

---

---

**CASPIAN ENERGY INC.**

---

---

**Management Information Circular**

**SOLICITATION OF PROXIES**

This management information circular is furnished in connection with the solicitation by management of Caspian Energy Inc. (the “**Company**”) of proxies to be used at the annual and special meeting of shareholders of the Company (the “**Meeting**”) referred to in the accompanying Notice of Annual and Special Meeting of Shareholders (the “**Notice**”) to be held on June 24, 2009, at the time and place and for the purposes set forth in the Notice. **The solicitation is made by the management of the Company and will be made primarily by mail, but proxies may also be solicited personally or by telephone by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company. The information contained herein is given as of May 11, 2009, unless indicated otherwise.**

**APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy are directors and/or officers of the Company. **Each shareholder has the right to appoint a person or company, who need not be a shareholder of the Company, other than the persons named in the enclosed form of proxy, to represent such shareholder at the Meeting or any adjournment thereof.** Such right may be exercised by inserting such person’s name in the blank space provided and striking out the names of management’s nominees in the enclosed form of proxy or by completing another proper form of proxy. All proxies must be executed by the shareholder or his or her attorney duly authorized in writing or, if the shareholder is a company, by an officer or attorney thereof duly authorized. The completed form of proxy must be deposited at the office of Equity Transfer & Trust Company, Suite 400, 200 University Avenue, Toronto, Ontario, Canada, M5H 4H1, before 4:00 p.m. (Toronto time) on June 22, 2009, or a minimum of 48 hours prior to any adjournment of the Meeting.

A shareholder who has given a proxy has the power to revoke it as to any matter on which a vote has not already been cast pursuant to the authority conferred by such proxy and may do so either:

**by delivering another properly executed form of proxy bearing a later date and depositing it as aforesaid;**

**by depositing an instrument in writing revoking the proxy executed by him or her with Equity Transfer & Trust Company at its office denoted herein at any time up to and including 4:00 p.m. (Toronto time) on the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used; or**

**in any other manner permitted by law.**

## EXERCISE OF DISCRETION BY PROXIES

Shares represented by properly executed proxies in favour of the persons named in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and, where the person whose proxy is solicited specifies a choice with respect to the matters identified in the proxy, the shares will be voted or withheld from voting in accordance with the specifications so made. **Where shareholders have properly executed proxies in favour of the persons named in the enclosed form of proxy and have not specified in the form of proxy the manner in which the named proxies are required to vote the shares represented thereby, such shares will be voted in favour of the passing of the matters set forth in the Notice.** The enclosed form of proxy confers discretionary authority with respect to amendments or variations to the matters identified in the Notice and with respect to other matters that may properly come before the Meeting. At the date hereof, management of the Company knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters which at present are not known to management of the Company should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

## INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person who has been a director or executive officer of the Company at any time since the commencement of the last completed fiscal year of the Company ended December 31, 2008, no Nominee (as defined below) for election as a director of the Company, and no associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the approval of a new stock option plan for the Company as such directors, executive officers and Nominees may be entitled to received option grants thereunder in the future. See “Particulars of Matters to be Acted Upon – Approval of New Stock Option Plan”.

## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Each holder of common shares in the capital of the Company (“**Common Shares**”) of record at the close of business on May 11, 2009 (the “**record date**”) will be entitled to vote at the Meeting or at any adjournment thereof, either in person or by proxy. As of May 11, 2009, the Company had 121,733,806 issued and outstanding Common Shares. Each Common Share carries the right to one vote per share. The outstanding Common Shares are listed on the Toronto Stock Exchange (the “**TSX**”) under the symbol “**CEK**”.

To the knowledge of the directors and executive officers of the Company as of May 11, 2009, no person beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of the outstanding Common Shares.

## NON-REGISTERED HOLDERS

Only registered shareholders of the Company or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a “**Non-Registered Holder**”) are registered in the name of a nominee such as an intermediary (an “**Intermediary**”) that the Non-Registered Holder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans) or a clearing agency (such as The Canadian

Depository for Securities Limited) of which the Intermediary is a participant.

Generally, Non-Registered Holders who have not waived the right to receive meeting materials will either be given a form of proxy or a request for voting instructions (often called a “**proxy authorization form**”). **In either case, Non-Registered Holders who wish their Common Shares to be voted at the Meeting should carefully follow the instructions of their Intermediary or other nominee, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

### COMPENSATION OF EXECUTIVE OFFICERS

The following table provides information for the most recently completed financial year of the Company ended December 31, 2008 regarding all compensation paid to or earned by the individuals who served as Chief Executive Officer, Chief Financial Officer/Secretary, and Chief Operating Officer and President of the Company during such fiscal year (collectively, the “**Named Executive Officers**”). The Company had no other executive officers whose total salary and bonus during the financial year ended December 31, 2008 exceeded \$150,000.

#### Summary Compensation Table – Year Ended December 31, 2008

Name and Principal Position	Salary	Share-based awards	Option-based awards	Non-equity incentive plan compensation	Pension value	All other compensation	Total compensation
-----------------------------	--------	--------------------	---------------------	--	---------------	------------------------	--------------------

Annual Incentive Plans Long-term incentive plans William A.G. Ramsay

Chief Executive Officer \$299,103 Nil Nil Nil Nil Nil Nil \$299,103 Brian D. Korney

Chief Financial Officer and Secretary \$228,815<sup>(1)</sup> Nil Nil Nil Nil Nil Nil \$228,815 Charles J. Summers

President and Chief Operating Officer \$437,659 Nil Nil Nil Nil Nil Nil \$241,284<sup>(2)</sup> \$678,943 Notes:

(1) Paid to a private Alberta company controlled by Mr. Korney for the provision of services to the Company.

(2) Comprised of (i) a living allowance in the amount of \$159,984 paid to Mr. Summers as a result of his residency in the Republic of Kazakhstan; (ii) relocation and storage expenses in the amount of \$3,900; and (iii) paid travel expenses in the amount of \$77,400. See “Termination of Employment, Change in Responsibilities and Employment Contracts”.

#### Outstanding Share-Based Awards and Option-Based Awards

Option-Based Awards			Share-Based Awards			
Name	Number of securities underlying unexercised options (#)	Option exercise price	Option expiration date	Value of unexercised in-the-money options (1)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested

William A.G. Ramsay 1,273,887 \$2.15 September 21, 2009

Nil	Nil	Nil
-----	-----	-----

1,187,727 \$0.75 September 21, 2009 Nil

Nil	Nil
-----	-----

400,000<sup>(2)</sup> \$0.36 June 24, 2013 Nil

Nil	Nil
-----	-----

1,000,000 \$0.89 April 4, 2012 Nil

Nil	Nil
-----	-----

Brian D. Korney 300,000 \$2.00 December 5, 2009

Nil	Nil	Nil
-----	-----	-----

350,000 \$1.75 June 27, 2010 Nil

Nil	Nil
200,000 <sup>(2)</sup> \$0.36June 24, 2013Nil	
Nil	Nil
200,000\$0.86February 21, 2012Nil	
Nil	Nil
Charles J. Summers1,770,251\$2.15September 21, 2009	
Nil	Nil
691,363\$0.75September 21, 2009Nil	
Nil	Nil
843,271\$1.61June 15, 2010Nil	
Nil	Nil
1,043,433\$1.25September 25, 2011Nil	
Nil	Nil
869,527 <sup>(2)</sup> \$0.36June 24, 2013Nil	
Nil	Nil
868,845\$0.89April 4, 2012Nil	
Nil	Nil

Notes:

- (1) Based upon the closing price of the Common Shares as at December 31, 2008 which was \$0.03 per share.
- (2) Of these totals, the following are Conditional Options (as defined below): (i) 76,312 stock options held by William A.G. Ramsay; (ii) 38,156 stock options held by Brian Korney; and (iii) 165,887 stock options held by Charles J. Summers. See “Summary of Stock Option Plan” below.

#### **Incentive Plan Awards – Value Vested During the Year**

<b>Name</b>	<b>Option-based awards – value vested during the year</b>	<b>Share-based awards – value vested during the year</b>	<b>Non-equity incentive plan compensation – value earned during the year</b>
William A.G. Ramsay	Nil	Nil	Nil
Brian D. Korney	Nil	Nil	Nil
Charles J. Summers	Nil	Nil	Nil

For further details concerning the incentive plans of the Company, please see “Summary of Stock Option Plan” below.

### **COMPENSATION DISCUSSION AND ANALYSIS**

The Company’s approach to executive compensation has been to provide suitable compensation for executives that is internally equitable, externally competitive and reflects individual achievement. The Company attempts to maintain compensation arrangements that will attract and retain highly qualified individuals who are able and capable of carrying out the objectives of the Company.

The Company’s compensation arrangements for the Named Executive Officers may, in addition to salary, include compensation in the form of bonuses and, over a longer term, benefits arising from the grant of stock options. Given the stage of development of the Company, compensation of the Named Executive Officers to date has emphasized salary and meaningful stock option awards to attract and retain Named Executive Officers and, to a certain extent, to conserve cash. This policy may be re-evaluated in the future to instead emphasize increased base salaries and/or cash bonuses with a reduced reliance on option

awards, depending upon the future development of the Company and other factors which may be considered relevant by the board from time to time.

During fiscal 2008, (i) the Chief Executive Officer of the Company was paid a salary of \$239,103; (ii) the Chief Financial Officer and Secretary of the Company was paid a salary of \$228,815; and (iii) the President and Chief Operating Officer was paid a salary of \$437,659. The President and Chief Operating Officer of the Company was also paid an amount of \$159,984 in fiscal 2008 in respect of a living allowance payable in connection with such officer's residency in the Republic of Kazakhstan. The foregoing amounts are in accordance with the employment agreements which the Company or its subsidiary have entered into with each of the Named Executive Officers, which amounts were determined in accordance with the services of an independent professional compensation expert (the "**Compensation Consultant**") which was retained by the Company in 2006. In particular, during 2006, the Company engaged the Compensation Consultant to produce a report that addressed officers' compensation and information on expatriate allowances. Data for the report was obtained from a wide variety of references in the public domain, published annual reports, direct industry contacts as well as regulatory filings. Industry sources indicated that salaries are often increased by up to 50% for senior executives posted to remote locations. The benchmark group contained in the study included First Calgary Petroleum Ltd., Arawak Energy Corporation, Big Sky Energy Corporation and BMB Munai Inc., which companies were chosen due to their international operations, particularly in Kazakhstan, which are similar to those of the Company. The study revealed that it is also common practice to provide (i) company paid accommodations; (ii) cost of living bonuses; (iii) a number of trips to the home location or to an "R&R" destination per year depending upon the employee's family status and location; (iv) additional paid time off in addition to normal vacation time; (v) moving expenses; (vi) cars and drivers; (vii) household assistance; and (viii) allowances or expenses for dependent children's education and accommodation. The Company's objective in determining the current compensation levels for its Named Executive Officers was to provide its senior executives with a level of salary and benefits that was commensurate with other industry competitors, based upon guidance contained in the report as generated by the Compensation Consultant.

The compensation program of the Company is designed to reward such matters as exploration success, market success, share performance, and the ability to implement strategic plans. The Nominating and Compensation Committee of the Company establishes and reviews the Company's overall compensation philosophy and, at least annually, its general compensation policies with respect to the chief executive officer and other officers, including the corporate goals and objectives and the annual performance objectives relevant to such officers. The committee evaluates each officer's performance in light these goals and objectives and, based on its evaluation, determines and approves the annual salary, bonus, options and other benefits for such officers. In determining compensation matters, the committee may consider a number of factors, including the Company's performance, the value of similar incentive awards to officers performing similar functions at comparable companies, the awards given in past years and other factors it considers relevant. The current overall objectives of the Company's compensation strategy is to reward management for their efforts, while seeking to conserve cash given current market conditions. With respect to any bonuses or incentive plan grants which may be awarded to executive officers in the future, the Company has not currently set any objective criteria and will instead rely upon any recommendations of the Nominating and Compensation Committee and discussion at the board level with respect to these and any other matters which the board may consider relevant on a going-forward basis, including the cash position of the Company.

Existing options held by the Named Executive Officers at the time of subsequent option grants are taken into consideration in determining the quantum or terms of any such subsequent option grants. Options have been granted to directors, management, employees

and certain service providers as long-term incentives to align the individual's interests with those of the Company. The size of the option awards is in proportion to the deemed ability of the individual to make an impact on the Company's success.

See also "Termination of Employment, Change in Responsibilities and Employment Contracts" below.

#### **TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS**

The Company has entered into an employment or consulting agreement with each of the Named Executive Officers. The material terms and conditions of the agreements as at December 31, 2008 are described below.

##### *William Ramsay*

The Company entered into a consulting agreement with William Ramsay effective March 24, 2007 (the "**Ramsay Agreement**") with a four year term (the "**Term**"), pursuant to which Mr. Ramsay provides his services as Chief Executive Officer and a director of the Company. Under the terms of the Ramsay Agreement, Mr. Ramsay is entitled to receive an annual fee equal to £150,000. Mr. Ramsay was granted 1,000,000 options to acquire Common Shares upon entering into the Ramsay Agreement. In addition, Mr. Ramsay is entitled to receive additional options immediately following an increase in the number of issued and outstanding Common Shares such that Mr. Ramsay continues to hold, in the aggregate, options to acquire the same percentage of issued and outstanding Common Shares immediately following such increase, such options to be exercisable at the greater of: (i) the price offered to investors that caused the increase in the share capital of the Company; and (ii) the lowest price permitted by any applicable regulatory authority or stock exchange. Mr. Ramsay's right to be granted additional options is not permitted to exceed 3.5% of the number of Common Shares issued and outstanding (the "**Option Threshold**"), and the grant of any additional options which would exceed such Option Threshold shall be delayed accordingly. The Ramsay Agreement contains standard confidentiality provisions.

The Ramsey Agreement may be terminated as follows: (i) at any time by Mr. Ramsey upon provision of 60 days advance written notice, in which event the Company shall only be responsible for payment of Mr. Ramsey's salary and other benefits up to the date of termination; (ii) at any time by the Company for "cause" (as defined in the Ramsey Agreement), in which event the Company shall only be responsible for payment of Mr. Ramsey's salary and other benefits up to the date of termination; (iii) within six months of a "change of control" of the Company (as defined in the Ramsey Agreement) upon provision of 60 days written notice, in which event the Company shall pay to Mr. Ramsey an amount equal to the sum payable under the Ramsey Agreement for the remainder of the Term; (iv) by the Company at any time other than for "cause", or by Mr. Ramsey at any time for "good reason" (as defined in the Ramsey Agreement), in either such event the Company shall pay to Mr. Ramsey an amount equal to the sum payable under the Ramsey Agreement for the remainder of the Term plus an amount equal to twelve months' base salary; (v) by the Company upon the death or "disability" of Mr. Ramsey (as defined in the Ramsey Agreement), in which event the Company shall pay to Mr. Ramsey or his estate an amount equal to the sum payable under the Ramsey Agreement for the remainder of the Term plus an amount equal to twelve months' base salary. In addition to the foregoing, in the event of termination of the Ramsey Agreement by the Company without cause or in the event of the disability of Mr. Ramsey, all options held by Mr. Ramsey shall vest and all vested options shall be exercisable for a period of five years from the initial date of grant thereof (subject to any shorter period prescribed by any applicable stock exchange). In the event of termination

of the Ramsey Agreement by the Company for frustration (other than disability) or for “cause”, all unvested options held by Mr. Ramsey shall expire and all vested options shall be exercisable for a period of five years from the initial date of grant thereof (subject to any shorter period prescribed by any applicable stock exchange). In the event of termination of the Ramsey Agreement pursuant to item (iii) above, the Company shall grant to Mr. Ramsey all options that otherwise would have been granted during the remainder of the Term, without reference to the Option Threshold, which options shall vest immediately and shall be exercisable for a period of five years from the initial date of grant thereof (subject to any shorter period prescribed by any applicable stock exchange).

In the event that the Ramsey Agreement was terminated effective December 31, 2008, the following amounts would be payable by the Company: (a) £334,110 in the event that such agreement was terminated pursuant to item (iii) above; (b) £484,110 in the event that such agreement was terminated pursuant to item (iv) above; and (c) £484,110 in the event that such agreement was terminated pursuant to item (v) above.

#### *Charles Summers*

The Company entered into an executive agreement with Charles Summers effective March 24, 2007 (the “**Summers Agreement**”) with a four year term (the “**Summers Term**”), pursuant to which Mr. Summers provides his services as President, Chief Operating Officer and a director of the Company. Under the terms of the Summers Agreement, Mr. Summers is entitled to receive an annual fee equal to £212,591, subject to periodic review by the board of directors of the Company.

The Summers Agreement also provides that, on certain specified dates during the first three years of the Summers Term, Mr. Summers will be granted options to purchase an additional one percent (1%) of the Common Shares issued and outstanding as at that date, exercisable for a period of five years from the date of grant, provided that the aggregate number of options held by Mr. Summers shall not confer upon him the right to acquire five percent (5%) or more of the number of issued and outstanding Common Shares (the “**Summers Threshold**”), and the grant of any additional options which would exceed such Summers Threshold shall be delayed accordingly. The Summers Agreement contains standard confidentiality provisions, and also provides that Mr. Summers shall continue to act as General Director of Aral Petroleum Capital LLP for no additional remuneration (although he shall be eligible to receive such bonuses and other benefits as may be approved by the board of directors of such company from time to time).

Additionally, the Company has agreed to pay certain benefits to Mr. Summers as follows: (i) accounting services for Mr. Summers and his spouse to prepare tax returns; (ii) reasonable perquisites suitable to his position; (iii) office, car and driver in each of Aktobe and Almaty; (iv) suitable, Western European standard housing in Almaty, together with suitable cleaning and repair services and the purchase of furniture, kitchen equipment and household goods (which benefits shall also be applied to a second residence in Aktobe should Mr. Summers be required to spend in excess of 30% of his time in Aktobe), in an amount of US\$130,000 per year subject to annual increase in accordance with the Kazakh inflation index; (v) reasonable relocation and storage expenses; and (vi) paid travel expenses for one vacation and two “R&R” travels each year for Mr. Summers and his spouse, as well as one additional round trip business class ticket for Mr. Summers’ spouse, per year.

The Summers Agreement may be terminated as follows: (i) at any time by Mr. Summers upon provision of 60 days advance written notice, in which event the Company shall only be

responsible for payment of Mr. Summers' salary and other benefits up to the date of termination; (ii) at any time by the Company for "cause" (as defined in the Summers Agreement), in which event the Company shall only be responsible for payment of Mr. Summers' salary and other benefits up to the date of termination; (iii) within six months of a "change of control" of the Company (as defined in the Summers Agreement) upon provision of 60 days written notice, in which event the Company shall pay to Mr. Summers an amount equal to the sum payable under the Summers Agreement for the remainder of the Summers Term; (iv) by the Company at any time other than for "cause", or by Mr. Summers at any time for "good reason" (as defined in the Summers Agreement), in either such event the Company shall pay to Mr. Summers an amount equal to the sum payable under the Summers Agreement for the remainder of the Summers Term plus an amount equal to twelve months' base salary; (v) by the Company upon the death or "disability" of Mr. Summers (as defined in the Summers Agreement), in which event the Company shall pay an amount equal to the sum payable under the Summers Agreement for the remainder of the Summers Term plus an amount equal to twelve months' base salary. In addition to the foregoing, in the event of termination of the Summers Agreement by the Company without cause or in the event of the disability of Mr. Summers, all options held by Mr. Summers shall vest and all vested options shall be exercisable for a period of five years from the initial date of grant thereof (subject to any shorter period prescribed by any applicable stock exchange). In the event of termination of the Summers Agreement by the Company for frustration (other than disability) or for "cause", all unvested options held by Mr. Summers shall expire and all vested options shall be exercisable for a period of five years from the initial date of grant thereof (subject to any shorter period prescribed by any applicable stock exchange). In the event of termination of the Summers Agreement pursuant to item (iii) above, the Company shall grant to Mr. Summers all options that otherwise would have been granted during the remainder of the Summers Term, without reference to the Summers Threshold, which options shall vest immediately and shall be exercisable for a period of five years from the initial date of grant thereof (subject to any shorter period prescribed by any applicable stock exchange).

In the event that the Summers Agreement was terminated effective December 31, 2008, the following amounts would be payable by the Company: (a) £489,163 in the event that such agreement was terminated pursuant to item (iii) above; (b) £708,775 in the event that such agreement was terminated pursuant to item (iv) above; and (c) £708,775 in the event that such agreement was terminated pursuant to item (v) above.

#### *Brian Korney*

The Company entered into an employment agreement with Brian Korney dated June 1, 2005, and updated June 1, 2006, pursuant to which Mr. Korney was retained as the Company's Chief Financial Officer and Secretary, effective December 5, 2004. Pursuant to the terms of his employment agreement, Mr. Korney is entitled to receive a salary of \$16,667 per month and bonus and stock options determined at the discretion of the Company and its board of directors. Mr. Korney's performance is reviewed annually and his salary adjusted accordingly. During 2008, his monthly stipend was \$19,461.

Mr. Korney's employment agreement may be terminated by the Company upon 24 months' written notice or payment of salary in lieu thereof, provided that the Company may terminate the agreement without notice or pay in lieu thereof if Mr. Korney violates the agreement or for cause. In the event that Mr. Korney's employment was terminated effective December 31, 2008 pursuant to this provision, the Company would be obligated to pay to Mr. Korney an amount equal to \$467,073.

### **COMPENSATION OF DIRECTORS**

Certain directors of the Company are currently paid \$5,000 for their services as members of each of the following committees of the board of directors: (i) the Azden sub-committee (which was established to consider the vend-in by Azden Management Limited of their 50% interest in Aral Petroleum Capital LLP); (ii) the audit committee; (iii) the reserves committee; and (iv) the compensation committee. In addition, the chairman of the audit committee receives an additional fee of \$5,000 per annum. Directors are also reimbursed for travel and other out-of-pocket expenses incurred in attending directors' and shareholders' meetings. Directors are also entitled to receive compensation to the extent that they provide services to the Company at rates that would be charged by such directors for such services to arm's length parties. During the year ending December 31, 2008, no such fees were paid to any director of the Company. Directors may also be entitled to participate in any incentive option plans of the Company in effect from time to time.

## Director Compensation

Name	Fees Earned	Share-based awards	Option-based awards	Non-equity incentive plan compensation	Pension value	All other compensation	Total
Robert Pollock	\$10,000	Nil	Nil	Nil	Nil	Nil	\$10,000
Robert Cudney <sup>(1)</sup>	\$10,000	Nil	Nil	Nil	Nil	Nil	\$10,000
Gordon Harris	\$20,000	Nil	Nil	Nil	Nil	Nil	\$20,000
John D. McBride	\$15,000	Nil	Nil	Nil	Nil	Nil	\$15,000
Adil Mukhamedzhanov	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Maurizio Barnaba	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Resigned effective March 30, 2009

## Outstanding Share-Based Awards and Option-Based Awards

Option-Based Awards				Share-Based Awards		
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Robert Pollock	200,000	\$0.75	September 21, 2009	Nil	Nil	Nil
	200,000	\$1.75	June 27, 2010	Nil	Nil	Nil
	200,000 <sup>(2)</sup>	\$0.36	June 24, 2013	Nil	Nil	Nil
	100,000	\$0.86	February 21, 2012	Nil	Nil	Nil
Robert Cudney <sup>(1)</sup>	200,000	\$2.15	September 21, 2009	Nil	Nil	Nil
	200,000	\$1.75	June 27, 2010	Nil	Nil	Nil
	200,000 <sup>(2)</sup>	\$0.36	June 24, 2013	Nil	Nil	Nil
	100,000	\$0.86	February 21, 2012	Nil	Nil	Nil
Gordon Harris	400,000	\$2.15	September 21, 2009	Nil	Nil	Nil
	200,000 <sup>(2)</sup>	\$0.36	June 24, 2013	Nil	Nil	Nil
	100,000	\$0.86	February 21, 2012	Nil	Nil	Nil

John D. McBride	350,000	\$1.75	June 27, 2010	Nil	Nil	Nil
	200,000 <sup>(2)</sup>	\$0.36	June 24, 2013	Nil	Nil	Nil
	100,000	\$0.86	February 21, 2012	Nil	Nil	Nil
Adil Mukhamedzhanov	200,000 <sup>(2)</sup>	\$0.36	June 24, 2013	Nil	Nil	Nil
	200,000	\$0.86	February 21, 2012	Nil	Nil	Nil
Maurizio Barnaba	200,000 <sup>(2)</sup>	\$0.36	June 24, 2013	Nil	Nil	Nil

(1) Resigned effective March 30, 2009.

(2) Of these totals, the following are Conditional Options (as defined below): (i) 38,156 stock options held by Robert Pollock; (ii) 38,156 stock options held by Robert Cudney; (iii) 38,156 stock options held by Gordon Harris; (iv) 38,156 stock options held by John McBride; (v) 38,156 stock options held by Adil Mukhamedzhanov; and (vi) 38,156 stock options held by Maurizio Barnaba. See “Summary of Stock Option Plan” below.

### Incentive Plan Awards – Value Vested During the Year

Name	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – value earned during the year (\$)
Robert Pollock	Nil	Nil	Nil
Robert Cudney <sup>(1)</sup>	Nil	Nil	Nil
Gordon Harris	Nil	Nil	Nil
John D. McBride	Nil	Nil	Nil
Adil Mukhamedzhanov	Nil	Nil	Nil
Maurizio Barnaba	Nil	Nil	Nil

(1) Resigned effective March 30, 2009

### AUDIT COMMITTEE

Additional information concerning audit committee matters, including the qualifications of members, audit fees paid and the text of the audit committee charter are set forth under the heading “Audit Committee Information” in the annual information form of the Company for the fiscal year ended December 31, 2008, available on SEDAR at [www.sedar.com](http://www.sedar.com).

### PERFORMANCE GRAPH

The following graph compares the percentage change in the cumulative total shareholder return of the Common Shares (from December 31, 2003, to December 31, 2008) with the cumulative total return of the S&P/TSX Composite Index for the same period

EMBED MSGraph.Chart.8 \s

	December 31, 2003 <sup>(1)</sup>	December 31, 2004 <sup>(1)</sup>	December 31, 2005 <sup>(1)</sup>	December 31, 2006 <sup>(1)</sup>	December 31, 2007 <sup>(1)</sup>	December 31, 2008 <sup>(1)</sup>
--	----------------------------------	----------------------------------	----------------------------------	----------------------------------	----------------------------------	----------------------------------

Common Shares **100157.14142.8677.1423.572.14**

S&P/TSX Composite Index **100112.48137.12157.02168.27109.33**

Note(s):

(1) Calculated on the basis of the closing price of the Common Shares on the TSX on the last trading day prior to the applicable date referenced.

## **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

Set forth below is a summary of securities issued and issuable under all equity compensation plans of the Company as at December 31, 2008.

### **Equity Compensation Plan Information**

**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** 15,650,859 <sup>(2)</sup> \$1.31 Nil Equity compensation

plans not approved by securityholders 547,445 <sup>(1)</sup> \$0.36 <sup>(1)</sup> Nil Total 16,198,304 \$1.28 Nil <sup>(1)</sup> These stock options are Conditional Options (as defined below). Please refer to "Summary of the Stock Option Plan" below for further details.

<sup>(2)</sup> These stock options were issued pursuant to the 2005 Plan (as defined below). Please refer to "Summary of the Stock Option Plan" below for further details.

### **SUMMARY OF STOCK OPTION PLAN**

The current stock option plan of the Company (the "**2005 Plan**") was approved by the shareholders of the Company on June 27, 2005. The number of Common Shares issuable pursuant to options granted under the 2005 Plan is limited to 15% of the number of Common Shares outstanding from time to time. The 2005 Plan was amended at the 2007 Annual and Special Meeting of the Company to give effect to certain legislative requirements, including changes to the amendment formula of the 2005 Plan in order to comply with TSX Rule 613(d), and changes to expiry provisions to allow for certain extensions of option exercise periods in the event that an option would otherwise expire during a "Blackout Period" (as such term is defined in the 2005 Plan).

The 2005 Plan provides that no participant may hold options exercisable for more than 5% of the Common Shares outstanding on the date of grant. The maximum number of Common Shares that are permitted to be issued to any one insider (together with his or her associates) within a one-year period pursuant to the exercise of options or under any other share compensation arrangement is limited to 5% of the number of Common Shares outstanding on the date of grant. The number of Common Shares that are permitted to be reserved for issuance to insiders pursuant to the exercise of options granted under the 2005 Plan or otherwise is limited to 10% of the Common Shares outstanding on the date of grant. The maximum number of Common Shares which are permitted to be issued to insiders under the 2005 Plan or otherwise within any one year period is limited to 10% of the outstanding Common Shares.

The exercise price of an option granted under the 2005 Plan is based upon the closing price of the Common Shares on the TSX on the trading day immediately prior to the date of the

option grant or, if the Common Shares do not trade on such date, then the exercise price is based upon the average of the daily high and low board lot trading prices of the Common Shares on the TSX for the five trading days immediately preceding the date the option is granted.

The board of directors (or, if applicable, the committee appointed by the board of directors to administer the 2005 Plan) have the discretion to determine the term and vesting provisions (if any) of options granted under the 2005 Plan, provided that the term of an option cannot exceed 5 years. If an optionee's employment or service with the Company is terminated for any reason (whether or not for cause), other than death, all options which have vested as at the date of resignation or notice of termination of employment or service, as the case may be, are permitted to be exercised until the earlier of the expiry date of the options and 180 days from the date of resignation or notice of termination of employment or service, as the case may be. If an optionee's employment or service with the Company is terminated as a result of the optionee's death, all options which have vested as at the date of death are permitted to be exercised until the earlier of the expiry date of the options and one year from the date of death. The board of directors (or the committee appointed by the board of directors to administer the 2005 Plan) have the discretion to determine an alternative expiry date in the event of the termination of an optionee's employment or service or the optionee's death, subject to any requisite approval of a stock exchange on which the Common Shares traded. All unvested options held by an optionee on the date of resignation, notice of termination or death, as the case may be, shall terminate effective such date.

The board of directors (or the committee, if any, appointed by the board of directors to administer the 2005 Plan) is able to amend the terms of the 2005 Plan, subject to the receipt of any applicable regulatory and shareholder approvals. Shareholder approval is not required to be obtained for certain types of amendments to the 2005 Plan, including: (a) amendments of a "housekeeping nature"; (b) a change to the vesting provisions of an option or of the 2005 Plan; (c) a change to the termination provisions of an option or of the 2005 Plan which does not entail an extension beyond the original expiry date; and (d) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the 2005 Plan reserve. Any reduction in price of an outstanding option granted to an insider of the Company, any amendment to the maximum number of shares issuable under the 2005 Plan, or any amendment to extend the term of an outstanding option granted under the 2005 Plan is subject to the approval of the shareholders of the Company.

Options granted under the 2005 Plan may not be assigned or transferred, other than by will or in accordance with laws of succession.

Options ceased to be available for future grant under 2005 Plan effective June 27, 2008 in accordance with the regulations of the TSX as shareholders did not approve any remaining unallocated entitlements under the 2005 Plan prior to such expiry date. Accordingly, the Company may not grant any additional options under the 2005 Plan as of the date hereof. An aggregate of 16,263,304 options (representing approximately 13.3% of the issued and outstanding Common Shares as of the date hereof) were granted and have not been cancelled or expired pursuant to the 2005 Plan, of which (i) an aggregate of 65,000 options have been exercised to date; and (ii) an aggregate of 547,445 options exercisable at a price of \$0.36 per share until June 24, 2013 (the "**Conditional Options**") have been granted conditional upon the 2005 Plan being replaced with a new stock option plan of the Company which provides for the issuance of an additional 547,445 Common Shares to insiders thereunder (see "Particulars of Matters to be Acted Upon – Approval of New Stock Option Plan"). An aggregate of 16,198,304 Common Shares (representing approximately 13.3% of the issued

and outstanding Common Shares as of the date hereof, and inclusive of the Common Shares issuable upon exercise of the Conditional Options) are currently issuable upon exercise of options granted pursuant to the 2005 Plan that have not been cancelled or exercised.

At the Meeting, shareholders will be asked to consider and, if deemed fit, adopt a new stock option plan for the Company. See “Particulars of Matters to be Acted Upon – Approval of New Stock Option Plan”.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Canadian securities regulatory authorities have issued corporate governance guidelines for all reporting issuers in Canada (other than investment funds), together with certain related disclosure requirements. The guidelines are recommended as “best practices” for issuers to follow. The Company recognizes that good corporate governance plays an important role in its overall success and in enhancing shareholder value and, accordingly, has adopted certain corporate governance practices which are reflective of the recommended guidelines. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian securities regulatory authorities requires each reporting issuer (with certain exceptions) to provide annual disclosure of its corporate governance practices. A summary of certain aspects of the Company’s approach to corporate governance is provided below.

### ***Board of Directors***

#### ***Independence***

Multilateral Instrument 52-110 – *Audit Committees* of certain of the Canadian securities regulatory authorities (“**MI 52-110**”) sets out the standard for determining whether a director is “independent” for the purposes of the corporate governance guidelines and disclosure requirements of the Canadian securities regulatory authorities. In accordance with MI 52-110, a director is “independent” if he or she has no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Company’s board of directors, be reasonably expected to interfere with the exercise of the director’s independent judgement. MI 52-110 also sets out certain circumstances where a director will automatically be considered to have a material relationship with the Company.

Based upon the standard articulated in MI 52-110, the board of directors has determined that a majority of the Company’s directors are independent. Adil Mukhamedzhanov, Gordon Harris, Robert Pollock and John McBride are the independent members of the Company’s board of directors. William Ramsay and Charles Summers are not independent by virtue of the fact that they are executive officers of the Company. Prior to his resignation effective March 30, 2009, Mr. Robert Cudney was also considered an independent director.

The Company’s independent directors may meet regularly, or from time to time as the circumstances warrant, without the presence of members of management or the non-independent directors of the Company. Since the beginning of the Company’s most recently completed financial year, the Company’s independent directors did not hold any such meetings.

The Company’s board of directors does not have a policy with respect to the separation of the offices of chairman and chief executive officer. The board of directors does not believe that having the same person perform the dual-role necessarily impairs the board’s ability to function independently of management. The board of directors believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the

board of directors to make a determination when it elects a new chief executive officer. The current chairman of the board, William Ramsay, is the Chief Executive Officer of the Company and, accordingly, is not an independent director. The board of directors is of the view that the depth and experience of its independent directors and their majority position on the board, coupled with the Company's other corporate governance practices, including the responsibilities delegated to its Corporate Governance Committee (which is comprised entirely of non-executive directors), enables the board to conduct its activities sufficiently independently of management.

#### *Attendance*

Since the beginning of the Company's most recently completed financial year to the completion of that year, there have been eight meetings of the board of directors. All of the directors (who were members of the board at the time) attended all of these meetings, except as follows:

Gordon Harris attended seven of eight meetings of the board of directors;  
 John McBride attended six of eight meetings of the board of directors;  
 Robert Cudney attended zero of eight meetings of the board of directors; and

Adil Mukhamedzhanov attended four of eight meetings of the board of directors.

#### *Directorships*

The following current directors of the Company are also directors of the following reporting issuers (or reporting issuer equivalents):

<b>Director</b>	<b>Reporting Issuer</b>
William Ramsay	Bowram Energy Inc.
Gordon Harris	Pearl Exploration and Production Ltd., Blue Parrot Energy Inc., Pan Global Energy Ltd., Primera Energy Resources, and Torque Energy Inc.
John McBride	Tengtu International Corp., Echelon Capital Corp., Hosted Data Transaction Solutions Inc., Anaconda Mining Inc., COSTA Energy Inc., Normabec Mining Resources Ltd., and Northfield Capital Corporation.
Robert Pollock	International Nickel Ventures Corporation, 1322256 Alberta Ltd., MTC Growth Fund I Inc., and Western GeoPower Corp.

#### **Board Mandate**

The Company's board of directors is responsible for the stewardship of the Company and for supervising the management of its business and affairs. The board of directors reviews, discusses and approves various matters relating to the Company's strategic direction, business and operations and its organizational structure, with a view to the Company's best interests.

While management is responsible for the day to day conduct of the Company's business, in carrying out its supervisory responsibilities, the board (or the committees of the board, as the case may be) has numerous responsibilities, including: (a) adopting a strategic planning process and approving a strategic plan; (b) identifying the Company's principal business

risks and ensuring the implementation of appropriate systems to manage these risks; (c) ensuring appropriate succession planning in place, including appointing, training and monitoring senior management; (d) developing a communications policy for the Company; (e) developing policies and procedures to ensure the integrity of the Company's internal control and management information systems; (f) ensuring appropriate standards of corporate conduct, including adopting a code of business conduct and ethics, and monitoring compliance with and waivers from the code; (g) ensuring implementation of appropriate environmental stewardship and health and safety management systems; (h) reviewing and approving compensation of senior management; (i) adopting corporate governance guidelines or principles applicable to the Company; (j) reviewing annually the contribution of the board as a whole, the committees of the board and each of the directors; and (k) adopting a process for shareholders and other interested parties to communicate directly with the board of directors or its independent directors.

### **Position Descriptions**

As set forth in the corporate governance guidelines adopted by the Company's board of directors, the chairman of the board is responsible for ensuring that the board functions in a manner that is independent from management. The chairman's responsibilities include managing meeting schedules, setting agendas, chairing meetings of the board, acting as a liaison between senior management and the board and providing advice to senior management on various matters.

The chair of each committee of the board of directors is responsible for determining the frequency of committee meetings (subject to any requirements set forth in the committee's charter), developing the committee's annual schedule and agendas and reporting to the board of directors on the significant matters considered at the committee's meetings.

The board of directors has not developed a written position description for the Company's chief executive officer (the "CEO"). In light of the current stage of the Company's operations, the board of directors is of the view that it is not necessary to formalize in writing the role and responsibilities of the CEO. The CEO is accountable to the board of directors for the effective overall management of the Company. The CEO is responsible for, among other things: fostering a corporate culture that promotes ethical practices; developing the Company's strategic plan; developing and maintaining an effective organizational structure; acting as the principal spokesperson for the Company; advising the board of directors on operational and financial matters and keeping it apprised of significant events, developments and opportunities that affect its business.

### **Orientation and Continuing Education**

The Company's board of directors has established a corporate governance committee (the "**Corporate Governance Committee**"). As part of its governance responsibilities, the Corporate Governance Committee makes continuing education opportunities available to all directors to enable them to maintain or enhance their skills and abilities and ensure that their knowledge and understanding of the Company's business remains current. The committee has not yet identified specific programs, conferences or other continuing education opportunities for directors to participate in but directors are encouraged to put forward suggestions or requests regarding the same.

The board of directors has adopted corporate governance guidelines which were developed by the Corporate Governance Committee. The guidelines provide that all new directors of the Company must participate in an orientation program, which should be conducted within two months of the annual meeting at which new directors are elected. As part of the

orientation program, new directors are briefed by senior management, other appropriate personnel and outside advisors about the Company's strategic plans, significant financial, accounting and risk management issues, compliance programs, Code of Business Conduct and Ethics, principal officers and internal and external auditors. Existing directors are also invited to attend the orientation program. Upon joining the board, each new director is provided with such information as is necessary to ensure that he or she is familiar with the Company's business and the procedures of the board. New members receive copies of board material and other material regarding the Company's business and operations (including committee charters, recent annual reports, proxy solicitation materials and other operating and budget reports) and are provided with opportunities to meet with management and other directors.

### **Ethical Business Conduct**

The Company has implemented a Code of Business Conduct and Ethics (the "Code") to be followed by its employees, officers and directors and those of its subsidiaries. The purpose of the Code is to, among other things, promote honest and ethical conduct, avoidance of conflicts of interest and compliance with applicable governmental laws, rules and regulations. A copy of the Code is available at [www.sedar.com](http://www.sedar.com) and a summary of certain of its provisions is provided below.

The Company is committed to sound environmental management. The Code confirms the Company's intention to conduct itself in partnership with the environment and community at large as a responsible and caring business entity, and the Company's commitment to managing all phases of its business in a manner that minimizes any adverse effects of its operations on the environment.

The Code provides that the Company's employees, officers and directors are required to act with honesty and integrity and to avoid any relationship or activity that might create, or appear to create, a conflict between their personal interests and the interests of the Company. Such individuals (and their immediate family members) are prohibited from using their positions with the Company to solicit gifts or other benefits from the Company's customers, suppliers and contractors, and the Code contains guidelines to be followed when accepting gifts or entertainment from these parties.

The Company is committed to providing a healthy and safe workplace in compliance with applicable laws, rules and regulations. The Code affirms the Company's commitment to foster a work environment in which all individuals are treated with respect and dignity. The Company is an equal opportunity employer and does not discriminate against employees, officers, directors or potential employees, officers or directors on the basis of race, color, religion, sex, national origin, age, sexual orientation or disability or any other category protected by Canadian federal or provincial laws and regulations, or any laws or regulations applicable in the jurisdiction where such employees, officers or directors are located.

All of the Company's employees, officers and directors are expected to comply with the Code and any waiver from any part of the Code requires the approval of the Company's President, in the case of an employee, or of its board of directors, in the case of an officer or director, and if required under applicable securities legislation, public disclosure of the waiver in the case of an officer or director.

The Code also provides a process by which actual or potential violations of its provisions are to be reported (on a confidential basis) to the chairman of the Audit Committee and confirms that there will not be any reprisals against an individual who does so in good faith.

## **Nomination of Directors**

The Nominating and Compensation Committee of the board of directors is responsible for assisting the board in respect of the nomination of directors and is required to identify new candidates for appointment to the board. The current members of the committee are John McBride and Robert Pollock.

A seven-member board is considered appropriate to facilitate effective decision-making in light of the Company's current operations and the depth and experience of the directors. As part of its mandate going forward, however, the Nominating and Compensation Committee is required to analyze the Company's needs when a vacancy does arise and identify individuals who can meet such needs and who, by virtue of their skills, areas of expertise, industry knowledge, geographic location and geographic and industry contacts, are best able to contribute to the direction of the Company's business and affairs. The identification of candidates will also be made in the context of the existing competencies and skills which the board, as a whole, does possess and, to the extent different, should possess. If desirable, the committee may also retain search firms to assist it in identifying candidates. Once suitable candidates are identified, they are presented for consideration to the board of directors.

## **Compensation**

The Nominating and Compensation Committee is also responsible for assisting the board of directors in respect of director and officer compensation matters. The committee is composed entirely of independent directors. In accordance with its charter, the Nominating and Compensation Committee establishes and reviews the Company's overall compensation philosophy and, at least annually, its general compensation policies with respect to the chief executive officer (and other officers), including the corporate goals and objectives and the annual performance objectives relevant to him. The committee evaluates the chief executive officer's performance in light these goals and objectives and, based on its evaluation, determines and approves the annual salary, bonus, options and other benefits of the chief executive officer. In determining his compensation, the committee may consider a number of factors, including the Company's performance, the value of similar incentive awards to chief executive officers at comparable companies, the awards given to the chief executive officer in past years and other factors it considers relevant.

The Nominating and Compensation Committee also reviews the adequacy and form of compensation of the Company's directors, with a view to ensuring it realistically reflects the responsibilities and risks involved in being a director of the Company. The committee recommends to the board of directors for approval the remuneration of directors and the amount to which each director will be entitled by way of attendance fees for board and committee meetings.

See also "Executive Compensation" and "Compensation of Directors" above.

## **Committees**

In addition to the Company's Audit Committee, Nominating and Compensation Committee and Corporate Governance Committee, which are described above and elsewhere in this Circular, the board of directors has established the Reserves Committee to assist with technical matters relating to the operations of the Company. Charles Summers and Gordon Harris are the current members of the Reserves Committee.

The responsibilities of the Corporate Governance Committee include: (i) facilitating the independent functioning of the board of directors and maintaining an effective relationship

between the board and management; (ii) developing corporate governance guidelines for the Company; (iii) reviewing the performance and qualifications of the directors in connection with their re-election; (iv) monitoring compliance with the Code and the Company's Disclosure Policy and Share Dealing Code; (v) annually reviewing the board of directors and its committees; and (vi) considering and making available continuing education opportunities for directors. In carrying out its duties, the Corporate Governance Committee has the discretion to engage and compensate outside advisors which it determines are necessary.

The purpose of the Reserves Committee of the board of directors the Company is to assist the board with its duties and responsibilities in evaluating and reporting the Company's oil and gas reserves. The Reserves Committee shall: perform an annual review and evaluation of the Company's consolidated petroleum and natural gas reserves; verify the integrity of the Company's reserves evaluation and reporting system; investigate and verify the qualifications and independence of the Company's independent engineering consultants; evaluate, prepare and disclose the Company's compliance with legal and regulatory requirements related to its oil and gas reserves; monitor the performance of the Company's independent engineering consultants; and monitor and evaluate the business practices and ethical standards of the Company in relation to the preparation and disclosure of its oil and gas reserves.

#### **Assessments**

In accordance with the Company's corporate governance guidelines, the Company's board of directors conducts an annual self-evaluation to determine whether it and its committees are functioning effectively. The Corporate Governance Committee leads the review, receives comments from all directors and reports annually to the board following the end of each fiscal year with an assessment of the board's performance from the perspective of individual directors and the board as a whole. The assessment focuses on the board's contribution to the Company and specifically focuses on areas in which the board or management believes that the board could improve.

Each of the Audit Committee, the Corporate Governance Committee, the Nominating and Compensation Committee and the Reserves Committee reviews and evaluates, at least annually, its performance and the performance of its members, including reviewing compliance with its charter.

### **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

To the maximum extent permitted by law, the by-laws of the Company provide that the Company shall indemnify a director or officer of the Company, a former director or officer of the Company, or another individual who acts or acted at the Company's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Company or other entity, in circumstances where such individual (i) acted honestly and in good faith with a view to the best interests of the Company or other entity; and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that the individual's conduct was lawful. The by-laws of the Company also provide that the Company shall advance moneys to a director, officer or other individual for the costs, charges and expenses of a proceeding referred to above.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

There is currently no outstanding indebtedness owing to the Company or any subsidiary of the Company, or to another entity which is or was the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any subsidiary of the Company, of (i) any director, executive officer or employee of the Company or any of its subsidiaries; (ii) any former director, executive officer or employee of the Company or any of its subsidiaries; (iii) any proposed nominee for election as a director of the Company (a “Nominee”); or (iv) any associate of any current or former director, executive officer or employee of the Company or any of its subsidiaries or of any Nominee.

### **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No director, executive officer, shareholder beneficially owning (directly or indirectly) or exercising control or direction over more than 10% of the Common Shares (or any director or executive officer thereof), or Nominee for election as a director of the Company, and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the beginning of the Company’s last completed fiscal year or in any proposed transaction which, in either such case, has materially affected or will materially affect the Company or any subsidiary of the Company.

### **PARTICULARS OF MATTERS TO BE ACTED UPON**

#### **Financial Statements**

The shareholders will receive and consider the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2008 together with the auditor’s report thereon.

#### **Election of Directors**

Shareholders will be invited to elect seven (7) directors at the Meeting. Each director holds office until the next annual meeting or until his or her successor is duly elected or appointed unless his or her office is earlier vacated in accordance with the Company’s by-laws. On any ballot that may be called for in the election of directors, the persons named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by such proxy are entitled for the proposed Nominees whose names are set forth below, unless the shareholder who has given such proxy has directed that the Common Shares be withheld from voting in respect of the election of directors. Management does not contemplate that any of the Nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for other Nominees at their discretion.

The following table sets out the name of each of the Nominees, all positions and offices in the Company held by each of them, the principal occupation or employment of each of them for the past five years, the year in which each was first elected a director of the Company and the approximate number of Common Shares that each has advised are beneficially owned (directly or indirectly) or subject to his or her control or direction:

Name and Place of Residence	Director Since	Principal Occupation for the Past Five Years	Number of Common Shares Beneficially Owned or Over Which Control or Direction is Exercised <sup>(1)</sup>

William A.G. Ramsay

Cascais, Portugal 2004 Chief Executive Officer of the Company from September 2004 to present. President of the Company from September 2004 to April 2007. President and Chief Executive Officer of Caspian Energy Ltd. from April 2004 to present. Prior to thereto and since 1997, engaged in private equity investments primarily in Kazakhstan. 2,463,893

Charles J. Summers<sup>(6)</sup>

Texas, U.S.A. 2004 President of the Company from April 2007 to present. Chief Operating Officer of the Company from September 2004 to present and Chief Operating Officer of Caspian Energy Ltd. from June 2004 to present. Prior thereto, he was general manager for Kerr-McGee Oil & Gas Corporation (an oil and gas exploration and production company) for eight years in Kazakhstan. Nil

Robert S. Pollock<sup>(2)(3)(4)</sup>

Ontario, Canada 2004 President, Chief Executive Officer and director of Primary Corp. (a merchant bank) from 2008 to present. President, Chief Executive Officer and director of Primary Capital Inc. (a limited market dealer) from 2008 to present. Financial Consultant with Primary Capital Inc. from 2007 to 2008. Senior Vice-President of Quest Capital Corporation (a merchant banking organization) from 2003 to 2006.

615,150

Gordon D. Harris<sup>(2)(4)(5)(6)</sup>

Alberta, Canada 2004 President and Chief Executive Officer of Choice Resources Corp. (an oil and gas company) from February 2004 to date. Senior Vice-President and Chief Operating Officer of Buffalo Resources Corp. (an oil and gas company) from August 2007 to August, 2008. Managing Director, Business Development of Primera Energy Resources Ltd. (an oil and gas company) from August 2008 to present. 49,166

John D. McBride<sup>(2)(3)(5)</sup>

Ontario, Canada 2005 Managing Director of CC Capital Partners Group (a merchant bank) from 1988 to present. Nil

Adil Mukhamedzhanov

Almaty, Kazakhstan 2007 Vice-President of Economics and Finance of Aral Petroleum Capital LLP from March 2004 to present. Nil

Maurizio Barnaba<sup>(5)</sup>

Cairo, Egypt 2008 Managing Director of EFAME Export Ltd., oil and gas consulting company (January 2004 to present)

Vice-President, International Sales of Rheinmetall Italia SpA, a defence contractor (1975 to 2008) 8,897,361

Notes:

- (1) The information as to Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective Nominees or obtained from the *System for Electronic Disclosure by Insiders* at [www.sedi.ca](http://www.sedi.ca).
- (2) Member of the Audit Committee.
- (3) Member of the Nominating and Compensation Committee.
- (4) Member of the Corporate Governance Committee.
- (5) Pursuant to the purchase agreement dated June 11, 2004, as amended, among Caspian Energy Ltd. (now a wholly-owned subsidiary of the Company), Mr. Barnaba, Azden Management Limited, Aral Petroleum Capital JV (as it was then known), et al, providing for the acquisition by Caspian Energy Ltd. of its 50% ownership interest in Aral Petroleum Capital LLP, Mr. Barnaba is entitled to one nominee to the Company's board of directors. Mr. McBride was formerly a nominee of Maurizio Barnaba until the appointment of Mr. Barnaba personally to the board of directors. However, Mr. McBride remains as a director of the Company, notwithstanding that he is no longer a nominee of Mr. Barnaba.
- (6) Member of the Reserves Committee.

**The management representatives named in the attached form of proxy intend to vote the Common Shares represented by such proxy in favour of the election of the Nominees set forth in this information circular unless a shareholder specifies in the proxy that his or her Common Shares are to be withheld from voting in respect of such resolution.**  
**Appointment of Auditors**

The directors propose to nominate PricewaterhouseCoopers LLP, the present auditors, as the

auditors of the Company to hold office until the close of the next annual meeting of shareholders. PricewaterhouseCoopers LLP were first appointed auditors of the Company on June 27, 2005. Deloitte and Touche LLP, Chartered Accountants, was appointed as auditors of the Company on December 5, 2004 in connection with the completion of the Company's merger with or Caspian Energy Ltd., and held office until the subsequent appointment of PricewaterhouseCoopers LLP. In the past, the directors have negotiated with the auditors of the Company on an arm's length basis in determining the fees to be paid to the auditors. Such fees have been based on the complexity of the matters in question and the time incurred by the auditors. The directors believe that the fees negotiated in the past with the auditors of the Company were reasonable and in the circumstances would be comparable to fees charged by other auditors providing similar services.

In order to appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the close of the next annual meeting, and authorize the directors to fix the remuneration thereof, a majority of the votes cast at the Meeting must be voted in favour thereof.

**The management representatives named in the attached form of proxy intend to vote in favour of the appointment of PricewaterhouseCoopers LLP as auditors of the Company and in favour of authorizing the directors to fix the remuneration of the auditors, unless a shareholder specifies in the proxy that his or her Common Shares are to be withheld from voting in respect of the appointment of auditors and the fixing of their remuneration.**

#### **4. Approval of New Stock Option Plan**

The shareholders of the Company initially approved the 2005 Plan on June 27, 2005, and approved certain amendments thereto in 2007. See "Summary of Stock Option Plan" above. The number of Common Shares reserved for issuance under the 2005 Plan is limited to 15% of the aggregate number of Common Shares issued and outstanding from time to time. An aggregate of 16,263,304 options (representing approximately 13.3% of the issued and outstanding Common Shares as of the date hereof) were granted and not cancelled or expired pursuant to the 2005 Plan, of which (i) an aggregate of 65,000 options have been exercised to date; and (ii) the 547,445 Conditional Options have been granted conditional upon the 2005 Plan being replaced with a new stock option plan of the Company which provides for the issuance of an additional 547,445 Common Shares to insiders thereunder. An aggregate of 16,198,304 Common Shares (representing approximately 13.3% of the issued and outstanding Common Shares as of the date hereof, and inclusive of the Common Shares issuable upon exercise of the Conditional Options) are currently issuable upon exercise of options granted pursuant to the 2005 Plan that have not been cancelled or exercised. Options ceased to be available for future grant under 2005 Plan effective June 27, 2008 in accordance with the regulations of the TSX as shareholders did not approve any remaining unallocated entitlements under the 2005 Plan prior to such expiry date. Accordingly, the Company may not grant any additional options under the 2005 Plan as of the date hereof.

Set forth below is a summary of the 16,198,304 options outstanding under the 2005 Plan as at May 11, 2009:

<b>Holder</b>	<b>Number of Common Shares Under Option</b>	<b>Date of Grant</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
All (three) executive officers and past executive officers of the Company, as a group	3,044,138	September 21, 2004	September 21, 2009	\$2.15

1,879,090 September 21, 2004 September 21, 2009 \$0.75 1,469,525<sup>(\*)</sup> June 24, 2008 June 24, 2013 \$0.36 1,868,845 April 4, 2007 April 4, 2012 \$0.89 843,271 June 15, 2005 June 15, 2010 \$1.61 1,043,433 September 25, 2006 September 25, 2011 \$1.25 300,000 December 5, 2004 December 5, 2009 \$2.00 350,000 June 27, 2005 June 27, 2010 \$1.75 200,000 February 21, 2007 February 21, 2012 \$0.86 All (six) directors and past directors (who are not also executive officers) of the Company, as a group 1,200,000<sup>(\*)</sup> June 24, 2008 June 24, 2013 \$0.36 750,000 June 27, 2005 June 27, 2010 \$1.75 600,000 February 21, 2007 February 21, 2012 \$0.86 600,000 September 21, 2004

September 21, 2009		\$2.15		
200,000 September 21, 2004				
September 21, 2009		\$0.75		
All other employees and past employees of the Company as a group	Nil	N/A	N/A	N/A

All consultants of the Company as a group 750,000 December 5, 2004 December 5, 2009 \$2.00 200,000<sup>(\*)</sup> June 24, 2008 June 24, 2013 \$0.36 900,000 December 8, 2006 December 7, 2011 \$1.34

(\*) Of the total number of stock options so indicated, an aggregate of 547,445 options comprise the Conditional Options. See "Summary of Stock Option Plan" above, and further details below.

The Company is proposing to approve a new stock option plan for the Company (the "2009 Plan"), which will authorize for issuance thereunder such number of Common Shares as is equal to 15% of the aggregate number of Common Shares issued and outstanding from time to time. The options granted under the 2009 Plan will be non-assignable and may be granted for a term not exceeding five years from the date of grant. Notwithstanding the foregoing, if the date on which an option expires occurs during any period imposed by the Company pursuant to its insider trading policies or otherwise, during which officers, directors, employees and others may be restricted from trading in securities of the Company (a "Blackout Period") or within two business days after the last day of a Blackout Period, the date of the expiry of such option will become the tenth business day following the end of the Blackout Period.

Options may be granted under the 2009 Plan only to directors, officers, employees and other service providers subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the Common Shares may be listed or may trade from time to time. In the event that any optionee who is a service provider ceases to be a service provider for the Company for any reason other than death, the optionee will be entitled to exercise his or her options which have vested as of such date of cessation only within a period of 180 days next succeeding such cessation or such other date as may be determined by the board of directors of the Company subject to regulatory approval, but in no event may any options be exercised following the expiry date thereof. In the event of the death of an optionee during the currency of the optionee's option, such options which have vested as of the date of death may only be exercised within a period of one year succeeding the optionee's death or such other date as may be determined by the board of directors of the Company subject to regulatory approval, up to the expiry date thereof.

The total number of Common Shares which may be reserved for issuance to any one

individual under the 2009 Plan shall not exceed 5% of the outstanding issue. The maximum number of stock options which may be granted to any one consultant under the 2009 Plan, any other employer stock options plans or options for services, within any 12 month period, must not exceed 2% of the Common Shares issued and outstanding at the time of the grant (on a non-diluted basis).

The exercise price of options granted under the 2009 Plan may not be lower than the market price of the Common Shares at the time the option is granted, as calculated based upon the prior trading day closing price of the Common Shares on any stock exchange on which the Common Shares are listed where applicable (which shall be the TSX in the event that the Common Shares are listed thereon).

Options issued under the 2009 Plan vest at the discretion of the Board or committee established for the purpose of administering the 2009 Plan, as applicable, subject to certain specified limitations.

The Board may at any time amend or terminate the 2009 Plan or any options granted thereunder, subject to the receipt of all applicable regulatory approvals, provided that no such amendment may (i) affect the terms and conditions of options previously granted under the 2009 Plan which have not then been exercised or terminated without the written consent of the optionees concerned; or (ii) result in any changes to the vesting schedule of outstanding options which extend vesting of the options beyond three years. For greater certainty, the 2009 Plan provides that the Board may amend or terminate the 2009 Plan or any options granted thereunder without obtaining shareholder approval of such amendments or termination, other than the following amendments which shall be subject to the approval of shareholders (together with all applicable regulatory approvals): (i) any reduction of the exercise price of options granted under the 2009 Plan to insiders; (ii) any amendment to the maximum number of Common Shares issuable under the 2009 Plan, and/or (iii) any amendment to extend the term of outstanding options granted under the 2009 Plan.

At the Meeting, shareholders will be asked to consider, and if thought fit, approve a resolution substantially in the form attached hereto as Schedule A, to approve the 2009 Plan, and authorize the issue under the 2009 Plan of up to such number of Common Shares as is equal to 15% of the aggregate number of Common Shares issued and outstanding from time to time, as well as to ratify the grant of the Conditional Options (collectively, the “**Stock Option Plan Resolutions**”). The Conditional Options have been granted as follows: (i) as to 38,156 Conditional Options to each of Messrs Adil Mukhamedzhanov, Maurizio Barnaba, Robert Cudney, Gordon Harris, Robert Pollock, Brian Korney and John McBride; (ii) as to 76,312 Conditional Options to William Ramsey; (iii) as to 165,885 Conditional options to Charles Summers; (iv) and as to 19,078 Conditional Options to each of Ken Hopkins and Ed Folmar. Each of the foregoing option holders is an insider of the Company, other than Messrs. Hopkins and Folmar. Set forth below is a summary of the terms of the Conditional Options:

Holder	Number of Common Shares Under Option	Date of Grant	Expiry Date	Exercise Price	Market Price on Date of Grant
All (three) executive officers and past executive officers of the Company, as a group	280,353	June 24, 2008	June 24, 2013	\$0.36	
					\$0.35

All (SIX) directors and past directors (who are not also executive officers) of the Company, as a group 228,936 June 24, 2008 June 24, 2013 \$0.36 \$0.35 All consultants of the Company as a

group 38,156 June 24, 2008 June 24, 2013 \$0.36 \$0.35

The Conditional Options may not be exercised until ratified by shareholders pursuant to the Stock Option Plan Resolutions, as certain of the original grants of such Conditional Options exceeded the thresholds set forth in the 2005 Plan restricting the number of options issuable to insiders thereunder. See also "Summary of Stock Option Plan" above.

If the Stock Option Plan Resolutions are approved, (i) the 16,198,304 options previously granted under the 2005 Plan (inclusive of the Conditional Options) will remain outstanding under the 2009 Plan, without amendment to their terms; (ii) the Conditional Options will vest in accordance with the terms thereof; and (iii) the Company will be able to issue up to an additional 2,061,766 options under the 2009 Plan (as calculated based upon 15% of the aggregate number of issued and outstanding Common Shares as of May 11, 2009, less the number of options previously granted which are to remain outstanding under the 2009 Plan). If the Stock Option Plan Resolutions are not approved, (i) the 16,198,304 options previously granted under the 2005 Plan will remain outstanding, without amendment to their terms; (ii) the Conditional Options will not vest; and (iii) the Company will not be able to issue any further options under the 2005 Plan.

Approval of the Stock Option Plan Resolutions will be obtained if a majority of the votes cast are in favour thereof, excluding votes attaching to Common Shares held by any insiders of the Company entitled to receive a benefit under the 2009 Plan. As of May 11, 2009, to the knowledge of the Company, such insiders hold an aggregate of approximately 12,404,576 Common Shares.

The Board has concluded that the 2009 Plan is in the best interest of the Company and its shareholders. Accordingly, the Board recommends that shareholders vote in favour of the Stock Option Plan Resolutions.

**Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote for the approval of the Stock Option Plan Resolutions.**

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative financial statements and management discussion and analysis for the year ended December 31, 2008. Shareholders may contact the principal office of the Company located at 396 - 11th Avenue S.W., Suite 410, Calgary, Alberta T2R 0C5, to request copies of the Company's financial statements and management discussion and analysis for its most recently completed fiscal year.

#### **APPROVAL**

**The contents and the sending of this information circular have been approved by the directors of the Company.**

**DATED:** May 11, 2009.

		(Signed)
		William A.G. Ramsay Chief Executive Officer

## SCHEDULE A

### STOCK OPTION PLAN RESOLUTIONS

**BE IT HEREBY RESOLVED AS AN ORDINARY RESOLUTION THAT:**

all previous stock option plans of the Company are hereby terminated;

a new stock option plan (the “**2009 Plan**”) substantially in the form tabled at the 2009 annual and special meeting of shareholders of the Company and as described in the management information circular of the Company dated as of May 11, 2009 be authorized and approved as the stock option plan of the Company;

the number of common shares of the Company issuable pursuant to the 2009 Plan be set at 15% of the aggregate number of common shares of the Company issued and outstanding from time to time, subject to any limitations imposed by applicable regulations, laws, rules and policies;

the 547,445 stock options which have been granted by the board of directors of the Company, each exercisable at \$0.36 per share until June 24, 2013, be and are hereby ratified and approved to remain outstanding under the 2009 Plan in accordance with the terms thereof; and

any director or officer of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise and to deliver or to cause to be delivered, all such other deeds, documents, instruments and assurances and to do or cause to be done all such other acts as in the opinion of such director or officer of the Company may be necessary or desirable to carry out the terms of the foregoing resolutions.



DOCPROPERTY "DocsiD" \\* MERGEFORMAT Legal\*4096010.8

