



NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 24, 2007

AND

MANAGEMENT INFORMATION CIRCULAR

DATED MARCH 22, 2007

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

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT an annual and special 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 - 4th Avenue S.W., Calgary, Alberta, on Tuesday, April 24, 2007 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, 2006 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;
4. To approve the Corporation’s amended stock option plan; and
5. 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 15, 2007, the record date, are entitled to receive notice of the Meeting.

DATED at Calgary, Alberta, this 22nd day of March, 2007.

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 - 4th Street S.W., Calgary, Alberta T2P 1T1, no later than 3:00 p.m. (Calgary time) on April 20, 2007 or on the second last business day preceding any adjournment of the Meeting.

CELTIC EXPLORATION LTD.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON April 24, 2007

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 and special meeting of the holders of common shares (the "**Common Shares**") of the Corporation to be held on the 24th day of April, 2007 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 22nd day of March, 2007, 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 - 4th Street S.W., Calgary, Alberta T2P 1T1 by no later than 3:00 p.m. (Calgary time) on April 20, 2007 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 15, 2007 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 22, 2007, Celtic had 33,814,062 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 | 4,983,932 | 14.7% |

EXECUTIVE COMPENSATION

Senior Executive Compensation

The following table sets forth information concerning the total compensation during the financial years ended December 31, 2006, December 31, 2005 and December 31, 2004 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, 2006, 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, 2006 was \$896,418.

| Name and Principal Position | ANNUAL COMPENSATION | | | | LONG-TERM COMPENSATION | | | All Other Compensation (\$) |
|--|---------------------|-------------|------------|---|---|---|-------------------|-----------------------------|
| | Year | Salary (\$) | Bonus (\$) | Other Annual Compensation ⁽¹⁾ (\$) | AWARDS | | PAYOUTS | |
| | | | | | Securities Under Options/SARs Granted (#) | Shares or Units Subject to Resale Restrictions (\$) | LTIP Payouts (\$) | |
| David J. Wilson President and Chief Executive Officer | 2006 | 158,000 | 38,710 | nil | 25,000 | nil | nil | nil |
| | 2005 | 150,000 | 21,750 | nil | 25,000 | nil | nil | nil |
| | 2004 | nil | nil | nil | nil | nil | nil | nil |
| Sadiq H. Lalani Vice President, Finance and Chief Financial Officer | 2006 | 146,216 | 43,865 | nil | 43,000 | nil | nil | nil |
| | 2005 | 140,467 | 34,415 | nil | 25,000 | nil | nil | nil |
| | 2004 | 112,500 | 33,750 | nil | nil | nil | nil | nil |
| Alan Franks Vice President, Operations | 2006 | 135,766 | 33,263 | nil | 43,000 | nil | nil | nil |
| | 2005 | 130,433 | 31,956 | nil | 25,000 | nil | nil | nil |
| | 2004 | 116,250 | 34,875 | nil | nil | nil | nil | nil |
| Michael Shea Vice President, Land | 2006 | 135,583 | 40,675 | nil | 43,000 | nil | nil | nil |
| | 2005 | 121,250 | 29,706 | nil | 25,000 | nil | nil | nil |
| | 2004 | 110,833 | 33,250 | nil | nil | nil | nil | nil |
| David Morgenstern Vice President, Exploration | 2006 | 132,000 | 32,340 | nil | 43,000 | nil | nil | nil |
| | 2005 | 125,000 | 24,375 | nil | 25,000 | nil | nil | nil |
| | 2004 ⁽²⁾ | 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. 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, 2006.

| Name | Securities Under Options/SARs Granted (#) ⁽¹⁾ | % of Total Options/SARs Granted to Employees in Financial Year ⁽²⁾ | Exercise or Base Price (\$/Security) | Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security) | Expiration Date |
|-------------------|--|---|--------------------------------------|---|--------------------------------|
| David Wilson | 25,000 | 4.3% | 12.25 | 12.25 | Jan. 10, 2011 |
| Sadiq Lalani | 25,000 18,000 | 4.3% 3.1% | 12.25 12.60 | 12.25 12.60 | Jan. 10, 2011 Nov. 20, 2011 |
| Alan Franks | 25,000 18,000 | 4.3% 3.1% | 12.25 12.60 | 12.25 12.60 | Jan. 10, 2011 Nov. 20, 2011 |
| Michael Shea | 25,000 18,000 | 4.3% 3.1% | 12.25 12.60 | 12.25 12.60 | Jan. 10, 2011 Nov. 20, 2011 |
| David Morgenstern | 25,000 18,000 | 4.3% 3.1% | 12.25 12.60 | 12.25 12.60 | Jan. 10, 2011 Nov. 20, 2011 |

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 581,500 stock options were granted to employees and consultants of the Corporation, under the Stock Option Plan (as hereinafter defined) during the year ended December 31, 2006.

Aggregated Option/SAR Exercises During the Financial Year Ended December 31, 2006 and Option/SAR Values at December 31, 2006

The following table provides details of stock options exercised during the financial year ended December 31, 2006 by the Named Executive Officers and the December 31, 2006 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, 2006 (# Exercisable/Unexercisable) | Value of Unexercised in-the-Money Options at December 31, 2006 (\$ Exercisable/Unexercisable) ⁽¹⁾ |
|-------------------|-------------------------------------|-------------------------------|--|--|
| David Wilson | nil | nil | 158,333/41,667 | 1,529,082/96,668 |
| Sadiq Lalani | 18,000 | 192,300 | 140,333/59,667 | 1,330,902/120,248 |
| Alan Franks | 41,666 | 399,994 | 50,001/59,667 | 361,349/120,248 |
| Michael Shea | nil | nil | 133,333/59,667 | 1,228,834/120,248 |
| David Morgenstern | nil | nil | 91,665/101,335 | 525,908/369,422 |

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, 2006 of \$13.91.

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 entitled to be 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, 2006 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%. The Compensation Committee from time to time reviews and makes recommendations to the Board with respect to the applicable growth rate, if any, which must first be achieved by the Corporation before any amounts are payable under the non-discretionary component of the Bonus Plan. 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

for the Stock Option Plan from both the TSX and the shareholders of the Corporation. The Stock Option Plan amended and restated the Corporation's previous stock option plan in its entirety. On February 28, 2007, the directors of the Corporation approved certain "housekeeping" amendments to the Stock Option Plan for purposes of complying with TSX requirements. These amendments, which were approved by the TSX, included changing the definition of "insider" to correspond with the definition required by the TSX and included provisions whereby the aggregate number of Common Shares issuable pursuant to stock options granted under the Stock Option Plan and under any other security based compensation arrangement, if any, and issued to insiders within any one year period and, issuable to insiders, shall, in either case, not exceed 10% of the issued and outstanding Common Shares at the time of the grant of any stock option. On March 12 2007, the directors of the Corporation approved additional amendments to the Stock Option Plan (the "**Amendments**") and approved the resultant amended Stock Option Plan. The Stock Option Plan, as amended by the Amendments, is herein sometimes collectively called the "**Amended Stock Option Plan**"). A copy of the Amended Stock Option Plan is attached hereto as Schedule "A". The TSX has approved the Amended Stock Option Plan subject, however, to approval thereof by the shareholders of the Corporation. The Amendments include the following, namely:

- (a) the conversion of the Stock Option Plan from a fixed maximum number plan to a fixed maximum percentage plan for the purposes of determining the maximum number of stock options which may be granted to participants under the Stock Option Plan, where the maximum number of Common Shares issuable pursuant to stock options granted shall not exceed 10% of the aggregate number of issued and outstanding Common Shares;
- (b) the extension of the expiry date of any stock option which would otherwise expire during a "black-out period" for ten (10) business days from the date that any "black-out period" ends;
- (c) the replacement of the general amendment provision of the Stock Option Plan with an amendment procedure which is in compliance with the requirements of the TSX; and
- (d) all other changes to the Stock Option Plan, which are determined by the directors of the Corporation to be necessary or appropriate, to reflect the foregoing amendments.

The Amended 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, before giving effect to the Amendments, reserves for issuance 3,500,000 Common Shares for purposes of granting stock options. This amount has been reduced by 915,828 Common Shares as a result of stock options previously granted and that have been exercised. As at the date hereof, 2,576,336 stock options are issued and outstanding, representing 7.6% of the Corporation's issued and outstanding Common Shares. After giving effect to the Amendments, the Amended Stock Option Plan will reserve for issuance 3,381,406 Common Shares, being 10% of the aggregate number of issued and outstanding Common Shares, for purposes of granting stock options. The Amended 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. Substantially all of the Corporation's stock options have been

granted so as to vest in equal one-third amounts over the first three years of the term thereof. The Amendments also provide that the Board may, in its sole discretion and without further approval of the shareholders of the Corporation, amend, suspend, terminate or discontinue the Amended Stock Option Plan and may amend the terms and conditions of stock options granted under the Amended Stock Option Plan, subject to any required approval of any regulatory authority or the TSX. Disinterested shareholder approval will be required for any reduction in the exercise price or the expiry date of stock options granted to insiders. The approval of the shareholders of the Corporation will be required for future amendments to the Amended Stock Option Plan which amend the number of Common Shares issuable pursuant to stock options issued thereunder, which add any form of financial assistance by the Corporation for the exercise of a stock option or which change the class of participants which may broaden or increase participation by insiders of the Corporation. Participation in the Amended Stock Option Plan is voluntary. In order to constitute a valid stock option under the Amended Stock Option Plan, the participant and the Corporation must enter into a valid option agreement in a form acceptable to the Board. The Amended 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 the closing price of the Common Shares on the TSX on the last business day preceding the date of grant, or, if elected by the Board, the weighted average trading price of the Common Shares traded during the five trading days preceding the date of grant. Stock options granted under the Amended Stock Option Plan will be for a term of no longer than five years after granting of an option. The interest of any optionee under the Amended Stock Option Plan is not transferable or alienable by the optionee either by assignment or in any manner, during the optionee's lifetime. If any optionee ceases to be a participant as a result of permanent physical or mental disability or death, then, to the extent vested, options may be exercised for a period of one year thereafter. If an optionee ceases to be a participant for reasons other than permanent physical or mental disability or death and is terminated without notice or entitlement to notice or compensation in lieu thereof, the optionee may exercise the option, to the extent they have vested as of the date of ceasing to be a participant. If the optionee ceases to be a participant for any reasons other than as described above, the optionee may exercise the option, to the extent they have vested, when reasonable notice has been given, on the date the optionee ceases to be a participant and when compensation is paid in lieu of notice, for 21 days after the date the optionee ceases to be a participant. In the event of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise or in the event of any other change in the Common Shares, the Board may proportionately adjust the number of Common Shares that may be issued under existing option agreements. In the event of a change of control, all unexercised and unvested outstanding stock options shall immediately vest and be exercisable, but may only be purchased for tender to the subject transaction. If the subject transaction is not completed any Common Shares issued and tendered to the transaction shall be deemed to be cancelled and returned to treasury. Each participant may exercise a put right to require the Corporation to purchase all or part of the then vested stock options which it may hold, provided, however, that the Corporation may at its sole discretion decline to accept and accordingly, have no obligations with respect to the exercise of the put right from time to time.

Composition of the Compensation Committee

The members of the Compensation Committee during 2006 were Robert J. Dales, Eldon A. McIntyre and Neil G. Sinclair, all of whom are independent members of the Board. Mr. Sinclair served as Chair of the Compensation Committee.

Report on Executive Compensation

The Compensation Committee determines the compensation to be provided to the five 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 at a level which is comparable to other similar sized 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, 2006.

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: Effective January 1, 2005, the President and Chief Executive Officer has been paid an annual base salary. Prior to that time no annual base salary was paid to him. In addition, he also participates 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.

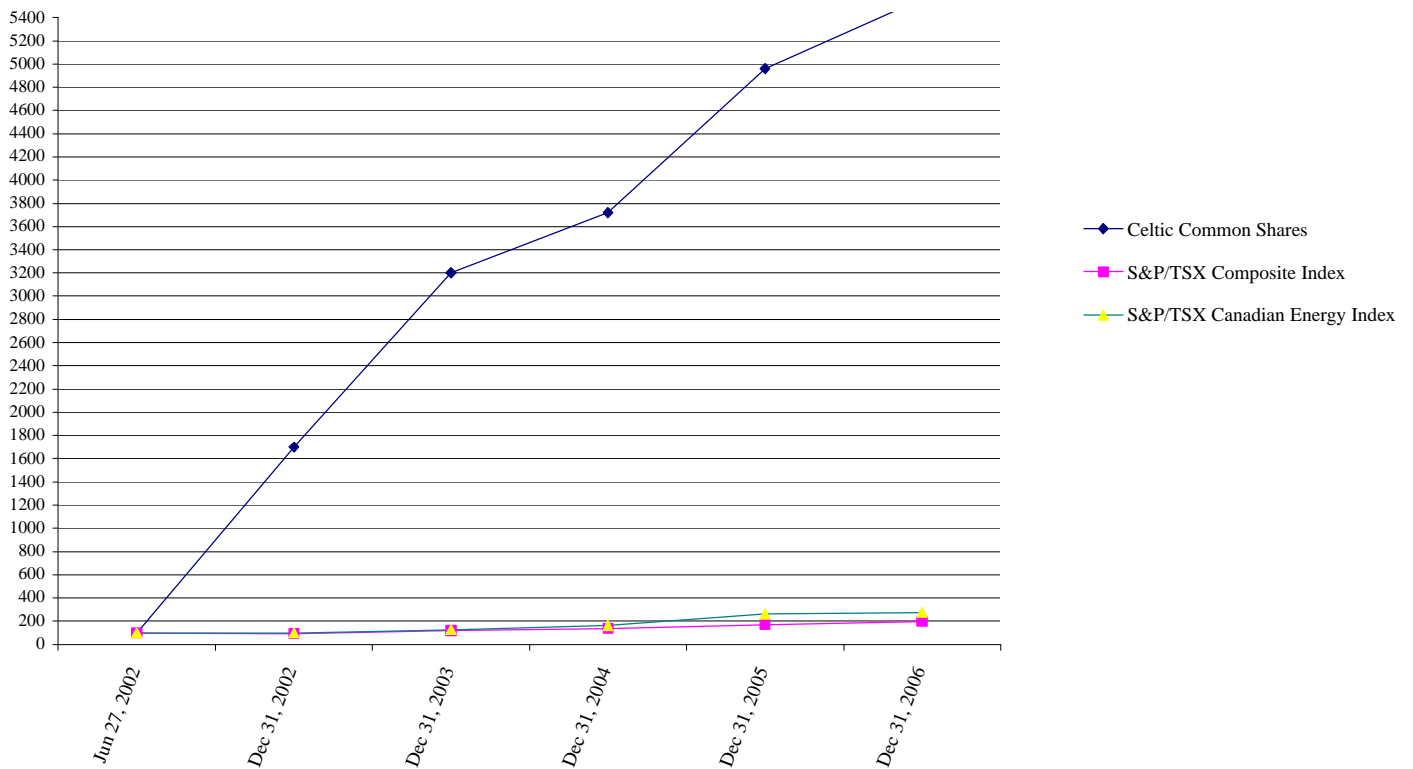
The Compensation Committee believes that it has been successful in providing Celtic's executive officers with a package that combines reasonable base compensation with additional potential annual and long-term financial rewards that are tied to positive operational and financial results and increases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

Performance Graph

Celtic completed its initial public offering on June 27, 2002 whereunder it issued Common Shares at a price of \$0.25 per share. The Common Shares were originally listed on the TSX Venture Exchange on July 8, 2002 and were delisted therefrom 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 on June 27, 2002, compared to the S&P/TSX Composite Index and the S&P/TSX Capped Energy Index.



| | June 27, 2002 | December 31, 2002 | December 31, 2003 | December 31, 2004 | December 31, 2005 | December 31, 2006 | Average Annual Return |
|-----------------------------|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------|
| Celtic Common Shares | 100 | 1,700 | 3,200 | 3,720 | 4,960 | 5,564 | 143.5% |
| S&P/TSX Composite Index | 100 | 94 | 120 | 137 | 170 | 199 | 16.5% |
| S&P/TSX Capped Energy Index | 100 | 100 | 125 | 163 | 264 | 275 | 25.1% |

Equity Compensation Plan Information

The following table provides details as at the end of the year ended December 31, 2006 with respect to all compensation plans of the Corporation under which equity securities of the Corporation are 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 (excluding securities reflected herein) |
|---|---|---|--|
| Equity compensation plans approved by securityholders | 2,630,335 | \$8.02 per share | 87,336 |
| Equity compensation plans not approved by securityholders | nil | nil | nil |
| Total | 2,630,335 | \$8.02 per share | 87,336 ⁽¹⁾ |

Note:

- (1) If the Amended Stock Option Plan is approved by the shareholders of the Corporation the number of Common Shares reserved for future issuance under the Amended Stock Option Plan would as at December 31, 2006 be limited to 587,671.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Under National Instrument 58-101 *Disclosure of Corporate Governance Practices*, the Corporation is required to include in this Management Information Circular the disclosure required under Form 58-101F1 with respect to the matters set out under National Policy 58-201 *Corporate Governance Guidelines*.

1. Board of Directors

Celtic's Board, which 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, is comprised of five directors, of which four are independent and accordingly a majority of the directors are independent. A director is independent if he or she would be independent within the meaning of section 1.4 of Multilateral Instrument 52-110 *Audit Committees*. The independent directors are Robert J. Dales, William C. Guinan, Eldon A. McIntyre and Neil G. Sinclair. The President and Chief Executive Officer ("CEO") of the Corporation, David J. Wilson, is not independent by virtue of being an executive officer of the Corporation. Mr. Dales, Mr. Guinan and Mr. Wilson are all presently directors of other reporting issuers. Mr. Dales is a director of Arcan Resources Ltd. Mr. Guinan is a director of Expedition Energy Inc. and GEOCAN Energy Inc. Mr. Wilson is a director of Artek Exploration Ltd. and BOS Rentals Ltd. During the year ended December 31, 2006 the independent directors of the Corporation held regularly scheduled meetings at which non-independent directors and members of management were not in attendance. These meetings were held either immediately before or immediately after all regularly scheduled meetings of the entire Board. Mr. Guinan is the chair of the Board and is independent. In order to provide leadership for the independent directors, the Board encourages communication among the independent directors. Since the

beginning of the financial year ended December 31, 2006, all directors attended all four meetings held by the Board.

2. Board Mandate

The text of the Board's written mandate (the "**Board Mandate**") is attached hereto as Schedule "B".

3. Position Descriptions

The Board has developed written position descriptions for the chair of the Board and for the chair of each Board committee. The Board together with the CEO has developed a written position description for the CEO the text of which is available from the Corporation on request.

The Board has established the following Board committees comprised of the members and chaired by the individuals set out in the following table:

| Committee | Members | Independent |
|------------------------|---|-------------------|
| Audit Committee | Robert J. Dales, Chair Eldon A. McIntyre Neil G. Sinclair | Yes Yes Yes |
| Compensation Committee | Neil G. Sinclair, Chair Robert J. Dales Eldon A. McIntyre | Yes Yes Yes |
| Disclosure Committee | William C. Guinan, Chair Neil G. Sinclair David J. Wilson | Yes Yes No |
| Reserves Committee | Eldon A. McIntyre, Chair Robert J. Dales David J. Wilson | Yes Yes No |

4. Orientation and Continuing Education

The Corporation has developed an orientation program for new directors as set out in the Corporation's director's manual ("**Director's Manual**") which contains information regarding the roles and responsibilities of the Board, each Board committee, the Board chair, the chair of each Board committee and the CEO of the Corporation. The Director's Manual contains information regarding the nature and operation of the Corporation's business, its organizational structure, governance policies including the Board Mandate and each Board committee mandate, and the Corporation's code of business conduct and ethics. The Director's Manual is to be updated as the Corporation's business, governance documents and policies change. The Corporation arranges for presentations to be made to the Board to inform directors regarding corporate developments and changes in legal, regulatory and industry requirements affecting the Corporation. As well, directors are encouraged to visit the Corporation's facilities, to interact with management and employees and to stay abreast of industry developments and the evolving business of the Corporation.

5. Ethical Business Conduct

The Corporation has adopted a written code of business conduct and ethics (the "**Code**") for the Corporation's directors, officers and employees. The Board does not monitor compliance with

the Code, but it encourages following the Code by making it widely available. It is distributed to directors in the Director's Manual and to officers, employees and consultants at the commencement of their employment or consultancy, it is posted in gathering places at the office and work places of the Corporation and is available under the Corporation's profile on the SEDAR website at www.sedar.com. The Code reminds those engaged in service to the Corporation that they are required to report perceived or actual violations of the law, violations of the Corporation's policies, dangers to health, safety and the environment, risks to the Corporation's property, and accounting or auditing irregularities to the chair of the Audit Committee who is an independent director of the Corporation. In addition to requiring directors, officers and employees to abide by the Code, the Corporation encourages consultants, service providers and all parties who engage in business with the Corporation to contact the chair of the Audit Committee of the Corporation regarding any perceived and all actual breaches by the Corporation's directors, officers and employees of the Code. The chair of the Audit Committee of the Corporation is responsible for investigating complaints, presenting complaints to the applicable Board committee or the Board as a whole, and developing a plan for promptly and fairly resolving complaints. Upon conclusion of the investigation and resolution of a complaint, the chair of the Audit Committee of the Corporation will advise the complainant of the corrective action measures that have been taken or advise the complainant that the complaint has not been substantiated. The Code prohibits retaliation by the Corporation, its directors and management, against complainants who raise concerns in good faith and requires the Corporation to maintain the confidentiality of complainants to the greatest extent practical. Complainants may also submit their concerns anonymously in writing. In addition to the Code, the Corporation has an Audit Committee Mandate and a Whistleblower Policy with respect to accounting and auditing irregularities. Since the beginning of the Corporation's most recently completed financial year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code. The Board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Code and are expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere. The Board is required by the Board Mandate to satisfy itself that the CEO and other executive officers are acting with integrity and fostering a culture of integrity throughout the Corporation. The Board is responsible for reviewing departures from the Code, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. In addition, the Board is responsible for responding to potential conflict of interest situations, particularly with respect to considering existing or proposed transactions and agreements in respect of which directors or executive officers advise they have a material interest. The Board Mandate requires that directors and executive officers disclose any interest and the extent, no matter how small, of their interest in any transaction or agreement with the Corporation, and that directors excuse themselves from both Board deliberations and voting in respect of transactions in which they have an interest. By taking these steps the Board strives to ensure that directors exercise independent judgement, unclouded by the relationships of the directors and executive officers to each other and the Corporation, in considering transactions and agreements in respect of which directors and executive officers have an interest.

6. Nomination of Directors

The Board does not have a nominating committee and responsibility for identifying new candidates to join the Board belongs to the Board as a whole. The Board is responsible for identifying qualified candidates, recommending nominees for election as directors and

appointing directors to committees. The Board is requested to objectively consider the independence of candidates, financial acumen, skills and available time to devote to the duties of the Board in making their recommendations for nomination to the Board. The Board reviews the composition and size of the Board and tenure of directors in advance of annual general meetings when directors are most commonly elected by the Corporation's shareholders, as well as when individual directors indicate that their terms may end or that their status may change. The Board encourages all directors to participate in considering the need for and in identifying and recruiting new nominees for the Board. In doing so, the directors are requested by the Board to have regard to the skill sets which are deemed, from time to time, to be most desired in proposed nominees for the Board.

7. Compensation

The Corporation has a Compensation Committee which annually determines the compensation to be received by the Corporation's directors, the CEO and executive officers. The Compensation Committee is comprised entirely of independent directors. Compensation is determined in the context of the Corporation's strategic plan, the Corporation's growth, shareholder returns and other achievements and considered in the context of position descriptions, goals and the performance of each individual director and officer. With respect to directors' compensation, the Compensation Committee reviews the level and form of compensation received by the directors, members of each committee, the Board chair and the chair of each Board committee, considering the duties and responsibilities of each director, his or her past service and continuing duties in service to the Corporation. The compensation of directors, the CEO and executive officers of competitors are considered, to the extent publicly available, in determining compensation and the Compensation Committee has the power to engage a compensation consultant or advisor to assist in determining appropriate compensation.

8. Other Board Committees

Other than the Audit Committee and the Compensation Committee, the only other standing committees of the Board are the Disclosure Committee and the Reserves Committee. The function of the Disclosure Committee is to ensure that the written and oral communications by the Corporation to the public and to applicable regulatory authorities are disseminated in a timely and factually accurate manner and to assist the Corporation in maintaining and complying with its disclosure policy. The function of the Reserves Committee is to meet with the Corporation's independent reserves evaluation engineers, at least annually, to discuss the evaluation of the Corporation's reserves and to assist the Corporation in fulfilling its duties and obligations under National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.

9. Assessments

In addition to determining compensation, the Compensation Committee is responsible for conducting an annual evaluation and assessment of the performance, contribution and effectiveness of individual directors, the Board chair and each Board committee chair, each Board committee and the Board as a whole. The evaluation and review includes a Board questionnaire which asks directors to identify their own skills, their contributions to the Board and Board committees and to rate their effectiveness, as well as a peer review questionnaire which asks directors to rate the contributions and effectiveness of their fellow Board members. The annual review also asks directors to provide feedback on the Board Mandate, the Corporation's charters, the Code and other policies. The Compensation Committee is required

to prepare a report on the information gathered pursuant to the annual assessment, the results of which are then presented to the Board in order to engage in a discussion regarding Board effectiveness and how to improve Board effectiveness.

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 CERTAIN PERSONS 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 INFORMED PERSONS 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, of any informed person of the Corporation, any proposed director of the Corporation, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Corporation's most recently completed financial year, or in any proposed transaction which has materially affected or would materially affect the Corporation.

AUDIT COMMITTEE

Under Multilateral Instrument 52-110 *Audit Committees*, 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 text of its audit committee charter, the composition of the audit committee 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 the AIF dated March 30, 2007 entitled "Audit Committee".

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, 2006 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 22, 2007.

| Name and Country of Residence | Number of Common Shares Beneficially Owned ⁽¹⁾ | Director Since | Principal Occupation |
|--|---|----------------|---|
| Robert J. Dales ⁽²⁾⁽⁴⁾⁽⁶⁾ Alberta, Canada | 559,167 | April 2002 | President, Valhalla Ventures Inc., a private investment corporation from January 1999 to the present. President of Desco Exploration Ltd. (now Celtic) from April 2002 until September 2002 and from June 2005 to January 2007, President of Desco Energy Ltd., a corporation engaged in oil and gas exploration and production. |
| William C. Guinan ⁽⁵⁾ Alberta, Canada | 242,667 | April 2002 | Partner, Borden Ladner Gervais LLP, a law firm. |
| Eldon A. McIntyre ⁽²⁾⁽⁴⁾⁽⁶⁾ Alberta, Canada | 2,759,933 ⁽³⁾ | September 2002 | President, Jarrod Oils Ltd., a private Alberta corporation engaged in oil and gas exploration and production, from the late 1970's to the present. |
| Neil G. Sinclair ⁽²⁾⁽⁴⁾⁽⁵⁾ British Columbia, Canada | 825,667 ⁽⁷⁾ | April 2002 | President, Sinson Investments Ltd., a private British Columbia corporation engaged in property development, from 1973 to the present. |
| David J. Wilson ⁽⁵⁾⁽⁶⁾ Alberta, Canada | 4,983,932 ⁽⁸⁾ | September 2002 | President and Chief Executive Officer of Celtic. Prior thereto President of Vintage Petroleum Canada, Inc., an oil and gas exploration and production corporation, from May 2001 to May 2002 and President and Chief Executive Officer of Genesis Exploration Ltd., an oil and gas exploration and production corporation, from 1992 to May 2001. |

Notes:

- (1) In addition to the Common Shares beneficially owned, the nominees for director hold an aggregate 425,000 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 514,435 of these shares and is a trustee of the McIntyre Family Trust which owns 1,750,000 of these shares.
- (4) Member of the Compensation Committee.
- (5) Member of the Disclosure Committee.
- (6) Member of the Reserves Committee.
- (7) Mr. Sinclair controls Sinson Investments Ltd. which owns 116,000 of these shares.
- (8) Mr. Wilson controls 719719 Alberta Inc. which owns 407,100 of these shares.

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. 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, 2006. Shareholders may contact the Corporation to request copies of the financial statements and MD&A by: (i) mail to Suite 500, 505 - 3rd Street S.W., Calgary, Alberta Canada T2P 3E6; or (ii) fax to (403) 201-9163.

4. Approval of Amendments to Stock Option Plan

In January, 2005 the TSX amended its security based compensation rules to permit companies to adopt stock option plans pursuant to which a fixed percentage of the issued and outstanding common shares of an issuer could be reserved for issuance upon the exercise of stock options, as opposed to the fixed maximum number requirement, which was in force at the time the Corporation was listed on the TSX. The Board has determined that it is in the best interest of the Corporation to adopt a fixed maximum percentage plan since this will give the Board increased flexibility to more closely align the interests of directors, officers, employees and consultants of the Corporation with those of the shareholders of the Corporation. In addition, the Board has also determined to make certain additional amendments to the Stock Option Plan in accordance with recent recommendations from the TSX to do so.

Accordingly, on March 12, 2007 the directors of the Corporation approved the Amended Stock Option Plan and subsequently obtained conditional approval thereof from the TSX. The TSX conditional approval includes a requirement for shareholder approval of the Amended Stock Option Plan. The Amendments to the Stock Option Plan include the following, namely:

- (a) the conversion of the Stock Option Plan from a fixed maximum number plan to a fixed maximum percentage plan for the purposes of determining the maximum number of stock options which may be granted to participants under the Stock Option Plan, where the maximum number of Common Shares issuable pursuant to stock options granted shall not exceed 10% of the aggregate number of issued and outstanding Common Shares;
- (b) the extension of the expiry date of any stock option which would otherwise expire during a “black-out period” for ten (10) business days from the date that any “black-out period” ends;
- (c) the replacement of the general amendment provision of the Stock Option Plan with an amendment procedure which is in compliance with the requirements of Toronto Stock Exchange Staff Notice #2006-0001; and
- (d) all other changes to the Stock Option Plan, which are determined by the directors of the Corporation to be necessary or appropriate, to reflect the foregoing amendments.

The Amended Stock Option Plan is attached hereto as Schedule "A".

BE IT RESOLVED THAT:

1. the Amended Stock Option Plan of the Corporation be and is hereby approved; and
2. the board of directors of the Corporation be and it is hereby authorized to cause all such documents, instruments and other writings to be executed and delivered and to cause all such acts and things to be done, all for and on behalf of the Corporation as the board may consider necessary or desirable to give effect to the foregoing resolutions.

In order to be approved, the foregoing resolutions must be passed by a simple majority of the votes cast by shareholders of the Corporation who vote in person or by proxy in respect of those resolutions at the Meeting.

Schedule "A"

CELTIC EXPLORATION LTD.

AMENDED INCENTIVE STOCK OPTION PLAN

1. INTERPRETATION

In this Plan (including this clause), unless there is something in the subject or context inconsistent therewith, words importing the singular number includes the plural and vice versa, words importing the masculine gender includes the feminine and neuter genders and the expressions following have the following meanings, respectively:

- (a) **"Associate"** has the meaning ascribed thereto in the *Securities Act* (Ontario);
- (b) **"Black-Out Expiry Date"** means ten (10) business days from the date that any Black-Out Period ends;
- (c) **"Black-Out Period"** means a period of time imposed by the Corporation upon certain designated persons during which those persons may not trade in any securities of the Corporation;
- (d) **"Board"** means the Board of Directors of the Corporation;
- (e) **"Change of Control"** means the purchase or acquisition of Common Shares and/or securities convertible into or exchangeable or exercisable for Common Shares as a result of which a person, group of persons or persons acting jointly or in concert, or persons who are Associates of or affiliated with, within the meaning of the *Securities Act*, any such person, group or persons or any of such persons acting jointly or in concert, beneficially owns or exercises control or direction over Common Shares and/or securities convertible into or exchangeable or exercisable for Common Shares such that, assuming the conversion, exercise or exchange of all such securities, would entitle such person, group of persons or person acting jointly or in concert to cast 50% plus one of the votes attaching to all Common Shares of the Corporation, excluding, however, a purchase or acquisition of Common Shares in connection with a Reverse Take-Over, and provided that the beneficial ownership by or exercise or control or direction over securities by shareholders of the Corporation as at the date hereof shall not constitute or be counted towards a Change of Control;
- (f) **"Committee"** means a committee of Directors appointed by the Board as contemplated by Clause 3 hereof;
- (g) **"Common Share"** means a common share in the capital stock of the Corporation and, after any adjustments pursuant to Clause 7 hereof, means the shares or other securities or property which, as a result of such adjustments and all prior adjustments pursuant to Clause 7, the holders of Options are then entitled to receive on the exercise thereof;

- (h) **“Consultant”** means any person or company engaged to provide ongoing management or consulting services for the Corporation or for any entity controlled by the Corporation;
- (i) **“Corporation”** means Celtic Exploration Ltd. and any successor or continuing corporation resulting from any form of corporate reorganization;
- (j) **“Disinterested Shareholder Approval”** means majority shareholder approval that does not include the votes attached to Common Shares held directly or indirectly by Insiders who may benefit from the amendments to the terms of any outstanding Options;
- (k) **“Early Termination Date”** means, in respect of any Option, 5:00 p.m. (Calgary time) on the date that an Option terminates prior to the Normal Expiry Date;
- (l) **“Exchange”** means the Toronto Stock Exchange or, if the Common Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board.
- (m) **“Exercise Price”** means the purchase price of Option Shares under an Option Agreement determined as provided in subclause 6(b) of this Plan;
- (n) **“Expiry Date”** means the Normal Expiry Date or the Early Termination Date, as the case may be;
- (o) **“Insider”** has the meaning ascribed thereto in the *Securities Act* (Ontario), as amended, and also includes Associates and **“affiliated companies”** within the meaning ascribed thereto in the *Securities Act* (Ontario);
- (p) **“Market Price”** at any date and in respect of an Option, means:
 - (i) where the Common Shares are not listed and posted for trading on a stock exchange, the value conclusively determined by the Board or Committee, as the case may be, on the Option Date; or
 - (ii) where the Common Shares are listed and posted for trading on a stock exchange, either:
 - A. the closing price of the Common Shares on the principal stock exchange on which they are traded on the last business day preceding the Option Date; or
 - B. if elected by the Board **“Market Price”** shall mean the weighted average trading price of the Common Shares traded during the five trading days preceding the Option Date;
- (q) **“Normal Expiry Date”** means, in respect of any Option, 5:00 p.m. (Calgary time) on the date determined by the Corporation and specified in the particular Option Agreement on which the Option would normally terminate, which date may not be later than five years after the Option Date;

- (r) **“Offer”** means an offer made generally to the holders of the Common Shares in one or more jurisdictions to acquire, directly or indirectly, Common Shares and which is in the nature of a “takeover bid” as defined in the Securities Act and where the Common Shares are listed and posted for trading on a stock exchange, not exempt from the formal bid requirements of the Securities Act;
- (s) **“Option”** means a right to purchase Common Shares pursuant to this Plan and an Option Agreement;
- (t) **“Option Agreement”** means an agreement entered into between the Corporation and a Participant pursuant to which an Option is granted to a Participant and which contains such provisions not inconsistent with this Plan as the Board or the Committee may determine;
- (u) **“Option Date”** means the date on which an Option is granted by the Corporation to a Participant which for greater certainty is:
 - (i) where prior notice is required under the policies of the principal stock exchange on which the Common Shares are listed and posted for trading in connection with regulatory approval for the grant of the Option, the date of notice to such stock exchange of such proposed grant; or
 - (ii) in all other cases, the date on which the grant of the Option is approved by the Board or the Committee, as the case may be;
- (v) **“Option Shares”** means the Common Shares which a Participant is entitled to purchase under an Option whether or not the rights to purchase all such Common Shares have vested in and to the Optionee;
- (w) **“Optionee”** means a Participant who has entered into an Option Agreement with the Corporation;
- (x) **“Participant”** means, on any date, a person who is at least one of the following:
 - (i) regularly employed by the Corporation or one of its subsidiaries on that date;
 - (ii) an officer of the Corporation or one of its subsidiaries on that date;
 - (iii) a director of the Corporation or one of its subsidiaries on that date;
 - (iv) a Consultant to the Corporation or one of its subsidiaries on that date; or
 - (v) a corporation, the shares of which are wholly owned by a person described in subclause (i), (ii), (iii) or (iv);
- (y) **“Plan”** means the Corporation’s “Amended Incentive Stock Option Plan” embodied herein, as from time to time amended;
- (z) **“Prior Plan”** means the Corporation’s Incentive Stock Option Plan dated effective as of July 14, 2003, as amended;

- (aa) **“Reverse Take-Over”** means a transaction in the nature of a “reverse take-over” as defined in the policies of any stock exchanges upon which the Common Shares are listed and posted for trading; and
- (bb) **“Securities Act”** means the *Securities Act* (Alberta), as amended.

2. PURPOSE OF THE PLAN

The purpose of the Plan is to develop the interest of Optionees in the growth and development of the Corporation by providing such persons with the incentive and opportunity to acquire an increased proprietary interest in the Corporation and to better enable the Corporation and its subsidiaries to attract and retain persons of desired experience and ability.

3. ADMINISTRATION, PARTICIPANTS AND ALLOTMENTS

- (a) The Board will administer the Plan. The Board may at any time or from time to time delegate to a Committee the responsibility for administering the Plan or elements thereof. The Board, or the Committee if so empowered, will determine from time to time those Participants to whom Options should be granted, the Normal Expiry Date, the number of Common Shares which should be optioned from time to time to any Participant, the Exercise Price and such other terms and conditions of the Option Agreement, not inconsistent with the Plan, as the Board or the Committee in its discretion may determine. The Board or the Committee may prescribe rules and regulations relating to the Plan and any Options granted hereunder and may approve the form and content and prescribe the use of such forms of applications, directions, powers of attorney, and other documents or instruments, either generally or in specific cases, as may be deemed necessary or advisable, for the grant or issuance of Options under the Plan and for the proper administration and operation of the Plan. The Board or the Committee will review the Plan from time to time with a view to making revisions to it, granting additional Options and, in the case of the Committee, making appropriate recommendations to the Board. Nothing contained in the Plan or in any resolution adopted or to be adopted by the Board or by the Committee constitutes an Option hereunder. An Option granted by the Board or the Committee to a Participant pursuant to the Plan is subject to, and is of no force and effect until, the execution and delivery of, an Option Agreement by both the Corporation and such Participant.
- (b) The Corporation is responsible for all costs of administration of the Plan.
- (c) The implementation of the Plan, the grant or exercise of any Options pursuant to the Plan and, from time to time, the operation and administration of the Plan is subject to receipt by the Corporation of all necessary approvals, advance rulings, exemptions or registrations required or deemed advisable under applicable law or regulatory policy including without limiting the generality of the foregoing, all necessary approvals or registrations required by any and all stock exchanges upon which the Common Shares are listed and posted for trading.
- (d) The Board or the Committee, as the case may be, may at any time and subject to regulatory approvals:

- (i) discontinue or terminate the Plan; or
- (ii) amend or revise the terms and conditions of the Plan; amend or revise the terms and conditions of the Plan and any outstanding Options granted under the Plan,

provided that no such action adversely affects any Options previously granted under the Plan or the rights of Optionees in respect of those Options without the prior written consent or agreement of those Optionees.

4. COMMON SHARES SUBJECT TO PLAN

- (a) The maximum number of Common Shares issuable pursuant to Options issued and outstanding under the Plan shall not exceed ten (10%) percent of the aggregate number of issued and outstanding Common Shares at the time of grant of any Option.
- (b) The aggregate number of Common Shares issuable pursuant to Options granted under the Plan and under any other security based compensation arrangement, if any, and:
 - (i) issued to Insiders, within any one year period, shall not exceed ten (10%) percent of the issued and outstanding Common Shares; and
 - (ii) issuable to Insiders, shall not exceed ten (10%) percent of the issued and outstanding Common Shares.

For the purposes hereof, the number of issued and outstanding Common Shares is determined as the number of Common Shares that are issued and outstanding immediately prior to a proposed grant of Options.

5. PARTICIPATION VOLUNTARY

Participation in the Plan by a Participant is entirely voluntary and does not affect the Participant's employment or continued retainer by, or other engagement with, the Corporation or its subsidiaries. None of the Plan or any Options granted under the Plan of itself gives any Participant the right to continue to be an employee, officer, director or consultant of the Corporation or any subsidiary thereof. None of the terms and conditions governing the Option are affected by any change in the Optionee's employment by or engagement with the Corporation so long as the Optionee continues to be a Participant.

6. CERTAIN TERMS OF OPTION AGREEMENTS

In order to constitute a valid Option granted under this Plan, the Optionee and the Corporation must enter into an Option Agreement in the form acceptable to the Board or the Committee, as the case may be.

An Option Agreement may, in respect of any Option, specify a number or percentage of Option Shares that the Participant may exercise in any specified period, year or number of years. In addition, Option Agreements are deemed to contain the following provisions with respect to the exercise of Options under the Plan:

- (a) An Option under the Plan is only exercisable for a minimum of 100 Common Shares at any one time.
- (b) The Exercise Price must not be less than the Market Price and upon exercise of the Option must be paid in full in respect of those Option Shares being acquired in Canadian funds by cash, certified cheque or bank draft payable to or to the order of the Corporation at the time of exercise.
- (c) Each Option terminates on its Normal Expiry Date but subject always to the provisions of subclause 6(d) of this Plan.
- (d) If, after the Option Date and on or before the exercise in full of the Option or the Normal Expiry Date, the Optionee ceases to be a Participant:
 - (i) by reason of the Optionee's permanent physical or mental disability, or death, then such Optionee's Options may be exercised to purchase the total number of Option Shares not previously purchased by the Optionee whether or not the rights to purchase some or all of those Option Shares have previously vested in and are exercisable by the Optionee as at the date of ceasing to be a Participant, provided such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that is 12 months after the date the Optionee ceases to be a Participant, due to such permanent physical or mental disability, or death. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder cease and expire and are of no further force and effect. For greater certainty but without limiting the generality of the foregoing, if the Optionee is deemed to be an employee of the Corporation pursuant to a medical or disability plan of the Corporation or a subsidiary thereof, the Optionee is deemed to be an employee for the purpose of the Plan and the Option; or
 - (ii) for any reason other than the Optionee's permanent physical or mental disability, or death, and the Optionee's termination occurs without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that the Optionee ceases to be a Participant. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect; or
 - (iii) for any reason other than the Optionee's permanent physical or mental disability, death, or termination without notice or compensation in lieu thereof, and the Optionee is entitled to reasonable notice of termination or compensation in lieu thereof, then:

- A. the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee on or before the date of such ceasing to be a Participant, provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and:
- (1) where the Optionee is given a reasonable period of notice prior to termination, the date the Optionee ceases to be a Participant; or
 - (2) where the Optionee is paid compensation in lieu of reasonable notice of termination, the date that is 21 days after the Optionee ceases to be a Participant; and
- B. the Optionee is not entitled:
- (1) to further time to exercise the Option during such reasonable notice period or during such specific notice period; or
 - (2) compensation in lieu thereof by way of general damages, or special damages, whether in contract, tort or otherwise.

Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect.

- (e) With respect to subclause 6(d)(i), the rights under the Option exercisable after the death or disability of the Optionee, as therein specified, may be exercised by the person or persons to whom the Optionee's rights under the applicable Option Agreement pass by will or applicable law or, if no such person has such right, by the deceased or disabled Optionee's legal representatives, within one year from the date of death or disability.
- (f) An Optionee has no rights whatsoever as a shareholder in respect of any of the Option Shares (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of Common Shares in respect of which the Optionee has exercised his Option to purchase thereunder, which the Optionee has actually taken up and paid for, and which have been duly issued to the Optionee and are outstanding as fully paid and non-assessable Common Shares.
- (g) If the Expiry Date of an Option is on a date during a Black-Out Period applicable to a Participant holding such Option, the Expiry Date shall be extended to the Black-Out Expiry Date.

7. CHANGES IN STOCK

In the event:

- (a) of any change or proposed change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;
- (b) of any issuance, dividend or distribution to all or substantially all the holders of Common Shares of any shares, securities, property or assets of the Corporation other than in the ordinary course;
- (c) that any rights are granted to holders of Common Shares to purchase Common Shares at prices materially below fair market value; or
- (d) that as a result of any recapitalization, merger, consolidation or otherwise the Common Shares are converted into or exchangeable for any other shares or securities;

then in any such case:

- (e) the Board will proportionately adjust the number of Option Shares available for Options, the number of Option Shares covered by outstanding Options, the securities or other property that may be acquired upon the exercise of an Option and the price per Option Share in such Option, or one or more of the foregoing, to prevent substantial dilution or enlargement of the rights granted to, or available for, Optionees/Participants; and
- (f) the Board, in its discretion, may determine that:
 - (i) all or any part of the unexercised and unvested outstanding Options granted under the Plan vest and are exercisable on a date specified by the Board and the unexercised and unvested portion of such Options are thereupon deemed to have been vested and are exercisable on and after the date so specified in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year); or
 - (ii) such Options may be exercisable for a limited period of time only and, if so, the Board will determine such period of time,

and such determination or limitation, once made or set, is deemed to be incorporated into the applicable Option Agreement(s).

8. TAKEOVER BID

If an Offer is made which, if successful, would result in a Change of Control, then all unexercised and unvested outstanding Options shall immediately vest and become exercisable by the Participants, notwithstanding any other vesting provisions in the Plan or in an Option Agreement, as to all or any of the Common Shares in respect of which such Options have not previously been exercised, but such shares may only be purchased for tender pursuant to such Offer. If for any reason such shares are not taken up and paid for by the offeror pursuant to the Offer, any such shares so purchased by a Participant shall be deemed to be cancelled and returned to the treasury of the Corporation, shall be added back to the number of Common Shares remaining available under the Plan and, upon presentation to the Corporation of share

certificates representing such shares properly endorsed for transfer back to the Corporation, the Corporation shall refund to the Participant all consideration paid for such shares and, in such event, the Participant shall thereafter continue to hold the same number of unexercised and unvested outstanding Options on the same terms and conditions, including the Exercise Price thereof, as were applicable thereto immediately prior to time the subject Offer was made.

9. ARRANGEMENT, Amalgamation or sale

If the Corporation files articles of arrangement providing that the Common Shares are transferred in exchange for securities of another corporation, the units of a royalty trust or income trust, the units of a limited partnership or any other security, or are merged into or amalgamated with any other corporation, or sells all or substantially all of its assets, the Corporation will make provision that, upon the exercise of any outstanding Options after the effective date of such transaction, the Participants shall receive such number of securities of the other, continuing or successor corporation, trust or limited partnership, as the case may be, in such arrangement, merger or amalgamation or of the shares or units of the purchasing corporation, trust or limited partnership, as the case may be, in such sale as the Participants would have received as a result of such transaction if the Participants had exercised the Options immediately prior thereto, for the same consideration paid on the exercise of such Options, and had held Common Shares on the effective date of such transaction. Upon such provision being made, the obligations of the Corporation to the Participants pursuant to the Option Agreements and under this Plan shall terminate and be at an end. If such arrangement, merger or amalgamation results in a Change of Control, the provisions of Clause 8 shall apply and the context thereof and all references therein to "Offer" are to be read as being applicable to an "arrangement, merger or amalgamation".

10. PUT RIGHT

An Optionee may exercise the right (the "**Put Right**") from time to time to require the Corporation to purchase all or any part of the then vested Options of the Optionee by delivery to the Corporation, at its head office, of a written notice of exercise ("**Put Notice**"), substantially in the form attached as Schedule "A" hereto, specifying the number of Options with respect to which the Put Right is being exercised. The Corporation will purchase from the Optionee all of the Options specified in the Put Notice at a price (the "**Put Price**") equal to the excess of the closing price of the Common Shares on the principal stock exchange on which they are traded on the date of receipt of the Put Notice by the Corporation (the "**Notice Date**") over the Exercise Price for each Option being purchased under the Put Right or such other amount as may be agreed to by the Optionee and the Corporation. Upon the exercise of the Put Right, the Corporation will cause to be delivered to the Optionee a cheque representing the Put Price within three business days of the Notice Date. Notwithstanding the foregoing, the Corporation may at its sole discretion decline to accept and, accordingly, have no obligations with respect to the exercise of a Put Right at any time and from time to time.

11. COMMON SHARES FULLY PAID AND NON-ASSESSABLE

All Common Shares issued upon the exercise of any Option are to be issued as fully paid and non-assessable Common Shares.

12. CONDITIONS OF ISSUANCE OF COMMON SHARES

- (a) If at any time the Board or Committee (as the case may be) determines, in its discretion that:
- (i) the registration or qualification of the Common Shares which are the subject of any Option Agreement, or the consent or approval of, any securities commission or any stock exchange upon which the Common Shares are listed;
 - (ii) the registration or qualification under any laws of Canada or any Province thereof or of the United States or any state thereof or the consent or approval of any regulatory authority thereof;
 - (iii) evidence (in form and content satisfactory to the Board) of the investment intent of the Optionee; and/or
 - (iv) an undertaking of the Optionee as to the sale or disposition of such Option Shares that may be purchased pursuant to an Option Agreement to the effect that such Option Shares once purchased are not to be traded by the Optionee for a specified period of time,

is necessary or desirable as a condition of the issuance of any Option Shares pursuant to any Option Agreement, then the issuance of any Common Shares is not to be made unless and until such registration, qualification, consent, approval, evidence or undertaking has been effected or obtained free of any condition not acceptable to the Board or Committee.

- (b) Any trade by the Optionee in any Common Shares issued to the Optionee pursuant to the Plan including, without limiting the generality of the foregoing, any sale or disposition for valuable consideration, and any transfer, pledge or encumbrance of any Common Shares issued to an Optionee pursuant to the Plan, is subject to such regulatory approvals and other restrictions under applicable securities laws and regulatory policies as may be required at the time of such trade. Accordingly, the Corporation makes no representation as to the ability of any Optionee to trade in such Common Shares.
- (c) The Corporation cannot assure a profit or protect the Optionee against a loss on the Common Shares purchased under the Plan. The Corporation assumes no responsibility relating to any tax liability of the Optionee by reason of the exercise of any Option or any subsequent trade.

13. ACCOUNTS AND STATEMENTS

The Corporation will maintain records indicating the number of Options granted to each Optionee and the number of Options exercised under the Plan. Upon written request from an Optionee, the Corporation will furnish to that Optionee a statement indicating the number of Options held on his behalf.

14. APPLICATION TO OUTSTANDING OPTIONS

The Plan shall govern all outstanding Options previously granted by the Corporation under the Prior Plan on and after the date of approval of the Plan by the Board and upon receipt from each holder of outstanding Options of an agreement agreeing and acknowledging that their outstanding Options are subject to the Plan, but in all other respects still subject to the same terms and conditions applicable on the initial date of grant.

15. Amendment and Termination

- (a) The Board may at any time or from time to time, in its sole and absolute discretion and without the approval of the shareholders of the Corporation, amend, suspend, terminate or discontinue the Plan and may amend the terms and conditions of Options granted pursuant to the Plan, subject to any required approval of any regulatory authority or the Exchange, including without limiting the generality of the foregoing, where the amendment:
- (i) is for the purpose of curing any ambiguity, error or omission in the Plan to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
 - (ii) is necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares of the Corporation are listed;
 - (iii) is an amendment to the Plan respecting administration and eligibility for participation under the Plan;
 - (iv) changes the terms and conditions on which Options may be granted pursuant to the Plan including the provisions relating to Exercise Price, vesting provisions and Expiry Date;
 - (v) is to alter, extend or accelerate the terms and conditions of vesting applicable to any Option;
 - (vi) is to accelerate the Expiry Date of any Option;
 - (vii) is to determine the adjustment provisions pursuant to Article 7 hereof;
 - (viii) amends the definitions contained in the Plan;
 - (ix) amends or modifies the mechanics of exercise of Options;
 - (x) changes the termination provisions of an Option Agreement or the Plan;
or
 - (xi) is an amendment to the Plan of a “housekeeping nature”.
- (b) Subject to any required approval of any regulatory authority or the Exchange, the Board may amend the Exercise Price, the Expiry Date (which in no event shall exceed 10 years from the date of grant) and the termination provisions of Options

granted pursuant to the Plan, without shareholder approval, provided that if the Board proposes to reduce the Exercise Price or extend the Expiry Date of Options granted to Insiders of the Corporation pursuant to the Plan, such amendments will require Disinterested Shareholder Approval.

- (c) The approval of the shareholders of the Corporation will be required for amendments to the Plan which:
 - (i) amend the number of Common Shares issuable pursuant to Options issued and outstanding under the Plan;
 - (ii) add any form of financial assistance by the Corporation for the exercise of any Option; or
 - (iii) change the class of Participants which would have the potential of broadening or increasing participation by Insiders of the Corporation.
- (d) If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board shall remain able to make such amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.

16. WAIVER

No waiver by the Corporation of any term of this Plan or any breach thereof by an Optionee is effective or binding on the Corporation unless the same is expressed in writing and any waiver so expressed does not limit or affect its rights with respect to any other or future breach.

17. NOTICES

The manner of giving notices to the Corporation or to an Optionee is to be specified in the Option Agreement with such Optionee.

18. GENERAL

- (a) This Plan and each Option granted under this Plan are to be governed by and construed in accordance with the laws of the Province of Alberta and any Option Agreement entered into pursuant to this Plan is to be treated in all respects as an Alberta contract.
- (b) Nothing contained herein restricts or limits or is deemed to restrict or limit the rights or powers of the Board in connection with any allotment and issuance of shares in the capital stock of the Corporation which are not reserved for issuance hereunder.
- (c) This Plan and any Option Agreement entered into pursuant hereto enure to the benefit of and are binding upon the Corporation, its successors and assigns. The interest of any Optionee hereunder or under any Option Agreement is not

transferable or alienable by the Optionee either by assignment or in any other manner whatsoever and, during his lifetime, is vested only in him, but, subject to the terms hereof and of the Option Agreement, enures to the benefit of and is binding upon the legal personal representatives of the Optionee.

- (d) Upon granting options to employees or Consultants the Corporation will represent that the Optionee is a bona fide employee or Consultant as the case may be.

19. EFFECTIVE DATE

This Plan is effective as of this 12th day of March, 2007.

SCHEDULE "A"
CELTIC EXPLORATION LTD.
AMENDED INCENTIVE STOCK OPTION PLAN
PUT NOTICE

Celtic Exploration Ltd.
Suite 500, 505 - 3rd Street S.W.
Calgary, Alberta
T2P 3E6

Dear Sirs:

I wish to exercise my Put Right and surrender for cancellation certain of my Options to acquire Common Shares of Celtic Exploration Ltd. ("**Celtic**") in exchange for payment per Option of the Put Price. Details are as follows:

Date of Option Agreement: _____

No. of Options surrendered for cancellation: _____

Exercise Price: \$ _____

Closing price per Common Share: \$ _____

All capitalized terms used herein but not otherwise defined shall have the meanings ascribed thereto in the Celtic Amended Incentive Stock Option Plan dated effective March 12, 2007.

I understand that Celtic will issue a cheque to the name indicated below for the Put Price, less any income tax withholding requirements within three business days of receipt of this letter.

Signature of Optionee

Name: _____

Address: _____

Schedule "B"

CELTIC EXPLORATION LTD. (the "Corporation")

BOARD MANDATE

(National Policy 58-201 *Corporate Governance Guidelines*)

1. **The Board of Directors of the Corporation ("Board") is responsible for:**
 - (a) stewardship of the Corporation;
 - (b) supervising the management of the business and affairs of the Corporation; and
 - (c) providing leadership to the Corporation by practicing responsible, sustainable and ethical decision making.
2. **The Board has the responsibility to:**
 - (a) act honestly and in good faith with a view to the best interests of the Corporation;
 - (b) exercise the care, diligence and skill that a reasonably prudent Board would exercise in comparable circumstances; and
 - (c) direct management to ensure legal, regulatory and exchange requirements applicable to the Corporation have been met.
3. **A majority of the Board will, at all times, be independent directors as defined in then current laws applicable to the Corporation.**
4. **To be considered for nomination and election to the Board, directors must demonstrate integrity and high ethical standards in their business dealings, their personal affairs and in the discharge of their duties to and on behalf of the Corporation.**
5. **The Board is responsible to:**
 - (a) meet in person, or in exceptional circumstances by telephone conference call, at least once each quarter and as often thereafter as required to discharge the duties of the Board;
 - (b) hold meetings of the independent directors without management and non-independent directors present; and
 - (c) comply with the position description applicable to individual directors.
6. **The Board is responsible to annually select a member of the Board, whether or not that member is independent, to serve as Board chair, or if the Chief Executive Officer of the Corporation (the "CEO") is also the Board chair, a lead director to:**
 - (a) provide leadership to the independent directors;
 - (b) manage the affairs of the Board; and
 - (c) ensure that the Board functions effectively in fulfillment of its duties to the Corporation.
7. **The Board is responsible to:**
 - (a) establish such committees of the Board as are required by applicable law and as are necessary to effectively discharge the duties of the Board;

- (b) appoint directors to serve as members of each committee;
- (c) appoint a chair of each committee to:
 - (i) provide leadership to the committee;
 - (ii) manage the affairs of the committee; and
 - (iii) ensure that the committee functions effectively in fulfilling its duties to the Board and the Corporation; and
- (d) regularly receive and consider reports and recommendations of each committee, in particular:
 - (i) Audit Committee reports and recommendations, particularly with respect to the Corporation's annual audit; and
 - (ii) Compensation Committee recommendations regarding corporate goals and objectives, Board assessments and compensation.

8. The Board is responsible to:

- (a) select and appoint the CEO and with the assistance of the Compensation Committee, establish CEO goals and objectives and evaluate CEO performance; and
- (b) assist the CEO to select and appoint executive officers, establish executive officers' goals and objectives and monitor their performance.

9. The Board is responsible to:

- (a) annually review and either approve or require revisions to the mandates of the Board and each Board committee, position descriptions, the code of business conduct and ethics (the "**Code**") and all other policies of the Corporation (collectively the "**Governance Documents**");
- (b) take reasonable steps to satisfy itself that each director, the CEO and the executive officers are:
 - (i) performing their duties ethically;
 - (ii) conducting business on behalf of the Corporation in accordance with the requirements and the spirit of the Governance Documents;
 - (iii) fostering a culture of integrity throughout the Corporation; and
- (c) arrange, on the advice of the Disclosure Committee, for the Governance Documents to be publicly disclosed.

10. The Board is responsible, with the assistance of the Disclosure Committee, to:

- (a) approve and implement a disclosure policy which provides for disclosure and communications practices governing the Corporation; and
- (b) approve and maintain a process for the Corporation's stakeholders to contact the independent directors directly with concerns and questions regarding the Corporation.

11. The Board is responsible for:

- (a) reviewing departures from the Code;
- (b) providing or denying waivers from the Code; and
- (c) disclosing departures from the Code including by filing required material change reports for material departures from the Code containing:
 - (i) the date of the departure;
 - (ii) the parties involved;

- (iii) the reason why the Board has or has not sanctioned the departure; and
- (iv) any measures taken to address or remedy the departure.

12. The Board has the duty to:

- (a) adopt a strategic planning process for increasing shareholder value, annually approve a strategic plan, and regularly monitor the Corporation's performance against its strategic plan;
- (b) approve capital and operating budgets to implement the strategic plan;
- (c) conduct periodic reviews of the Corporation's resources, risks, and regulatory constraints and opportunities to facilitate the strategic plan; and
- (d) evaluate management's analysis of the strategies of existing and potential competitors and their impact, if any, on the Corporation's strategic plan.

13. The Board has the duty to:

- (a) adopt a process to identify business risks and ensure appropriate systems to manage risks; and
- (b) together with the Audit Committee, ensure policies and procedures are in place and are effective to maintain the integrity of the Corporation's:
 - (i) disclosure controls and procedures;
 - (ii) internal controls over financial reporting; and
 - (iii) management information systems.

14. The Board has the duty to:

- (a) review and on the advice of the Audit Committee, approve, prior to their public dissemination:
 - (i) interim and annual financial statements and notes thereto;
 - (ii) managements' discussion and analysis of financial condition and results of operations;
 - (iii) relevant sections of the annual report, annual information form and management information circular containing financial information;
 - (iv) forecasted financial information and forward looking statements; and
 - (v) all press releases and other documents in which financial statements, earnings forecasts, results of operations or other financial information is disclosed; and
- (b) approve dividends and distributions, material financings, transactions affecting authorized capital or the issue and repurchase of shares and debt securities, and all material divestitures and acquisitions.

15. The Board has access to all books, records, facilities and personnel of the Corporation necessary for the discharge of its duties.

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