



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON APRIL 30, 2008**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**DATED March 27, 2008**

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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** an annual meeting (the “**Meeting**”) of the shareholders of Celtic Exploration Ltd. (the “**Corporation**”) will be held in the Grand Lecture Theatre of the Metropolitan Centre, 333 - 4<sup>th</sup> Avenue S.W., Calgary, Alberta, on Wednesday, April 30, 2008 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, 2007 and the report of the auditors thereon;
2. To elect the directors of the Corporation for the ensuing year;
3. To appoint the auditors of the Corporation for the ensuing year; and
4. To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

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

Only shareholders of record as of March 20, 2008, the record date, are entitled to receive notice of the Meeting.

**DATED** at Calgary, Alberta, this 27<sup>th</sup> day of March, 2008.

**BY ORDER OF THE BOARD OF DIRECTORS**

“David J. Wilson”

President and Chief Executive Officer

**IMPORTANT**

It is desirable that as many Common Shares as possible be represented at the Meeting. If you do not expect to attend and would like your Common Shares represented, please complete the enclosed form of proxy and return it as soon as possible in the envelope provided for that purpose. In accordance with the by-laws of the Corporation, all proxies, to be valid, must be deposited at the office of the Registrar and Transfer Agent of the Corporation, Valiant Trust Company, Suite 310, 606 - 4<sup>th</sup> Street S.W., Calgary, Alberta T2P 1T1, no later than 3:00 p.m. (Calgary time) on April 28, 2008 or on the second last business day preceding any adjournment of the Meeting.

## CELTIC EXPLORATION LTD.

### ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON April 30, 2008

#### MANAGEMENT INFORMATION CIRCULAR

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of Celtic Exploration Ltd. (“**Celtic**” or the “**Corporation**”) for use at the annual meeting of the holders of common shares (the “**Common Shares**”) of the Corporation to be held on the 30<sup>th</sup> day of April, 2008 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 27<sup>th</sup> day of March, 2008, except where otherwise indicated. There is enclosed herewith a form of proxy for use at the Meeting, together with a copy of the Corporation’s Annual Report containing the financial statements of the Corporation to be presented at the Meeting. Each shareholder who is entitled to attend at meetings of shareholders is encouraged to participate in the Meeting and shareholders are urged to vote in person or by proxy on matters to be considered.

#### APPOINTMENT AND REVOCATION OF PROXIES

Those shareholders desiring to be represented by proxy must deposit their respective forms of proxy with Valiant Trust Company (“**Valiant**”) at Suite 310, 606 - 4<sup>th</sup> Street S.W., Calgary, Alberta T2P 1T1 by no later than 3:00 p.m. (Calgary time) on April 28, 2008 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 20, 2008 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 Broadridge Financial Services, Inc. (“**Broadridge**”). Broadridge 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 Broadridge. Broadridge 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 a Broadridge sticker on it cannot use that proxy to vote Common Shares directly at the Meeting. The proxy must be returned to Broadridge 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 27, 2008, Celtic had 37,771,565 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, controls or directs, directly or indirectly, 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	5,155,150	13.6%

## EXECUTIVE COMPENSATION

### Senior Executive Compensation

The following table sets forth information concerning the total compensation during the financial years ended December 31, 2007, December 31, 2006 and December 31, 2005 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, 2007, 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, 2007 was \$814,063.

Name and Principal Position	ANNUAL COMPENSATION				LONG-TERM COMPENSATION			All Other Compensation (\$)
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation <sup>(1)</sup> (\$)	AWARDS		PAYOUTS	
					Securities Under Options/SARs Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
David J. Wilson President and Chief Executive Officer	2007	180,752	nil	nil	85,000	nil	nil	nil
	2006	158,000	38,710	nil	25,000	nil	nil	nil
	2005	150,000	21,750	nil	25,000	nil	nil	nil
Sadiq H. Lalani Vice President, Finance and Chief Financial Officer	2007	168,861	21,820	nil	85,000	nil	nil	nil
	2006	146,216	43,865	nil	43,000	nil	nil	nil
	2005	140,467	34,415	nil	25,000	nil	nil	nil
Alan Franks Vice President, Operations	2007	156,721	15,970	nil	76,667	nil	nil	nil
	2006	135,766	33,263	nil	43,000	nil	nil	nil
	2005	130,433	31,956	nil	25,000	nil	nil	nil
Michael Shea Vice President, Land	2007	156,721	20,970	nil	76,667	nil	nil	nil
	2006	135,583	40,675	nil	43,000	nil	nil	nil
	2005	121,250	29,706	nil	25,000	nil	nil	nil
David Morgenstern Vice President, Exploration	2007	151,008	15,571	nil	nil	nil	nil	nil
	2006	132,000	32,340	nil	43,000	nil	nil	nil
	2005	125,000	24,375	nil	25,000	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.

### 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, 2007.

Name	Securities Under Options/SARs Granted (#) <sup>(1)</sup>	% of Total Options/SARs Granted to Employees in Financial Year <sup>(2)</sup>	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
David Wilson	50,000 35,000	4.76% 3.33%	12.96 12.30	12.96 12.30	April 27, 2012 August 17, 2012

Name	Securities Under Options/SARs Granted (#) <sup>(1)</sup>	% of Total Options/SARs Granted to Employees in Financial Year <sup>(2)</sup>	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
Sadiq Lalani	50,000	4.76%	12.96	12.96	April 27, 2012
	35,000	3.33%	12.30	12.30	August 17, 2012
Alan Franks	41,667	3.97%	12.96	12.96	April 27, 2012
	35,000	3.33%	12.30	12.30	August 17, 2012
Michael Shea	41,667	3.97%	12.96	12.96	April 27, 2012
	35,000	3.33%	12.30	12.30	August 17, 2012

**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 1,049,502 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, 2007.

### Aggregated Option/SAR Exercises During the Financial Year Ended December 31, 2007 and Option/SAR Values at December 31, 2007

The following table provides details of stock options exercised during the financial year ended December 31, 2007 by the Named Executive Officers and the December 31, 2007 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, 2007 (# Exercisable/Unexercisable)	Value of Unexercised in-the-Money Options at December 31, 2007 (\$ Exercisable/Unexercisable) <sup>(1)</sup>
David Wilson	100,000	1,065,000	74,999/110,001	275,000/5,000
Sadiq Lalani	82,000	845,720	80,999/122,001	275,000/5,000
Alan Franks	nil	nil	72,665/113,668	230,830/5,000
Michael Shea	83,334	732,089	72,665/113,668	230,830/5,000
David Morgenstern	nil	nil	155,999/37,001	418,750/5,000

**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, 2007 of \$11.20.

### 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, 2007 and continues to provide such services from time to time.

### **Bonus Plan**

All regular full-time employees of Celtic are eligible participants in the bonus plan of the Corporation (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%. 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**

The stock option plan (the “**Stock Option Plan**”) of the Corporation was approved by the shareholders of the Corporation on April 24, 2007. The Stock Option Plan permits the granting of stock options to the Corporation's employees, officers, directors and consultants for the purpose of developing the interest of the participants in the growth and development of the Corporation and to better enable the Corporation to attract and retain persons of desired experience and ability. The maximum number of Common Shares issuable pursuant to stock options issued and outstanding under the Stock Option Plan shall not exceed 10% of the aggregate number of issued and outstanding Common Shares at the time of the grant of any stock option. The Stock Option Plan provides for the exercise price to be determined by the Board provided that the exercise price of the options may not be less than that permitted by the Toronto Stock Exchange (“**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. Participation in the Stock Option Plan is voluntary. In order to constitute a valid stock option under the Stock Option Plan, the participant and the Corporation must enter into a valid option agreement in a form acceptable to the Board. The Stock Option Plan provides for the exercise price to be determined by the Board provided that the exercise price of the options may not be less than 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 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 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.

The terms of the Stock Option Plan also include amendments thereto that were adopted in 2007 and approved by the shareholders of the Corporation on April 24, 2007. These amendments 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. In addition, the amendments included 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 amendments also provided that the Board may, in its sole discretion and without further approval of the shareholders of the Corporation, amend, suspend, terminate or discontinue the Stock Option Plan and may amend the terms and conditions of stock options granted under the 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 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.

### **Composition of the Compensation Committee**

The members of the Compensation Committee during 2007 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, 2007.

*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:* The President and Chief Executive Officer is paid an annual base salary. 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

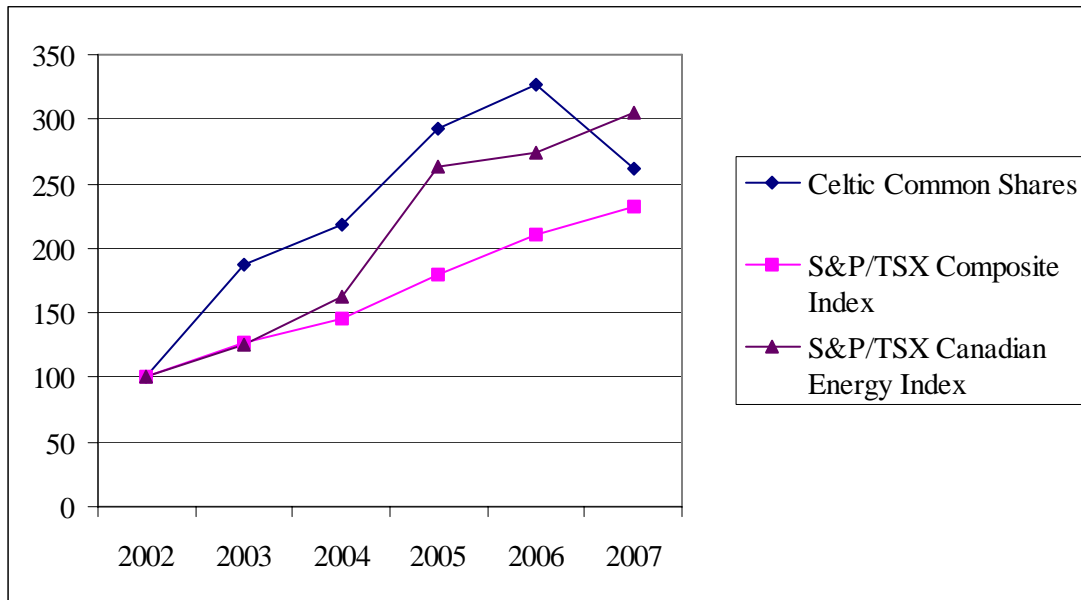
potential annual and long-term financial rewards that are tied to positive operational and financial results and increases in shareholder value.

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

Neil G. Sinclair, Chair  
Robert J. Dales  
Eldon A. McIntyre

### Performance Graph

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 December 31, 2002, compared to the S&P/TSX Composite Index and the S&P/TSX Capped Energy Index.



	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Average Annual Return
Celtic Common Shares	100	188	219	292	327	264	21.4%
S&P/TSX Composite Index	100	127	145	180	211	232	18.3%
S&P/TSX Capped Energy Index	100	125	163	263	274	305	25.0%

### Equity Compensation Plan Information

The following table provides details as at the end of the year ended December 31, 2007 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	2,825,667	\$10.69 per share	940,922
Equity compensation plans not approved by securityholders	nil	nil	nil
<b>Total</b>	2,825,667	\$10.69 per share	940,922

## 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 and Mr. Guinan are presently directors of other reporting issuers. Mr. Dales is a director of Arcan Resources Ltd. Mr. Guinan is a director of GEOCAN Energy Inc. During the year ended December 31, 2007 the independent directors of the Corporation did not hold any regularly scheduled meetings at which non-independent directors and members of management were not in attendance. 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, 2007, all directors other than Robert J. Dales attended all four meetings held by the Board and Robert J. Dales attended three of the 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 "A".

### 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:

<b>Committee</b>	<b>Members</b>	<b>Independent</b>
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](http://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. Any director, officer or employee of the Corporation who violates the Code may face disciplinary action up to and including termination of their office or employment with the Corporation for just cause without notice or payment in lieu of notice.

## **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 27, 2008 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, 2007 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, controlled or directed, directly or indirectly, the period served as director and the principal occupation of each as of March 27, 2008.

Name and Country of Residence	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly <sup>(1)</sup>	Director Since	Principal Occupation
Robert J. Dales <sup>(2)(4)(6)</sup> 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 <sup>(5)</sup> Alberta, Canada	242,667	April 2002	Partner, Borden Ladner Gervais LLP, a law firm.
Eldon A. McIntyre <sup>(2)(4)(6)</sup> Alberta, Canada	2,834,933 <sup>(3)</sup>	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 <sup>(2)(4)(5)</sup> British Columbia, Canada	825,667 <sup>(7)</sup>	April 2002	President, Sinson Investments Ltd., a private British Columbia corporation engaged in property development, from 1973 to the present.
David J. Wilson <sup>(5)(6)</sup> Alberta, Canada	5,155,510 <sup>(8)</sup>	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, controlled or directed, directly or indirectly, the nominees for director hold an aggregate 465,000 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 830,000 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 447,100 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**

Additional information relating to the Corporation is available under the Corporation's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). Financial information relating to Celtic is provided in the Corporation's financial statements and management discussion and analysis ("**MD&A**") for the financial year ended December 31, 2007. Shareholders may contact the Corporation to request copies of the financial statements and MD&A by: (i) mail to Suite 500, 505 - 3<sup>rd</sup> Street S.W., Calgary, Alberta Canada T2P 3E6; or (ii) fax to (403) 201-9163.

## Schedule "A"

### 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.**