

TWIN BUTTE ENERGY LTD.

**Notice of the Annual Meeting of Shareholders
to be held on May 17, 2012**

The annual meeting of the holders of common shares of Twin Butte Energy Ltd. will be held in the Royal Room of the Metropolitan Centre, 333 – 4th Avenue S.W., Calgary, Alberta, on Thursday, May 17, 2012, at 2:00 p.m., Calgary time, to:

1. receive and consider our financial statements for the fiscal year ended December 31, 2011, together with the report of the auditors thereon;
2. fix the number of directors of our company to be elected at the meeting at seven (7);
3. elect seven (7) directors of our company for the ensuing year;
4. appoint auditors for the ensuing year and to authorize the directors to fix their remuneration as such; and
5. transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only shareholders of record at the close of business on March 30, 2012 (the "**Record Date**") are entitled to notice of and to attend the meeting or any adjournment or adjournments thereof and to vote thereat unless after the Record Date a holder of record transfers his or her Common Shares and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he or she owns such shares, requests, not later than 10 days before the meeting, that the transferee's name be included in the list of shareholders entitled to vote, in which case such transferee shall be entitled to vote such shares at the meeting.

Shareholders may vote in person at the meeting or any adjournment or adjournments thereof, or they may appoint another person (who need not be a shareholder) as their proxy to attend and vote in their place.

Shareholders unable to be present at the meeting are requested to date and sign the enclosed form of proxy and return it to our Corporate Secretary, c/o of Valiant Trust Company, Suite 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1, Facsimile: (403) 233-2857. In order to be valid, proxies must be received by Valiant Trust Company not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the meeting or any adjournment thereof.

A management proxy circular relating to the business to be conducted at the meeting accompanies this Notice.

Dated at Calgary, Alberta this 23rd day of March, 2012.

By order of the Board of Directors

(Signed) James Saunders
President and Chief Executive Officer

TWIN BUTTE ENERGY LTD.

**Information Circular – Proxy Statement
dated March 23, 2012**

**For the Annual Meeting
of Shareholders to be held on May 17, 2012**

PROXIES

Solicitation of Proxies

This information circular – proxy statement is furnished in connection with the solicitation of proxies by or on behalf of our management for use at the annual meeting of our shareholders (the "**Meeting**") to be held in the Royal Room of the Metropolitan Centre, 333 – 4th Avenue S.W., Calgary, Alberta, on Thursday, May 17, 2012, at 2:00 p.m., local time, and any adjournment thereof for the purposes set forth in the accompanying Notice of Annual Meeting. Only shareholders of record on March 30, 2012 are entitled to notice of, and to attend and vote at, the Meeting, unless a shareholder has transferred any shares subsequent to that date and the transferee shareholder, not later than 10 days before the Meeting, establishes ownership of the shares and demands that the transferee's name be included on the list of shareholders.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

The persons named in the enclosed form of proxy are our officers. **As a shareholder submitting a proxy you have the right to appoint a person (who need not be a shareholder) to represent you at the Meeting other than the person or persons designated in the form of proxy furnished by us. To exercise this right you should insert the name of the desired representative in the blank space provided in the form of proxy and strike out the other names or submit another appropriate proxy.** In order to be effective, the proxy must be deposited with our Corporate Secretary in care of Valiant Trust Company, Suite 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1, Facsimile: (403) 233-2857 not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment thereof.

Advice to Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to you if you do not hold your common shares ("**Common Shares**") in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in your account statement provided by your broker, then in almost all cases those Common Shares will not be registered in your name on our records. Such Common Shares will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co., the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms. Common Shares held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your shares.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your shares are voted at the Meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc., or another intermediary. If you receive a voting instruction form from Broadridge Financial Solutions, Inc. or another intermediary it cannot be used as a proxy to vote shares directly at the Meeting as the proxy must be returned (or otherwise reported as provided in the voting instruction form) as described in the voting instruction form well in advance of the Meeting in order to have the shares voted.

Although you may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of your broker (or agent of the broker), you may attend at the Meeting as proxyholder for the registered shareholder and vote Common Shares in that capacity. If you wish to attend the Meeting and indirectly vote your Common Shares as proxyholder for the registered shareholder, you should enter your own name in the blank space on the form of proxy provided to you and return the same to your broker (or the broker's agent) in accordance with the instructions provided by your broker (or agent), well in advance of the Meeting.

Revocability of Proxy

You may revoke your proxy at any time prior to a vote. If you or the person to whom you give your proxy attends personally at the Meeting you or such person may revoke the proxy and you may vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation. To be effective the instrument in writing must be deposited at our head office at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof.

Persons Making the Solicitation

This solicitation is made on behalf of our management. We will bear the costs incurred in the preparation and mailing of the form of proxy, notice of annual meeting and this information circular – proxy statement. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers and employees who will not be remunerated therefor.

Exercise of Discretion by Proxy

The Common Shares represented by proxy in favour of management nominees will be voted on any poll at the Meeting. Where you specify a choice with respect to any matter to be acted upon the shares will be voted on any ballot in accordance with the specification so made. **If you do not provide instructions your shares will be voted in favour of the matters to be acted upon as set out herein.** The persons appointed under the form of proxy which we have furnished are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this information circular – proxy statement, we know of no such amendment, variation or other matter.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

We are authorized to issue an unlimited number of Common Shares without nominal or par value which may be issued for such consideration as may be determined by resolution of our board of directors (our "**Board**"). As at March 23, 2012, there were 191,682,653 Common Shares issued and outstanding. As a holder of Common Shares, you are entitled to one vote on a ballot at the Meeting for each Common Share you own. We are also authorized to issue an unlimited number of preferred shares, issuable in series. Each series is issuable upon the terms and conditions as set by our Board at the time of creation, subject to the class priorities. As at March 23, 2012, there were no preferred shares issued and outstanding.

To the knowledge of our directors and officers, as at March 23, 2012, no person or company beneficially owned, or controlled or directed, directly or indirectly, Common Shares carrying more than 10% of the votes attached to all of the issued and outstanding Common Shares.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

Directors will be elected at the Meeting. Our Board presently consists of seven members. It is proposed that our Board will be fixed at seven members and the following persons will be nominated at the Meeting:

R. James Brown	James Saunders
John A. Brussa	Warren Steckley
David M. Fitzpatrick	William A. Trickett
Thomas J. Greschner	

Each director elected will hold office until the next annual general meeting, or until his successor is duly elected or appointed, unless his office be earlier vacated.

It is the intention of the management designees, if named as proxy, to vote "FOR" an ordinary resolution in favour of fixing our Board at seven members and in favour of the election of the following persons to our Board unless otherwise directed. The accompanying form of proxy provides for individual voting on directors. Management does not contemplate that any of these nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees does not stand for election or is unable to serve as such, **the management designees, if named as proxy, reserve the right to vote for any other nominee in their sole discretion unless you have specified in your proxy that your Common Shares are to be withheld from voting on the election of directors.**

The following information relating to the nominees as directors is based partly on our records and partly on information received by us from the nominees and sets forth the names and province and country of residence of all of the persons nominated for election as directors, the periods during which they have served as directors, their principal occupations or employments during the five preceding years and the approximate number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, by each of them as of March 23, 2012.

Name, Province and Country of Residence	Director Since	Principal Occupation During the Five Preceding Years	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽⁵⁾
R. James Brown ⁽¹⁾⁽²⁾ Alberta, Canada	February 8, 2008	Independent businessman since January 1, 2009; and prior thereto, Vice President and Chief Financial Officer of Fording Canadian Coal Trust and Elk Valley Coal Partnership.	244,435
John A. Brussa ⁽²⁾ Alberta, Canada	March 22, 2011	Partner, Burnet, Duckworth & Palmer LLP (law firm).	255,721
David M. Fitzpatrick ⁽¹⁾⁽²⁾ Alberta, Canada	December 8, 2008	Independent businessman since July 2007; and prior thereto President and Chief Executive Officer of Shiningbank Energy Ltd., administrator of Shiningbank Energy Income Fund (oil and gas fund).	98,595

Name, Province and Country of Residence	Director Since	Principal Occupation During the Five Preceding Years	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽⁵⁾
Thomas J. Greschner ⁽³⁾ Alberta, Canada	January 9, 2012	Independent businessman since January 9, 2012; prior thereto, President and Chief Executive of Emerge Oil & Gas Inc. (oil and gas company) from August 2008 until January 9, 2012; prior thereto, President and Chief Executive Officer of Emerge Energy Ltd. (oil and gas company) from October 2007 to August 2008; and prior thereto, Vice President, Production of Galleon Energy Inc. (oil and gas company).	2,279,999
James Saunders Alberta, Canada	December 30, 2005	President and Chief Executive Officer of Twin Butte Energy Ltd. since November 5, 2008 and prior thereto, Chairman of Twin Butte Energy Ltd.	4,108,660
Warren Steckley ⁽¹⁾⁽³⁾ Alberta, Canada	March 20, 2009	President and Chief Operating Officer of Barnwell of Canada, Limited (oil and gas company).	94,703
William A. Trickett ⁽³⁾ Alberta, Canada	October 14, 2009	Independent businessman since October 14, 2009 and prior thereto President and Chief Executive Officer of Buffalo Resources Corp. (oil and gas company).	476,204

Notes:

- (1) Member of the Audit Committee, which committee is required pursuant to the *Business Corporations Act* (Alberta).
- (2) Member of the Compensation, Nominating and Corporate Governance Committee.
- (3) Member of the Reserves Committee.
- (4) We do not have an Executive Committee.
- (5) In addition, Mr. Brussa holds options to purchase 150,000 Common Shares at an exercise price of \$3.32 per share. Mr. Saunders also holds 205,609 restricted awards and 52,924 performance awards and Messrs. Brown, Brussa, Fitzpatrick, Greschner, Steckley and Trickett also hold 103,151, 44,721, 88,525, 40,323, 104,361 and 100,732 restricted awards, respectively. See "Statement of Executive Compensation – Incentive Plans – Share Award Incentive Plan" for a description of the restricted awards and performance awards granted pursuant to the share award incentive plan.

Additional Disclosure Relating to Proposed Directors***Cease Trade Orders***

To the knowledge of our company, no proposed director of our company (nor any personal holding company of any of such persons) is, as of the date of this information circular – proxy statement, or was within ten years before the date of this information circular – proxy statement, a director, chief executive officer or chief financial officer of any company (including our company), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of our company, no proposed director of our company (nor any personal holding company of any of such persons): (a) is, as of the date of this information circular – proxy statement, or has been within the ten years before the date of this information circular – proxy statement, a director or executive officer of any company (including our company) that, while that 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; or (b) has, within the ten years before the date of this information circular – proxy statement, 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 our company, no proposed director of our company (nor any personal holding company of any of such persons), has been subject to: (a) 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 (b) 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.

Appointment of Auditors

At the Meeting, shareholders will be called upon to appoint the firm of PricewaterhouseCoopers LLP, Chartered Accountants, of Calgary, Alberta, to serve as our auditors until the next annual general meeting of our shareholders and to authorize our directors to fix their remuneration as such. PricewaterhouseCoopers LLP have been our auditors since June 2006.

It is the intention of the management designees, if named as proxy, to vote "FOR" the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta, as auditors of our company, to hold office until the next annual meeting of the shareholders and to authorize the directors of our company to fix their remuneration as such.

The directors of our company recommend that shareholders vote for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta, as auditors of our company, at a remuneration to be fixed by the directors of our company.

The information required by Form 52-110F1 of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, including information regarding the fees billed to our company by PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta, is contained in our company's annual information form for the year ended December 31, 2011, under the heading "Audit Committee Information", an electronic copy of which is available on our company's SEDAR profile at www.sedar.com.

COMPENSATION GOVERNANCE

Composition of the Compensation, Nominating and Corporate Governance Committee

Our Board has appointed a Compensation, Nominating and Corporate Governance Committee (referred to hereafter as the "**committee**", the "**Committee**", the "**Compensation Committee**" and the "**Compensation, Nominating and Corporate Governance Committee**") of our Board comprised of John A. Brussa (Chair), R. James Brown and David M. Fitzpatrick. The following table sets forth the assessment of each current committee member's independence for the purpose of National Instrument 58-101 – *Corporate Governance Guidelines* and the relevant skills and experience of each member of the committee that enables such member to make decisions on the suitability of our company's compensation policies and practices.

Name	Independent ⁽¹⁾	Relevant Skills and Experience
John A. Brussa	Yes	Mr. Brussa's skills and experience that enable him to make decisions on the suitability of our company's compensation policies and practices are derived from his service on boards and compensation committees of numerous publicly traded oil and gas companies. Mr. Brussa holds a Bachelor of Arts, History and Economics degree and a Bachelor of Laws degree from the University of Windsor.
R. James Brown	Yes	Mr. Brown's skills and experience that enable him to make decisions on the suitability of our company's compensation policies and practices are derived from his 25 years of experience in the oil and gas industry including as Chief Financial Officer with High Point Resources Inc., Dorset Exploration Ltd., Richland Petroleum Inc. and Terraquest Energy Inc., all public oil and gas companies. He has also developed practical experience in executive compensation from his service on boards and compensation committees of numerous publicly traded companies. Mr. Brown holds a Bachelor of Commerce degree from the University of Calgary and is a Chartered Accountant.
David M. Fitzpatrick	Yes	Mr. Fitzpatrick's skills and experience that enable him to make decisions on the suitability of our company's compensation policies and practices are derived from his experience as President, Chief Executive Officer and a director of Shiningbank Energy Ltd. from 1996 to 2007 and his over 29 years of experience in the oil and gas industry. He has also developed practical experience in executive compensation from his service on boards and compensation committees of numerous publicly traded oil and gas companies. Mr. Fitzpatrick obtained his BSc. in Geological Engineering from Queens University, and has obtained the Chartered Director Designation from the DeGroote School of Business.

Note:

- (1) A director is independent for the purpose of National Instrument 58-101 – *Corporate Governance Guidelines* if he or she is independent within the meaning of section 1.4 of National Instrument 52-110 – *Audit Committees*.

Mandate and Terms of Reference of the Compensation Committee

Our Board has adopted a mandate for the Compensation, Nominating and Corporate Governance Committee which has, as part of its mandate, the responsibility for reviewing matters relating to the human resource policies and compensation of the directors, officers and employees of our company in the context of the budget and business plan of our company. Without limiting the generality of the foregoing, the committee has the following duties:

- (i) to review the compensation philosophy and remuneration policy for officers of our company and to recommend to our Board changes to improve our company's ability to recruit, retain and motivate officers;
- (ii) to review and recommend to our Board the retainer and fees to be paid to members of our Board;
- (iii) to review and approve corporate goals and objectives relevant to the compensation of our Chief Executive Officer and to evaluate our Chief Executive Officer's performance in light of those corporate goals and objectives, and determine (or make recommendations to our Board with respect to) the Chief Executive Officer's compensation level based on such evaluation; and
- (iv) to recommend to our Board with respect to non-Chief Executive Officer officer and director compensation including to review management's recommendation for proposed stock option, share purchase plans and other incentive-compensation plans and equity-based plans for non-Chief Executive Officer officer and director compensation and make recommendations in respect thereof to our Board;
- (v) to administer the stock option plan approved by our Board in accordance with its terms including the recommendation to our Board of the grant of stock options in accordance with the terms thereof;

- (vi) to administer the share award incentive plan approved by our Board in accordance with its terms including the recommendation to our Board of the grant of share awards in accordance with the terms thereof;
- (vii) to determine and recommend for approval of our Board bonuses to be paid to officers and employees of our company and to establish targets or criteria for the payment of such bonuses, if appropriate; and
- (viii) to prepare and submit a report of the committee for inclusion in annual disclosure required by applicable securities laws to be made by our company including the Compensation Committee Report required to be included in the information circular – proxy statement of our company and review other executive compensation disclosure before our company discloses such information.

The Compensation Committee is required to be comprised of at least three directors of our company or such greater number as the Board may determine from time to time. All members of the committee are required to be independent as such term is defined for purposes of National Instrument 58-101. Our Board is from time to time to designate one of the members of the committee to be the Chair of the committee. Pursuant to the Mandate and Terms of Reference of the Compensation Committee, meetings of the committee are to take place at least one time per year and at such other times as the Chair of the committee may determine.

Compensation Consultant or Advisor

At no time in our company's previous two completed financial years has a compensation consultant or advisor been retained by our company to assist our Board or the Compensation Committee to determine the compensation of the directors or executive officers of our company.

COMPENSATION DISCUSSION AND ANALYSIS

Our company's executive compensation program is administered by the Compensation Committee. In establishing the annual compensation program of our company, the President and Chief Executive Officer of our company provides recommendations to the Compensation Committee with respect to compensation of executive officers, including the President and Chief Executive Officer, and employees of our company. In making such recommendations, the President and Chief Executive Officer reviews a number of factors including general industry compensation data and compensation data compiled for our company's informal peer group, corporate performance as well as individual performance. Prior to submitting recommendations to the Compensation Committee, the recommendations are reviewed and discussed with the Chairman of the Compensation Committee and adjustments may be made as a result of those discussions. The Compensation Committee reviews the data and information provided and recommendations for compensation are then made by the Compensation Committee to our full Board for consideration. As the President and Chief Executive Officer is also a member of our Board, our Board meets in the absence of the President and Chief Executive Officer to discuss the recommendations made by the committee for executive compensation, including the recommendation for the President and Chief Executive Officer's compensation. Discussions, both formal and informal, may ensue between both the Compensation Committee and our Board and the President and Chief Executive Officer with respect to the recommendations and adjustments may be made prior to final approval by our Board.

Objectives and Principals of Executive Compensation Program

The objectives of our company's executive compensation program are twofold, namely: (i) to enable our company to attract and retain highly qualified and experienced individuals to serve as executive officers (including the Named Executive Officers); and (ii) to align the compensation levels available to the executive officers to the successful implementation of our company's strategic plans and annual objectives. Our company's executive compensation program is designed to reward the executive officers where they have contributed to the success and growth of our company.

A significant component of our company's compensation program is based on a "pay-for-performance" philosophy which supports our company's commitment to delivering strong performance for our shareholders. Our compensation policies are designed to attract, recruit and retain individuals of high calibre to serve as officers of our company, to motivate their performance in order to achieve our company's strategic objectives and to align the interests of executive officers with the long-term interests of our shareholders and enhancement in share value. Compensation of all executive officers, including the President and Chief Executive Officer, is based on the underlying philosophy that such compensation should be competitive with other corporations of similar size and should be reflective of the experience, performance and contribution of the

individuals involved and the overall performance of our company. Our 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.

Our executive compensation program is comprised of the following principal components: (a) base salary and perquisites; (b) short-term incentive compensation comprised of cash bonuses; and (c) long-term incentive compensation comprised of stock options in 2011 and now share awards. Together, these components support our long-term growth strategy and are designed to address the key objectives of our compensation program.

Compensation and Market Position

When determining executive compensation, including the assessment of the competitiveness of our compensation practices, the committee reviews the compensation policies of companies in our company's informal peer group. In 2011, the peer group used consisted of approximately 10 similar sized companies with production ranging from 1,000 to 10,000 barrels of oil equivalent per day; however, other factors besides production such as revenues, cash flows generated, areas in which the companies operate and number of employees are considered when determining which companies to include in our company's informal peer group. Some of the salary information available in the public domain with respect to companies in our company's informal peer group can be outdated and therefore our company will also obtain industry reports providing salary levels. The industry reports provide general information about levels of compensation in the oil and gas industry or with respect to specific professions and not specific metrics about companies in our company's informal peer group. At the time of establishment of 2011 base salaries for our executive officers, compensation information referred to was in respect of 2010 compensation practices. At the time of determination of bonuses for our executive officers in respect of 2011, compensation information for 2011 was also available.

The competitiveness of the Named Executive Officers compensation is assessed based on total compensation defined as the aggregate of salary, bonuses and long-term incentives valued as of the time of grant. It is our company's philosophy to target total compensation for the Named Executive Officers at the 50th percentile of our informal peer group based on available market data with the potential for increase depending on both individual and corporate performance.

Elements of Our Executive Compensation Program

The principal elements of our company's executive compensation program are the following:

- base salary and perquisites;
- cash bonus; and
- incentive awards, comprised of stock options in 2011 and currently comprised of share awards.

The executive officers' compensation package provides a balanced set of elements designed to deliver the objectives of the compensation philosophy and includes a strong performance orientation. The fixed elements, salary and perquisites provide a competitive base of secure compensation necessary to attract and retain executive talent. The variable elements, bonus and long-term incentives, are designed to balance short-term goals with the long-term interests of our company and motivate superior performance of both. The long-term incentive plan also aligns executive officers with our shareholders and helps retain executive talent. The combination of the fixed elements and the variable incentive opportunities delivers a competitive, performance-orientated compensation package as compared to our company's informal peer group.

Each element of our company's executive compensation program is described in more detail below.

Base Salaries

The first element of our company's compensation program is the payment of base salaries. The payment of base salaries is a fundamental component of our company's compensation program and serves to attract and retain highly qualified executives. In addition, executive officers are paid a base salary to compensate those officers for providing the leadership and skills necessary to fulfill their responsibilities.

Salaries are reviewed annually based on a review of corporate and personal performance and individual levels of responsibility. Salaries for executive officers are not determined based on benchmarks, performance goals or a specific formula. The base

salaries for the financial year ended December 31, 2011, were set to be competitive with industry levels and the Compensation Committee had regard to the contributions made by the executive officers. Base salaries for 2011 were set at approximately the [60]th percentile of that of our informal peer group.

Short-Term Incentive Compensation – Cash Bonuses

Our company has a discretionary bonus plan pursuant to which our Board, upon recommendation of the committee, may award annual cash bonuses to executive officers. The annual cash bonus element of the executive compensation program is designed to reward both corporate and individual performance during our company's last completed financial year. It is the committee's philosophy that an individual bonus should be tied primarily to that individual's contribution to corporate performance. In addition, the discretionary bonus plan is intended to help ensure that overall executive cash compensation (i.e. salary and bonus) is comparable to the average cash compensation of executives at peer surveyed companies during the year in question. The amount of the bonus paid is not set in relation to any formula or specific criteria but is the result of a subjective determination of our company's and the individual's performance during the last fiscal year. While the committee has not established strict pre-determined quantitative performance criteria linked to the payment of bonuses, the committee will consider certain performance indicators including, but not limited to (i) growth in production on an absolute and per share basis; (ii) growth in reserves on both a proven and proven plus probable basis; (iii) finding and development costs; (iv) recycle ratio; (v) operating costs in the context of the overall market; (vi) cash flow per common share; and (vii) our company's performance for all of the above relative to our goals and objectives and in relation to the performance of our industry peer group. The payment of bonuses is ultimately subject to the final approval of our Board and our Board has the discretion to amend or suspend the bonus plan at any time in its sole discretion.

Long Term Incentive Compensation

Stock Options

During 2011, individual stock options were granted under our company's share option plan (the "**Option Plan**") to executive officers, employees, consultants and other service providers of our company and were intended to align such individual's and shareholder interests by attempting to create a direct link between compensation and shareholder return. Participation in the Option Plan rewarded overall corporate performance, as measured through the price of our Common Shares. In addition, the Option Plan encouraged the retention of key executives and enables executives to develop and maintain a significant ownership position in our company. As with most companies in our peer group in 2011, stock options formed an integral component of the total compensation package provided to our executive officers in 2011. This resulted in a significant portion of executive compensation being "at risk" and directly linked to the achievement of business results and long-term value creation. Individual stock options were granted by our Board on the recommendation of senior management, in the case of employees, and by the committee, in the case of executive officers including the Chief Executive Officer.

Options were normally recommended by management and approved by our Board or a committee thereof upon the commencement of an individual's employment with our company based on the level of responsibility within our company. Additional option grants may have been made periodically to ensure that the number of stock options granted to any particular individual was commensurate with the individual's level of ongoing responsibility within our company and to ensure that one of the primary purposes of the stock options, namely retention of the executives, was being maintained. In considering additional grants, the committee and our Board had flexibility in the determination of the size of the award and took into account all relevant circumstances, including the number of stock options held by such individual, the exercise price and implied value of the stock options, the term remaining on those stock options and the total number of stock options our company had available for grant under the Option Plan. The size of the periodic option award to individual executives was determined by considering individual performance, level of responsibility, authority and overall importance to our company and the degree to which each executive's potential and contribution would be critical to the long term success of our company. Options were priced at the five-day volume weighted average trading price of the Common Shares immediately preceding the date of grant. The policy of our Board was that options have a five year term and vest at a rate of one-third on each of the first, second and third anniversaries of the date of grant subject to accelerated vesting in the discretion of our Board or a committee of our Board appointed from time to time to administer the Option Plan. See "Statement of Executive Compensation – Incentive Plans – Share Option Plan" for a description of the detailed terms of the Option Plan which will govern the outstanding stock options as at the date hereof.

In connection with our company becoming a dividend paying company in 2012, our Board considered the appropriateness of the Option Plan and determined that such plan was not ideally suited for a dividend paying company as it does not recognize

the value of the dividends payable on the underlying Common Shares. The Compensation Committee and our Board determined that the Share Award Plan (as defined below) would be more appropriate to reflect our company's business. In connection with eliminating outstanding share options for the aforementioned reason, in January 2012, our Board accepted the voluntary surrender of options granted to officers, directors and employees pursuant to the Option Plan to purchase an aggregate of 8,895,336 Common Shares at exercise prices ranging from \$0.48 to \$2.46 per share for cancellation.

Share Award Incentive Plan

With the approval of our company's share award incentive plan ("**Share Award Plan**") by our shareholders on January 9, 2012, we discontinued the grant of options under the Option Plan and commenced granting restricted awards ("**Restricted Awards**") and performance awards ("**Performance Awards**") pursuant to the Share Award Plan. See "Statement of Executive Compensation – Incentive Plans – Share Award Incentive Plan" for a description of the terms of the Share Award Plan. Grants of Restricted Awards and Performance Awards are based on a director's, officer's and employee's organizational level, individual performance and role within the business, with the mix changing with organizational level and role in creating and sustaining organizational and shareholder value. The committee intends to review the Share Award Plan annually to ensure the long-term compensation program is effective in delivering on its intended purpose.

In January 2012, our Board granted an aggregate of 5,703,280 Restricted Awards and 910,780 Performance Awards pursuant to the Share Award Plan.

Review of Risks Associated with Compensation Policies and Practices

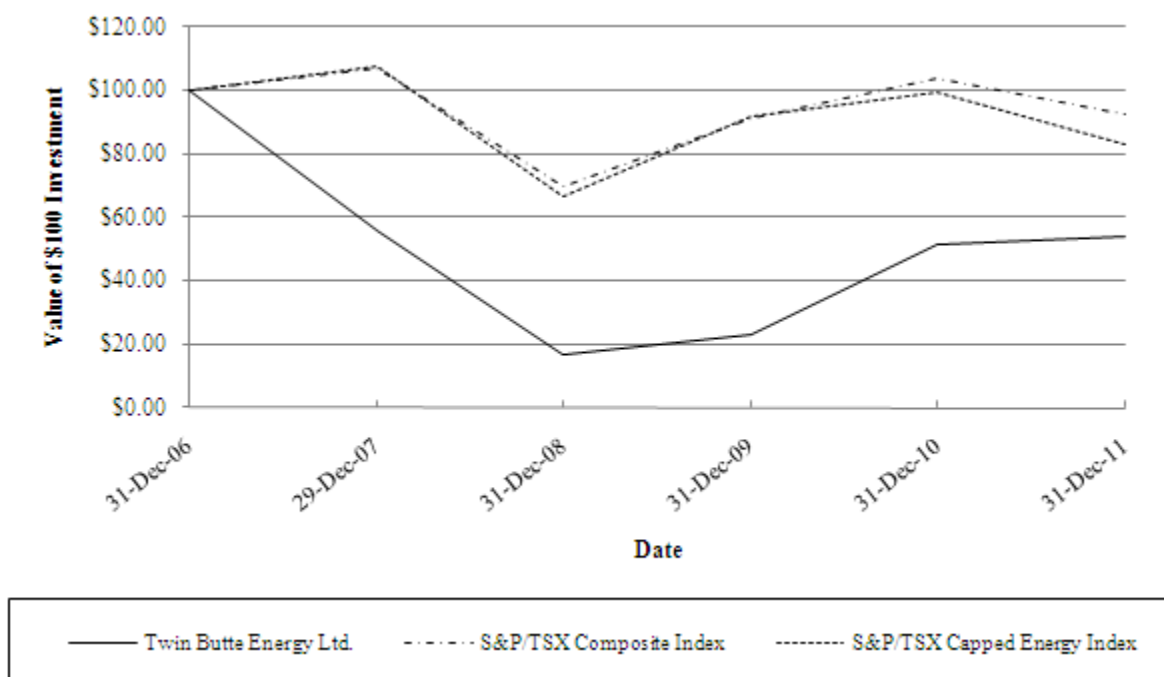
As described herein, our company's executive compensation program is administered by the Compensation Committee. In carrying out its mandate the implications of the risks associated with our company's compensation policies and practices were discussed both by the Compensation Committee and our Board. The Compensation Committee does not believe our company's compensation programs encourage our executive officers to take inappropriate or excessive risks. This assessment is based on a number of considerations including, without limitation, the following: (i) our company's compensation policies and practices are uniform throughout our organization and there are no significant differences in compensation structure among the senior executives; (ii) the overall compensation program is market based and aligned with our company's business plan and long-term strategies; (iii) the compensation package for executive officers consists of fixed (base salary and perquisites) and variable elements (cash bonus and formerly options now share awards) which are designed to balance short term goals and the long-term interests of our company and are aimed at creating sustainable value for our shareholders; (iv) in exercising its discretion under the cash bonus plan and formerly option grants, now share award grants, the Compensation Committee reviews individual and corporate performance taking into account the long-term interests of our company; and (v) options formerly granted under the share option plan and share awards now granted under the Share Award Plan generally vest over a three year period which further mitigates any short-term risk taking potential.

Short Sales, Puts, Calls and Options

Our company's Disclosure, Confidentiality and Trading Policy provides that directors, officers and all employees of our company, shall not knowingly sell, directly or indirectly, a security of our company if such person selling such security does not own or has not fully paid for the security to be sold. In addition, the Disclosure, Confidentiality and Trading Policy provides that directors, officers and employees of our company shall not, directly or indirectly, buy or sell a call or put in respect of a security of our company. Notwithstanding these prohibitions, directors, officers and employees of our company may sell a security which such person does not own if such person owns another security convertible into the security sold or an option or right to acquire the security sold and, within 10 days after the sale, such person: (i) exercises the conversion privilege, option or right and delivers the security so associated to the purchaser; or (ii) transfers the convertible security, option or right, if transferable to the purchaser.

Performance Graph

The following graph compares the cumulative total shareholder return for \$100 invested in the Common Shares for the period from December 31, 2006 to December 31, 2011, as measured by the closing price of the Common Shares at the end of each year (on the TSX Venture Exchange until December 1, 2006 and on the TSX following December 1, 2006), with the cumulative total return on each of the S&P/TSX Composite Index and the S&P/TSX Capped Energy Index, assuming the reinvestment of dividends, where applicable, for the same period.



Comparison of Cumulative Total Return ⁽¹⁾⁽²⁾

	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011
Twin Butte	\$100.00	\$55.70	\$16.46	\$23.29	\$51.65	\$53.92
S&P/TSX Composite Index	\$100.00	\$107.16	\$69.63	\$91.00	\$104.14	\$92.61
S&P/TSX Capped Energy Index	\$100.00	\$107.89	\$66.70	\$91.61	\$99.56	\$82.80

Notes:

- (1) Assuming an investment of \$100 on December 31, 2006.
- (2) On May 28, 2007, the Common Shares were consolidated on the basis of one post-consolidated Common Share for each five pre-consolidated Common Shares. The dollar values reported in the table above for the period prior to that date have been re-calculated to give effect to the consolidation.

Compensation levels for our Named Executive Officers over the period indicated above are generally consistent with the trend of total return on investment charted for our company in the performance graph, reflecting the higher proportion of "at risk" compensation for our Named Executive Officers in the form of stock option grants, with the value of such options being directly affected by changes in share price. However, as described under "Compensation Discussion and Analysis", base salaries are not determined on benchmarks, performance goals or specific formula but are set to be competitive with industry levels in our peer group. In addition, the trading price of the Common Shares may be affected by various factors not related to the results of the Corporation such as changes in commodity prices and general economic conditions. Accordingly, it is difficult to specifically correlate total compensation to the trends shown in the above performance graph.

STATEMENT OF EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation during each of our three most recently completed fiscal years paid to our Chief Executive Officer and Chief Financial Officer and each of our three other most highly compensated executive officers, other than our Chief Executive Officer and Chief Financial Officer, for the year ended December 31, 2011 whose total compensation was more than \$150,000 (collectively, the "**Named Executive Officers**").

Name and principal position	Year	Salary	Share-based awards	Option-based awards ⁽³⁾	Non-equity annual incentive plan compensation		Pension value	All other compensation ⁽⁵⁾	Total compensation
					Annual incentive plans ⁽⁴⁾	Long-term incentive plans			
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
James Saunders	2011	217,950	Nil	106,250	110,000	Nil	Nil	-	434,200
President and Chief Executive Officer	2010	207,000	Nil	266,071	110,000	Nil	Nil	-	583,071
	2009	195,000	Nil	25,100	45,000	Nil	Nil	-	265,100
R. Alan Steele	2011	201,594	Nil	102,000	95,000	Nil	Nil	-	398,594
Vice President, Finance, Chief Financial Officer and Corporate Secretary	2010	187,000	Nil	235,171	95,000	Nil	Nil	-	517,171
	2009	175,000	Nil	57,050	45,000	Nil	Nil	-	277,050
Bruce Hall	2011	203,750	Nil	102,000	75,000	Nil	Nil	-	380,750
Chief Operating Officer	2010	190,000	Nil	235,171	95,000	Nil	Nil	-	520,171
	2009 ⁽¹⁾	98,000	Nil	103,800	45,000	Nil	Nil	-	246,800
Neil Cathcart	2011	197,935	Nil	85,000	45,000	Nil	Nil	-	327,935
Vice President, Exploration	2010	187,000	Nil	201,126	90,000	Nil	Nil	-	478,126
	2009	175,000	Nil	12,550	45,000	Nil	Nil	-	232,500
Robert Bowman	2011	192,725	Nil	85,000	50,000	Nil	Nil	-	327,725
Vice President, Operations	2010 ⁽²⁾	108,297	Nil	159,306	95,000	Nil	Nil	-	362,603

Notes:

- (1) Mr. Hall commenced employment with our company on June 9, 2009.
- (2) Mr. Bowman commenced employment with our company on June 1, 2010.
- (3) Refers to options granted under the Option Plan. See "Statement of Executive Compensation – Incentive Plan". The fair value of the options granted annually is obtained by multiplying the number of options granted by their value established according to the Black, Scholes and Merton model. This value is the same as the fair book value established in accordance with generally accepted accounting principles and accounting for the following assumptions: expected volatility – 70%, risk free rate of return – 2%, expected stock option life – three years, dividend yield rate – 0%. The fair value of option grants have been determined using the same methodology and values used in determining the share option value for our company's financial statements as we believe it represents the best estimate of fair value of the options at the time of the grant.
- (4) The amounts set forth in the column are the cash bonuses earned by our Named Executive Officers in fiscal 2009, 2010 and 2011, as the case may be, and paid to our Named Executive Officers in fiscal 2010, 2011 and 2012, as the case may be.
- (5) The value of perquisites received by the Named Executive Officer, including property or other personal benefits provided to the Named Executive Officer that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of the Named Executive Officer's total salary for the financial year.

Incentive Plan Awards

Outstanding Option-based and Share-based Awards

The following table sets forth all option-based awards and share-based awards outstanding for each of our Named Executive Officers as at December 31, 2011.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Market or payout value of vested share-based awards not paid out or distributed
	(#)	(\$)		(\$)	(#)	(\$)	(\$)
James Saunders	287,000	1.01	November 24, 2013	321,440	Nil	Nil	Nil
	100,000	0.66	May 25, 2014	147,000			
	250,000	1.31	April 5, 2015	205,000			
	125,000	1.97	December 7, 2015	20,000			
	125,000	2.40	June 14, 2016	-			
R. Alan Steele	150,000	0.56	January 27, 2014	235,500	Nil	Nil	Nil
	100,000	0.66	May 25, 2014	147,000			
	200,000	1.31	April 5, 2015	164,000			
	120,000	1.97	December 7, 2015	19,200			
	120,000	2.40	June 14, 2016	-			
Bruce Hall	300,000	0.91	June 9, 2014	366,000	Nil	Nil	Nil
	200,000	1.31	April 5, 2015	164,000			
	120,000	1.97	December 7, 2015	19,200			
	120,000	2.40	June 14, 2016	-			
Neil Cathcart	250,000	1.01	November 24, 2013	280,000	Nil	Nil	Nil
	50,000	0.66	May 25, 2014	73,500			
	175,000	1.31	April 5, 2015	143,500			
	100,000	1.97	December 7, 2015	16,000			
	100,000	2.40	June 14, 2016	-			
Robert Bowman	450,000	1.51	April 20, 2015	279,000	Nil	Nil	Nil
	30,000	1.37	June 28, 2015	22,800			
	100,000	1.97	December 7, 2015	16,000			
	100,000	2.40	June 14, 2016	-			

Notes:

- (1) Calculated based on the closing price of the Common Shares on the TSX on December 30, 2011, which was \$2.13 per share, less the exercise price of the options.
- (2) In connection with the transition to the Share Award Plan as described under the heading "Compensation Discussion and Analysis – Elements of Our Executive Compensation Program", subsequent to December 31, 2011, our Board accepted the voluntary surrender of all of the share options in the foregoing table for cancellation with the exception of options to purchase 100,000 Common Shares at an exercise price of \$2.40 per share.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested during the year ended December 31, 2011, and the value of non-equity incentive plan compensation earned during the year ended December 31, 2011, for each Named Executive Officer.

Name	Option-based awards – Value of options vested during the year (as at vesting date) ⁽¹⁾	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year ⁽²⁾
	(\$)	(\$)	(\$)
James Saunders	351,658	Nil	110,000
R. Alan Steele	318,635	Nil	95,000
Bruce Hall	304,134	Nil	75,000
Neil Cathcart	250,414	Nil	45,000
Robert Bowman	218,467	Nil	50,000

Notes:

- (1) Calculated based on the difference between the closing price of the Common Shares on the TSX on the vesting date and the exercise price of the options.
- (2) The amounts set forth in the column are the cash bonuses paid to our Named Executive officers in 2012.

Pension Plan Benefits

Our company does not have a pension plan or similar benefit program.

Termination and Change of Control Benefits

We have entered into an executive employment agreements with each of our Named Executive Officers. Each of the executive employment agreements are effective as of June 25, 2010 and employment and the executive employment agreements continue indefinitely thereafter until terminated in accordance with the terms. Each of the Named Executive Officers are entitled to participate in and receive all rights and benefits under our benefit plans, and any other benefits and perquisites provided to our executives from time to time. All such benefits and perquisites cease as of the last day of employment, regardless of why employment ceases, and we have no obligation to extend benefit coverage past the last day of employment.

The executive employment agreements may be terminated at any time for just cause (in which instance there are no payments other than accrued compensation) and without just cause (including constructive dismissal). If the employment of any of the Named Executive Officers is terminated without just cause (including constructive dismissal) each Named Executive Officer in such circumstances is, in addition to accrued compensation, entitled to a retiring allowance equal to one times his annual base salary, a twenty percent top-up for loss of benefits, perquisites and savings plan, and one times the average of the cash bonuses paid during the two prior years. In the event of a change of control (as defined in the executive employment agreements), Messrs. Saunders and Steele have the right for a period of 90 days thereafter to elect to terminate their executive employment agreement and their employment (by providing us with two week's advance written notice), and in such circumstances obtain a retiring allowance payment calculated on the same basis as if employment had been terminated by us without just cause. In the event of a change of control (as defined in the executive employment agreements), Messrs. Hall, Cathcart and Bowman have an election to terminate their executive employment agreement and employment if there is good reason (an adverse change in any of their duties, powers, rights, discretions, salary, title, or lines of employment such that immediately after such change or changes the executive's responsibilities and status taken as a whole are not substantially equivalent to those prior to the change or changes) and to receive the retiring allowance payment calculated on the same basis as if employment had been terminated by us without just cause. Any retiring allowance payment made to any of our Named Executive Officers (regardless of whether before or after a change of control) is less required withholdings and subject to the requirement that we have received a full and final release. In addition, each of our Named Executive Officers have agreed that in the event of a termination of employment (regardless of the reason) that they will immediately resign from any positions they may hold as a director or officer, if so requested. All of our Named Executive Officers must, both during employment and thereafter, keep all of our confidential and proprietary information strictly confidential, any fiduciary obligations that they owe to us are not limited by the terms of their executive employment agreements, and they have expressly agreed that for one year following the last day of employment that they will not directly or indirectly solicit or encourage any of our employees or consultants.

Where the executive employment agreements for the Named Executive Officers are terminated by us without just cause (including constructive dismissal), or in the event that our Named Executive Officers have an entitlement to a retiring allowance following a change of control, the payments to them, calculated as at December 31, 2011 are as follows:

Named Executive Officer	Termination without Just Cause	Termination Following a Change of Control
James Saunders	\$341,500	\$341,500
R. Alan Steele	\$316,000	\$316,000
Bruce Hall	\$316,000	\$316,000
Neil Cathcart	\$307,500	\$307,500
Robert Bowman	\$304,000	\$304,000

Incentive Plans

Share Award Incentive Plan

Purpose of the Share Award Plan

Subsequent to shareholders approving of the Share Award Plan on January 9, 2012, our company commenced granting Restricted Awards and Performance Awards pursuant to the Share Award Plan and discontinued the grant of options under the Option Plan. The principal purposes of the Share Award Plan are: (i) to retain and attract qualified service providers that our company and our affiliates require; (ii) to promote a proprietary interest in our company and our affiliates by such service providers and to encourage such persons to remain in the employ or service of our company and our affiliates and put forth maximum efforts for the success of the business of our company and our affiliates; and (iii) to focus management of our company and our affiliates on operating and financial performance and long-term total shareholder return.

Incentive-based compensation, such as the Share Award Plan, is an integral component of compensation for our service providers. The attraction and retention of qualified service providers has been identified as one of the key risks to our company's long-term strategic growth plan. The Share Award Plan is intended to maintain our company's competitiveness within the North American oil and gas industry to facilitate the achievement of our long-term goals. In addition, this incentive-based compensation is intended to reward service providers for meeting certain pre-defined operational and financial goals which have been identified for increasing long-term total shareholder return.

Overview

Our Board has delegated the authority to administer the Share Award Plan to the Compensation Committee.

Under the terms of the Share Award Plan, any service provider may be granted Restricted Awards or Performance Awards. In determining the service providers to whom Share Awards may be granted ("**Grantees**"), the number of Common Shares to be covered by each Share Award and the allocation of the award between Restricted Awards and Performance Awards, the Compensation Committee may take into account such factors as it shall determine in its sole discretion, including any one or more of the following factors:

- (a) compensation data for comparable benchmark positions among the company's peer group;
- (b) the duties, responsibilities, position and seniority of the Grantee;
- (c) the corporate performance measures ("**Corporate Performance Measures**") for the applicable period compared with internally established performance measures approved by the Compensation Committee and/or similar performance measures of members of the company's peer group for such period;
- (d) the individual contributions and potential contributions of the Grantee to the success of our company;
- (e) any bonus payments paid or to be paid to the Grantee in respect of his or her individual contributions and potential contributions to the success of our company;

- (f) the fair market value or current market price of the Common Shares at the time of such Share Award; and
- (g) such other factors as the Compensation Committee shall deem relevant in its sole discretion in connection with accomplishing the purposes of the Share Award Plan.

Restricted Awards

Each Restricted Award will entitle the holder to be issued the number of Common Shares designated in the Restricted Award with such Common Shares to be issued as to one-third on each of the first, second and third anniversary dates of the date of grant (or such earlier or later dates as may be determined by the Compensation Committee).

Performance Awards

Each Performance Award will entitle the holder to be issued as to one-third on each of the first, second and third anniversary dates of the date of grant (or such earlier or later dates as may be determined by the Compensation Committee) the number of Common Shares designated in the Performance Award multiplied by a payout multiplier ("**Payout Multiplier**").

The Payout Multiplier is determined by the Compensation Committee based on an assessment of the achievement of the pre-defined Corporate Performance Measures in respect of the applicable period. Corporate Performance Measures may include: relative total shareholder return; recycle ratio; activities related to the growth of our company; average production volumes; unit costs of production; total proved reserves; health, safety and environmental performance; the execution of our company's strategic plan and such additional measures as the Compensation Committee shall consider appropriate in the circumstances. The Payout Multiplier for a particular period can be one of 0x (for fourth quartile ranking), 1x (for third quartile ranking), 1.5x (for second quartile ranking) or 2x (for first quartile ranking). For those Performance Awards where the issue date is the second or third anniversary of the grant date, the Payout Multiplier will be the arithmetic average of the Payout Multiplier for each of the two or three preceding fiscal years, respectively.

Dividend Equivalents

The Share Award Plan provides for cumulative adjustments to the number of Common Shares to be issued pursuant to Share Awards on each date that dividends are paid on the Common Shares ("**Dividend Payment Date**") by an amount equal to a fraction having as its numerator the amount of the dividend per Common Share and having as its denominator the price, expressed as an amount per Common Share, paid by participants in our company's dividend reinvestment plan, if any, to reinvest their dividends in additional Common Shares on the applicable dividend payment date (the "**Reinvestment Price**"), provided that if our company has suspended the operation of such plan or does not have such a plan, then the Reinvestment Price shall be equal to the fair market value of the Common Shares on the trading day immediately preceding the Dividend Payment Date.

Under the Share Award Plan, in the case of a non-cash dividend, including Common Shares or other securities or property, the Compensation Committee will, in its sole discretion and subject to the approval of the TSX, determine whether or not such non-cash dividend will be provided to the Share Award holder and, if so provided, the form in which it shall be provided.

Limitation on Common Shares Reserved

The Share Award Plan provides that the maximum number of Common Shares reserved for issuance from time to time pursuant to Share Awards and pursuant to all other security based compensation arrangements of our company, at any time, shall not exceed a number of Common Shares equal to 10% of the aggregate number of issued and outstanding Common Shares.

Limitations on Share Awards

The aggregate number of Share Awards granted to any single service provider shall not exceed 5% of the issued and outstanding Common Shares, calculated on an undiluted basis. In addition: (i) the number of Common Shares issuable to insiders at any time, under all security based compensation arrangements of our company (including the Option Plan), shall not exceed 10% of the issued and outstanding Common Shares; and (ii) the number of Common Shares issued to insiders, within any one year period, under all security based compensation arrangements of our company, shall not exceed 10% of the issued and outstanding Common Shares. The number of Common Shares issuable pursuant to the Share Award Plan to non-

management directors, in aggregate, is be limited to a maximum of 0.5% of the issued and outstanding Common Shares and the value of all Share Awards granted to any non-management director during a calendar year, as calculated on the date of grant, cannot exceed \$100,000 (for purposes of monitoring compliance with these limitations, a Payout Multiplier of 1x will be assumed for any Performance Awards).

Issue Dates

If a Grantee is prohibited from trading in securities of our company as a result of the imposition by our company of a trading blackout (a "**Blackout Period**") and the issue date of a Share Award held by such Grantee falls within a Blackout Period (or within ten business days following the end of a Blackout Period), then the issue date of such Share Award shall be extended to the date that is ten business days following the end of such Blackout Period.

Payment of Share Awards

On the issue date, our company shall have the option of settling any amount payable in respect of a Share Award by any of the following methods or by a combination of such methods:

- (a) Common Shares issued from the treasury of our company; or
- (b) with the consent of the Grantee, cash in an amount equal to the aggregate fair market value of such Common Shares that would otherwise be delivered in consideration for the surrender by the Grantee to our company of the right to receive such Common Shares under such Share Award.

The Share Award Plan does not contain any provisions for financial assistance by our company in respect of Share Awards granted thereunder.

Change of Control

In the event of a change of control of our company, the issue date(s) applicable to the Share Awards will be accelerated such that the Common Shares to be issued pursuant to such Share Awards will be issued immediately prior to the date upon which the change of control is completed and the Payout Multiplier applicable to any Performance Awards shall be determined by the Compensation Committee.

Early Termination Events

Pursuant to the Share Award Plan, unless otherwise determined by the Compensation Committee or unless otherwise provided in the agreement pertaining to a particular Share Award or any written employment or consulting agreement governing a Grantee's role as a service provider, the following provisions shall apply in the event that a Grantee ceases to be a service provider:

- (a) **Death** – If a Grantee ceases to be a service provider as a result of the Grantee's death, the issue date for all Common Shares awarded to such Grantee under any outstanding agreements pertaining to a particular Share Award shall be accelerated to the cessation date, provided that the President and Chief Executive Officer of our company in the case of a Grantee who is not a director or officer and the Compensation Committee in all other cases, taking into consideration the performance of such Grantee and the performance of our company since the date of grant of the Share Award(s), may determine in its sole discretion the Payout Multiplier to be applied to any Performance Awards held by the Grantee.
- (b) **Termination for Cause** – If a Grantee ceases to be a service provider as a result of termination for cause, effective as of the cessation date all outstanding agreements under which Share Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be immediately terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.
- (c) **Voluntary Resignation** – If a Grantee ceases to be a service provider as a result of a voluntary resignation, effective as of the day that is fourteen (14) days after the cessation date, all outstanding agreements under which Share Awards

have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.

- (d) Other Termination – If a Grantee ceases to be a service provider for any reason other than as provided for in (a), (b) and (c) above, effective as of the date that is thirty (30) days after the cessation date and notwithstanding any other severance entitlements or entitlement to notice or compensation in lieu thereof, all outstanding agreements under which Share Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be terminated and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.
- (e) Non-Management Directors – If a Grantee who is a non-management director ceases to be a service provider as a result of: (A) a voluntary resignation or voluntarily not standing for re-election as a director of our company, such events shall be treated as a voluntary resignation under (c) above; or (B) failing to be re-elected as a director of our company by the shareholders, such event shall be treated as other termination under (d) above.

Assignment

Except in the case of death, the right to receive Common Shares pursuant to a Share Award granted to a service provider may only be exercised by such service provider personally. Except as otherwise provided in the Share Award Plan, no assignment, sale, transfer, pledge or charge of a Share Award, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Share Award whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Share Award shall terminate and be of no further force or effect.

Amendment and Termination of Plan

The Share Award Plan and any Share Awards granted pursuant thereto may, subject to any required approval of the TSX, be amended, modified or terminated by our Board without the approval of the shareholders of our company. Notwithstanding the foregoing, the Share Award Plan or any Share Award may not be amended without shareholder approval to:

- (a) increase the percentage of Common Shares reserved for issuance pursuant to Share Awards in excess of the 10% limit currently prescribed;
- (b) extend the issue date of any Share Awards issued under the Share Award Plan beyond the latest issue date specified in the agreement pertaining to a particular Share Award (other than as permitted by the terms and conditions of the Share Award Plan);
- (c) permit a Grantee to transfer Share Awards to a new beneficial holder other than for estate settlement purposes;
- (d) change the limitations on the granting of Share Awards described above under "Limitations on Share Awards"; and
- (e) change the amending provision of the Share Award Plan.

In addition, no amendment to the Share Award Plan or any Share Awards granted pursuant thereto may be made without the consent of a Grantee if it adversely alters or impairs the rights of such Grantee in respect of any Share Award previously granted to such Grantee under the Share Award Plan.

Share Option Plan

Our company has discontinued the grant of options pursuant to the Option Plan. The Option Plan will remain in place to govern the current balance of options to acquire 1,072,767 Common Shares representing approximately 0.56% of our currently outstanding Common Shares. The Option Plan is administered by a special committee of our Board appointed from time to time by our Board to administer the Option Plan, or, if no such committee is appointed, our Board (our Board, or, if appointed, such committee is referred to as the "**Committee**"). Currently, our Committee administers the Option Plan.

The Option Plan is intended to aid us in attracting, retaining and motivating the officers, directors, employees and other eligible service providers of our company and our subsidiaries.

All options currently outstanding under the Option Plan expire five years from the date of the grant and vest over three years commencing one year after the date of grant subject to accelerated vesting in the case of a change of control of our company. Options granted under the Option Plan are non-assignable. The exercise price of options granted was determined by the Committee at the time of grant and was not be less than the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the date of grant.

In case of death of an optionee, options terminate on the date determined by the Committee which may not be more than 12 months from the date of death and, if the optionee shall no longer be a director or officer of or be in the employ of, or a consultant or other service provider to, either our company or a subsidiary of our company (other than by reason of death or termination for cause), their options terminate on the expiry of a period not in excess of six months as determined by the Committee at the time of grant. The number of Common Shares that an optionee (or his or her heirs or successors) is entitled to purchase until such date of termination: (i) shall in the case of death of the optionee, be all of the Common Shares that may be acquired on exercise of the options held by such optionee (or his or her heirs or successors) whether or not previously vested and the vesting of all such options shall be accelerated on the date of death for such purpose; and (ii) in any case other than death or termination for cause, shall be the number of Common Shares which the optionee was entitled to purchase on the date the optionee ceased to be a service provider. In the case of the termination of an optionee for cause, options will terminate immediately on such termination for cause (whether notice of such termination occurs verbally or in writing).

Except if not permitted by the TSX, if any options may not be exercised due to any Black-Out Period at any time within the three business day period prior to the normal expiry date of such options (the "**Restricted Options**"), the expiry date of all Restricted Options shall be the seventh business day following the end of the Black-Out Period (or such longer period as permitted by the TSX and approved by the Committee). A "**Black-Out Period**" means the period of time when, pursuant to any policies of our company, any securities of our company may not be traded by certain persons as designated by our company, including any holder of an option.

An optionee may, under the terms of the Option Plan, make an offer (the "**Surrender Offer**") to our company, at any time, for the disposition and surrender by the optionee to our company (and the termination thereof) of any options for an amount (not to exceed the fair market value thereof) specified in the Surrender Offer and our company may, but is not obligated to, accept the Surrender Offer, subject to any required regulatory approval.

In the event: (a) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or (b) that any rights are granted to shareholders to purchase Common Shares at prices substantially below fair market value; or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities; then the Committee may make such adjustments to the Option Plan, to any options and to any option agreements outstanding under the Option Plan as the Committee may, in its sole discretion, subject to TSX approval, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to optionees under the Option Plan.

If there takes place a Change of Control of our company, as defined in the Option Plan, all issued and outstanding options shall be exercisable (whether or not then vested) immediately prior to the time such Change of Control takes place and shall terminate on the 90th day after the occurrence of such Change of Control, or at such earlier time as may be established by the Committee, in its absolute discretion, prior to the time such Change of Control takes place.

The Committee may amend or discontinue the Option Plan at any time without the consent of a holder of options, provided that such amendment shall not alter or impair any options previously granted under the Option Plan (except as otherwise permitted under the Option Plan). In addition, the Committee may, by resolution, amend the Option Plan and any options granted under it without shareholder approval provided, however, that the Committee will not be entitled to amend the Option Plan without TSX and shareholder approval to: (i) increase the maximum number of Common Shares issuable pursuant to the Option Plan; (ii) reduce the exercise price of an option held by an insider of our company; or (iii) extend the term of an option held by an insider of our company.

No financial assistance has been provided by our company to optionees to exercise stock options granted under the Option Plan.

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under the Option Plan, which was our only equity compensation plan, as at December 31, 2011.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders ⁽¹⁾	10,027,636 Common Shares	\$1.60 per Common Share	3,513,258 Common Shares ⁽²⁾
Equity compensation plans not approved by securityholders	Nil	Not applicable	Nil
Total	10,027,636 Common Shares		3,513,258 Common Shares

Notes:

- (1) Our shareholders approved the Option Plan at the annual and special meeting of shareholders held on May 14, 2009. Our company has discontinued the grant of options pursuant to the Option Plan and instead will grant Restricted Awards and Performance Awards pursuant to the Share Award Plan which was approved by our shareholders on January 9, 2012.
- (2) Calculated as 10% of the issued and outstanding Common Shares as at December 31, 2011, less the then outstanding stock options.

DIRECTOR COMPENSATION

The Compensation Committee annually conducts a review of directors' compensation for board and committee service and recommends changes to our Board where appropriate. Our Board considers and approves the adequacy and form of the compensation of directors upon recommendation of the Compensation Committee and ensures the compensation realistically reflects the responsibilities and time involved in being an effective director.

For the purpose of conducting its 2011 annual review of directors' compensation, the Compensation Committee, among other things, referred to various governance reports on current trends in directors' compensation and compensation data for directors of reporting issuers of comparative size to our company. The compensation philosophy for directors is similar to that for Named Executive Officers in that compensation includes a base retainer, meeting fees, and participation under the Option Plan, during 2011 and now the Share Award Plan the benefit of which is tied to shareholder return.

For the year ended December 31, 2011, our non-management directors were each paid an annual retainer in the amount of \$3,750 and a fee of \$1,000 per meeting of our Board in which they participated. The Chairman of our Board was paid an annual retainer in the amount of \$7,500. The Chairman of the committees of our Board were each paid an annual retainer in the amount of \$2,500 and members of the committees of our Board were each paid a fee of \$750 per meeting of the committees of our Board in which they participated. In addition, our directors were reimbursed for transportation and other expenses incurred for attendance at Board and committee meetings and for their reasonable expenses incurred in carrying out their duties as directors. During the year ended December 31, 2011, our directors were entitled to participate in the Option Plan and during 2011, our non-management directors were granted options to purchase an aggregate of 275,000 Common Shares exercisable at prices ranging from \$2.40 to \$3.32 per share. As at December 31, 2011, non-management directors held options to purchase an aggregate of 1,150,000 Common Shares exercisable at prices ranging from \$0.48 to \$3.32 per share.

Directors' Summary Compensation Table

The following table sets forth information concerning the compensation paid to our directors, other than a director who was also a Named Executive Officer (as defined in "Statement of Executive Compensation"), for the year ended December 31, 2011.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total ⁽³⁾ (\$)
R. James Brown	14,250	Nil	21,250	Nil	Nil	Nil	35,500
John A. Brussa	8,500	Nil	198,250	Nil	Nil	Nil	206,750
David M. Fitzpatrick	17,812	Nil	21,250	Nil	Nil	Nil	39,062
A. Murray Sinclair ⁽¹⁾	-	Nil	-	Nil	Nil	Nil	-
Warren Steckley	16,500	Nil	21,250	Nil	Nil	Nil	37,750
William A. Trickett	10,250	Nil	21,250	Nil	Nil	Nil	31,500

Notes:

- (1) Mr. Sinclair ceased to be a director of our company on February 10, 2011.
- (2) Refers to options granted under the Option Plan. See "Statement of Executive Compensation – Incentive Plan". The fair value of the options granted annually is obtained by multiplying the number of options granted by their value established according to the Black, Scholes and Merton model. This value is the same as the fair book value established in accordance with generally accepted accounting principles and accounting for the following assumptions: expected volatility – 70%, risk free rate of return – 2%, expected stock option life – three years, dividend yield rate – 0%. The fair value of option grants have been determined using the same methodology and values used in determining the option value for our company's financial statements as we believe it represents the best estimate of fair value of the options at the time of the grant.
- (3) In addition, our directors were eligible to be reimbursed for transportation and other expenses incurred for attendance at Board and committee meetings and for their reasonable expenses incurred in carrying out their duties as directors.
- (4) Compensation information for James Saunders who was a Named Executive Officer (as defined below) in fiscal 2011 is contained in "Statement of Executive Compensation".

Directors' Outstanding Option-Based Awards and Share-Based Awards

The following table sets forth the aggregate option-based awards and share-based awards outstanding for each of our directors, other than a director who was also a Named Executive Officer, as at December 31, 2011.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽²⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
R. James Brown	25,000	2.40	June 16, 2016	-	Nil	Nil	Nil
	100,000	1.97	December 7, 2015	16,000			
	50,000	1.31	April 5, 2015	41,000			
	50,000	0.66	May 25, 2014	73,500			
	50,000	2.45	March 3, 2013	-			
John A. Brussa	25,000	2.40	June 16, 2016	-	Nil	Nil	Nil
	50,000	3.32	April 16, 2016	-			
David M. Fitzpatrick	25,000	2.40	June 16, 2016	-	Nil	Nil	Nil
	100,000	1.97	December 7, 2015	16,000			
	50,000	1.31	April 5, 2015	41,000			
	75,000	0.97	August 12, 2013	87,000			
A. Murray Sinclair ⁽¹⁾	Nil	N/A	N/A	Nil	Nil	Nil	Nil
Warren Steckley	25,000	2.40	June 16, 2016	-	Nil	Nil	Nil
	100,000	1.97	December 7, 2015	16,000			
	50,000	1.31	April 5, 2015	41,000			
	50,000	0.48	March 30, 2014	82,500			
William A. Trickett	25,000	2.40	June 16, 2016	-	Nil	Nil	Nil
	100,000	1.97	December 7, 2015	16,000			
	50,000	1.31	April 5, 2015	41,000			
	50,000	1.02	October 23, 2014	55,500			

Notes:

- (1) Mr. Sinclair ceased to be a director of our company on February 10, 2011.
- (2) Calculated based on the closing price of the Common Shares on the TSX on December 30, 2011, which was \$2.13 per share, less the exercise price of the options.
- (3) In connection with the transition to the Share Award Plan as described under the heading "Compensation Discussion and Analysis – Elements of Our Executive Compensation Program", subsequent to December 31, 2011, our Board accepted the voluntary surrender of all of the share options in the foregoing table for cancellation with the exception of options to purchase 150,000 Common Shares at an exercise price of \$3.32 per share.

Directors' Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested for each of our directors, other than a director who was also a Named Executive Officer, during the year ended December 31, 2011 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2011.

Name	Option-based awards – Value vested during the year (as at vesting date) ⁽²⁾	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
	(\$)	(\$)	(\$)
R. James Brown	87,833	Nil	Nil
John A. Brussa	-	Nil	Nil
David M. Fitzpatrick	68,751	Nil	Nil
A. Murray Sinclair ⁽¹⁾	-	Nil	Nil
Warren Steckley	87,165	Nil	Nil
William A. Trickett	49,334	Nil	Nil

Notes:

- (1) Mr. Sinclair ceased to be a director of our company on February 10, 2011.
- (2) Calculated based on the difference between the closing price of the Common Shares on the TSX on the vesting date and the exercise price of the options on the vesting date.

CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101 entitled "Disclosure of Corporate Governance Practices" ("**NI 58-101**") requires that if management of an issuer solicits proxies from its securityholders for the purpose of electing directors that certain prescribed disclosure respecting corporate governance matters be included in its management information circular. The TSX also requires listed companies to provide, on an annual basis, the corporate governance disclosure which is prescribed by NI 58-101.

The prescribed corporate governance disclosure for our company is that contained in Form 58-101F1 which is attached to NI 58-101 ("**Form 58-101F1 Disclosure**").

Set out below is a description of our current corporate governance practices, relative to the Form 58-101F1 Disclosure (which is set out below in bold).

1. Board of Directors**(a) Disclose the identity of directors who are independent.**

Our Board has determined that the following four (4) directors of our company are independent:

R. James Brown
John A. Brussa
David M. Fitzpatrick
Warren Steckley

(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

Our Board has determined that three members of our Board are not independent. Our Board has determined that James Saunders is not independent as Mr. Saunders is also our President and Chief Executive Officer. Our Board has determined that William A. Trickett is not independent as Mr. Trickett was the President and Chief Executive Officer of Buffalo Resources Corp. which our company acquired on October 14, 2009. Our

Board has also determined Thomas J. Greschner is not independent as Mr. Greschner was the President and Chief Executive Officer of Emerge Oil & Gas Inc. which our company acquired on January 9, 2012.

- (c) **Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the "board") does to facilitate its exercise of independent judgement in carrying out its responsibilities.**

Our Board has determined that a majority of the directors (four of seven) are independent.

- (d) **If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.**

The following nominees for directors of our company are presently directors of other issuers that are reporting issuers (or the equivalent):

<u>Name of Director</u>	<u>Name of Other Issuer</u>
R. James Brown	Terrex Energy Inc. Trinidad Drilling Ltd.
John A. Brussa	Baytex Energy Corp. Calmena Energy Services Inc. Chinook Energy Inc. Crew Energy Inc. Deans Knight Income Corporation Enseco Energy Services Corp. Guide Exploration Ltd. Just Energy Group Inc. Midway Energy Ltd. North American Energy Partners Inc. Penn West Petroleum Ltd. Pinecrest Energy Inc. Progress Energy Resources Corp. RMP Energy Inc. Storm Resources Ltd. WestFire Energy Ltd. Yoho Resources Inc.
David M. Fitzpatrick	Eagle Energy Inc. (administrator of Eagle Energy Trust) Lone Pine Resources Inc. Pinecrest Energy Inc.
James Saunders	RMP Energy Inc. Savanna Energy Services Corp.
Warren Steckley	Eagle Energy Inc. (administrator of Eagle Energy Trust)

- (e) **Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.**

The independent directors of our company regularly meet for a portion of each Board meeting without non-independent directors and management participation, and have met in camera seven times since the beginning of the fiscal year ended December 31, 2011.

- (f) **Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.**

Our Board has determined that David M. Fitzpatrick, the Chairman of our Board, is an independent director. Our Board has developed a position description for the Chairman of our Board which provides that the Chairman will have the following duties and responsibilities:

- (i) The Chairman will, when present, preside at all meetings of our Board and, unless otherwise determined by the directors, at all meetings of shareholders.
- (ii) The Chairman will endeavour to provide overall leadership to our Board without limiting the principle of collective responsibility and the ability of our Board to function as a unit.
- (iii) The Chairman will be responsible to ensure our Board meetings function satisfactorily and that the tasks of our Board are handled in the most reasonable fashion under the circumstances.
- (iv) The Chairman will endeavour to ensure that our Board's negotiations take place when as many of the directors as possible are present and that essential decisions are made when as many directors as possible are present.
- (v) The Chairman will endeavour to establish a line of communication with the Chief Executive Officer of our company to ensure our Board meetings can be scheduled to deal with important business that arises outside of the regular quarterly meetings.
- (vi) The Chairman will endeavour to fulfill his Board leadership responsibilities in a manner that will ensure that our Board is able to function independently of management. The Chairman will consider, and allow for, when appropriate, a meeting of all independent directors, so that Board meetings can take place without management being present. The Chairman will endeavour to ensure reasonable procedures are in place to allow for directors to engage outside advisors at the expense of our company in appropriate circumstances.
- (vii) With respect to meetings of directors or shareholders, it is the duty of the Chairman to enforce the Rules of Order. These duties include:
 - (A) ensuring that the meeting is duly constituted;
 - (B) ensure the meeting provides for reasonable accommodation;
 - (C) confirming the admissibility of all persons at the meeting;
 - (D) preserving order and the control of the meeting;
 - (E) in respect of shareholders' meetings, appointing scrutineers if requested and instructing them in their duties;
 - (F) rule on the validity of proxies; and
 - (G) to ascertain the sense of the meeting by a vote on all questions properly brought before the meeting.
- (viii) The Chairman will also liaise with management and the Corporate Secretary of our company to ensure that a proper notice and agenda has been disseminated, and that appropriate accommodations have been made for all Board and shareholder meetings.
- (ix) The Chairman will be the primary contact for stakeholders who wish to contact independent directors.

- (g) **Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.**

The attendance record of each of our existing directors for board meetings and committee meetings held since January 1, 2011, is as follows:

<u>Name of Director</u>	<u>Attendance Record</u>
R. James Brown	7/7 Board Meetings 6/6 Audit Committee Meetings 0/1 Reserves Committee Meeting 2/2 Compensation, Nominating and Corporate Governance Committee Meetings
John A. Brussa	6/6 Board Meetings 3/3 Compensation, Nominating and Corporate Governance Committee Meetings
David M. Fitzpatrick	7/7 Board Meetings 5/6 Audit Committee Meetings 3/3 Compensation, Nominating and Corporate Governance Committee Meetings
Thomas J. Greschner ⁽¹⁾	1/1 Board Meeting 1/1 Reserves Committee Meeting
James Saunders	7/7 Board Meetings ⁽²⁾
Warren Steckley	7/7 Board Meetings 6/6 Audit Committee Meetings 2/2 Reserves Committee Meeting 2/2 Compensation, Nominating and Corporate Governance Committee Meetings
William A. Trickett	6/7 Board Meetings 2/2 Reserves Committee Meetings

Notes:

(1) Mr. Greschner was appointed to our Board effective January 9, 2012.

(2) Represents the number of Board meetings which Mr. Saunders has attended as a director. Mr. Saunders has also attended numerous other committee meetings, in full or in part, as a management invitee.

2. **Board Mandate**

Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

The mandate of our Board is attached as Appendix "A" hereto.

3. Position Descriptions

- (a) **Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.**

Our Board has developed written position descriptions for the Chairman of our Board as well as the Chairman of each of our Board committees, being the Audit Committee, the Compensation, Nominating and Corporate Governance Committee and the Reserves Committee.

- (b) **Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and the CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.**

Our Board, with input from our President and Chief Executive Officer, has developed a written position description for our President and Chief Executive Officer.

4. Orientation and Continuing Education

- (a) **Briefly describe what measures the board takes to orient new directors regarding:**

- (ii) **the role of the board, its committees and its directors; and**
- (iii) **the nature and operation of the issuer's business.**

Upon joining our Board, management will provide a new director with access to all of the background documents of our company, including all corporate records, by-laws, corporate policies, organization structure, prior board and committee minutes, copies of the mandate of each of our Board and our committees, and relevant position descriptions. In addition, management will make a presentation to new directors regarding the nature and operations of our company's business.

- (b) **Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

No formal continuing education program currently exists for the directors of our company; however, our company encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of such courses and seminars. Each director of our company has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director. Individual directors are encouraged to identify their continuing education needs through a variety of means, including discussions with management and at Board and committee meetings.

5. Ethical Business Conduct

- (a) **Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:**

- (i) **disclose how a person or company may obtain a copy of the code;**

Our Board has adopted a Code of Business Conduct and Ethics applicable to our directors, officers and employees. A copy of the Code of Business Conduct and Ethics is available for review on our company's SEDAR profile at www.sedar.com or on our website at www.twinbutteenergy.com.

- (ii) **describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and**

Our Board monitors compliance with the Code of Business Conduct and Ethics by requiring each of the senior officers of our company to affirm in writing on an annual basis their agreement to abide by the Code of Business Conduct and Ethics, as to their ethical conduct and in respect of any conflicts of interest. To the extent that our management is unable to make a determination as to whether a breach of the Code has taken place, our Board will review any alleged breach of the Code to determine whether a breach has occurred. Any waiver of the Code for executive officers or directors will be made only by our Board or a committee of our Board. In addition, our Compensation, Nominating and Corporate Governance Committee has as part of its mandate the responsibility for reviewing management's monitoring of our company's compliance with the Code of Business Conduct and Ethics.

- (iii) **provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.**

There have been no material change reports filed since the beginning of the year ended December 31, 2011, that pertain to any conduct of a director or executive officer that constitutes a departure from our company's Code of Business Conduct and Ethics.

- (b) **Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

In accordance with the *Business Corporations Act* (Alberta), directors who are a party to or are a director or an officer of a person who is a party to a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. Our Code of Business Conduct and Ethics provides that activities that could give rise to conflicts of interest are prohibited unless specifically approved in advance by our Board; provided that the foregoing shall not apply to our directors who act as directors of other public or private companies who shall comply with the provisions of the *Business Corporations Act* (Alberta) in respect thereof and shall advise the Chairman of our Board of the holding of such directorships. Our Code of Business Conduct and Ethics provides that any potential conflicts of interest must be reported immediately to senior management, our Board or the Chairman of our Board, as appropriate.

- (c) **Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.**

Our Audit Committee has adopted a "Whistleblower Program" which provides our employees, management, officers, directors, contractors, consultants and our committee members with the ability to report, on a confidential and anonymous basis, any complaints and concerns regarding accounting, internal auditing controls or auditing matters, including, but not limited to, unethical and unlawful accounting and auditing policies, practices or procedures, fraudulent or misleading financial information and instances of corporate fraud. Our Board believes that providing a forum for such individuals to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct within our company.

6. **Nomination of Directors**

- (a) **Describe the process by which the board identifies new candidates for board nomination.**

Our Board has delegated responsibility to the Compensation, Nominating and Corporate Governance Committee to recommend to our Board suitable candidates as nominees for election or appointment as directors. The committee usually canvasses all members of our Board for their input prior to making a

recommendation to our Board. In identifying new candidates for Board nomination, our committee considers, among other things:

- (i) the competencies and skills that our Board considers to be necessary for our Board, as a whole, to possess;
- (ii) the competencies and skills that our Board considers each existing director to possess;
- (iii) the competencies and skills each new nominee will bring to the boardroom; and
- (iv) whether or not each new nominee can devote sufficient time and resources to his duties as a member of our Board.

- (b) **Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.**

Our Board has appointed a Compensation, Nominating and Corporate Governance Committee whose members are John A. Brussa (Chairman), R. James Brown and David M. Fitzpatrick, each of whom has been determined to be independent.

- (c) **If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

The Compensation, Nominating and Corporate Governance Committee has, as part of its mandate, the responsibility for recommending suitable candidates as nominees for election or appointment as directors, and recommending the criteria governing the overall composition of our Board and governing the desirable individual characteristics for directors.

Pursuant to the mandate of the Compensation, Nominating and Corporate Governance Committee, the committee is to be comprised of at least three (3) directors of our company and all of such members shall be independent. Our Board is from time to time to designate one of the members of the committee to be the Chair of the committee. At present, the Chairman of the Compensation, Nominating and Corporate Governance Committee is John A. Brussa.

The Compensation, Nominating and Corporate Governance Committee meets at least one time per year and at such other times as the Chairman of the committee determines.

7. Compensation

- (a) **Describe the process by which the board determines the compensation for the issuer's directors and officers.**

See the disclosure under the heading "Director Compensation" for the process by which the compensation for our directors is determined. See the disclosure under the heading "Compensation Discussion and Analysis" for the process by which the compensation for our officers is determined.

- (b) **Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.**

Our Board has appointed a Compensation, Nominating and Corporate Governance Committee whose members are John A. Brussa (Chairman), R. James Brown and David M. Fitzpatrick, each of whom has been determined to be independent.

- (c) **If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

See "Compensation Discussion and Analysis – Mandate and Terms of Reference of the Compensation Committee" for a description of the responsibilities, powers and operation of the compensation committee.

- (d) **If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.**

A compensation consultant or advisor has not, at any time since the beginning of the year ended December 31, 2011, been retained to assist in determining compensation for any of our company's directors and officers. We have obtained director and officer compensation data for companies in our peer group by reviewing public disclosure filed by such companies on SEDAR.

8. Other Board Committees

- (a) **If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.**

Our Board has created a Reserves Committee in addition to the Audit Committee and the Compensation, Nominating and Corporate Governance Committee. The members of the Reserves Committee are Warren Steckley (Chairman), Thomas J. Greschner and William A. Trickett. The Reserves Committee is responsible for:

- (i) reviewing our company's procedures relating to the disclosure of information with respect to oil and gas activities including reviewing our procedures for complying with our disclosure requirements and restrictions set forth under applicable securities requirements;
- (ii) reviewing our company's procedures for providing information to the independent evaluator;
- (iii) meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without limitation on the Reserves Data (as defined in National Instrument 51-101) (the "**Reserves Data**") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- (iv) reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefore and whether there have been any disputes with management;
- (v) providing a recommendation to our Board as to whether to approve the content or filing of the statement of the Reserves Data and other any information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- (vi) reviewing our company's procedures for reporting other information associated with oil and gas producing activities; and
- (vii) generally reviewing all matters relating to the preparation and public disclosure of estimates of our company's reserves.

Pursuant to the mandate of the Reserves Committee, the committee is to be comprised of at least three (3) directors of our company, a majority of whom shall be (a) individuals who are not and have not been, during the preceding 12 months: (i) an officer or employee of our company or an affiliate of our company; (ii) a

person who beneficially owns 10% or more of the outstanding voting securities of our company; or (iii) a relative of a person referred to in the preceding subparagraphs (i) and (ii), residing in the same home as that person; and (b) free from any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgment. Our Board is from time to time to designate one of the members of the committee to be the Chair of the committee. At present, the Chairman of the Reserves Committee is Warren Steckley. The Reserves Committee meets at least one time per year and at such other times as the Chairman of the committee determines.

Our Board has created a Compensation, Nominating and Corporate Governance Committee which, as part of its mandate, has the responsibility for developing the approach of our company to matters concerning corporate governance and, from time to time, shall review and make recommendations to our Board as to such matters. Without the limiting the generality of the foregoing, the Compensation, Nominating and Corporate Governance Committee has the following corporate governance duties:

- (i) annually review the mandates of our Board and its committees and recommend to our Board such amendments to those mandates as the committee believes are necessary or desirable;
- (ii) to consider and, if thought fit, approve requests from directors or committees of directors of the engagement of special advisors from time to time;
- (iii) to prepare and recommend to our Board annually a statement of corporate governance practices to be included in the our company's annual report or information circular as required by all of the stock exchanges on which the shares of our company are listed and any other regulatory authority;
- (iv) to make recommendations to our Board as to which directors should be classified as "independent directors", "related" directors or "unrelated" directors pursuant to any such report or circular;
- (v) to review on a periodic basis the composition of our Board and ensure that an appropriate number of independent directors sit on our Board, analyzing the needs of our Board and recommending nominees who meet such needs;
- (vi) to assess, at least annually, the effectiveness of our Board as a whole, the committees of our Board and the contribution of individual directors (including the competencies and skills that each individual director is expected to bring to our Board), including considering the appropriate size of our Board;
- (vii) to act as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of our Board or individual members of our Board;
- (viii) to develop and recommend to our Board for approval and periodically review structures and procedures designed to ensure that our Board can function effectively and independently of management;
- (ix) make recommendations to our Board regarding appointments of corporate officers and senior management;
- (x) review annually the committee's mandate and terms of reference;
- (xi) to review and consider the engagement at the expense of our company of professional and other advisors by any individual director when so requested by any such director;
- (xii) establish, review and update periodically a code of business conduct and ethics and ensure that management has established a system to monitor compliance with the code; and

- (xiii) review management's monitoring of our company's compliance with the code of business conduct and ethics.

9. Assessments

Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

As part of its mandate the Compensation, Nominating and Corporate Governance Committee is responsible for assessing, at least annually, the effectiveness of our Board as a whole, the committees of our Board and the contribution of individual directors (including the competencies and skills that each individual director is expected to bring to our Board), including considering the appropriate size of our Board. The Chairman of our Compensation, Nominating and Corporate Governance Committee circulates a detailed questionnaire addressed to each director, in his capacity as director and, as the case may be, as a member of one or more of the committees of our Board, aimed at obtaining their views on the effectiveness of our Board and its committees and contribution of its members. The results of the questionnaires are compiled by the Chairman of the Compensation, Nominating and Corporate Governance Committee, who then shares the results with the members of our Board at a meeting of our Board where any and all issues are discussed. Our Board takes appropriate action based upon the results of the review process.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of our directors, proposed nominees for election as directors, executive officers, employees or former executive officers, directors or employees of us or our subsidiaries, or any associate of any such director, proposed nominee for director, executive officer or employee is, or has been at any time since the beginning of our most recently completed financial year, indebted to us or any of our subsidiaries in respect of any indebtedness that is still outstanding, nor, at any time since the beginning of our most recently completed financial year has any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by us or any of our subsidiaries, other than routine indebtedness.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of our directors or executive officers, any shareholder who beneficially owned, or controlled or directed, directly or indirectly, more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of our last completed financial year or in any proposed transaction that has materially affected or would materially affect us or any of our subsidiaries, except as disclosed elsewhere in this information circular – proxy statement. John Brussa, a director of our company, is a Partner of Burnet, Duckworth & Palmer LLP, which firm receives fees for legal services provided to our company.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Our management 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 at any time since the beginning of our last financial year, of any proposed nominee for election as a director, or of any associates or affiliates of any of the foregoing persons, in any matter to be acted on at the Meeting other than the election of directors.

OTHER MATTERS

Our management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person voting the proxy.

ADDITIONAL INFORMATION

Additional financial information regarding our business is contained in our audited financial statements and management's discussion and analysis for the fiscal year ended December 31, 2011.

Additional information regarding our business including the materials listed in the preceding paragraph may be found on SEDAR at www.sedar.com. Our securityholders may contact us to request a copy of our financial statements and management's discussion and analysis at:

Twin Butte Energy Ltd.
Suite 410, 396 – 11th Avenue S.W.
Calgary, Alberta T2R 0C5
Phone: (403) 215-2045
Fax: (403) 215-2055

APPENDIX "A"

TWIN BUTTE ENERGY LTD.

MANDATE OF THE BOARD OF DIRECTORS

GENERAL

The Board of Directors (the "**Board**") of Twin Butte Energy Ltd. ("**Twin Butte**" or the "**Corporation**") is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Twin Butte. In general terms, the Board will:

- in consultation with the Chief Executive Officer of the Corporation (the "**CEO**"), define the principal objectives of Twin Butte;
- supervise the management of the business and affairs of Twin Butte with the goal of achieving Twin Butte's principal objectives as developed in association with the CEO;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

SPECIFIC

Executive Team Responsibility

- Appoint the CEO and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
- In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities.
- Ensure that a process is established as required that adequately provides for succession planning, including the appointing, training and monitoring of senior management.
- Establish limits of authority delegated to management.

Operational Effectiveness and Financial Reporting

- Annual review and adoption of a strategic planning process and approval of the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Establish or cause to be established systems to identify the principal risks to the Corporation and that the best practical procedures are in place to monitor and mitigate the risks.
- Establish or cause to be established processes to address applicable regulatory, corporate, securities and other compliance matters.
- Establish or cause to be established an adequate system of internal controls.
- Establish or cause to be established due diligence processes and appropriate controls with respect to applicable certification requirements regarding the Corporation's financial and other disclosure.

- Review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements.
- Approve annual operating and capital budgets.
- Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets.
- Review operating and financial performance results relative to established strategy, budgets and objectives.

Integrity/Corporate Conduct

- Establish a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.
- Approve a Business Conduct and Ethics Practice for directors, officers and employees and monitor compliance with the Practice and approve any waivers of the Practice for officers and directors.
- To the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of the Corporation and that the CEO and other executive officers create a culture of integrity throughout the Corporation.

Board Process/Effectiveness

- Attempt to ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all meetings and review Board materials prior to meetings.
- Engage in the process of determining Board member qualifications with the Compensation, Nominating and Corporate Governance Committee including ensuring that a majority of directors qualify as independent directors pursuant to National Instrument 58-101 – Disclosure of Corporate Governance Practices (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements.
- Approve the nomination of directors.
- Provide a comprehensive orientation to each new director and provide continuing education as required.
- Establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management.
- Develop a clear position description for the Chairman of the Board.
- Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members.
- Establish committees, approve their respective mandates and the limits of authority delegated to each committee and develop clear position descriptions for the Chair of each committee.
- Review and re-assess the adequacy of the mandate of the committees of the Board on a regular basis, but not less frequently than on an annual basis.

- Review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.

Each member of the Board is expected to understand the nature and operations of the Corporation's business, and have an awareness of the political, economic and social trends prevailing in all countries or regions in which the Corporation operates, or is contemplating potential operations.

Independent directors shall meet regularly without non-independent directors and management participation.

The Board may retain persons having special expertise and may obtain independent professional advice to assist it in fulfilling its responsibilities at the expense of the Corporation, as determined by the Board.

In addition to the above, adherence to all other Board responsibilities as set forth in the Corporation's By-Laws, applicable policies and practices and other statutory and regulatory obligations, such as issuance of securities, etc., is expected.

DELEGATION

- The Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.
- Subject to terms of the Disclosure, Confidentiality and Trading Policy and other policies and procedures of the Corporation, the Chairman of the Board will act as a liaison between stakeholders of the Corporation and the Board (including independent members of the Board).