies of the Board;
- ensuring the efficient use of resources available to the Company to reach its strategic objectives, including its objectives in terms of growth and short- and long-term profitability;

- representing the Company before the principal interested parties: employees, shareholders, financial world, governments and general public; and
- receiving any complaint respecting breaches of the code of ethics on the part of the officers and employees and bringing these to the attention of the Board in order that the matter may be dealt with appropriately.

Committee Chairs

Every chair of a Board committee shall have, among others, the following responsibilities:

- planning committee meetings, establishing the agenda of these meetings and coordinating the activities of the Corporate Secretary as regards the affairs of the committee; and
- chairing all of the meetings of the committee, ensuring the proper and efficient conduct hereof, ensuring that all members are able to express their opinions on the topics being discussed and making sure that the decisions or recommendations made by the committee are clear.

The chair of a committee shall report to the Board in matters relating to his mandate and to the work of his committee.

THIS IS SCHEDULE "C" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF PAINTED PONY PETROLEUM LTD. TO BE HELD ON JUNE 3, 2009, AND ANY ADJOURNMENT THEREOF

PAINTED PONY PETROLEUM LTD.

AUDIT COMMITTEE CHARTER

OVERALL ROLE AND RESPONSIBILITY

The Audit Committee shall:

- (a) assist the Board of Directors in its oversight role with respect to:
 - (i) the quality and integrity of financial information;
 - (ii) the independent auditor's performance, qualifications and independence;
 - (iii) the performance of the Corporation's internal audit function, if applicable; and
 - (iv) the Corporation's compliance with legal and regulatory requirements and
- (b) prepare such reports of the Audit Committee required to be included in the Proxy Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

MEMBERSHIP AND MEETINGS

The Audit Committee shall consist of three or more Directors appointed by the Board of Directors, all of whom shall be independent and unrelated to the Corporation and as such shall not be officers (other than a non-executive Chairman or Corporate Secretary who is not an employee of the Corporation) or employees of or have a meaningful business relationship with the Corporation or any of the Corporation's affiliates or be an immediate family member of any of the foregoing. Each of the members of the Audit Committee shall satisfy the applicable independence and financial literacy of the laws governing the Corporation, the applicable stock exchanges on which the Corporation's securities are listed and applicable securities regulatory authorities.

The Board of Directors shall designate one member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

STRUCTURE AND OPERATIONS

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall report to the Board of Directors on its activities after each of its meetings at which time minutes of the prior Committee meeting shall be tabled for the Board.

The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

SPECIFIC DUTIES

Oversight of the Independent Auditor

- Make recommendations to the board for the appointment and replacement of the independent auditor.
- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Obtain from the independent auditor and review the independent auditor's report regarding the management internal control report of the Corporation to be included in the Corporation's annual proxy circular, as required by applicable law.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every 5 years).

Financial Reporting

- Review and discuss with management and the independent auditor:
 - prior to the annual audit the scope, planning and staffing of the annual audit,
 - the annual audited financial statements,
 - the Corporation's annual and quarterly disclosures made in management's discussion and analysis,

- approve any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation,
 - the Corporation's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,
 - significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements,
 - any significant changes in the Corporation's selection or application of accounting principles,
 - any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies, and
 - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

AUDIT COMMITTEE'S ROLE

The Audit Committee has the oversight role set out in this Charter. Management, the Board of Directors, the independent auditor and the internal auditor (if any) all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Corporation's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles.

FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefor shall also be funded by the Corporation.

APPROVAL OF AUDIT AND PERMITTED NON-AUDIT SERVICES PROVIDED BY EXTERNAL AUDITORS

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the External Auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this Protocol. The Chief Financial Officer shall act as the primary contact to receive and assess any proposed engagements from the External Auditor.

Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.