

**CELTIC EXPLORATION LTD.**  
**(the “Corporation”)**

**COMPENSATION COMMITTEE MANDATE**

**Purpose**

1. The purpose of the Compensation Committee is to:
  - (a) recommend, review and approve corporate goals and objectives relevant to the Chief Executive Officer and director performance and evaluate performance to determine compensation;
  - (b) make recommendations to the Board of Directors of the Corporation (the “**Board**”) regarding compensation including incentive and equity-based compensation plans; and
  - (c) review director and executive officer compensation disclosure prior to its public disclosure.

**Duties**

2. The duties of the Compensation Committee are to:
  - (a) annually recommend objectives and performance criteria applicable to the Board, each director, the Board Chair, the Chair of each Committee and the Chief Executive Officer;
  - (b) annually arrange for an evaluation of the performance, contribution and effectiveness of the Board and Committees, individual directors, each Chair and the Chief Executive Officer in the context of the mandates, position descriptions, competencies and skills that each director is expected to bring to the Board by circulating:
    - (i) a Board questionnaire which asks directors to identify their own skills, their contributions to the Board and Committees, and rate their effectiveness;
    - (ii) a peer review questionnaire which asks directors to rate the contributions and effectiveness of their fellow Board members; and
    - (iii) a governance questionnaire which asks the directors to provide feedback on the Board and Committee Mandates, position descriptions, Code of Business Conduct and Ethics and other policies;
  - (c) prepare and distribute a report to the Board regarding annual evaluations to initiate discussion regarding how to improve the performance, contribution and effectiveness of the Board, each Committee, each director and the Chief Executive Officer;
  - (d) make recommendations to the Board regarding the amount and form of compensation to award to directors, the Board Chair and the Chair of each Committee;
  - (e) make recommendations to the independent members of the Board regarding the amount and form of compensation to award the Chief Executive Officer;
  - (f) review and make recommendations to the Board regarding proposals for the compensation of executive officers and management, including salary, bonus, options, perquisites, retirement allowances and all other forms of proposed compensation;

- (g) review and make recommendations regarding all incentive and equity-based compensation plans and all proposed grants of securities under such plans;
- (h) review and make recommendations regarding employee benefit and retirement plans; and
- (i) in making all compensation recommendations take into consideration:
  - (i) the duties of each individual, his or her past service and continuing responsibilities;
  - (ii) the position or job description of individuals, their short and long-term objectives, goals and performance measurement indicators;
  - (iii) the Corporation's performance and shareholder returns; and
  - (iv) the form and amount of compensation awarded by comparable companies and competitors.

### **Composition**

3. All members of the Compensation Committee will, at all times, be independent as defined in then current laws applicable to the Corporation. At least one member of the Compensation Committee shall have significant experience in management compensation matters.

### **Meetings**

4. The Compensation Committee is responsible to meet as often as required to discharge its duties.
5. The Chair of the Compensation Committee appointed by the Board will, in consultation with the members, determine the schedule, time and place of meetings.
6. A quorum for a meeting of the Committee shall be a majority of members present in person or by telephone conference call.
7. Notice of the time and place of every meeting shall be given in writing, by email or facsimile to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided that a member may in any manner waive a notice of meeting.
8. The Compensation Committee has the authority to delegate authority to individuals or sub-Committees of the Compensation Committee.
9. Promptly following the election of the directors of the Corporation following each annual meeting of the Corporation's shareholders, the Compensation Committee shall convene an in camera meeting in order to elect a Chair of the Compensation Committee by confidential ballot.

### **Reporting**

10. The Compensation Committee is responsible, following each meeting, to report to the Board regarding its activities, findings and recommendations.
11. The Compensation Committee is responsible for preparing a report for inclusion in the Corporation's annual management information circular.

12. The Compensation Committee shall report directly to the Board and not to the Corporation's executive officers.

### **Governance**

13. The Compensation Committee is responsible to annually review, and in its discretion make recommendations to the Disclosure Committee and the Board regarding confirmation of or changes to be made to its Mandate and the position description of its Chair.

### **Independent Compensation Consultant**

14. The Compensation Committee shall, at least once every three years, commencing in 2011, select and retain an independent compensation consultant to conduct a comprehensive review and assessment of the Corporation's policies, procedures and internal controls for setting compensation for the Chief Executive Officer and other members of senior management, including but not limited to the comparator group of companies being used in the setting of such compensation. The independent consultant shall be required to prepare and submit a report to the Compensation Committee.
15. Private meetings between the independent compensation consultant referred to in No. 14 above and the Compensation Committee shall occur during regularly scheduled Compensation Committee meetings in accordance with the duration of the engagement of the independent compensation consultant.
16. Non-Board-based services conducted by the independent compensation consultant shall be pre-approved by the Chair of the Compensation Committee. The amounts of fees paid to the compensation consultant for services rendered to the Compensation Committee, and the nature of work performed and fees paid for other services (if any) provided by the compensation consultant to the Corporation, shall be disclosed in appropriate public documents.
17. The Compensation Committee shall establish its compensation structures, policies and procedures consistent with current, independent and qualified views of best practices. In particular, the Compensation Committee shall:
  - (a) familiarize itself with the best practice views of institutional shareholders and corporate government institutes and associations, including the Canadian Coalition for Good Governance, in respect of the oversight of executive compensation;
  - (b) consult with the Compensation Committee's independent compensation consultants, from time to time, to review the current state of affairs on best practices in the various areas of executive and other employee compensation; and
  - (c) undertake to adopt, implement or utilize, as necessary and appropriate, approaches, practices and tools to facilitate thoughtful and informed decision making in respect of the oversight of executive and other employee compensation, including with respect to the relative balance between annual and long-term compensation.
18. At any meeting of the Board where the compensation of senior management is determined: (a) the Board shall meet in executive session in the absence of management and in the absence of non-independent directors; and (b) appropriate minutes will be maintained of matters addressed in the executive session.

**Advisors**

19. The Compensation Committee has the power, at the expense of the Corporation, to retain, instruct, compensate and terminate independent advisors to assist the Compensation Committee in the discharge of its duties.

Revision No. 1 approved by the Board: February 8, 2011