

CANOEL INTERNATIONAL ENERGY LTD.

1950, 700 - 4th Avenue S.W.
Calgary, Alberta, T2P 3J4

INFORMATION CIRCULAR

PURPOSE OF SOLICITATION

This Information Circular is furnished in connection with the solicitation of proxies by the management of Canoel International Energy Ltd. (the "Corporation") for use at the annual meeting (the "Meeting") of shareholders of the Corporation to be held at the offices of Burstall Winger LLP, Suite 1600 Dome Tower, 333 - 7th Avenue SW, Calgary, Alberta, on Wednesday, September 24, 2008 at 10:00 a.m., Calgary time, and at any adjournment thereof for the purposes set out in the accompanying Notice Of Meeting. Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone by directors, officers or regular employees of the Corporation. Pursuant to National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of the common shares of the Corporation (the "Shares"). The cost of any such solicitation will be borne by the Corporation.

VOTING OF PROXIES

All Shares represented at the Meeting by properly executed proxies will be voted and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Shares represented by the proxy will be voted in accordance with such specifications. **In the absence of any such specifications, the management designees, if named as proxy, will vote in favour of all the matters set out herein.**

The enclosed Instrument of Proxy confers discretionary authority upon the management designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. At the date of this Information Circular, the Corporation is not aware of any amendments to, or variations of, or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the management designees intend to vote in accordance with the judgment of the management of the Corporation.

Proxies, to be valid, must be deposited at the office of the registrar and transfer agent of the Corporation, Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta, T2G 0P6, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or any adjournment thereof.

APPOINTMENT OF PROXY

The persons named in the accompanying form of proxy are directors and/or officers of the Corporation. **A shareholder has the right to designate a person (who need not be a shareholder of the Corporation) other than James Lawson and James Grossman, the management designees, to attend and act for the shareholder at the Meeting. Such right may be exercised by inserting in the blank space provided the name of the person to be designated and deleting therefrom the names of the management designees, or by completing another proper instrument of proxy. A form of proxy**

will not be valid unless it is completed, dated, signed and delivered to the office of the registrar and transfer agent of the Corporation, Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta, T2G 0P6, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or any adjournment thereof.

REVOCATION OF PROXIES

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy.

A shareholder may revoke a proxy by depositing an instrument in writing, executed by the shareholder or his attorney authorized in writing, or, if the shareholder is a corporation, under its corporate seal or signed by a duly authorized officer or attorney for the corporation:

- (a) at the offices of the registrar and transfer agent of the Corporation, Olympia Trust Company, Suite 2300, 125 - 9th Avenue S.E, Calgary, Alberta, T2G 0P6, at any time, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or an adjournment of the Meeting at which the proxy is to be used; or
- (b) with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

In addition, a proxy may be revoked by the shareholder executing another form of proxy bearing a later date and depositing same at the offices of the registrar and transfer agent of the Corporation within the time period set out under the heading "Voting of Proxies", or by the shareholder personally attending the Meeting and voting his or her shares.

ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES ON VOTING COMMON SHARES

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

Applicable regulatory rules require intermediaries and brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders meetings. Every intermediary and broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the

registered shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communication Services ("**Broadridge**") (formerly ADP Investor Communications Corporation). 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 shares to be represented at a meeting. **A Beneficial Shareholder receiving a proxy with a Broadridge sticker on it cannot use that proxy to vote Shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the Shares voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of his or her broker (or an agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote the Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Shares as proxyholder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Shares, and an unlimited number of preferred shares, of which 6,580,000 Shares are issued and outstanding as at the date hereof and entitled to vote at the Meeting on the basis of one vote for each Share held. As at the date hereof there are no preferred shares outstanding.

The holders of Shares of record at the close of business on the record date, set by the board of directors of the Corporation (the "**Board of Directors**" or the "**Board**") to be August 20, 2008 (the "**Record Date**"), are entitled to vote such Shares at the Meeting on the basis of one vote for each Share, except to the extent that:

- (a) such person transfers his or her Shares after the Record Date; and
- (b) the transferee of those Shares produces properly endorsed share certificates or otherwise establishes his or her ownership to the Shares and makes a demand to the registrar and transfer agent of the Corporation, not later than 10 days before the Meeting, that his or her name be included on the shareholders list for the Meeting.

The articles of the Corporation provide that two (2) persons present and representing, in person or by proxy, not less than five percent (5%) of the issued shares entitled to vote constitute a quorum for meetings of shareholders of the Corporation.

To the knowledge of the directors and executive officers of the Corporation, as at the close of business on August 22, 2008, the only persons who beneficially own, directly or indirectly, or control or direct ten percent (10%) or more of the outstanding Shares are as follows:

Name and Municipality of Residence	Designation of Class	Type of Ownership	Number	% of Voting Shares
James H. Grossman ⁽¹⁾ Paris, France	Common Shares	Beneficial	804,333	12.2%

Notes:

- (1) 670,000 of these Common Shares are held by ED Logistics SA, a company controlled by Mr. Grossman and 134,333 are held by James H. Grossman 2006 Revocable Trust, a trust controlled by Mr. Grossman.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Board of Directors of the Corporation, the only matters to be placed before the Meeting are those matters set forth in the accompanying Notice of Meeting relating to: (i) receipt of the audited financial statements of the Corporation for the financial year ended March 31, 2008 and the auditor's report thereon; (ii) fixing the number of directors to be elected at the Meeting at six (6) and the election of directors until the next annual meeting of shareholders; (iii) the appointment of auditors; (iv) the approval of the Corporation's Stock Option Plan (as hereinafter defined); and (v) the amendment of the Corporation's articles (the "**Articles**").

Receipt of Financial Statements

The directors will place before the Meeting the financial statements for the twelve-month period ended March 31, 2008, together with the auditors' report thereon. The financial statements have been sent to the shareholders with this Information Circular.

Election of Directors

There are presently four (4) directors of the Corporation, each of whose term of office shall expire at the termination of the Meeting unless such director is re-elected as a director at the Meeting.

It is proposed that the number of directors to be elected at the Meeting be set at six (6), and that the persons named below will be nominated at the Meeting. **The management designees, if named as proxy, will vote for the election of said persons to the Board of Directors. Management does not contemplate that any of such nominees will be unable to serve as directors; however, if, for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion unless the shareholder has specified in his or her proxy that his or her shares are to be withheld from voting in the election of directors.** Each director elected will hold office until the Corporation's next annual meeting of shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation.

The following information relating to the nominees as directors is based on information received by the Corporation from said nominees. The following table sets out the names of persons proposed to be nominated by management for election as a director; all positions and offices in the Corporation held by them; their principal occupation for the last five years; the periods during which they have served as a director; and the number of Shares beneficially owned or controlled, directly or indirectly, by them or over which control or direction is exercised, as of the date hereof.

<u>Name and Municipality of Residence</u>	<u>Principal Occupation during the Last Five Years</u>	<u>Director Since</u>	<u>Number of Common Shares Beneficially Owned or Controlled</u>
James Lawson ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta	President, Chief Executive Officer and Chief Financial Officer of the Corporation since June 5, 2008 and Chief Financial Officer of Solara Exploration Ltd. since December, 2005. A chartered accountant in private practice since February 1986.	December 17, 2007	230,000
Emmanuel J. Olympitis ⁽¹⁾⁽²⁾⁽³⁾ Wiltshire, England	Executive Chairman of Pacific Media Plc from October 1999 to May 2004. Chairman of Lyra Investments Limited since May 2004.	June 20, 2008	Nil
Steve Paquin ⁽¹⁾⁽²⁾⁽³⁾ Vancouver, British Columbia	Retired consultant since May 2008. Manager of Corporate Finance at Gateway Securities Inc. from February 2007 to May 2008. Manager of Corporate Finance at Golden Capital Securities Ltd. from September 1993 to February 2007.	June 4, 2008	Nil
James Grossman ⁽¹⁾⁽²⁾⁽³⁾ Paris, France	Self employed consultant/arbitrator since January 2005. Lawyer with the firm of Reid Smith LLP from January 2003 to January 2005.	December 17, 2007	804,333
Jose Ramon Lopez-Portillo Oxford, England	Founder and Coordinator of the Centre for Mexican Studies at Oxford University since 2002 and organizer of annual conference and seminar on energy security in Mexico at Oxford, and a Director of World SkyCat Ltd since 2000.	N/A	480,000
Luigi (Gino) Regis Milano Genoa, Italy	Director and owner of D.P.L. Srl., a Italian oil refinery.	N/A	300,000 ⁽⁴⁾

Notes:

- (1) Audit Committee member.
- (2) Compensation Committee member.
- (3) Corporate Governance Committee member.
- (4) Mr. Milano is a director of Pole Position Srl, which is the registered owner of the shares. Pole Position Srl is wholly owned by Mr. Milano's wife.

The proposed directors and senior officers of the Corporation as a group, own or exercise control or direction over, directly or indirectly, an aggregate of 1,814,333 Shares, representing 27.6% of the outstanding Shares. Additionally, as of the date hereof, 525,000 Shares have been reserved for issuance to the directors and officers of the Corporation in respect of the granting of options.

Other than as set out below, no proposed director of the Corporation is or has been, within the past 10 years, a director or executive officer or of any company (including the Corporation) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade order or similar order or an order that denied the company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days; or
- (c) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Olympitis was a director of Sirius Retail Television Limited from January 2003 to May 2003, whilst that company was in the ownership of Pacific Media Plc. The company was sold in May 2003 back to the management at which time Mr. Olympitis ceased to be a director. In July 2003 the company proposed a voluntary arrangement with its creditors which was approved. The company voluntary arrangement was completed and discharged on November 21, 2006.

No proposed director of the Corporation has, within the past 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Appointment of Auditors

The Corporation recommends that KPMG LLP, Chartered Accountants, of Calgary, Alberta ("KPMG"), be appointed as auditors of the Corporation, to hold office until the next annual meeting of the Corporation at such remuneration as may be fixed by the Board of Directors. KPMG have been the auditors of the Corporation since January 7, 2008.

The management designees, if named as proxy, will vote the Shares represented by any such proxy for the appointment of KPMG as auditors of the Corporation at a remuneration to be fixed by the Board of Directors.

Approval of Incentive Stock Option Plan

The policies of the TSX Venture Exchange (the "TSXV") require all listed companies to have a stock option plan and set out certain requirements for such plans. The TSXV further requires all listed companies with a 10% rolling stock option plan to obtain shareholder approval of such plan on an annual basis. Shareholders will be asked at the Meeting to vote on a resolution to approve, for the ensuing year, the stock option plan of the Company (the "**Stock Option Plan**"). The Stock Option Plan is described below. The full text of the Stock Option Plan is set out and attached hereto as Schedule "A".

The Stock Option Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase Shares. The Stock Option Plan provides for a rolling number of Shares that may be issued pursuant to options granted under the Stock Option Plan. Specifically, the number of authorized but unissued Shares that may be issued upon the exercise of options granted under the Stock Option Plan at any time plus the number of Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Shares on a non-diluted basis at any time, and such aggregate number of Shares shall automatically increase or decrease as the number of issued and outstanding Shares changes.

The number of Shares reserved for any one person may not exceed five percent of the outstanding Shares. The Board determines the price per Share and the number of Shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the options, subject to the rules of the TSXV. The price per Share set by the directors is subject to minimum pricing restrictions set by the TSXV.

Options may be exercisable for up to five years from the date of grant, but the Board has the discretion to grant options that are exercisable for a shorter period. Options granted under the Stock Option Plan do not require vesting provisions, although the Board may attach a vesting period or periods to individual grants as it deems appropriate. Options under the Stock Option Plan are non-assignable. If prior to the exercise of an option, the holder ceases to be a director/officer, or consultant, the option shall

be limited to the number of Shares purchasable by him immediately prior to the time of his cessation of office or employment and he shall have no right to purchase any other Shares. Options must be exercised within 90 days of termination of employment or cessation of position with the Corporation, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death or disability, the option must be exercised within one year, subject to the expiry date.

At the Meeting, the shareholders will be asked to approve the following resolution:

"BE IT RESOLVED THAT:

- (a) The stock option plan of the Corporation in the form set forth in Schedule "A" to the information circular of the Corporation dated August 22, 2008 be and is hereby ratified and approved as the incentive stock option plan of the Corporation.
- (b) Any one director or officer of the Corporation be authorized to make all such arrangements, do all acts and things and to sign and execute all documents and instruments in writing, whether under the corporate seal of the Corporation or otherwise, as may be considered necessary or advisable to give full force and effect to the foregoing.
- (c) The directors of the Corporation may revoke this resolution before it is acted upon without further approval of the shareholders, if they consider it in the best interests of the Corporation to do so."

The foregoing resolution must be passed by a majority of the votes cast by shareholders who vote on the resolution at the Meeting. **It is the intention of the management designees, if named as proxy, to vote for the foregoing resolution, unless otherwise directed in the Instrument of Proxy.** If the Stock Option Plan is not ratified by the shareholders, the Corporation will have to consider other methods of compensating and providing incentives to directors, officers, employees, consultants and other personnel. **If named as proxy, the management designees will vote the Shares represented by such proxy for approval of the Stock Option Plan, unless otherwise directed in the instrument of proxy.**

Amendments to Articles

The Corporation has determined that it is advisable and in the interests of the Corporation to amend the Articles so that the Corporation may elect to hold meetings of shareholders of the Corporation in Alberta as well as in British Columbia.

At the Meeting, the shareholders will be asked to approve the following resolution:

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- (a) The Articles shall, in accordance with section 259(1) of the *Business Corporations Act* (British Columbia), be amended by adding Article 10.9 Place of Meeting, which will read as follows:

An annual general meeting of shareholders of the Corporation may be held inside the provinces of Alberta or British Columbia."

The foregoing resolution must be passed by a special majority of 66^{2/3} of the votes cast by shareholders who vote on the resolution at the Meeting. **Management designees, if named as proxy, will vote for the foregoing resolution, unless otherwise directed in the Instrument of Proxy.**

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

For the purposes of this section, "**executive officer**" means the chairman and any vice-chairman of the Board of Directors, the president, any vice president in charge of a principal business unit, division or function such as sales, finance or production, and any officer of the Corporation or other individual who performed a policy-making function in respect of the Corporation or a subsidiary of the Corporation.

"**Named Executive Officers**" means the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") of the Corporation, regardless of the amount of compensation of those individuals, each of the Corporation's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recent fiscal year and whose total salary and bonus amounted to \$150,000 or more. The foregoing includes any individuals who were executive officers during the year and whose total salary and bonus during the most recent fiscal year was \$150,000 but are not an executive officer at the end of the fiscal year.

Compensation of Executive Officers

As at the end of the last financial year ended March 31, 2008 there was one Named Executive Officers, Kathleen A. Kelly. Ms. Kelly was appointed President, Chief Executive Officer and Chief Financial Officer of the Corporation on January 11, 2008. The following table sets forth the compensation awarded, paid to or earned by the Corporation's Named Executive Officers during the financial year ended March 31, 2008:

Name and Principal Position	Fiscal Year ⁽¹⁾	Annual Compensation			Long-Term Compensation			
		Salary (\$/annum)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted ⁽²⁾ (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	All Other Compensation (\$)
Kathleen A. Kelly ⁽³⁾	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jose Ramon Lopez-Portillo ⁽⁴⁾	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Fiscal year ended March 31, 2008. The Corporation was incorporated on September 20, 2007 and as such, no compensation was paid to executive officers prior to that date.
- (2) Figures represent options granted during a particular year; see "Aggregate Option" table for the aggregate number of option outstanding at year end.
- (3) Kathleen A. Kelly was appointed President, Chief Executive Officer and Chief Financial Officer of the Corporation on January 11, 2008. Kathleen A. Kelly resigned as President, Chief Executive Officer and Chief Financial Officer of the Corporation on June 5, 2008. James Lawson was appointed President, Chief Executive Officer and Chief Financial Officer of the Corporation on June 5, 2008. See "*Equity Compensation Plan Information*".
- (4) Jose Ramon Lopez-Portillo has served as President of the Corporation from September 20, 2007 to January 11, 2008. The Corporation did not have a Chief Executive Officer or Chief Financial Officer prior to January 11, 2008.

Long Term Incentive Plan Awards

Long term incentive plan awards ("**LTIP**") means "any plan providing compensation intended to serve as an incentive for performance to occur over a period longer than one financial year whether performance is measured by reference to financial performance of the Corporation or an affiliate, or the price of the Corporation's Shares but does not include option or stock appreciation rights plans or plans for compensation through restricted shares or units". The Corporation has not granted any LTIP's during the past fiscal year.

Stock Appreciation Rights

Stock appreciation rights ("SARs") means a right, granted by an issuer or any of its subsidiaries as compensation for services rendered or in connection with office or employment, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of Corporation's Shares. No SARs were granted to or exercised by the Named Executive Officers or directors during the fiscal year ended March 31, 2008.

Option Grants in Last Fiscal Year

No stock options were granted to Named Executive Officers during the fiscal year ended March 31, 2008. See "Equity Compensation Plan Information".

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

No stock options were exercised by Named Executive Officers during the fiscal year ended March 31, 2008.

Equity Compensation Plan Information

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 in first column) ¹
Equity compensation plans approved by securityholders	Nil	N/A	658,000
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
Total			658,000

Notes:

- (1) On April 8, 2008, the Corporation granted options to purchase common shares in the capital stock of the Corporation as follows: Kathleen Kelly – 225,000, James Grossman – 125,000, James Lawson – 125,000, Doug McCartney – 50,000.

Pension Plans

The Corporation does not provide retirement benefits for directors or executive officers.

Termination of Employment, Change in Responsibilities and Employment Contracts

The Corporation has no arrangements in respect of remuneration received or that may be received by the Named Executive Officers in the Corporation's most recently completed financial year in respect of compensating such officers in the event of termination of employment (as a result of resignation, retirement, change of control, etc.) or a change in responsibilities following a change of control, where the value of such compensation exceeds \$100,000 per executive officer.

Composition of the Compensation Committee

The Corporation did not have a Compensation Committee during the year ended March 31, 2008. A Compensation Committee was established on April 8, 2008 and as the date of this Information Circular, it is comprised of Messrs. Lawson, Grossman, Olympitis and Paquin. James Lawson is the President, Chief Executive Officer and Chief Financial Officer of the Corporation. Meetings of the Compensation Committee will be held periodically to review employee compensation, promotion and termination decisions. Following review of data and discussion by members of the Committee,

recommendations are made to the board of directors of the Corporation (the "**Board**"). In all cases, the Board has acted upon Committee recommendations without modification in any material way.

Compensation of Directors

No stock options were granted by the Corporation to directors who were not Named Executive Officers during the fiscal year ended March 31, 2008. See "*Equity Compensation Plan Information*".

The directors did not receive any financial compensation from the Corporation during the fiscal year ended March 31, 2008.

CORPORATE GOVERNANCE

General

The Board of the Corporation believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the "**CSA**") have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), which prescribes certain disclosure by the Corporation of its corporate governance practices. This disclosure is presented below.

Board of Directors

Composition of the Board

The Board is currently comprised of four (4) directors, of whom each of James Grossman, Steven Paquin, and Emmanuel J. Olympitis are independent for the purposes of NI 58-101, so that a majority of the directors are independent. James Lawson is not independent since he is the Interim President, Chief Executive Officer and Chief Financial Officer of the Corporation. The Chief Executive Officer has, among others, the following responsibilities: (i) planning the meetings of the Board and establishing the agenda of the meetings; (ii) supervising the management team and employees of the Corporation; (iii) in collaboration with the management team, preparing strategic plans and budgets, financial statements and any other information respecting the affairs of the Corporation that must periodically be submitted to the Board for approval or verification; (iv) ensuring the daily management and execution of the strategic plan of the Corporation as well as implementing the decisions, guidelines and policies of the Board; and (v) ensuring the efficient use of resources available to the Corporation to reach its strategic objectives, including its objectives in terms of growth and short- and long-term profitability.

There are no special structures or processes in place to facilitate the functioning of the Board independently of the Corporation's management. However the independent directors are given full access to management so that they may express their own views and communicate their expectations of the management.

Certain of the directors are also directors of other reporting issuers, as follows:

Director	Other Reporting Issuer
Emmanuel Olympitis	Matica Plc
	Secure Fortress Plc
	Petrocapital Resources Plc

Director	Other Reporting Issuer
James Lawson	Tusk Energy Corporation
James Grossman	Thalassa Energy Ltd.

Committee Chairs

Every chair of a Board committee has, among others, the following responsibilities: (i) planning committee meetings, establishing the agenda of these meetings and coordinating the activities of the Corporate Secretary as regards the affairs of the committee; and (ii) chairing all of the meetings of the committee, ensuring the proper and efficient conduct hereof, ensuring that all members are able to express their opinions on the topics being discussed and making sure that the decisions or recommendations made by the committee are clear.

The chair of a committee shall report to the Board in matters relating to his mandate and to the work of his committee.

Mandate of the Board

The Board approved a mandate which includes among other duties and responsibilities: to oversee the management of the business and affairs of the Corporation; to establish policy direction and the fundamental objectives of the Corporation; approve and monitor the strategic, business and financial plans of the Corporation; to protect and enhance the assets of the owners of the Corporation and to look after their interests in general and; to ensure continuity in the governance of the Corporation. Every director is required to act honestly and in good faith and in the best interests of the Corporation and to exercise the care, diligence and skill of a reasonably prudent person. Responsibilities not delegated to senior management or to a committee of the Board remain those of the full Board.

Board Committees

Under the *Business Corporation Act* (British Columbia) (the "BCBCA") and the by-laws of the Corporation, the Board may appoint a committee of directors and delegate to such committee any of the powers of the directors, subject to the BCBCA. The Board of Directors has formally appointed three committees: the audit committee, the compensation committee, and the corporate governance and nominating committee.

The Board has developed the mandate of each committee and reviews such mandates regularly. The Board reviews the recommendations of all its committees, and decides on whether and how to implement such recommendations.

The Compensation Committee is comprised of four directors, three of whom are independent. The Compensation Committee's mandate includes developing appropriate compensation policies for the senior management and directors of the Corporation, including the Corporation's stock option plan, and evaluating senior management. These responsibilities include reporting and making recommendations to the board of directors for their consideration and approval. The Compensation Committee meets at least annually to fulfill its mandate. The Compensation Committee is comprised of Messrs. Lawson, Grossman, Olympitis and Paquin.

The Corporate Governance and Nominating Committee is comprised of four directors, three of whom are independent. The Corporate Governance Committee's mandate includes: (i) identify

individuals qualified and suitable to become Board members and make recommendations to the Board in that regard; (ii) assist the Board of Directors in its oversight role with respect to the development of the Corporation's corporate governance policies, practices and processes, the effectiveness of the Board of Directors and its committees, and the contributions of individual Directors; (iii) review on a periodic basis the composition of the Board members ensuring that an appropriate number of directors sit on the Board, as well as analyzing what competencies and skills the board, as a whole, should possess; and (iv) assess what competencies and skills each existing director possess. These responsibilities include reporting and making recommendations to the board of directors for their consideration and approval. The Corporation Governance and Nominating Committee meets periodically to fulfill its mandate. The Corporate Governance and Nominating Committee is comprised of Messrs. Lawson, Grossman, Paquin and Olympitis.

The mandate of the audit committee is described below under the heading "*Audit Committee*".

Audit Committee

The Board has developed written terms of reference outlining the Audit Committee's roles and responsibilities and which provide appropriate guidance to Audit Committee members as to their duties. These terms of reference are reviewed annually by the Board. The Audit Committee is comprised of four directors, three of whom are independent. The Audit Committee reviews the annual and interim financial statements of the Corporation and makes recommendations to the board or directors with respect to such statements and documents. The Audit Committee also reviews the nature and scope of the annual audit as proposed by the auditors and management, and the adequacy of the internal accounting control procedures and systems within the Corporation. The Audit Committee meets at least once per financial quarter to fulfill its mandate. The Audit Committee is comprised of Messrs. Lawson, Grossman, Paquin and Olympitis, all of whom are financially literate. The full text of the Audit Committee Charter is attached as Schedule "B" hereto.

The following relevant education and experience of the members of the Audit Committee have been used in assessing their financial literacy:

James Lawson

Mr. Lawson is a Chartered Accountant by profession and over his business and professional career of 37 years, Mr. Lawson has served as a chief financial officer or a director of a number of public and private oil and gas companies. Mr. Lawson's areas of focus have included corporate finance, business advice in accounting, taxation and reporting issues. During the past five years, Mr. Lawson has served as a Chief Financial Officer and Director of Jubilee Resources Inc. and Canscot Resources Ltd; both companies listed on the TSX Venture Exchange until sold in 2003. Mr. Lawson continues to be a Director of Tusk Energy Corporation which is listed on the TSX and is the Chief Financial Officer of Solara Exploration Ltd., which is listed on the TSX Venture Exchange.

James Grossman

Mr. Grossman has been an international and venture capital lawyer for over 35 years and over the past ten years has acted as an international arbitrator. He has served on boards of directors of public companies listed on AIM, OTCBB and the TSX Venture Exchange. From 2001 to 2003 he was Of Counsel to Reed Smith LLP in San Francisco.

Steven Paquin

Mr. Paquin has a Bachelor of Arts degree in Economics from Simon Fraser University. Mr. Paquin is a current Director of Canoel and has served Manager of Corporate Finance for Gateway Securities and Golden Capital Securities from 1993 to 2008. Prior thereto, Mr. Paquin worked with the British Columbia Securities Commission and Vancouver Stock Exchange.

Emmanuel Olympitis

Mr. Olympitis is a current director of Canoel and has served as Executive Chairman, Chairman, CEO or non-executive director of several UK public companies, quoted both on the main board of the London Stock Exchange as well as the AIM. Mr. Olympitis also previously served as an Executive Director of Bankers Trust International Limited, an international investment banking firm.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

As the Corporation is a venture issuer on the Exchange, it relies on the exemptions provided by section 6.1 of MI 52-110, which exempts venture issuers from the requirements of Part 3 *Composition of Audit Committee* and Part 5 *Reporting Obligations* of MI 52-110. Since venture issuers are not required to file an annual information form, Part 5 of MI 52-110 does not apply to the Corporation.

Pre-approval Policies

The Audit Committee pre-approves all audit and permitted non-audit services.

External Auditor Service Fees (By Category)

The following table provides information about the fees billed to the Corporation for professional services rendered by KPMG LLP, Chartered Accountants, during the fiscal year ended March 31, 2008 and were paid or estimated to be payable for services in that year:

<u>KPMG LLP⁽⁴⁾</u>	<u>2008⁽⁵⁾</u> <u>(\$)</u>
Audit Fees ⁽¹⁾	16,800
Audit Related Fees	nil
Tax Fees ⁽²⁾	nil
All Other Fees	8,000
Total: ⁽³⁾	24,800

Notes:

- (1) Audit fees were for professional services rendered by the auditors for the audit of the Corporation's annual consolidated financial statements as well as services provided in connection with statutory and regulatory filings.
- (2) Tax fees were for tax compliance.

- (3) These fees only represent professional services rendered and do not include any out-of-pocket disbursements or fees associated with filings made on the Corporation's behalf. These additional costs are not material as compared to the total professional services fees for each year.
- (4) KPMG LLP were appointed as auditors of the Corporation effective January 7, 2008.
- (5) As the Corporation was incorporated on September 20, 2007, no comparison to fees for the 2007 fiscal year is available.

The Audit Committee anticipates meeting four times over the next fiscal year, on a quarterly basis, to fulfill its mandate. The Audit Committee meets with the Corporation's auditors regularly, independent of management, and has direct communication channels with the external auditors to discuss and review specified issues as appropriate.

Orientation and Continuing Education of Board Members

New members of the Board are provided with information regarding operations, results and public disclosure of the Corporation. In addition, management of the Corporation makes itself available for discussion with all members of the Board.

Measures to Encourage Ethical Business Conduct

The Board has adopted a written code of ethics, as well as written codes relating to trading in securities and non public information of the Corporation and a whistleblower policy. The Board encourages and promotes a culture of ethical business conduct through various measures. Directors, officers, employees and consultants who become involved in a situation in which their personal interests conflict or might conflict with their duties to the Corporation must immediately report the situation to an executive officer or, in the case of, officers or directors, to the Chairman of the Corporation. Where conflicts of interest arise, directors, officers, employees and consultants must provide full disclosure of the circumstances and not be involved in any related decision making process. All directors, officers, employees and consultants are encouraged to report violations of this code in accordance with the procedures described in the Corporation's whistleblower policy.

MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by the directors and executive officers of the Corporation and are not to any substantial degree performed by any other person excepted as noted below.

The Corporation has entered into an agreement with Andrea Cattaneo pursuant to which the Corporation has engaged Mr. Cattaneo, on a non-exclusive basis, to develop and present a list of international oil and gas exploration assets or businesses to the Corporation, the acquisition of which would result in the completion of the Corporation's qualifying transaction. The agreement also provides that Mr. Cattaneo will assist the Corporation, as required, in the negotiation and completion of any qualifying transaction presented to it by him. Mr. Cattaneo is a consultant with considerable international business experience, with particular expertise in developing countries. The focus of his activities has been on the negotiation of contractual relationships as well as on the budgeting aspects of international projects.

In the event that the Corporation completes a qualifying transaction involving assets or businesses introduced to it by Mr. Cattaneo, then the Corporation shall (i) pay to him the lesser of (Canadian) \$200,000 and 4% of the total value of the transaction, and (ii) issue to him warrants to purchase common shares of the Corporation in an amount equal to 2% of the number of common shares that would have been issued for the Qualifying Transaction if all consideration paid by the Corporation were paid in common shares. The warrants are non-transferable and they expire two years from the date of grant. The TSX Venture Exchange has conditionally accepted the agreement upon the condition that any payment to

Mr. Cattaneo remains subject to their final acceptance of the agreement, following their review and acceptance of the Corporation's qualifying transaction.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

No current or former director, executive officer or employee of the Corporation or any of its subsidiaries is indebted to the Corporation or any of its subsidiaries or to any other entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

No person who is or was, at any time during the most recently completed financial year of the Corporation, a director or executive officer of the Corporation or any proposed nominee for election as a director of the Corporation, nor any associate of any such person, is or at any time since the beginning of the most recently completed financial year of the Corporation has been indebted to the Corporation or any of its subsidiaries or whose indebtedness to another entity is or at any time since the beginning of the most recently completed financial year of the Corporation has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries under securities purchase program or any other program.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Information Circular, the management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer at any time since the beginning of the Corporation's last financial year or any proposed nominee for election as a director, or any associate or affiliate of any of the foregoing persons, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors. All of the directors and officers may receive options pursuant to the Stock Option Plan. See "*Particulars of Matters to be Acted Upon - Ratification of Stock Option Plan*".

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth in this Information Circular, the management of the Corporation is not aware of any material interest, direct or indirect, of any informed person of the Corporation or any proposed nominee as a director of the Corporation, or any associate or affiliate of any such person in any transaction since the commencement of the Corporation's most recently completed financial year, or in any proposed transaction, that has materially affected or would materially affect the Corporation or any of its subsidiaries.

ADDITIONAL INFORMATION

Financial information is provided in the Corporation's audited financial statements and accompanying management's discussion and analysis ("**MD&A**") for the year ended March 31, 2008. The audited financial statements and MD&A for the fiscal year ended March 31, 2008 have been mailed to registered shareholders and beneficial shareholders that requested them.

Under National Instrument 51-102 *Ongoing Requirements for Issuers and Insiders*, any person or company who wishes to receive interim financial statements from the Corporation may deliver a written request for such material to the Corporation or the Corporation's agent, together with a signed statement that the person or company is the owner of securities of the Corporation. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed mail card, together with the completed form of proxy, in the addressed envelope provided, to the Corporation's transfer agent,

Olympia Trust Company, Suite 2300, 125 - 9th Avenue SE, Calgary, Alberta T2G 0P6. The Corporation will maintain a supplemental mailing list of persons or companies wishing to receive interim financial statements.

Additional information relating to the Corporation is available on the SEDAR website at www.sedar.com and on the Corporation's website at www.blackdogresources.com.

GENERAL

All matters referred to herein for approval by the shareholders require a majority of the shareholders voting, other than the amendment to the articles, which requires a special majority of 66^{2/3}%, in person or by proxy, at the Meeting.

The contents and sending of this Information Circular have been approved by the Board of Directors of the Corporation.

Unless otherwise stated, the information contained herein is given as of the 26th day of August, 2008.

THIS IS SCHEDULE "A" ATTACHED TO AND MADE A PART OF THE NOTICE OF MEETING AND INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF CANOEL INTERNATIONAL ENERGY LTD. TO BE HELD ON SEPTEMBER 24, 2008, AND ANY ADJOURNMENT THEREOF

CANOEL INTERNATIONAL ENERGY LTD.

Stock Option Plan (the "Plan")

1. Purpose

The purpose of the Plan is to provide an incentive to the directors, officers, employees, consultants and other personnel of the Corporation or any of its subsidiaries to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract to and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

2. Definitions and Interpretation

When used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

- (a) **"Board of Directors"** means the Board of Directors of the Corporation;
- (b) **"Common Shares"** means common shares in the capital of the Corporation;
- (c) **"Corporation"** means Canoel International Energy Ltd. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;
- (d) **"Discounted Market Price"** means the last per share closing price for the Common Shares on the Exchange before the date of grant of an Option, less any applicable discount under Exchange Policies;
- (e) **"Exchange"** means the TSX Venture Exchange Inc. or any other stock exchange on which the Common Shares are listed;
- (f) **"Exchange Policies"** means the policies of the Exchange, including those set forth in the Corporate Finance Manual of the Exchange;
- (g) **"Insider"** has the meaning ascribed thereto in Exchange Policies;

- (h) **“Option”** means an option granted by the Corporation to an Optionee entitling such Optionee to acquire a designated number of Common Shares from treasury at a price determined by the Board of Directors;
- (i) **“Option Period”** means the period determined by the Board of Directors during which an Optionee may exercise an Option, not to exceed a period of 5 years from the date the Option is granted unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are then listed and as specifically provided by the Board, and as permitted under the rules of any stock exchange or exchanges on which the Shares are then listed, and in any event, no Option shall be exercisable for a period exceeding 10 years from the date the Option is granted.
- (j) **“Optionee”** means a person who is a director, officer, employee, consultant or other personnel of the Corporation or a subsidiary of the Corporation; a corporation wholly-owned by such persons; or any other individual or body corporate who may be granted an option pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan; and
- (k) **“Plan”** shall mean the Corporation’s incentive stock option plan as embodied herein and as from time to time amended.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policy, including without limitation “Consultant”, “Employee”, “Insider”, “Investor Relations Activities”, “Management Company Employee”, “Tier 1 Issuer” and “Tier 2 Issuer”.

Wherever the singular or masculine is used in this Plan, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context or the parties so require.

3. Administration

The Plan shall be administered by the Board of Directors. The Board of Directors shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board of Directors shall be binding and conclusive upon the Corporation and on all persons eligible to participate in the Plan, subject to shareholder approval if required by the Exchange. Notwithstanding the foregoing or any other provision contained herein, the Board of Directors shall have the right to delegate the administration and operation of the Plan to a special committee of directors appointed from time to time by the Board of Directors, in which case all references herein to the Board of Directors shall be deemed to refer to such committee.

4. Eligibility

The Board of Directors may at any time and from time to time designate those Optionees who are to be granted an Option pursuant to the Plan and grant an Option to such Optionee. Subject to Exchange Policies and the limitations contained herein, the Board of Directors is authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as it shall determine. No Option shall be granted to any person except upon recommendation of the Board of Directors. A person who has been granted an Option may, if he is otherwise eligible

and if permitted by Exchange Policies, be granted an additional Option or Options if the Board of Directors shall so determine. Subject to Exchange Policies, the Corporation shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee (as such terms are defined in Exchange Policies) in respect of Options granted to such Optionees.

5. Participation

Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Optionee's relationship or employment with the Corporation.

Notwithstanding any express or implied term of this Plan or any Option to the contrary, the granting of an Option pursuant to the Plan shall in no way be construed as conferring on any Optionee any right with respect to continuance as a director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation.

Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director or officer of or a consultant to the Corporation or any of its subsidiaries, where the Optionee at the same time becomes or continues to be a director, officer or full-time employee of or a consultant to the Corporation or any of its subsidiaries.

Options will not be granted to an officer, employee or consultant of the Corporation, unless such Participant is a *bona fide* officer, employee or consultant of the Corporation.

No Optionee shall have any of the rights of a shareholder of the Corporation in respect to Common Shares issuable on exercise of an Option until such Common Shares shall have been paid for in full and issued by the Corporation on exercise of the Option, pursuant to this Plan.

6. Shares Subject to Options

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Common Shares as at the closing of the initial public offering of the Common Shares. Unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are listed to exceed such threshold, the Options granted under the Plan together with all of the Corporation's other previously established stock option plans or grants, shall not result at any time in:

- (a) the number of Common Shares reserved for issuance pursuant to Options granted to Insiders exceeding 10% of the issued and outstanding Common Shares;
- (b) the grant to Insiders within a 12 month period, of a number of Options exceeding 10% of the outstanding Common Shares; or
- (c) the grant to any one (1) Optionee within a twelve month period, of a number of Options exceeding 5% of the issued and outstanding Common Shares.

Subject to Exchange Policies, the aggregate number of Common Shares reserved for issuance to any one (1) Optionee under Options granted in any 12 month period shall not exceed 5% of the issued and outstanding Common Shares determined at the date of grant (or 2% of the issued and outstanding Common Shares in the case of an Optionee who is a Consultant (as such terms are

defined in Exchange Policies)). The aggregate number of Options granted to Persons employed to provide Investor Relations Activities must not exceed 2% of the issued and outstanding Common Shares in any 12 month period determined at the date of the grant.

Appropriate adjustments shall be made as set forth in Section 14 hereof, in both the number of Common Shares covered by individual grants and the total number of Common Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Corporation.

If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased Common Shares subject thereto shall again be available for the purpose of the Plan.

7. Option Agreement

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to option, the exercise price and any other terms and conditions approved by the Board of Directors, all in accordance with the provisions of this Plan (herein referred to as the “Stock Option Agreement”). The Stock Option Agreement will be in such form as the Board of Directors may from time to time approve, and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the Optionee may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.

8. Option Period and Exercise Price

Each Option and all rights thereunder shall be expressed to expire on the date set out in the respective Stock Option Agreement, which shall be the date of the expiry of the Option Period (the “Expiry Date”), subject to earlier termination as provided in Sections 10 and 11 hereof.

Subject to Exchange Policies and any limitations imposed by any relevant regulatory authority, the exercise price of an Option granted under the Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the Discounted Market Price of the Common Shares.

9. Exercise of Options

An Optionee shall be entitled to exercise an Option granted to him at any time prior to the expiry of the Option Period, subject to Sections 10 and 11 hereof and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

The exercise of any Option will be conditional upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Common Shares in respect of which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the Option is being exercised.

Common Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Common Shares pursuant thereto shall comply with all relevant provisions of applicable securities law, and the requirements of any stock exchange or consolidated stock price reporting system on which prices for the Common Shares are quoted at any given time. As a condition to the exercise of an Option, the Corporation may require the person exercising such Option to represent and warrant at the time of any such exercise that the Common Shares are being purchased only for investment and without any present intention to sell or distribute such Common Shares if, in the opinion of counsel for the Corporation, such a representation is required by law.

10. Ceasing to be a Director, Officer, Employee or Consultant

If an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, the Optionee may, but only within ninety (90) days after the Optionee's ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation. For greater certainty, any Optionee who is deemed to be an employee of the Corporation pursuant to any medical or disability plan of the Corporation shall be deemed to be an employee for the purposes of the Plan.

11. Death of Optionee

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier, and then only:

- (a) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and
- (b) to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death.

12. Optionee's Rights Not Transferable

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except by bequeath or the laws of descent and distribution, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

Subject to the foregoing, the terms of the Plan shall bind the Corporation and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

13. Takeover or Change of Control

The Corporation shall have the power, in the event of:

- (a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or
- (b) any change in control of the Corporation,

to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including without limitation, to amend any Stock Option Agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction. If the Corporation shall exercise such power, the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Corporation prior to the completion of such transaction.

14. Anti-Dilution of the Option

In the event of:

- (a) any subdivision, redivision or change of the Common Shares at any time during the term of the Option into a greater number of Common Shares, the Corporation shall deliver, at the time of any exercise thereafter of the Option, such number of Common Shares as would have resulted from such subdivision, redivision or change if the exercise of the Option had been made prior to the date of such subdivision, redivision or change;
- (b) any consolidation or change of the Common Shares at any time during the term of the Option into a lesser number of Common Shares, the number of Common Shares deliverable by the Corporation on any exercise thereafter of the Option shall be reduced to such number of Common Shares as would have resulted from such consolidation or change if the exercise of the Option had been made prior to the date of such consolidation or change;
- (c) any reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares, or in case of the consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in a reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation, at any time during the term of the Option, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which he was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such reclassification, change, consolidation, amalgamation, merger or transfer if, on the effective date thereof, he had been the holder of the number of Common Shares to which he was entitled upon exercise of the Option.

Adjustments shall be made successively whenever any event referred to in this section shall occur. For greater certainty, the Optionee shall pay for the number of shares, other securities or property as aforesaid, the amount the Optionee would have paid if the Optionee had exercised the Option prior to the effective date of such subdivision, redivision, consolidation or change of the Common Shares or such reclassification, consolidation, amalgamation, merger or transfer, as the case may be.

15. Costs

The Corporation shall pay all costs of administering the Plan.

16. Termination and Amendment

- (a) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, solely in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the Exchange or any relevant regulatory authority, whether or not such amendment or termination would affect any accrued rights, subject to the approval of the Exchange or such regulatory authority.
- (b) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder for any reason other than the reasons set forth in Section 16(a) hereof, subject to the approval of the Exchange or any relevant regulatory authority and the approval of the shareholders of the Corporation if required by the Exchange or such regulatory authority. Subject to Exchange Policies, disinterested shareholder approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment. No such amendment or termination will, without the consent of an Optionee, alter or impair any rights which have accrued to him prior to the effective date thereof.
- (c) The Plan, and any amendments thereto, shall be subject to acceptance and approval by the Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance are given.

17. Applicable Law

This Plan shall be governed by, administered and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

18. Effective Date

This Plan shall become effective as of and from, and the effective date of the Plan shall be February 3, 2008, subject to receipt of all necessary regulatory approvals.

THIS IS SCHEDULE "B" ATTACHED TO AND MADE A PART OF THE NOTICE OF MEETING AND INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL MEETING OF THE SHAREHOLDERS OF CANOEL INTERNATIONAL ENERGY LTD. TO BE HELD ON SEPTEMBER 24, 2008, AND ANY ADJOURNMENT THEREOF

**CANOEL INTERNATIONAL ENERGY LTD.
Audit Committee Charter**

OVERALL ROLE AND RESPONSIBILITY

The Audit Committee shall:

- (d) assist the Board of Directors in its oversight role with respect to:
 - (i) the quality and integrity of financial information;
 - (ii) the independent auditor's performance, qualifications and independence;
 - (iii) the performance of the Corporation's internal audit function, if applicable; and
 - (iv) the Corporation's compliance with legal and regulatory requirements and
- (e) prepare such reports of the Audit Committee required to be included in the Proxy Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

MEMBERSHIP AND MEETINGS

The Audit Committee shall consist of three or more Directors appointed by the Board of Directors, all of whom shall be independent and unrelated to the Corporation and as such shall not be officers (other than a non-executive Chairman or Corporate Secretary who is not an employee of the Corporation) or employees of or have a meaningful business relationship with the Corporation or any of the Corporation's affiliates or be an immediate family member of any of the foregoing. Each of the members of the Audit Committee shall satisfy the applicable independence and financial literacy of the laws governing the Corporation, the applicable stock exchanges on which the Corporation's securities are listed and applicable securities regulatory authorities.

The Board of Directors shall designate one member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

STRUCTURE AND OPERATIONS

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The

Committee shall report to the Board of Directors on its activities after each of its meetings at which time minutes of the prior Committee meeting shall be tabled for the Board.

The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

SPECIFIC DUTIES

Oversight of the Independent Auditor

- Make recommendations to the board for the appointment and replacement of the independent auditor.
- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Obtain from the independent auditor and review the independent auditor's report regarding the management internal control report of the Corporation to be included in the Corporation's annual proxy circular, as required by applicable law.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every 5 years).

Financial Reporting

- Review and discuss with management and the independent auditor:
 - prior to the annual audit the scope, planning and staffing of the annual audit,
 - the annual audited financial statements,
 - the Corporation's annual and quarterly disclosures made in management's discussion and analysis,

- approve any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation,
 - the Corporation's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,
 - significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements,
 - any significant changes in the Corporation's selection or application of accounting principles,
 - any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies, and
 - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

AUDIT COMMITTEE'S ROLE

The Audit Committee has the oversight role set out in this Charter. Management, the Board of Directors, the independent auditor and the internal auditor (if any) all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Corporation's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles.

FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefor shall also be funded by the Corporation.

Approval of Audit and Remitted Non-Audit Services Provided by External Auditors

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the External Auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this Protocol. The Chief Financial Officer shall act as the primary contact to receive and assess any proposed engagements from the External Auditor.

Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.