



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON APRIL 28, 2005**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**DATED MARCH 20, 2005**

**CELTIC EXPLORATION LTD.  
500, 505 - 3<sup>rd</sup> Street S.W.  
Calgary, Alberta  
T2P 3E6**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** the annual meeting (the “**Meeting**”) of the shareholders of Celtic Exploration Ltd. (the “**Corporation**”) will be held in the Grand Lecture Theatre of the Metropolitan Centre, 333 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, on Thursday, April 28, 2005 at 3:00 p.m. (Calgary time) for the following purposes:

1. To receive and consider the financial statements of the Corporation for the year ended December 31, 2004 and the report of the auditors thereon;
2. To elect the directors of the Corporation for the ensuing year;
3. To appoint the auditors of the Corporation for the ensuing year; and
4. To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The details of all matters proposed to be put before shareholders at the Meeting are set forth in the Information Circular accompanying this Notice of Meeting. At the Meeting, shareholders will be asked to approve each of the foregoing items.

Only shareholders of record as of March 18, 2005, the record date, are entitled to receive notice of the Meeting.

**DATED** at Calgary, Alberta, this 20<sup>th</sup> day of March, 2004.

**BY ORDER OF THE BOARD OF DIRECTORS**

“David J. Wilson”

President and Chief Executive Officer

**IMPORTANT**

It is desirable that as many Common Shares as possible be represented at the Meeting. If you do not expect to attend and would like your Common Shares represented, please complete the enclosed form of proxy and return it as soon as possible in the envelope provided for that purpose. In accordance with the by-laws of the Corporation, all proxies, to be valid, must be deposited at the office of the Registrar and Transfer Agent of the Corporation, Valiant Trust Company, Suite 310, 606 - 4<sup>th</sup> Street S.W., Calgary, Alberta T2P 1T1, no later than 3:00 p.m. (Calgary time) on April 26, 2005 or on the second last business day preceding any adjournment of the Meeting.

## CELTIC EXPLORATION LTD.

### ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON April 28, 2005

#### MANAGEMENT INFORMATION CIRCULAR

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of Celtic Exploration Ltd. ("**Celtic**" or the "**Corporation**") for use at the annual meeting of the holders of common shares (the "**Common Shares**") of the Corporation to be held on the 28th day of April, 2005 at 3:00 p.m. (Calgary time), or at any adjournment thereof (the "**Meeting**"), for the purposes set forth in the Notice of Meeting. The information contained herein is given as of the 20<sup>th</sup> day of March, 2005, except where otherwise indicated. There is enclosed herewith a form of proxy for use at the Meeting, together with a copy of the Corporation's Annual Report containing the financial statements of the Corporation to be presented at the Meeting. Each shareholder who is entitled to attend at meetings of shareholders is encouraged to participate in the Meeting and shareholders are urged to vote in person or by proxy on matters to be considered.

#### APPOINTMENT AND REVOCATION OF PROXIES

Those shareholders desiring to be represented by proxy must deposit their respective forms of proxy with Valiant Trust Company ("**Valiant**") at Suite 310, 606 - 4<sup>th</sup> Street S.W., Calgary, Alberta T2P 1T1 by no later than 3:00 p.m. (Calgary time) on April 26, 2005 or on the second last business day preceding any adjournment of the Meeting. A proxy must be executed by the shareholder or by his or her attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized. A proxy is valid only at the Meeting in respect of which it is given or any adjournment of the Meeting.

**Each shareholder submitting a proxy has the right to appoint a person to represent him, her or it at the Meeting other than the persons designated in the form of proxy furnished by the Corporation.** The shareholder may exercise this right by striking out the names of the persons so designated and inserting the name of the desired representative in the blank space provided, or by completing another form of proxy and in either case depositing the proxy with Valiant at the place and within the time specified above for the deposit of proxies.

**A proxy may be revoked by the person giving it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person.** In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or his or her attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized, and deposited with Valiant at the place and within the time specified above for the deposit of proxies. The close of business on March 18, 2005 is the record date for the determination of shareholders who are entitled to notice of, and to attend and vote at, the Meeting (the "**Record Date**").

Shareholders who do not hold their Common Shares in their own name (referred to herein as “**beneficial shareholders**”) are advised that only proxies from shareholders of record can be recognized and voted upon at the Meeting. If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder’s name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such Common 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 nominees can only be voted (for or against resolutions) upon the instructions of the beneficial shareholder. Without specific instructions, brokers/nominees are prohibited from voting Common Shares for their clients. The directors and officers of the Corporation do not know for whose benefit the Common Shares registered in the name of CDS & Co. are held, and directors and officers of the Corporation do not necessarily know for whose benefit the Common Shares registered in the name of any broker or agent are held. Beneficial shareholders who complete and return a form of proxy must indicate thereon the person (usually a brokerage house) who holds their Common Shares as a registered shareholder. Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from beneficial shareholders in advance of shareholders’ meetings. Every intermediary (broker) has its own mailing procedure, and provides its own return instructions, which should be carefully followed. The form of proxy supplied to beneficial shareholders 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 instructions from clients to ADP Investor Communications (“**ADP**”). ADP typically applies a special sticker to the proxy forms, mails those forms to the beneficial shareholders and asks beneficial shareholders to return the proxy forms to ADP. ADP then 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 proxy with an ADP sticker on it cannot use that proxy to vote Common Shares directly at the Meeting. The proxy must be returned to ADP well in advance of the Meeting in order to have the Common Shares voted.**

All references to shareholders in this Management Information Circular and the accompanying form of proxy and Notice of Meeting are to shareholders of record, unless specifically stated otherwise.

### **EXERCISE OF DISCRETION**

The Common Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder where voting is by way of a show of hands or by ballot. **The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. If any such matters should come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with their best judgment unless the shareholder has specified to the contrary or that Common Shares are to be withheld from voting. At the time of printing this Management Information Circular, the management of the Corporation is not aware of any such amendment, variation, or other matter.**

Unless otherwise specified, proxies in the accompanying form will be voted in favour of the election of the nominees hereinafter set forth as directors of the Corporation (provided that in the event that a vacancy among such nominees occurs because of death or for any other reason prior to the Meeting, proxies shall not be voted with respect to such vacancy) and in favour of the appointment of PricewaterhouseCoopers LLP, Chartered Accountants as auditors of the Corporation.

### PERSONS MAKING THE SOLICITATION

This solicitation is made on behalf of the management of the Corporation. The cost incurred in the preparation and mailing of both the proxy and this Management Information Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of the Corporation who will not be directly compensated therefor.

In accordance with National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

### VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at March 20, 2005, Celtic had 25,886,563 issued and outstanding Common Shares. Each Common Share confers upon the holder thereof the right to one vote. Only those shareholders of record on the Record Date are entitled to receive notice of and vote at the Meeting. Any transferee or person acquiring Common Shares after the Record Date may, on proof of ownership of Common Shares, demand of Valiant not later than 10 days before the Meeting that his name be included in the list of persons entitled to attend and vote at the Meeting.

Two or more holders of ten (10%) percent of the Common Shares present in person or represented by proxy constitutes a quorum for the Meeting, irrespective of the number of persons actually present at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, as of the date hereof no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the voting rights attached to all of the issued and outstanding Common Shares of the Corporation other than as set forth below:

Name and Country of Residence	Type of Ownership	Number of Common Shares	Percentage of Outstanding Common Shares
David J. Wilson Alberta, Canada	Beneficial and of Record	4,663,532	18.0%
Eldon A. McIntyre Alberta, Canada	Beneficial and of Record	2,785,833	10.8%

## EXECUTIVE COMPENSATION

### Senior Executive Compensation

The following table sets forth information concerning the total compensation during the financial years ended December 31, 2004 and December 31, 2003 and for the period ended December 31, 2002 for the President and Chief Executive Officer, the Vice President, Finance and Chief Financial Officer, the Vice President, Operations, the Vice President, Land and the Vice President, Exploration (collectively, the “**Named Executive Officers**”) who, at December 31, 2004, were the only executive officers of the Corporation. The aggregate cash remuneration paid to the Named Executive Officers for services rendered during the year ended December 31, 2004 was \$442,900.

Name and Principal Position	Year	ANNUAL COMPENSATION			LONG-TERM COMPENSATION			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation <sup>(1)</sup> (\$)	AWARDS		PAYOUTS	
					Securities Under Options/SARs Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
David J. Wilson President and Chief Executive Officer	2004 2003 2002 <sup>(2)</sup>	nil nil nil	nil nil nil	nil nil nil	nil 50,000 150,000	nil nil nil	nil nil nil	nil nil nil
Sadiq H. Lalani Vice President, Finance and Chief Financial Officer	2004 2003 2002 <sup>(3)</sup>	112,500 64,167 10,000	33,750 nil nil	nil nil nil	nil 50,000 150,000	nil nil nil	nil nil nil	nil nil nil
Alan Franks Vice President, Operations	2004 2003 2002 <sup>(4)</sup>	116,250 55,417 4,167	34,875 nil nil	nil nil nil	nil 41,666 125,000	nil nil nil	nil nil nil	nil nil nil
Michael Shea Vice President, Land	2004 2003 2002 <sup>(5)</sup>	110,833 49,035 3,750	33,250 nil nil	nil nil nil	nil 41,666 125,000	nil nil nil	nil nil nil	nil nil nil
David Morgenstern Vice President, Exploration	2004 <sup>(6)</sup>	1,442	nil	nil	125,000	nil	nil	nil

**Notes:**

- (1) The aggregate amount of all perquisites and other personal benefits provided to each Named Executive Officer was less than \$50,000 and 10% of the total annual salary and bonus of each Named Executive Officer for the period indicated.
- (2) Mr. Wilson was appointed President and Chief Executive Officer on September 30, 2002.
- (3) Mr. Lalani was appointed Vice President, Finance and Chief Financial Officer on October 15, 2002.
- (4) Mr. Franks was appointed Vice President, Operations on December 1, 2002.
- (5) Mr. Shea was appointed Vice President, Land on December 16, 2002.
- (6) Mr. Morgenstern was appointed Vice President, Exploration on December 29, 2004.

### Option/SAR Grants During the Most Recently Completed Financial Year

The following table sets forth the options to acquire Common Shares granted to the Named Executive Officers of the Corporation during the financial year ended December 31, 2004.

Name	Securities Under Options/SARs Granted (#) <sup>(1)</sup>	% of Total Options/SARs Granted to Employees in Financial Year <sup>(2)</sup>	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
David Morgenstern	100,000	28.7%	7.75	7.75	Sept. 9, 2009
	25,000		8.65	8.65	Nov. 5, 2009

**Notes:**

- (1) Each stock option is granted for a term of five years and vests as to one-third thereof over each of the first three years of the term.
- (2) A total of 435,500 stock options were issued, all to employees of the Corporation, under the Stock Option Plan (as hereinafter defined) during the year ended December 31, 2004

### Aggregated Option/SAR Exercises During the Financial Year Ended December 31, 2004 and Option/SAR Values at December 31, 2004

The following table provides details of stock options exercised during the financial year ended December 31, 2004 by the Named Executive Officers and the December 31, 2004 value of unexercised in-the-money options. The actual value of the unexercised in-the-money options will be determined by the market price of the Common Shares on the date such options may be exercised. There is no assurance that the value of such in-the-money options shown in this table will be realized.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2004 (# Exercisable/Unexercisable)	Value of Unexercised in-the-Money Options at December 31, 2004 (\$ Exercisable/Unexercisable)
David J. Wilson	nil	nil	50,000 / 100,000	320,000 / 490,000
Sadiq H. Lalani	nil	nil	50,000 / 100,000	320,000 / 490,000
Alan Franks	nil	nil	41,667 / 83,333	266,669 / 408,333
Michael Shea	nil	nil	41,667 / 83,333	241,669 / 383,333
David Morgenstern	nil	nil	nil/125,000	nil/ 171,250

**Note:**

- (1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Corporation's Common Shares on the Toronto Stock Exchange on December 31, 2004 of \$9.30.

## **Termination of Employment, Change in Responsibilities and Employment Contracts**

The Corporation has entered in to an Employment Agreement with each of the President and Chief Executive Officer, the Vice President, Finance and Chief Financial Officer, the Vice President, Operations, the Vice President, Land and the Vice President, Exploration of the Corporation. Each of these agreements provide that in the event of termination by the Corporation for other than just cause, or in the event of a termination of employment in connection with a change of control of the Corporation, each of the President and Chief Executive Officer, the Vice President, Finance and Chief Financial Officer, the Vice President, Operations, the Vice President, Land and the Vice President, Exploration of the Corporation is entitled to compensation in the amount of 12 months salary.

## **Compensation of Directors**

The directors of the Corporation do not receive any compensation as directors of the Corporation, however, they are reimbursed for all reasonable expenses incurred in order to attend meetings of the board of directors (the "**Board**") or any committee of the Board. The directors of the Corporation are eligible to receive options to acquire Common Shares pursuant to the Stock Option Plan (as defined below). No directors of the Corporation have received any non-cash compensation for services in their capacity as directors or participation in Board meetings or on committees during the most recently completed financial year.

William C. Guinan, a director of the Corporation, is a partner with the law firm of Borden Ladner Gervais LLP which firm has received fees from the Corporation for legal services provided to the Corporation for the financial year ended December 31, 2004 and continues to provide such services from time to time.

## **Bonus Plan**

On December 11, 2003, at the recommendation of Celtic's Compensation Committee, the Board approved a bonus plan (the "**Bonus Plan**") for use commencing January 1, 2004. All regular full-time employees of Celtic are eligible participants in the Bonus Plan. The Bonus Plan consists of a discretionary component and a non-discretionary component. The discretionary component is based upon employee merit and the amount to be paid out thereunder, if any, is determined by the Board, taking into consideration the recommendation of the Compensation Committee. The non-discretionary component is based upon the Corporation's performance, on a year over year basis, as determined by a combination of two measures, namely: funds from operations per share and daily production per million shares outstanding. Each measure is weighted at 50% and no bonus will be payable under the non-discretionary component of the Bonus Plan unless and until the Corporation has first achieved a 15% growth rate with respect to the weighted average of the aforesaid measures. The Compensation Committee will review from time to time and make recommendations to the Board with respect to the adequacy of the growth rate which must first be achieved by the Corporation before any amounts are payable under the non-discretionary component of the Bonus Plan. Provided that the Corporation has first achieved the 15% growth rate, regular full-time employees are eligible to receive a bonus, equal to between a minimum of 15% (applicable to the Corporation's most junior employees) and a maximum of 40% (applicable to the Corporation's most senior employees) of the applicable employee's base salary.

## **Incentive Stock Option Plan**

Effective as of July 14, 2003, being the commencement date of the Corporation's listing on the Toronto Stock Exchange ("TSX"), the Board approved a new stock option plan (the "**Stock Option Plan**") in order to comply with TSX requirements. The Corporation obtained approval from the TSX for the Stock Option Plan and approval of the Stock Option Plan by the shareholders of the Corporation. The Stock Option Plan amended and restated the Corporation's previous stock option plan in its entirety. The Stock Option Plan permits the granting of stock options to the Corporation's employees, officers, directors and consultants for the purpose of developing the interest of the participants in the growth and development of the Corporation and to better enable the Corporation to attract and retain persons of desired experience and ability. The Stock Option Plan reserves for issuance 3,500,000 Common Shares for purposes of granting stock options. This amount has been reduced by 488,329 Common Shares as a result of stock options previously granted and that have been exercised. As at the date hereof, 1,916,335 stock options are issued and outstanding, representing 7.4% of the Corporation's issued and outstanding Common Shares. The Board administers the Stock Option Plan. The number of stock options that may be granted to any one (1) person must not exceed 5% of number of issued and outstanding Common Shares. The number of stock options that may be issued and outstanding under the Stock Option Plan shall not exceed 10% of the issued and outstanding Common Shares. The Stock Option Plan provides for the exercise price to be determined by the Board provided that the exercise price of the options may not be less than that permitted by the TSX. Stock options granted under the Stock Option Plan will be for a term of no longer than five (5) years after granting of an option. The Board may interpret the Stock Option Plan, prescribe, amend or rescind the rules and regulations relating to it and make all other determinations necessary or advisable for its administration, subject to the requirements of the TSX.

## **Composition of the Compensation Committee**

During 2004, the members of the Compensation Committee were Robert Dales, William Guinan and Neil Sinclair. Mr. Sinclair served as Chairman of the Compensation Committee. Mr. Guinan is the Corporate Secretary of the Corporation.

## **Report on Executive Compensation**

The Compensation Committee determines the compensation to be provided to the five (5) Named Executive Officers of the Corporation. Compensation of all executive officers is based on performance. All Named Executive Officers of the Corporation have entered into an Employment Agreement with the Corporation. Standard benefits are provided to all employees, including the Named Executive Officers. Executive compensation also includes participation in the Bonus Plan and in the Stock Option Plan.

*Base Salary:* The Compensation Committee has set all executive annual salaries' other than in respect of the President and Chief Executive Officer of the Corporation, who was not paid any base salary during the year ended December 31, 2004, at a level which is at the median compensation for executive officers of comparable oil and gas companies based upon a review of publicly available information with respect to executive compensation.

*Bonuses:* The Compensation Committee has established the Bonus Plan which has been approved by the Board. The Compensation Committee believes that the Bonus Plan plays an important role in both Celtic's annual and its long-term overall executive compensation

arrangements. Bonuses were awarded for performance during the year ended December 31, 2004 because the non-discretionary criteria established under the Bonus Plan were satisfied.

*Stock Option Plan:* The Board may grant stock options to purchase Common Shares to directors, officers, employees and consultants of the Corporation pursuant to the Stock Option Plan. Option exercise prices are set at market value at the time of grant in accordance with the requirements of the TSX. Stock options grow in value to their recipients as the trading value of the Common Shares increases. As such, the Compensation Committee believes that stock options play an important role in long-term executive compensation as Celtic's officers benefit from their options only to the extent that shareholder value is increased. The number of stock options that have been granted in the past and that are currently outstanding are taken into account in granting new stock options.

*President and Chief Executive Officer:* Prior to January 1, 2005, the President and Chief Executive Officer was not paid any base salary by the Corporation, although he does participate in the Corporation's Bonus Plan and in the Corporation's Stock Option Plan. The Compensation Committee conducts an annual review to determine an appropriate compensation arrangement for the President and Chief Executive Officer of the Corporation for the next year. Effective January 1, 2005, the President and Chief Executive Officer has been paid an annual base salary of \$150,000.

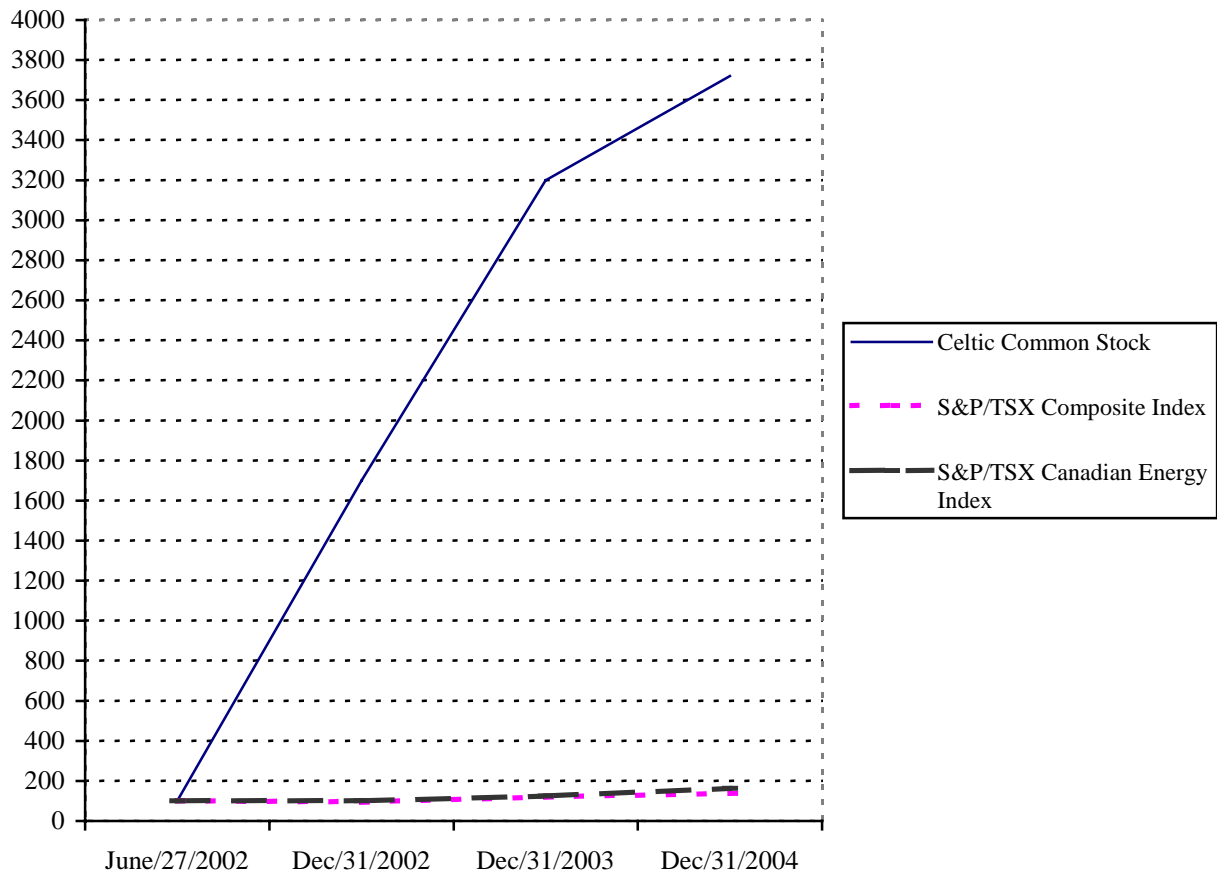
The Compensation Committee believes that it has been successful in providing Celtic's executive officers with a package that combines reasonable base compensation with additional potential annual and long-term financial rewards that are tied to positive operational and financial results and increases in shareholder value.

The foregoing report is respectfully submitted to the shareholders of the Corporation by the Compensation Committee.

Neil G. Sinclair  
Robert J. Dales  
William C. Guinan

### **Performance Graph**

Celtic completed its initial public offering on June 27, 2002. The Common Shares were originally listed on the TSX Venture Exchange ("**TSX-V**") on July 8, 2002 and were delisted from the TSX-V and listed and posted for trading on the TSX on July 14, 2003. The following graph illustrates cumulative shareholder return, as measured by the closing price of the Common Shares at the end of each financial period and year indicated, assuming an initial investment of \$100, compared to the S&P/TSX Composite Index and the S&P TSX Canadian Energy Index.



	June 27, 2002	December 31, 2002	December 31, 2003	December 31, 2004	Average Annual Return
Celtic Common Stock	100	1,700	3,200	3,720	321.2%
S&P/TSX Composite Index	100	94	120	137	13.3%
S&P/TSX Canadian Energy Index	100	100	125	163	21.4%

**Note:**

- (1) Starting date is based on completion date of June 27, 2002 of Celtic's Initial Public Offering at \$0.25 per share.

**Equity Compensation Plan Information**

The following table provides details as at the end of the year ended December 31, 2004 with respect to all compensation plans of the Corporation under which equity securities of the Corporation are authorized for issuance.

<b>Plan Calgary</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected herein)</b>
<b>Equity compensation plans approved by securityholders</b>	1,928,001	5.28 per share	1,135,336
<b>Equity compensation plans not approved by securityholders</b>	nil	nil	nil
<b>Total</b>	1,928,001	5.28 per share	1,135,336 <sup>(1)</sup>

**Note:**

- (1) Pursuant to the 10% limit of outstanding Common Shares prescribed under the Stock Option Plan, the number of Common Shares reserved for future issuance would currently be limited to 655,489.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The TSX has adopted guidelines for effective corporate governance which address the constitution and independence of corporate boards, the functions to be performed by the boards and their committees and other governance matters. To implement these guidelines the TSX required that each listed company disclose its approach to corporate governance with reference to the proposed guidelines.

The Corporation's governance practices are the responsibility of the Board. The Board has delegated some of its responsibilities to develop and monitor the Corporation's governance practices to the Corporate Governance Committee. The Board believes that good corporate governance is of fundamental importance to the success of the Corporation and, in 2004, with the encouragement of the Board, the Corporation continued to strengthen its governance practices. The Corporate Governance Committee makes recommendations from time to time to the Board concerning changes in the specific duties and responsibilities of the Board and its committees to keep up to date with corporate governance practices and new regulations. The mandate and terms of reference of all committees are reviewed at least annually. A detailed description of the Corporation's compliance with the TSX guidelines is set out in Appendix "A" hereto. Under the guidelines of the TSX an "unrelated" director is one who is independent of management and is free from any interest and any business or other relationship (other than interests and relationships arising from shareholding) which could, or could reasonable be perceived to materially interfere with the director's ability to act in the best interests of the Corporation.

### **Responsibilities of the Board**

Celtic's Board has the statutory responsibility to oversee the conduct of the business of the Corporation and to supervise management, who are responsible for the daily conduct of the business of the Corporation. Celtic's Board is also responsible for establishing the Corporation's strategic direction and operating philosophy and then monitoring management's conduct and performance.

## **Mandate of the Board**

The Board has a mandate to oversee the management of the business and affairs of Celtic. The Board reviews the performance of the Corporation's major plans and actions, including strategic plans, management development and succession, business development initiatives, integrity of the Corporation's internal controls, management information systems and systems to identify principal business risks, interim and annual financial results and public disclosure, and the review of the Corporation's results of operations, including the evaluation of the general and specific performance of management.

The Board expects management to be responsible for the management of the Corporation's day-to-day operations, subject to the Board's mandate. Management is also expected to fully inform the Board on the business and affairs of the Corporation, to develop and maintain an effective organization and to ensure management succession. The Board ensures that management develops and maintains a system of internal controls designed to safeguard assets from loss or unauthorized use and to ensure the accuracy of the Corporation's financial records.

The Board considers that certain decisions are of sufficient importance that management should seek prior approval of the Board, such as the approval of the annual capital and operating budget and any material changes to this budget, the acquisition or sale of significant oil and natural gas assets, significant debt and equity financings, changes in management, all matters as required under the *Business Corporations Act (Alberta)* and significant changes in corporate policies, goals or objectives.

The Board meets on a regular quarterly basis and otherwise as required.

## **Composition of the Board**

Celtic maintains a policy of having a Board comprised of a majority of independent and unrelated directors.

The Corporation's Articles provide that the Board is to consist of not fewer than three and not more than 11 members. Currently, the Board is composed of five members who are elected annually by the shareholders. Four members are independent and unrelated directors and one member, the President and Chief Executive Officer of the Company, is a related director.

The Board is presided over by the Chairman, William C. Guinan, an unrelated director. The Board, with the advice of the Corporate Governance Committee, determines whether a majority of the Board is independent and unrelated. The Board has concluded that the number of directors on the Board as presently constituted is appropriate for a company the size of Celtic.

## **Committees of the Board**

In order to assist the Board in efficiently carrying out certain of the Board's responsibilities, the Board has established the following four standing committees, namely the Audit Committee, Reserves Committee, Compensation Committee and the Corporate Governance Committee.

### **Audit Committee**

The *Business Corporations Act* (Alberta) requires that the Corporation shall have an audit committee which must be composed of not less than three directors, a majority of whom are not officers or employees of the Corporation. The Company's Audit Committee is comprised of Robert J. Dales, who acts as chairman of the Committee, Eldon A. McIntyre and Neil G. Sinclair. The Audit Committee's responsibilities include reviewing and overseeing the Corporation's procedures for internal control with the Corporation's auditors and Chief Financial Officer, as well as: (i) reviewing the engagement of the auditors; (ii) reviewing and recommending to the Board for its approval of annual (and quarterly) financial statements; (iii) assessing the Corporation's financial and accounting personnel; and (iv) reviewing any significant transactions and any pending litigation involving the Corporation. The Audit Committee has direct communication channels with the Chief Financial Officer of the Corporation, as well as with the external auditors of the Corporation to discuss and review specific issues as appropriate.

Under Multilateral Instrument 51-110 *Audit Committee*, the Corporation is required to include in its Annual Information Form ("AIF") the disclosure required under Form 52-110F1 with respect to its audit committee, including the composition of the audit committee, the text of its audit committee charter and the fees paid to the external auditor and to include in its management information circular a cross-reference to the sections in the AIF that contain the required information. Celtic's disclosure with respect to the foregoing is contained in the section of its AIF dated March 31, 2005 entitled "Audit Committee".

### **Reserves Committee**

The Reserves Committee is composed of two unrelated directors, Eldon A. McIntyre, who acts as chairman, and Robert J. Dales, and one director from management, David J. Wilson. Each of these directors has an extensive and diverse background in oil and gas operations. The Committee meets with the Corporation's independent reserves evaluation engineers, at least annually, to discuss the evaluation of Celtic's reserves and has responsibility for fulfilling the Corporation's duties and obligations under NI 51-101 *Standards of Disclosure for Oil and Gas Activities*, to the extent delegated to the Committee by the Board.

### **Compensation Committee**

The Board has established a Compensation Committee consisting of three directors, namely, Neil G. Sinclair, who acts as chairman of the Committee, Robert J. Dales and William C. Guinan. The Compensation Committee has responsibility for the Corporation's human resources and compensation policies. The Compensation Committee has primary responsibility for: (i) administering the Stock Option Plan; (ii) assessing the performance of the President and Chief Executive Officer of the Company; (iii) reviewing and approving the compensation of senior management and consultants of the Corporation; and (iv) reviewing and approving any and all compensation or incentive programs of the Corporation.

### **Corporate Governance Committee**

The Board has established a Corporate Governance Committee consisting of three directors, namely, William C. Guinan, who acts as chairman of the Committee, Robert J. Dales and David J. Wilson, In addition to developing the Corporation's approach to corporate governance and generally having responsibility for the Corporation's corporate governance policies, the

Corporate Governance Committee has primary responsibility for: (i) assessing the effectiveness of the Board; (ii) considering questions of management succession; (iii) participating in the recruitment and selection of candidates to serve as directors of the Corporation; (iv) organizing an orientation and education program for new recruits to the Board; and (v) considering and approving proposals by the directors of the Corporation to engage outside advisors on behalf of the Board as a whole or on behalf of the independent directors of the Corporation.

### **Responsibilities of Management**

Management is responsible for the development of overall strategy and the preparation and implementation of related business plans. The role of the Board is to review and ultimately approve the strategies and plans for Celtic. The Board relies significantly on the information and analysis provided by management. It has confidence in management's skills and administrative abilities.

### **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

No director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of them is or was indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation.

### **INTEREST OF DIRECTORS AND OFFICERS IN MATTERS TO BE ACTED UPON**

No director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any other insider of the Corporation, nor any associate or affiliate of any one of them, has or has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting except as described in this Management Information Circular under the heading "Election of Directors".

### **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

Other than set forth in this Management Information Circular, the management of the Corporation is not aware of any material interest, direct or indirect, or of any insider of the Corporation or any associate or affiliate of any such person, in any transaction since the commencement of the last fiscal year, or in any proposed transaction since the beginning of the Corporation's last financial year ended December 31, 2004 that has materially affected or would materially affect the Corporation.

### **MATTERS TO BE ACTED UPON AT MEETING**

#### **1. Receipt of the Financial Statements and Auditors' Report**

At the Meeting, shareholders will receive and consider the financial statements of the Corporation for the year ended December 31, 2004 and the auditors' report thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken.

## 2. Election of Directors

The persons named in the enclosed form of proxy intend to have nominated and to vote for the election of, as a director, each of the persons whose name is set forth below all of whom are currently members of the Board. Each director elected will hold office until the next annual meeting of the Corporation or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation.

The following table sets forth the names and municipalities of residence of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which each exercises control or direction, the period served as director and the principal occupation of each as of March 20, 2005.

Name and Country of Residence	Number of Common Shares Beneficially Owned <sup>(1)</sup>	Director Since	Principal Occupation
Robert J. Dales <sup>(2)(4)(5)(6)</sup> Alberta, Canada	554,167	April, 2002	President, Valhalla Ventures Inc., a private investment company from January, 1999 to the present. President of Desco Exploration Ltd. (now Celtic) April 2002 until September 2002.
William C. Guinan <sup>(4)</sup> Alberta, Canada	240,667	April, 2002	Partner, Borden Ladner Gervais LLP, a law firm.
Eldon A. McIntyre <sup>(2)(5)(6)</sup> Alberta, Canada	2,785,833 <sup>(3)</sup>	September, 2002	President, Jarrod Oils Ltd., a private Alberta company engaged in oil and gas exploration and production, from the late 1970's to the present.
Neil G. Sinclair <sup>(2)(5)</sup> British Columbia, Canada	815,667	April, 2002	President, Sinson Investments Ltd., a private British Columbia company engaged in property development, from 1973 to the present.
David J. Wilson <sup>(4)(6)</sup> Alberta, Canada	4,663,532	September, 2002	President and Chief Executive Officer of Celtic. Prior thereto President of Vintage Petroleum Canada, Inc., an oil and gas exploration and production company, from May 2001 to May 2002 and President and Chief Executive Officer of Genesis Exploration Ltd., an oil and gas exploration and production company, from 1992 to May 2001.

### Notes:

- (1) In addition to the Common Shares beneficially owned, the nominees for director hold an aggregate 375,000 stock options.
- (2) Member of the Audit Committee. The Corporation is required to have an audit committee pursuant to the *Business Corporations Act (Alberta)*.
- (3) Mr. McIntyre controls Eldon Investments Inc. which owns 1,834,170 of these shares and is a trustee of the McIntyre Family Trust which owns 750,000 of these shares.
- (4) Member of the Corporate Governance Committee.
- (5) Member of the Compensation Committee.
- (6) Member of the Reserves Committee.

### 3. Appointment of Auditors

The persons named in the enclosed form of proxy intend to have nominated and to vote for the reappointment of, as auditors of the Corporation, PricewaterhouseCoopers LLP, Chartered Accountants ("**PWC**"), of Calgary, Alberta at a remuneration to be fixed by the Board and to hold such office until the next annual meeting of the Corporation. PWC was first appointed as auditor of the Corporation on September 30, 2002.

Additional information relating to the Corporation is available under the Corporation's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). Financial information relating to Celtic is provided in the Corporation's financial statements and management discussion and analysis ("**MD&A**") for the financial year ended December 31, 2004. Shareholders may contact the Corporation to request copies of the financial statements and MD&A by: (i) mail to Suite 500, 505 - 3<sup>rd</sup> Street S.W., Calgary, Alberta Canada T2P 3E6; or (ii) fax to (403) 201-9163.

## Appendix "A"

### TSX Corporate Governance Guidelines

1. The Board of the Corporation should explicitly assume responsibility for the stewardship of the Corporation and specifically for:

a) Adoption of a strategic planning process.

Yes, Celtic aligns with this guideline.

Comments: Management is responsible for the development of overall corporate strategies. These strategies are reviewed and approved annually by the Board.

b) Identification of principal risks and ensuring implementation of appropriate risk managing systems.

Yes, Celtic aligns with this guideline.

Comments: The Board reviews the principal risks of Celtic's business on an ongoing basis and management's recommendations for managing such risks. The Board's participation in the strategic planning process and the approval of the capital and budget involves the identification and consideration of the principal risks of Celtic's business. Specific risk and risk management is also addressed by the Audit and Reserves Committees.

c) Succession planning including appointment, training and monitoring senior management.

Yes, Celtic aligns with this guideline.

Comments: The Compensation Committee is responsible for reviewing the compensation of senior management of Celtic and for making recommendations to the Board on such matters as management organization and succession plans.

d) Communications policy.

Yes, Celtic aligns with this guideline.

Comments: The Board's mandate includes ensuring that systems are in place for open, accurate and timely communication with its shareholders, regulatory agencies and other stake holders.

This communication includes annual reports, quarterly reports, press releases and group meetings.

e) Integrity of internal control and management information systems.

Yes, Celtic aligns with this guideline.

Comments: The Board has established processes designed to confirm the integrity of internal control systems and management information systems. The Board receives an extensive package of information prepared for each Board meeting.

2. Majority of directors should be unrelated (independent from management and free from conflicting interest).

Yes, Celtic aligns with this guideline.

Comments: All members of the Board are unrelated directors other than the President and Chief Executive Officer of the Corporation. Celtic has adopted a policy that the majority of the directors should be independent and unrelated.

3. Disclose which directors are related.

Yes, Celtic aligns with this guideline.

Comments: Other than the President and Chief Executive Officer, no members of the Board are related directors.

4. Appoint a committee responsible for appointment and assessment of directors composed of outside directors the majority of whom are unrelated.

No, Celtic does not align with this guideline

Comments: The Board has not established a committee to recruit and assess the performance of directors. These functions are the responsibility of the Board as a whole.

5. Implement a process for assessing the effectiveness of the Board, its committees and the contribution of individual directors.

Yes, Celtic aligns with this guideline.

Comments: The Board is carefully chosen based on the experience and reputation of its nominees.

Board members are assessed on similar standards of conduct and performance used in evaluating employees of Celtic.

6. Provide orientation and education programs for new directors.

Yes, Celtic aligns with this guideline.

Comments: All directors receive an orientation with respect to Board operations and their duties and obligations as directors prior to assuming their Board duties; however, there is no formal education program presently available for new directors.

7. Review the size of the Board and its effectiveness in making decisions.

Yes, Celtic aligns with this guideline.

Comments: The Board consists of five members, a size that requires the full participation of all Board members in committees and in the decision-making process. Given the size of Celtic, the current size and representation of the Board is large enough to permit a diversity of views and to effectively carry out the governance duties and responsibilities of the Board.

8. Review the compensation of the directors and whether it reflects the risks and responsibilities involved in being an effective director.

Yes, Celtic aligns with this guideline.

Comments: The mandate of the Compensation Committee includes reviewing and making recommendations regarding Board compensation.

9. Committees should generally be composed of outside directors, a majority of whom are unrelated directors.

Yes, Celtic aligns with this guideline.

Comments: All of the Board committees are comprised of a majority of outside and unrelated directors. The Audit and Compensation Committees are composed entirely of outside and unrelated directors.

10. Appoint a committee responsible for developing the Corporation's approach to corporate governance issues.

Yes, Celtic aligns with this guideline.

Comments: The Corporate Governance Committee is responsible for the response and approach to corporate governance issues.

11. a) Define the limits of management's responsibilities by developing mandates for the Board and the CEO.

Yes, Celtic aligns with this guideline.

Comments: The Board has plenary power to manage and supervise the management of the business and affairs of Celtic. The Board established and approved the duties and responsibilities that have been delegated to senior management. Management operates within the parameters established annually by the operating and capital budget.

b) The Board should approve the CEO's corporate objectives.

Yes, Celtic aligns with this guideline.

Comments: The Board approves the CEO'S corporate objectives on an annual basis.

12. Adopt structures and procedures to ensure that the Board can function independently of management.

Yes, Celtic aligns with this guideline.

Comments: The Board and its committees meet independently of management when warranted. The Board expects management to be responsible for the day-to-day operations of Celtic's business. This includes an ongoing review of Celtic's strategies and their implementation in light of changing business market and competitive conditions, complete and accurate reporting to shareholders; comprehensive annual budgeting process and monitoring financial performance against the budget; and the timely response to any legal actions or

changes in any government regulations concerning Celtic's activities. The Board appointed William C Guinan, an unrelated director, as Chairman of the Board. Mr. Guinan also acts as Corporate Secretary of the Corporation.

13. Establish an audit committee with a specifically defined mandate, and comprised only of outside directors.

Yes, Celtic aligns with this guideline.

Comments: All of the members of the Audit Committee are unrelated directors. The mandate of the Audit Committee includes overall responsibility for financial statements and related disclosure, reports to shareholders and other related communications, meeting with the external auditors independently of management and the establishment of appropriate financial controls and policies to ensure the integrity of the accounting systems. These matters include ongoing reviews with Celtic's auditors including the scope of the audit and quarterly reviews and the role and fees of external auditors.

14. Implement a system to enable individual directors to engage outside advisors at the Corporation's expense.

Yes, Celtic aligns with this guideline.

Comments: Any member of the Board is entitled to engage an outside advisor at the expense of Celtic in appropriate circumstances and with the approval of the Chairman of the Board or the appropriate committee of the Board.