

## RELIABLE ENERGY LTD.

### NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual General and Special Meeting of Shareholders of Reliable Energy Ltd. (the "Corporation") will be held at the Nelson 1 Room, 3<sup>rd</sup> floor, Hyatt Regency Hotel, 700 Center Street SE, Calgary, AB on Thursday, the 27<sup>th</sup> day of May, 2010 at the hour of 10:00 AM (Calgary time) for the following purposes:

1. To receive the Financial Statements of the Corporation for the financial year ended December 31, 2009 and the report of the Auditor thereon;
2. To elect Directors for the ensuing year;
3. To appoint Auditors for the ensuing year;
4. To consider and, if thought fit, pass an ordinary resolution fixing the number of directors for the ensuing year at six (6), subject to the power of the Board of Directors to appoint additional directors between annual meetings;
5. To consider and, if thought fit, pass an ordinary resolution reapproving the Corporation's Stock Option Plan;
6. To consider and, if thought fit, pass an ordinary resolution confirming certain amendments to the Corporation's by-laws; and
7. To transact such other business as may properly come before the meeting or any adjournment thereof.

DATED this 14th day of April, 2010

BY ORDER OF THE BOARD OF  
DIRECTORS

*Signed "D. Murray Swanson"*

---

D. Murray Swanson  
President and Chief Executive Officer

Your vote is important. If you are unable to attend the Meeting, please complete and forward the enclosed Proxy in accordance with the instructions contained in the Information Circular and deposit the Proxy with Olympia Trust Company, Suite 2300, 125 – 9th Avenue S.E., Calgary, Alberta, T2G 0P6. **To be valid, a Proxy must be deposited with Olympia Trust Company not later than forty-eight hours, excluding Saturdays and holidays, before the meeting or any adjournment thereof at which the Proxy is to be used.**

**RELIABLE ENERGY LTD.**  
**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**May 27, 2010**

**INFORMATION CIRCULAR**

This Information Circular is dated April 14th, 2010. Except where otherwise indicated, information contained herein is effective as of March 31, 2010.

**REVOCAION OF PROXIES**

A shareholder who has submitted a proxy may revoke it. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing signed by the shareholder or his attorney authorized in writing, or, if the shareholder is a corporation, signed under its corporate seal or by an officer or attorney of the corporation authorized in writing, and depositing the instrument either at the registered office of the Corporation or at the office of Olympia Trust Company, Suite 2300, 125 – 9th Avenue S.E., Calgary, Alberta, T2G 0P6, 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 at which the proxy is to be used. Upon such deposit the proxy will be revoked as to any matter in respect of which a vote has not already been cast.

**SOLICITATION OF PROXIES**

**This Information Circular is furnished in connection with the solicitation of proxies by the management of Reliable Energy Ltd. (the "Corporation") for use at the Annual and Special Meeting (the "Meeting") of Shareholders of the Corporation to be held on the May 27, 2010, at the time and place and for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Shareholders ("Notice of the Meeting") and at any adjournment or adjournments thereof. The solicitation of proxies will be made primarily by mail but proxies may also be solicited personally or by telephone or other means, by directors, officers or employees of the Corporation to whom no additional compensation will be paid for so doing. The cost of the solicitation will be borne by the Corporation.**

**PROXY INSTRUCTIONS**

Mr. Swanson and Mr. Lyons, the persons named in the form of proxy enclosed with the Notice of the Meeting, are respectively the President and Chief Executive Officer and Chairman of the Corporation. **Shareholders have the right to appoint some other person (who need not be a shareholder of the Corporation) to represent them at the meeting. To exercise that right, a shareholder may either insert the name of the desired representative in the blank space provided in the form of Proxy enclosed with the Notice of the Meeting, or submit another form of Proxy appointing the desired representative. Proxies will not be valid unless received by Olympia Trust Company at its offices at Suite 2300, 125 – 9th Avenue S.E., Calgary, Alberta, T2G 0P6, not later than forty-eight (48) hours, excluding Saturdays and holidays, before the time set for the meeting or any adjournment thereof at which the proxy is to be used.** The proxy must be in writing and must be signed by the shareholder or his attorney authorized in writing, or, if the shareholder is a corporation, the proxy must be signed under its corporate seal or by a duly authorized officer or attorney of the corporation authorized in writing.

The form of proxy enclosed with the Notice of the Meeting affords a means for shareholders to specify that their shares will be voted or withheld from voting on the election of directors and the appointment of auditors and to specify that their shares will be voted for or against all other business identified in the Notice of the Meeting. If appointed proxy, Mr. Swanson and Mr. Lyons will vote the shares or withhold from voting the shares as specified by the shareholder on any ballot that may be called for. **The shares will be voted "for" each matter for which no specification has been given. The form of proxy enclosed with the Notice of the Meeting confers discretionary authority upon the person appointed proxy thereunder to vote on amendments or variations to matters identified in the Notice of the Meeting, and on other matters which may properly come before the Meeting.** At the date of this Information Circular, management of the Corporation knows of no such amendment, variation or other matter which may come before the Meeting.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The only outstanding voting securities of the Corporation are common shares of which 182,966,056 common shares are outstanding, each entitling the holder to one vote.

The Board of Directors of the Corporation has fixed the close of business on April 20, 2010 as the record date for determination of the registered holders of common shares entitled to receive notice of the Meeting. The Corporation will prepare a list of the names of and the number of shares held by each shareholder who is entitled to receive notice of the Meeting. At the Meeting a shareholder will be entitled to vote the shares shown opposite that shareholder's name on the list except to the extent that the shareholder has transferred any shares after the record date and the transferee produces properly endorsed share certificates, or otherwise establishes ownership of such shares and demands the inclusion of the transferee's name in the list of shareholders not later than 10 days before the date of the Meeting.

To the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, controls or directs, directly or indirectly, more than 10% of the common shares of the Corporation.

## ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES

The information in this section is of significant importance to shareholders who do not hold their common shares in their own name ("**Beneficial Shareholders**"). Beneficial Shareholders should note that only proxies deposited by registered holders of common shares (those whose names appear on the records of the Corporation as the registered holders of common shares) can be recognized and acted upon at the Meeting. If the common shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the name of the shareholder on the records of the Corporation. Common shares listed in an account statement will more likely be registered under the name of the shareholder's broker or their broker's agent. In Canada, the vast majority of shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Common shares held by brokers or their agents or nominees can only be voted as instructed by the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting common shares held for their clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their common shares are communicated to the appropriate person.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that the common shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to that provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining voting instructions from clients to Broadridge Financial Services, Inc. ("**Broadridge**"). Broadridge typically mails a scannable Voting Instruction Form in lieu of the form of proxy. The Beneficial Shareholder is asked to complete and return the Voting Instruction Form to Broadridge by mail or facsimile or to call a toll-free number to give voting instructions electronically. Broadridge tabulates the results of all instructions received and provides appropriate instructions respecting the voting of common shares to be represented at the Meeting. A Beneficial Shareholder receiving a Voting Instruction Form cannot use that Voting Instruction Form to vote common shares directly at the Meeting. The Voting Instruction Form must be returned as directed by Broadridge or voting instructions must be given electronically by calling the toll free number well in advance of the Meeting in order to have the common shares voted.

If you are a Beneficial Shareholder and wish to vote in person at the Meeting, you should contact your broker or agent well in advance of the Meeting to determine how you can do so.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### Number of Directors

The Articles of the Corporation provide that the Board of Directors shall consist of a minimum of 3 and a maximum of 9 directors. The Board of Directors currently consists of six directors and the Board considers that to be a sufficient number of directors given the size of the Corporation and its stage of development.

At the Meeting shareholders will be asked to consider and, if thought fit, pass the following ordinary resolution:

*"BE IT RESOLVED THAT subject to the power of the directors to appoint additional directors between Annual Meetings, the number of directors for the ensuing year be fixed at six."*

### **Election of Directors**

Directors are elected annually and hold office until the close of the next Annual Meeting of shareholders or until they cease to be a Directors by operation of law or until they resign. The Corporation currently has seven directors and it is proposed that seven directors be elected at the Meeting.

The following table contains the names of all persons proposed to be nominated by management for election as directors, their principal occupation or employment for the past five years, the year in which they first became a director of the Corporation and the number of common shares of the Corporation beneficially owned or over which control or direction is exercised, directly or indirectly, by each of them:

<b>Name, Residence and Position with the Corporation</b>	<b>Director Since</b>	<b>Principal Occupation</b>	<b>No. of Common Shares owned or controlled</b>
Murray Swanson <sup>4</sup> Calgary, AB President, CEO and Director	December 2008	President of the Corporation since June 2009 and prior thereto Vice President Operations since February, 2006. Prior thereto, President of Enermax Resource Corp., a private oil and gas company controlled by Mr. Swanson. Murray has been involved in the exploration and production aspects of the oil and gas industry for over 30 years. His career includes working for Shell and Chevron in operations. Mr. Swanson has also initiated and developed several successful private exploration and production companies including Enermax Resource Corp. and Rockwood Resources Ltd. He has built and sold several service entities including Central Treating, SRK Oilfield Rentals and Northern Petro Services Ltd.	5,933,150
Terry Lyons <sup>1,2</sup> Vancouver, BC Chairman and Director	December 2008	Chairman of Northgate Minerals Corporation, a mining company since November 1993. Northgate operates the Kemess Mine in Northern British Columbia, is developing the Young Davidson project in Ontario, and has recently acquired two operating gold mines in Australia. He is a director of several public (including Sprott Resource's Corp. and Polaris Minerals Corporation) and currently serves as the Lead Director and Chairman of the Audit Committee of Canaccord Financial. Mr. Lyons is a civil engineer (UBC) with an MBA from the University of Western Ontario. He sits on the Advisory Board of the Richard Ivey School of Business and is active in sports and charitable activities, is a past Governor of the Olympic Foundation of Canada, past Chairman of the Mining Association of BC and in 2007 was awarded the INCO Medal by the Canadian Institute of Mining and Metallurgy for service to the mining industry.	1,817,864

Name, Residence and Position with the Corporation	Director Since	Principal Occupation	No. of Common Shares owned or controlled
Mike Seth <sup>2,3</sup> Calgary, AB Director	December 2008	President of Seth Consultants Ltd., a private consulting firm, since July 2006. He was previously the Chairman of the Board of McDaniel & Associates, a petroleum consulting firm, from July 1, 2005 to June 30, 2006 and President and Managing Director since 1989 and was with the firm for over 37 years. Mike has extensive experience in all aspects of oil and gas reserve evaluations in Canada and Internationally. He is on the Board of Directors of Enerplus Resources Fund, one of Canada's senior oil and gas income funds and is also on the Board of Directors of several other public and private junior oil and gas companies and is the Founder and Director of Energy Navigator, Inc., a private software development firm servicing the petroleum industry. Mr. Seth was a member of the Council of APEGGA and also served on the Practice Standards Committee - Oil & Gas Evaluations. Mr. Seth graduated from the University of British Columbia with a B.Sc. in Mechanical Engineering and is a registered Professional Engineer in the Province of Alberta.	294,290
Brian Hurl <sup>1,4</sup> Vancouver, BC Director	December 2008	Independent businessman. Mr. Hurl has enjoyed a career spanning 25 years in the banking industry in Canada where he was a Senior Vice-President and Director with Merrill Lynch Canada (formerly Midland Walwyn) and BMO Nesbit Burns. Mr. Hurl is a past director of both private companies and companies listed on the TSX. Mr. Hurl holds a B.A. in Economics from the University of Western Ontario.	778,571
Dennis Nerland <sup>1,2</sup> Calgary, AB Director	June 2006	Partner of the law firm of Shea Nerland Calnan since 1990 practicing primarily in the areas of tax and trust law. Mr. Nerland is a current and past director of a number of private and public companies listed on the TSX Venture Exchange and the Toronto Stock Exchange. Mr. Nerland has a Bachelor of Laws degree from the University of Calgary, a Master of Arts degree (Economics) from Carleton University and a Bachelor of Science degree (Economics and Mathematics) from the University of Calgary. He is a member of the Law Society of Alberta.	932,618
Allan Laird <sup>3,4</sup> Calgary, AB Director	June 2006	Independent businessman since April 2006. He was previously a founding Director and Vice-President of Falcon Oil and Gas Ltd., a company listed on the TSXV until his retirement in April 2006. Prior to joining Falcon, Mr. Laird was Executive Vice President of Ledge Resources, a private oil and gas company. Mr. Laird has extensive international experience and has extensive experience in unconventional gas reservoirs. Mr. Laird is the former President and Director of Gemini Energy Corp. (TSXV:GNI) and was also the President and a Director of Rapid Technology Corp. (Private). Mr. Laird graduated from Queen's University with a B.Sc. in Mining Engineering in 1980 and is a Registered Professional Engineer in the Province of Alberta.	850,000

## Notes:

1. Member of the Audit Committee.
2. Member of the Compensation and Governance Committee.
3. Member of the Reserves Committee.
4. Member of the Health, Safety and Environment Committee.
5. To the knowledge of the Corporation, no proposed director together with the proposed director's associates and affiliates beneficially own or control or direct, directly or indirectly, 10% or more of the voting rights attached to all voting securities of the Corporation or any of its subsidiaries. Information regarding ownership of securities by the proposed directors and their respective associates and affiliates, not being within the knowledge of the Corporation, has been provided by the respective proposed directors.

Except as noted below, no proposed director:

- (a) is or, within 10 years before to the date of this Information Circular, has been a director or chief executive officer or chief financial officer of any company that:
  - (i) while the proposed director was acting in that capacity, was the subject of:
    - (A) a cease trade or similar order (including a management cease trade order that applied to the directors or executive officers of the company) for a period of more than 30 consecutive days; or
    - (B) an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days;
  - (ii) was subject to an order of the type referred to in subparagraphs (A) or (B) above that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer of the company that resulted from an event that occurred while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer of that company;
- (b) is or, within 10 years before to the date of this Information Circular, has been a director or executive officer of any company that, while the proposed director was acting in that capacity or within a year of the proposed director 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
- (c) has, within 10 years before to the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the proposed director's assets; or
- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for the proposed director.

Dennis L. Nerland was a director of Samsports.com Inc, ("Samsports"), a software company previously listed on the TSX Venture Exchange ("the Exchange"). In January 2001 Samsports went out of business and was put into receivership. Subsequently, the common shares of Samsports were de-listed from the Exchange for failure by Samsports to meet the Exchange's minimum listing requirements. Subsequent to this, each of the Alberta Securities Commission and the British Columbia Securities Commission issued cease trade orders against Samsports for its failure to file financial statements as required by applicable securities legislation. All of the directors of Samsports, including Dennis Nerland, were sued by a former investor of Samsports. That investor alleged that an officer of Samsports made representations to the investor to induce him to invest in Samsports in contravention of the *Securities Act* (Alberta) and that the directors of Samsports were aware or should have been aware of such representations. Mr. Nerland filed a statement of defence denying any wrongdoing on his part. Mr. Nerland's defence of the claim was expunged with no finding of liability of wrongdoing.

Dennis L. Nerland was a director of Intermedia Capital Corp. ("Intermedia") from June 28, 1999 to August 14, 2003. Intermedia was a capital pool company listed on the Exchange. Effective September 10, 2002, the Exchange suspended the

common shares of Intermedia from trading on the Exchange for the company's failure to complete a Qualifying Transaction within 18 months. Subsequently, the trading suspension was lifted by the Exchange as Intermedia completed a plan of arrangement with Savanna Energy Services Corp. on August 14, 2003 as its Qualifying Transaction.

Mr. Lyons was a director and executive officer of FT Capital Ltd. ("FT Capital") which was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Manitoba and Ontario due to the failure of FT Capital to file financial statements since the financial year ended December 31, 2001. At the request of Brookfield Assets Management (formerly Brascan Corporation), Mr. Lyons joined the board of FT Capital and was appointed its President in 1990 in order to assist in its reorganization. FT Capital Ltd. was wound up and dissolved on June 30, 2009 and Mr. Lyons ceased to be a director. Mr. Lyons is also a director of Royal Oak Venture Inc. ("Royal Oak"), which is currently subject to cease trade orders in each of the provinces of British Columbia, Alberta, Ontario and Quebec due to the failure of Royal Oak to file financial statements since the financial year ended December 31, 2003. Royal Oak's restructuring is ongoing. Mr. Lyons was a director of International Utilities Structures Inc. ("IUSI") from 1991 to 2005. On October 17, 2003 IUSI was granted protection from its creditors under the Companies' Creditors Arrangement Act ("CCAA") by the Court of Queen's Bench in Alberta. On March 31, 2005 an order was granted approving the final IUSI restructuring plan under the CCAA at which time Mr. Lyons resigned as a director. Mr. Lyons was elected to the boards of directors of each of FT Capital, Royal Oak and IUSI largely because of his valuable experience and expertise in financial restructuring in the insolvency context.

### **Appointment of Auditor**

At the Meeting, the shareholders will be called upon to appoint an auditor to serve until the close of the next Annual Meeting of the Corporation.

Management recommends that the shareholders vote for the appointment of Meyers Norris Penny LLP, who have acted as auditors since January 14, 2009.

### **Approval of Stock Option Plan**

The Corporation has a stock option plan (the "Plan") pursuant to which, non-transferable options to purchase common shares of the Corporation may be granted to directors, officers, consultants and employees of the Corporation, exercisable for a period of up to 5 years from the date of grant, provided that, the number of Common Shares reserved for issuance under options will not exceed 10% of the issued and outstanding Common Shares. The Plan is administered by the Board of Directors of the Corporation, or if appointed, by a special committee of directors appointed from time to time by the Board of Directors. A copy of the Plan is attached hereto as Appendix A.

The policies of the TSX Venture Exchange require that the Plan receive shareholder approval yearly at the Corporation's annual general meeting.

At the Meeting, shareholders will be asked to consider and if thought fit, pass the following ordinary resolution:

*"BE IT RESOLVED that:*

- 1. the stock option plan of the Corporation (the "Plan") in the form attached as Appendix A (the "Plan") to the Management Information Circular accompanying the notice of the Meeting be and is hereby ratified as the stock option plan of the Corporation;*
- 2. the issued and outstanding stock options previously granted shall continue to be governed by the Plan;*
- 3. any one (or more) director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal or otherwise) that may be necessary or desirable to give effect to this resolution and obtain acceptance of the Plan by the TSX Venture Exchange."*

## Confirmation of Amendment to By-laws

The Corporation was formed by the amalgamation of Ceres Capital Corp. ("Ceres") and Reliable Energy Ltd. At the time of the amalgamation, the by-laws of Ceres were adopted as the by-laws of the Corporation. The by-laws of Ceres provide that any two of the President, Secretary or Treasurer may sign contracts, documents and instruments in writing on behalf of the Corporation and the directors are given the authority to from time to time appoint additional officers or other persons to sign. The only exception to the foregoing is cheques, wires and instructions to solicitors regarding trust funds, which require the signatures of certain named individuals. Since these individuals no longer serve as a director or officer of the Corporation, the directors amended the by-laws deleting this exception. The law requires that this amendment be submitted to the shareholders who may either confirm, reject or amend it.

At the Meeting, shareholders will be asked to consider and if thought fit, pass the following ordinary resolution:

*"BE IT RESOLVED that the amendment to the by-laws of the Corporation deleting the requirement that cheques, wires and instructions to solicitors regarding trust funds be signed by certain named individuals be and is hereby confirmed."*

## STATEMENT OF EXECUTIVE COMPENSATION

### *Compensation Discussion and Analysis*

The Corporation has a Compensation and Governance Committee consisting of three independent directors (Messrs. Lyons, Nerland and Seth), none of whom are employees or executive officers of the Corporation or any of its affiliates. Mr. Seth is the Chair of the Compensation and Governance Committee. The responsibilities of the Committee in relation to compensation include reviewing and making recommendations to the Board of Directors on the following matters:

- compensation policies and guidelines for supervisory and management personnel of the Corporation and its related entities;
- corporate benefits, bonuses and other incentives, including stock options;
- reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives and determining the CEO's compensation level based on this evaluation;
- non-CEO officer and director compensation, incentive compensation plans and equity-based plans;
- review of executive compensation disclosure before the Corporation publicly discloses such information;
- succession plans for the officers and for key employees of the Corporation; and
- any material changes or trends in human resources policy, procedure, compensation and benefits.

The Corporation is the successor to Ceres Capital Corp. ("Ceres"), a capital pool company listed on the TSX Venture Exchange. In December 2008, Ceres acquired Reliable Energy Ltd., a private corporation, as its "qualifying transaction" under the policies of the TSX Venture Exchange. As such, the Corporation has little more than one year of operating history and at this stage of its development has not implemented a formal executive compensation plan. Current compensation levels follow those established by Reliable Energy Ltd. prior to the qualifying transaction.

Executive compensation consists of (i) base salary, (ii) bonus, and (iii) stock options granted under the Corporation's Stock Option Plan.

In setting executive compensation the Board of Directors takes into consideration the balance between the Corporation's capacity to pay cash compensation, the need to offer competitive compensation packages in order to attract and retain qualified individuals and short and long-term compensation objectives.

**Base Salary**

Base salaries are established by the Board of Directors on the recommendation of the Compensation and Governance Committee after negotiation with the executive and taking into consideration the executive's duties, performance and experience.

**Bonuses**

Bonuses are used to provide short-term compensation to executives to recognize both individual performance and overall performance of the Corporation. Bonuses are awarded in an amount determined at the discretion of the Board of Directors on the recommendation of the Compensation and Governance Committee and may be paid in cash or otherwise as determined by the Board of Directors.

**Stock Options**

Stock options are awarded as a long-term incentive that includes the opportunity for gain based on overall performance of the Corporation and to align the interests of executive with the interests of the Shareholders of the Corporation. Options are granted by the Board of Directors based on the recommendation of the Compensation and Governance Committee and the Board's assessment of the appropriate level of incentive having regard to the duties, performance, experience and overall compensation of the option holder. Option grants are made having regard to the number of options previously granted to the executive and the appropriate level of overall incentive for the executive.

**Summary Compensation Table**

The following table summarizes annual compensation and long-term compensation of the Corporation's "Named Executive Officers" (as defined by Form 51-102F6) during the financial year ended December 31, 2009.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total Compensation (\$)
					Annual Plans	Long-Term Plans			
Murray Swanson Vice President Operations	2009	144,000	Nil	103,530	Nil	Nil	Nil	Nil	247,530
	2008	144,000	Nil	7,100	50,000	Nil	Nil	Nil	201,100
Paul Moller President and CEO	2009	86,500	Nil	Nil	Nil	Nil	Nil	Nil	86,500
	2008	180,000	Nil	7,100	70,000	Nil	Nil	35,000	292,100
John Newman CFO	2009	144,000	Nil	103,530	Nil	Nil	Nil	Nil	247,530
	2008	144,000	Nil	7,100	50,000	Nil	Nil	Nil	201,100

Notes:

- In June 2009, Mr. Moller ceased acting as CEO and Mr. Swanson was appointed.
- The dollar value of option-based awards was calculated using the Black-Scholes model. The following assumptions were used in the calculation:

Year	Risk free interest rate	Expected life	Expected Dividend yield	Expected Volatility
2009	2.36%	5 years	0%	100%
2008	1.74%	5 years	0%	65%

### *Outstanding Share-Based And Option-Based Awards to Named Executive Officers*

The following table summarizes all option-based awards and share-based awards outstanding in favour of Named Executive Officers as of December 31, 2009, including awards granted before the financial year ended December 31, 2009:

Name	Number of securities underlying unexercised options (#)	Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>1</sup>	Share-based awards	
					Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Murray Swanson	725,000	\$0.19	Sept. 11/14	\$435,250	Nil	Nil
	130,000	\$0.18	Dec. 24/13			
	600,000	\$0.17	Nov. 27/12			
Paul Moller	130,000	\$0.18	Dec. 24/13	\$225,000	Nil	Nil
	600,000	\$0.17	Nov. 27/12			
John Newman	725,000	\$0.19	Sept 11/14	\$435,250	Nil	Nil
	130,000	\$0.18	Dec. 24/13			
	600,000	\$0.17	Nov. 27/12			

Notes:

- The closing price of the common shares on the TSX Venture Exchange on December 31, 2009 was \$0.48.

### *Incentive Plan Awards*

The following table summarizes all incentive plan awards made to Named Executive Officers during the financial year ended December 31, 2009.

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
John Newman	103,530	Nil	Nil
Murray Swanson	103,530	Nil	Nil
Paul Moller	Nil	Nil	Nil

Notes:

- The dollar value of option-based awards was calculated using the Black-Scholes model. The following assumptions were used in the calculation:

Risk free interest rate	Expected life	Expected Dividend yield	Expected Volatility
2.36%	5 years	0%	100%

### *Pension Plan Benefits*

The Corporation does not have a pension plan.

### *Termination and Change of Control Benefits*

The corporation does not have any contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation or a change in a Named Executive officer's responsibilities.

**DIRECTOR COMPENSATION***Director Compensation Table*

The following table summarizes compensation provided to directors (other than directors who are Named Executive Officers and whose compensation is disclosed in the Summary Compensation Table above) during the financial year ended December 31, 2009.

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Share based awards (\$)</b>	<b>Option based awards (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Terry Lyons	Nil	Nil	53,550	Nil	Nil	Nil	Nil
Mike Seth	Nil	Nil	40,698	Nil	Nil	Nil	Nil
Brian Hurl	Nil	Nil	40,698	Nil	Nil	Nil	Nil
Dennis Nerland	Nil	Nil	24,990	Nil	Nil	Nil	Nil
Allan Laird	Nil	Nil	24,990	Nil	Nil	Nil	Nil

Notes:

- The dollar value of option-based awards was calculated using the Black-Scholes model. The following assumptions were used in the calculation:

<b>Risk free interest rate</b>	<b>Expected life</b>	<b>Expected Dividend yield</b>	<b>Expected Volatility</b>
2.36%	5 years	0%	100%

***Outstanding Share-Based And Option-Based Awards to Directors***

The following table summarizes all option-based awards and share-based awards outstanding in favour of directors (other than directors who are Named Executive Officers and whose outstanding awards are disclosed under Outstanding Share-Based and Option –Based Awards to Named Executive Officers above) as of December 31, 2009, including awards granted before the financial year ended December 31, 2009:

Name	Number of securities underlying unexercised options (#)	Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>1</sup>	Share-based awards	
					Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Terry Lyons	375,000 300,000	\$0.19 \$0.17	Sept 11/14 Nov 27/12	\$201,750	Nil	Nil
Mike Seth	285,000 240,000	\$0.19 \$0.17	Sept 11/14 Nov 27/12	\$157,050	Nil	Nil
Brian Hurl	285,000 240,000	\$0.19 \$0.17	Sept 11/14 Nov 27/12	\$157,050	Nil	Nil
Dennis Nerland	175,000 240,000 110,000	\$0.19 \$0.18 \$0.20	Sept 11/14 Dec 24/13 Nov 21/11	\$153,550	Nil	Nil
Allan Laird	175,000 240,000 110,000	\$0.19 \$0.18 \$0.20	Sept 11/14 Dec 24/13 Nov 21/11	\$153,550	Nil	Nil

Notes:

- The closing price of the common shares on the TSX Venture Exchange on December 31, 2009 was \$0.48.

***Securities Authorized For Issuance Under Equity Compensation Plans***

At the end of the Corporation's most recently completed financial year, the Corporation had the following compensation plans under which equity securities of the Corporation were authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Plans approved by securityholders	11,095,000	\$0.182	7,176,606
Plans not approved by securityholders	Nil	Nil	Nil

## INDEBTEDNESS OF DIRECTORS, SENIOR OFFICERS AND ASSOCIATES

The following table sets out the indebtedness of the directors, executive officers or employees of the Corporation and the former executive officers, directors or employees of the Corporation and its subsidiaries, as a group, to:

- (a) the Corporation or any of its subsidiaries; or
- (b) to any other entity where the indebtedness is the subject of a guarantee, support agreement (including, but not limited to, an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide compensation for the purpose of maintaining or servicing any indebtedness), letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries:

### Aggregate Indebtedness

Purpose	To the Corporation or its subsidiaries	To Another Entity
Share Purchases	\$57,838 including accrued interest	
Other	-	-

During the last completed financial year of the Corporation:

- (a) no director or executive officer of the Corporation;
- (b) no nominees for election as director of the Corporation; and
- (c) no associate of any person referred to in paragraphs (a) and (b)

was

- (d) indebted to the Corporation or any of its subsidiaries; or
- (e) indebted to any other entity where the indebtedness is the subject of a guarantee, support agreement (including, but not limited to, an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide compensation for the purpose of maintaining or servicing any indebtedness of the borrower), letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries,

except:

Name and Principal Position	Involvement of the Corporation or subsidiary	Largest amount outstanding during the year	Amount outstanding as at	Financially assisted securities purchases during the year	Security for indebtedness	Amount forgiven during the year
Securities Purchase Programs						
John Newman <sup>(1)</sup>	-	\$57,838	\$57,838	-	(2)	-
Other Programs						
-	-	-	-	-	-	-

Notes:

(1) The indebtedness is owed by a company controlled by Mr. Newman.

(2) The indebtedness is secured by 45,113 Common Shares of the Corporation.

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

Since the commencement of the Corporation's last completed financial year:

- (a) no informed person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*);
- (b) no proposed director of the Corporation; and
- (c) no associate or affiliate of any person referred to in paragraph (a) or (b);

had a material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

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

None of:

- (a) the persons who have been directors or executive officers of the Corporation at any time since the beginning of the Corporation's last financial year;
- (b) the proposed nominees for election as a director of the Corporation at the Meeting; or
- (c) the associates or affiliates of any of the persons or companies listed in paragraphs (a) or (b),

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 election of directors or the appointment of auditors.

## **MANAGEMENT CONTRACTS**

None of the management functions of the Corporation or any subsidiary are to any substantial degree performed other than by the directors or executive officers of the Corporation or subsidiary.

## **AUDIT COMMITTEE INFORMATION**

Securities regulations require disclosure of certain information regarding the Corporation's audit committee, the way it functions and the fees paid to the Auditor. This information can be found in Appendix B.

## **CORPORATE GOVERNANCE PRACTICES**

Securities regulations require disclosure of certain information regarding the Corporation's corporate governance practices. This information can be found in Appendix C.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may obtain copies of the Corporation's financial statements and MD&A by contacting:

Reliable Energy Ltd.  
 John Newman, VP Finance & CFO  
 Phone: 403.231.4486  
 Fax: 403.266.2645  
 Email: [jnewman@reliableenergy.ca](mailto:jnewman@reliableenergy.ca)  
 Web: [www.reliableenergy.ca](http://www.reliableenergy.ca)

Financial information is provided in the Corporation's comparative financial statements and MD&A for its most recently completed financial year.

**APPENDIX A****STOCK OPTION PLAN****2010 Stock Option Plan**

## 8. The Plan

A Stock Option Plan (the "Plan") pursuant to which options to purchase common shares (Shares") in the capital of Reliable Energy Ltd. (the "Corporation") may be granted to the directors, officers, employees and consultants of the Corporation, and to holding companies wholly-owned by such persons, is hereby established on the terms set forth below.

## 9. Purpose

The purpose of this Plan is to advance the interests of the Corporation by encouraging the directors, officers and key employees of the Corporation and consultants retained by the Corporation to acquire Shares, thereby (i) increasing the proprietary interests of such persons in the Corporation, (ii) aligning the interests of such persons with the interests of the Corporation's shareholders generally, (iii) encouraging such persons to remain associated with the Corporation, and (iv) furnishing such persons with an additional incentive in their efforts on behalf of the Corporation.

## 10. Administration

- (a) This Plan shall be administered by the board of directors of the Corporation (the Board").
- (b) Subject to the terms and conditions set forth herein, the Board is authorized to provide for the granting, exercise and method of exercise of Options (as hereinafter defined), all on such terms (which may vary between Options) as it shall determine. In addition, the Board shall have the authority to: (i) construe and interpret this Plan and all option agreements entered into hereunder, (ii) prescribe, amend and rescind rules and regulations relating to this Plan and (iii) make all other determinations necessary or advisable for the administration of this Plan. All determinations and interpretations made by the Board shall be binding on all Participants (as hereinafter defined) and on their legal, personal representatives and beneficiaries.
- (c) Notwithstanding the foregoing or any other provision contained herein, the Board shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee of the Board or to the President or any other officer of the Corporation. Whenever used herein, the term "Board" shall be deemed to include any committee or officer to which the Board has, fully or partially, delegated the administration and operation of this Plan pursuant to this Section 10.
- (d) Options to purchase the Shares granted hereunder ("Options) shall be evidenced by an agreement, signed on behalf of the Corporation and by the person to whom an Option is granted, which agreement shall be in such form as the Board shall approve.

## 11. Shares Subject to Plan

- (a) Subject to Section 22 below, the securities that may be acquired by Participants under this Plan shall consist of authorized but unissued Shares. Whenever used herein, the term "Shares" shall be deemed to include any other securities that may be acquired by a

Participant upon the exercise of an Option the terms of which have been modified in accordance with Section 22 below.

- (b) The aggregate number of Shares reserved for issuance under this Plan, or any other plan of the Corporation, shall not exceed ten percent (10%) of the issued and outstanding shares of the Corporation, at the time of the stock option grant, unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are listed to exceed such threshold and any requisite shareholder approval.
- (c) If any Option granted under this Plan shall expire or terminate for any reason without having been exercised in full, any unpurchased Shares to which such Option relates shall be available for the purposes of the granting of Options under this Plan.

## 12. Maintenance of Sufficient Capital

The Corporation shall at all times during the term of this Plan ensure that the number of Shares it is authorized to issue shall be sufficient to satisfy the requirements of this Plan.

## 13. Eligibility and Participation

- (a) The Board may, in its discretion, select any of the following persons to participate in this Plan:
  - (i) directors of the Corporation;
  - (ii) officers of the Corporation;
  - (iii) key employees of the Corporation;
  - (iv) consultants retained by the Corporation, provided such consultants have performed and continue to perform services for the Corporation on an ongoing basis or are expected to provide a service of considerable value to the Corporation;
  - (v) persons employed to provide investor relations activities; and
  - (vi) a corporation wholly owned by any of the foregoing;

(any such person having been selected for participation in this Plan by the Board is herein referred to as a "**Participant**").

- (b) The Board may from time to time, in its discretion, grant an Option to any Participant, upon such terms, conditions and limitations as the Board may determine, including the terms, conditions and limitations set forth herein, provided that Options granted to any Participant shall be approved by the shareholders of the Corporation if the rules of any stock exchange on which the Shares are listed require such approval.
- (c) For stock options granted to employees, consultants or management company employees, the Corporation represents that the Participant is a bona fide employee, consultant or management company employee as the case may be.

#### 14. Exercise Price

The Board shall, at the time an Option is granted under this Plan, fix the exercise price at which Shares may be acquired upon the exercise of such Option, provided that in the event of Options granted prior to the listing of the Shares on a recognized stock exchange, the exercise price shall not be less than the issue price per share of the initial public offering of Shares of the Corporation and in the event of Options granted after such time, such exercise price shall not be less than that from time to time permitted by the stock exchange on which the Shares are listed. In the event that there is any reduction in the exercise price, disinterested shareholder approval will be required if the Participant is an insider of the Corporation.

#### 15. Number of Options Shares

The number of Shares that may be acquired under an Option granted to a Participant shall be determined by the Board as at the time the Option is granted, provided that the aggregate number of Shares reserved for issuance to any one Participant under this Plan or any other plan of the Corporation, shall not exceed:

- (a) five percent (5%) of the total number of issued and outstanding Shares (determined at the date the Option was granted and calculated on a non-diluted basis) to any one individual in a 12-month period;
- (b) two percent (2%) of the total number of issued and outstanding Shares (determined at the date the Option was granted and calculated on a non-diluted basis) to any one consultant in a 12 month period; and
- (c) two percent (2%) of the total number of issued and outstanding Shares of the issuer (determined at the date the Option was granted and calculated on a non-diluted basis) to persons employed to provide investor relations activities in any 12 month period;

unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are listed to exceed such threshold.

#### 16. Term

The period during which an Option may be exercised (the "Option Period") shall be determined by the Board at the time the Option is granted, subject to any vesting limitations which may be imposed by the Board at the time such Option is granted, provided that:

- (a) no Option shall be exercisable for a period exceeding five (5) years from the date the Option is granted;
- (b) the Option Period shall be automatically reduced in accordance with Sections 18 and 19 below upon the occurrence of any of the events referred to therein; and
- (c) no Option in respect of which shareholder approval is required under the rules of any stock exchange or exchanges on which the Shares are listed shall be exercisable until such time as the Option has been approved by the shareholders of the Corporation.

#### 17. Method of Exercise of Option

- (a) Except as set forth in Sections 18 and 19 below, no Option may be exercised unless the holder of such Option is, at the time the Option is exercised, a director, officer, employee or consultant of the Corporation;

- (b) Options may be exercised in whole or in part;
- (c) Any Participant (or his legal, personal representative) wishing to exercise an Option shall deliver to the Corporation, at its principal office in the City of Calgary, Alberta:
  - (i) a written notice expressing the intention of such Participant (or his legal, personal representative) to exercise his Option and specifying the number of Shares in respect of which the Option is exercised; and
  - (ii) a cash payment, cheque or bank draft, representing the full purchase price of the Shares in respect of which the Option is exercised.
- (d) Upon the exercise of an Option as aforesaid, the Corporation shall forthwith deliver, or cause the registrar and transfer agent of the Shares to deliver, to the relevant Participant (or his legal, personal representative) or to the order thereof, a certificate representing the aggregate number of fully paid and non-assessable Shares as the Participant (or his legal, personal representative) shall have then paid for.

#### 18. Ceasing to be a Director, Officer, Employee or Consultant

If any Participant who is a director, officer, employee or consultant of the Corporation shall cease to be a director, officer, employee or consultant of the Corporation for any reason other than death, permanent disability or normal retirement, his Option will terminate at 5:00 p.m. (Calgary time) on the earlier of: (i) the date of the expiration of the Option Period; and (ii) the ninetieth (90<sup>th</sup>) day after the date such Participant ceases to be a director, officer, employee or consultant of the Corporation or the date that is 12 months from the completion of the Qualifying Transaction, whichever of such events in this (ii) is later.

If any Participant who is engaged in investor relations activities of the Corporation ceases to be retained by the Corporation for any reason other than death, permanent disability or normal retirement, his Option will terminate at 5:00 p.m. (Calgary time) on the earlier of the date of the expiration of the Option Period and the thirtieth (30<sup>th</sup>) day after the date such Participant ceases to be retained by the Corporation.

Neither the selection of any person as a Participant nor the granting of an Option to any Participant under this Plan shall (i) confer upon such Participant any right to continue as a director, officer, employee or consultant of the Corporation, as the case may be, or (ii) be construed as a guarantee that the Participant will continue as a director, officer, employee or consultant of the Corporation, as the case may be.

#### 19. Death, Permanent Disability or Normal Retirement of a Participant

In the event of the death, permanent disability or normal retirement of a Participant, any Option previously granted to him shall be exercisable until the earlier of (i) the end of the Option Period; or (ii) until the expiration of ninety (90) days from the date of the normal retirement of such Participant, or one (1) year from the date of the death or permanent disability of such Participant, and then, in the event of death or permanent disability, only:

- (a) by the person or persons to whom the Participant's rights under the Option shall pass by the Participant's will or applicable law; and
- (b) to the extent that he was entitled to exercise the Option as at the date of his death or permanent disability.

## 20. Rights of Participants

No person entitled to exercise any Option granted under this Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such Option until such Shares have been paid for in full and issued to such person.

## 21. Proceeds from Exercise of Options

The proceeds from any sale of Shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine and direct.

## 22. Adjustments

- (a) The number of Shares subject to the Plan shall be increased or decreased proportionately in the event of the subdivision or consolidation of the outstanding Shares of the Corporation, and in any such event a corresponding adjustment shall be made changing the number of Shares deliverable upon the exercise of any Option granted prior to such event without any change in the total price applicable to the unexercised portion of the Option, but with a corresponding adjustment in the price for each Share covered by the Option. In case the Corporation is reorganized or merged or consolidated or amalgamated with another corporation, appropriate provisions shall be made for the continuance of the Options outstanding under this Plan and to prevent their dilution or enlargement.
- (b) Adjustments under this Section 22 shall be made by the Board, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Shares shall be issued under this Plan on any such adjustment.

## 23. Transferability

All benefits, rights and Options accruing to any Participant in accordance with the terms and conditions of this Plan shall not be transferable or assignable unless specifically provided herein. During the lifetime of a Participant any Options granted hereunder may only be exercised by the Participant and in the event of the death or permanent disability of a Participant, by the person or persons to whom the Participant's rights under the Option pass by the Participant's will or applicable law.

## 24. Amendment and Termination of Plan

The Board may, at any time, suspend or terminate this Plan. The Board may also at any time amend or revise the terms of this Plan, subject to regulatory approval and, if deemed necessary or desirable by the Board, shareholder approval.

## 25. Necessary Approvals

The obligation of the Corporation to issue and deliver Shares in accordance with this Plan is subject to applicable securities legislation and to the receipt of any approvals that may be required from any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If Shares cannot be issued to a Participant upon the exercise of an Option for any reason whatsoever, the obligation of the Corporation to issue such Shares shall terminate and any funds paid to the Corporation in connection with the exercise of such Option will be returned to the relevant Participant as soon as practicable.

26. Stock Exchange Rules

This Plan and any option agreements entered into hereunder shall comply with the requirements of the stock exchange or exchanges on which the Shares are listed.

27. Gender

Whenever used herein words importing the masculine gender shall include the feminine and neuter genders and vice versa.

28. Interpretation

This Plan will be governed by and construed in accordance with the laws of the Province of Alberta.

## **APPENDIX B**

### **AUDIT COMMITTEE INFORMATION**

#### **AUDIT COMMITTEE CHARTER**

##### **Mandate**

The primary function of the audit committee (the "**Committee**") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation's systems of internal controls regarding finance and accounting, and the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements.
- Review and appraise the performance of the Corporation's external auditors.
- Provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors.

##### **Composition**

The Committee shall be comprised of seven directors as determined by the Board of Directors, the majority of whom shall be independent directors, pursuant to the policies of the TSX Venture Exchange. At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Corporation's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

##### **Meetings**

The Committee shall meet at least annually, or more frequently as circumstances dictate. Meetings may be by telephone conference call if this is deemed appropriate. The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Audit Committee members with copies to the Board of Directors, the Chief Financial Officer or such other officer acting in that capacity, and the external auditor.

##### **Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

##### **Documents/Reports Review**

- Review and update this Charter annually.
- Review the Corporation's financial statements, MD&A and any annual and interim earnings press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

## External Auditors

- Require the external auditors to report directly to the Committee.
- Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Corporation.
- Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation.
- Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
- Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval and the compensation of the external auditors.
- Review with management and the external auditors the terms of the external auditors' engagement letter.
- At each meeting, consult with the external auditors if deemed necessary, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.
- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
- Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent (5%) of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;
  - such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
  - such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

## Financial Reporting Process

- In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.
- Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

- Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management.
- Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- Review any significant disagreement among management and the external auditors regarding financial reporting.
- Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- Review the certification process.
- Establish procedures for:
  - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

#### **Other**

- Review disclosure of any related-party transactions.

#### **Authority**

The Committee may:

- engage independent outside counsel and other advisors as it determines necessary to carry out its duties;
- set and pay the compensation for any advisors employed by the Committee; and
- communicate directly with the internal and external auditors.

The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.

### **COMPOSITION OF THE COMMITTEE**

The following table contains the name of each member of the Audit Committee and indicates whether the member is "independent" and "financially literate", as those terms are defined by Multilateral Instrument 52-110 – Audit Committees ("MI 52-110"):

<u>Name</u>	<u>Independent</u>	<u>Financially Literate</u>
Brian Hurl <sup>1</sup>	Yes	Yes
Terry Lyons	Yes	Yes
Dennis Nerland	Yes	Yes

Notes:

1. Chairman of the Audit Committee.

## RELEVANT EDUCATION AND EXPERIENCE

Dennis Nerland - Presently and formerly Audit Committee Chair of Savanna Energy Services Inc., Baden Technologies Inc., Broadcast Capital Inc.; presently and formerly Audit Committee member of Crew Energy Inc., Ceres Capital Corp., Critical Control Solutions Inc., Baytex Energy, Plains Energy Services; IMC Corp., IMC2 Corp., Dee Three Exploration Ltd.; presently and formerly Audit Committee Chair and member of a number of significant private corporations and private investment trusts. Mr. Nerland has a Bachelor of Laws degree from the University of Calgary, a Master of Arts degree (Economics) from Carleton University and a Bachelor of Science degree (Economics and Mathematics) from the University of Calgary. He is a member of the Law Society of Alberta. Mr. Nerland is considered independent and financially literate.

.Terry Lyons - Mr. Lyons holds a B.Sc. (Civil Engineering) from the University of British Columbia and a MBA from the University of Western Ontario. He has over 25 years experience as a director of various public and private companies. He currently sits on a number of audit committees of junior resource companies and since 2004 has been the Lead Director and Chairman of the Audit Committee of Canaccord Financial Inc. Mr. Lyons is a retired partner from Brookfield Asset Management where he oversaw merchant banking and restructuring activities in the resource and financial sector. Mr. Lyons is considered independent and financially literate.

Brian Hurl – . Mr. Hurl holds a B.A. in Economics from the University of Western Ontario. He has over 25 years in the banking industry in Canada where he was a Senior Vice-President and Director with Merrill Lynch Canada (formerly Midland Walwyn) and BMO Nesbit Burns. Mr. Hurl is a past director of both private companies and companies listed on the TSX. Mr. Hurl is considered independent and financially literate

## AUDIT COMMITTEE OVERSIGHT

Since the commencement of the Corporation's most recently completed financial year, there has been no recommendation of the audit committee to nominate or compensate an external auditor that was not adopted by the Board of Directors.

## RELIANCE OF CERTAIN EXEMPTIONS

Since the commencement of the Corporations most recently completed financial year, the Corporation has not relied on:

- (a) the exemption in section 2.4 (Deminimus Non-audit Services) of MI 52 110; or
- (b) an exemption from MI 52 110 in whole or in part, granted under Part 8 (Exemptions) of MI 52 110.

## PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

## EXTERNAL AUDITOR SERVICE FEES

The following table summarizes the fees paid during the last two financial years to the Corporation's auditor:

Item	2009	2008
Audit Fees	\$57,763	\$15,000
Audit Related Fees	\$33,780	\$10,000
Tax Fees	\$12,960	Nil
Other Fees	\$11,947	Nil

Notes:

- (1) Audit Related Fees are for quarterly review.
- (2) Tax Fees are for 2008 returns plus pre-amalgamation returns for Ceres and Reliable and pre change of ownership return for Element Energy.
- (3) Other Fees are for due diligence on the private placement and consulting on IFRS implementation.

**RELIANCE ON EXEMPTION**

The Corporation is a "venture issuer" as defined in MI 52-110 and as such is relying on the exemption in section 6.1 of MI 52-110 from the requirement to comply with the requirements of Part 3 (Composition of Audit Committee) and Part 5 (Reporting Obligations) of MI 52-110.

## APPENDIX C

### CORPORATE GOVERNANCE DISCLOSURE

#### GENERAL

The Board of Directors believes that good corporate governance improves corporate performance and benefits all shareholders. While it is the responsibility of the Corporation to develop its own corporate governance practices, National Policy 58-201 - *Corporate Governance Guidelines* ("**NP 58 201**") provides guidelines to be considered in developing those practices. National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("**NI 58-101**") requires annual disclosure of the Corporation's corporate governance practices. The following discussion sets out the Corporation's approach to certain aspects of corporate governance as required by NI 58-101

#### BOARD OF DIRECTORS

Directors are considered to be independent if they have no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Corporation's Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

Management has been delegated the responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Corporation's business in the ordinary course, managing cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board of Directors facilitates its independent supervision over management by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions, and all debt and equity financing transactions. Through its Audit Committee, the Board of Directors examines, among other things, the effectiveness of the Corporation's internal control processes and management information systems. The Board of Directors as a whole reviews executive compensation and recommends stock option grants.

The independent members of the Board of Directors of the Corporation are:

Brian Hurl  
Allan Laird  
Terry Lyons (Chairman)  
Dennis Nerland  
Mike Seth

The non-independent director is:

Murray Swanson

Mr. Swanson has been classified as non-independent because he is an executive officer.

The Board of Directors has a majority of independent directors.

## DIRECTORSHIPS

The following directors are directors of the following issuers, other than the Corporation. These issuers are reporting issuers in Canada, or the equivalent in a foreign jurisdiction.

Name	Other reporting issuers of which the Director is a director
Terry Lyons	Canaccord Financial Inc Diamonds North Resources Ltd. Farallon Mining Ltd FT Capital Ltd. Northgate Minerals Corporation Polaris Minerals Corporation Sprott Resource's Corp. TTM Resources Inc. Eacom Timber Corporation Pacific Wildcat Resources Corp
Mike Seth	Enerplus Resource Fund Connarcher Oil & Gas Limited Triton Energy Corp. Redcliffe Exploration Inc. Corridor Resources Corp.
Dennis Nerland	Acceleware Corp. Crew Energy Inc. Critical Control Solutions Corp Baden Technologies Inc. Royal Capital Corp. Arch Energy Inc. Dee Three Exploration Ltd. Northern Lights Acquisition Corp.

## ORIENTATION AND CONTINUING EDUCATION

The Board of Directors has not developed any specific orientation procedures for new directors or continuing education procedures for current directors.

## ETHICAL BUSINESS CONDUCT

Applicable laws impose duties on individual Directors to act honestly and in good faith with a view to the best interests of the Corporation. The Corporation's governing legislation also places restriction on an individual Director's participation in decisions of the Board of Directors where the Director has a personal interest. In view of these obligations and restrictions, the Board of Directors has not developed specific procedures to promote a culture of ethical conduct and believes that this is appropriate in view of the Corporation's size and stage of development.

## NOMINATION OF DIRECTORS

Prior to recommending nominee Directors to shareholders at the Corporation's Annual General Meeting, the Board of Directors as a whole considers the number of Directors and the skills and experience required to carry out the Board's duties effectively. The Board does not have a nominating committee.

## **COMPENSATION**

The Board of Directors on the recommendation of the Compensation and Governance Committee determines compensation for the directors and Chief Executive Officer.

## **OTHER BOARD COMMITTEES**

In addition to the Audit Committee and the Compensation and Governance Committee, the Board of Directors has established a Reserves Committee and a Health, Safety and Environment Committee.

On behalf of the Board of Directors, the Reserves Committee carries out the Board's responsibilities (other than approving the content and filing the Corporation's Statement of Reserves Data and Other Information, Report of Independent Qualified Reserves Evaluator or Auditor and Report of Management and Directors) under Canadian Securities Administrators National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

The Health, Safety and Environment Committee assists the Board of Directors in its oversight of occupational health and safety and environmental stewardship in relation to the Corporation's operations.

Members of all committees are identified under "Particulars of Matters to be Acted On – Election of Directors" in the Information Circular.

## **ASSESSMENTS**

The Board of Directors has not established any formal procedure to satisfy itself that the Board, its Committees and individual Directors are performing effectively.