

**ZENITH ENERGY LTD.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF  
SHAREHOLDERS**

TAKE NOTICE that the Annual General and Special Meeting of Shareholders (the “**Meeting**”) of Zenith Energy Ltd. (the “**Corporation**”) will be held at the offices of at the offices of Norton Rose Fulbright Canada LLP, Suite 3700, 400-3rd Avenue SW, Calgary, AB T2H 4H2 on January 20, 2017 at the hour of 10:00 am (Calgary time) for the following purposes:

1. To receive the Financial Statements of the Corporation for the financial year ended March 31, 2016 and the report of the Auditor thereon;
2. To consider and, if thought fit, pass an ordinary resolution fixing the number of directors for the ensuing year at six, subject to the power of the Board of Directors to appoint additional directors between annual meetings;
3. To elect Directors for the ensuing year;
4. To appoint auditors of the Corporation for the ensuing year;
5. To consider and, if thought fit, pass an ordinary resolution reapproving the Corporation’s Stock Option Plan; and
6. To transact such other business as may properly come before the meeting or any adjournment thereof.

Your vote is important. If you are unable to attend the Meeting, please complete and forward the enclosed Proxy in accordance with the instructions contained in the Information Circular and deposit the Proxy at Computershare Trust Company at its offices at 8<sup>th</sup> Floor, 100 University Avenue Toronto, Ontario M5J 2Y1. **To be valid, a Proxy must be deposited with Computershare Trust Company not later than forty-eight hours, excluding Saturdays and holidays, before the meeting or any adjournment thereof at which the Proxy is to be used.**

Shareholders holding shares registered in the name of a broker or other nominee should ensure that they make arrangements to instruct the broker or other nominee how their shares are to be voted at the Meeting in order for their vote to be counted at the Meeting.

DATED this 20<sup>th</sup> day of December 2016.

BY ORDER OF THE BOARD OF DIRECTORS

*“Jose Ramon Lopez-Portillo”*

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Jose Ramon Lopes-Portillo, Chairman of  
the Board of Directors

ZENITH ENERGY LTD

(previously called CANOEL INTERNATIONAL ENERGY LTD.)

**ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**INFORMATION CIRCULAR**

Except where otherwise indicated, information contained herein is effective as of December 20, 2016.

**SOLICITATION OF PROXIES**

**This Information Circular is furnished in connection with the solicitation of proxies by the Management of Zenith Energy Ltd. (the "Corporation") for use at the Annual and Special Meeting (the "Meeting") of shareholders of the Corporation (the "Shareholders") to be held on January 20, 2017, at the time and place and for the purposes set forth in the accompanying Notice of Annual meeting of Shareholders ("Notice of Meeting") and at any adjournment or adjournments thereof. The solicitation of proxies will be made primarily by mail but proxies may also be solicited personally or by telephone or other means, by directors, officers or employees of the Corporation to whom no additional compensation will be paid for so doing. The cost of the solicitation will be borne by the Corporation.**

**PERSONS MAKING THE SOLICITATION**

**The enclosed Proxy Form is solicited by and on behalf of the Board of Directors of the Corporation.** The cost of solicitation by the Board of Directors will be borne by the Corporation. As well, proxies will be solicited by mail and may also be solicited personally or by telephone by the directors or officers of the Corporation, who will not be specifically remunerated therefore.

The Corporation may pay the reasonable costs incurred by persons who are the registered but not beneficial owners of voting securities of the Corporation (such as brokers, dealers, other registrants under applicable securities laws, nominees and/or custodians) in sending or delivering copies of this Information Circular, the Notice of Meeting and Proxy Form to the beneficial owners of such securities. The Corporation will provide, without cost to such persons, upon request to the applicable company, additional copies of the foregoing documents required for this purpose.

**REVOCAION OF PROXIES**

A Shareholder who has submitted a proxy may revoke it. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing signed by the Shareholder or his attorney authorized in writing, or, if the Shareholder is a corporation, signed under its corporate seal or by an officer or attorney of the corporation authorized in writing, and depositing the instrument either at the Registered Office of the Corporation or at the office of Computershare Trust Company 8<sup>th</sup> Floor, 100 University Avenue Toronto, Ontario M5J 2Y1 at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof at which the proxy is to be used. Upon such deposit the proxy will be revoked as to any matter in respect of which a vote has not already been cast.

## PROXY INSTRUCTIONS

**Mr. Andrea Cattaneo and Mr. Dario Sodero, the persons named in the form of proxy enclosed with the Notice of the Meeting, are respectively the President & CEO of the Corporation as well as a member of the Board of Directors of the Corporation. Shareholders have the right to appoint some other person (who need not be a shareholder of the Corporation) to represent them at the meeting.** To exercise that right, a shareholder may either insert the name of the desired representative in the blank space provided in the form of proxy enclosed with the Notice of the Meeting, or submit another form of proxy appointing the desired representative. Proxies will not be valid unless received by Computershare Trust Company at its offices at 8<sup>th</sup> Floor, 100 University Avenue Toronto, Ontario M5J 2Y1, not later than forty-eight (48) hours, excluding Saturdays and holidays, before the time set for the meeting or any adjournment thereof at which the proxy is to be used. **The proxy must be in writing and must be signed by the shareholder or his attorney authorized in writing, or, if the shareholder is a corporation, the proxy must be signed under its corporate seal or by a duly authorized officer or attorney of the corporation authorized in writing.**

The form of proxy enclosed with the Notice of the Meeting affords a means for shareholders to specify that their shares will be voted or withheld from voting on the election of directors and the appointment of auditors and to specify that their shares will be voted for or against all other business identified in the Notice of the Meeting. If appointed proxy, Mr. Cattaneo or Mr. Sodero will vote the shares or withhold from voting the shares as specified by the shareholder on any ballot that may be called for. **The shares will be voted "for" each matter for which no specification has been given. The form of proxy enclosed with the Notice of the Meeting confers discretionary authority upon the person appointed proxy thereunder to vote on amendments or variations to matters identified in the Notice of the Meeting, and on other matters which may properly come before the Meeting.** At the date of this Information Circular, Management of the Corporation knows of no such amendment, variation or other matter which may come before the Meeting.

The resolutions contained in the Notice of Meeting require the positive vote of the majority of the votes cast with the respect to each resolution.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The only outstanding voting securities of the Corporation are common shares of which **64,574,153** common shares are outstanding as at December 20, 2016, each entitling the holder to one vote.

The Board of Directors of the Corporation has fixed the close of business on at December 20, 2016 as the record date (the "**Record Date**"), for determination of the registered holders of common shares entitled to receive notice of the Meeting. The Corporation will prepare a list of the names of, and the number of shares held by, each shareholder who is entitled to receive notice of the Meeting. At the Meeting a Shareholder will be entitled to vote the shares shown opposite that Shareholder's name on the list except to the extent that the Shareholder has transferred any shares after the Record Date and the transferee produces properly endorsed share certificates, or otherwise establishes ownership of such shares and demands the inclusion of the transferee's name in the list of shareholders not later than 10 days before the date of the Meeting.

To the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, controls or directs, directly or indirectly, more than 10% of the common shares of the Corporation.

## **ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES**

The information in this section is of significant importance to shareholders who do not hold their common shares in their own name ("**Beneficial Shareholders**"). Beneficial Shareholders should note that only proxies deposited by registered holders of common shares (those whose names appear on the records of the Corporation as the registered holders of common shares) can be recognized and acted upon at the Meeting. If the common 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 name of the shareholder on the records of the Corporation. Common shares listed in an account statement will more likely be registered under the name of the Shareholder's broker or their broker's agent. In Canada, the vast majority of 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 agents or nominees can only be voted as instructed by the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting common shares held for their clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their common shares are communicated to the appropriate person.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that the common shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining voting instructions from clients to Broadridge Financial Services, Inc. ("**Broadridge**"). Broadridge typically mails a scannable Voting Instruction Form in lieu of the form of proxy. The Beneficial Shareholder is asked to complete and return the Voting Instruction Form to Broadridge by mail or facsimile or to call a toll-free number or visit a website to give voting instructions electronically. Broadridge 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 Voting Instruction Form cannot use that Voting Instruction Form to vote common shares directly at the Meeting. The Voting Instruction Form must be returned as directed by Broadridge or voting instructions must be given electronically well in advance of the Meeting in order to have the common shares voted.

If you are a Beneficial Shareholder and wish to vote in person at the Meeting, you should contact your broker or agent well in advance of the Meeting to determine how you can do so.

## **QUORUM**

Under the Corporation's By-Laws, as amended, a quorum for the transaction of business at any meeting of Shareholders is present if two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to vote at the Meeting.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **Presentation of Audited Annual Financial Statements**

Management will present the audited financial statements of the Corporation for the financial year ended March 31, 2016 and the report of the auditors on those financial statements.

## Election of Directors

The size of the Board of the Corporation is currently determined at six (6). The board proposes that the number of directors be maintained at six (6). Shareholders will therefore be asked to consider and, if thought appropriate, approve and adopt an ordinary resolution that the number of directors elected be fixed at six (6), subject to the provisions of the Articles for the Corporation permitting the board to appoint up to one-third additional directors until the next annual general meeting.

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director's office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (British Columbia) ("**BCA**"), each director elected will hold office until the conclusion of the next annual general meeting of the Corporation, or if no director is then elected, until a successor is elected.

The following table contains the names of all persons proposed to be nominated by Management for election as directors, their principal occupation or employment for the past five years, the year in which they first became a director of the Corporation and the number of common shares of the Corporation beneficially owned or over which control or direction is exercised, directly or indirectly, by each of them:

<b>Name, Residence and Position with the Corporation</b>	<b>Director Since</b>	<b>Principal Occupation</b>	<b>No. of Common Shares owned or controlled</b>
Jose Ramon Lopez- Portillo <sup>(1)</sup> <sup>(2)(3)</sup> Oxford, England, Director	September 24, 2008	Founder and Coordinator of the Centre for Mexican Studies at Oxford University since 2002, organizer of annual conference and seminar on energy security in Mexico at Oxford, and a Director of World SkyCat Ltd since 2000.	48,000 direct ownership
Luigi (Gino) Regis Milano <sup>(2)</sup> Genoa, Italy, Director	September 24, 2008	Director and part owner of D.P.L. Srl., an Italian oil refinery. He has a long experience in trading crude oil and petroleum products	3,495,740 indirect ownership

Name, Residence and Position with the Corporation	Director Since	Principal Occupation	No. of Common Shares owned or controlled
<p>Andrea Cattaneo Buenos Aires, Argentina, Director, President and CEO <sup>(3)</sup></p>	<p>December 9, 2008</p>	<p>Energy consultant specializing in emerging countries. He began his career in trading with Comecon; subsequently moved into banking where he specialized in sovereign loans and trade finance with emerging countries, principally socialist countries in Africa, Eastern Europe and Asia; in this capacity he made the first loan in Convertible currency to Vietcombank , the bank for Foreign Trade of Vietnam, at that time the third poorest country in the world.</p> <p>Finally he moved to petroleum trading and exploration. He has thirty years experience in advising governments in financial and energy related matters. He has developed some experience in manufacturing and stockbroking. He served as a Member of the Business Advisory Council to the Great Tumen Initiative, a project, sponsored by the United Nations Development Program, involving China, Mongolia, Russia, North Korea and South Korea. In a non-business capacity, in 2007 he organized in Genoa the first worldwide exhibition of artists from North Korea.</p>	<p>1,447,485 direct ownership</p>
<p>Dario E. Sodero <sup>(1)</sup> <sup>(3)</sup> Calgary, Alberta, Director</p>	<p>June 24, 2009</p>	<p>President of Planaval Resources Ltd., a private consulting company. President of CYGAM Energy Inc., a publicly traded Calgary based petroleum and natural gas exploration and production company, from February 2006 to April 2011. Director of CYGAM Energy Inc. from October 2005 to September 25, 2012. Director of Rockbridge Resources Inc., a publicly traded oil and natural gas company from January 2011 to present.</p>	<p>77,500 indirect ownership</p>

Name, Residence and Position with the Corporation	Director Since	Principal Occupation	No. of Common Shares owned or controlled
<p>Francesco Salimbeni<sup>(2)</sup>, Lugano Switzerland, Director</p>	<p>February 16, 2016</p>	<p>Mr. Salimbeni is an Italian engineer with over 50 years of expertise in technical and management positions and a member of three Professional Associations, namely the Italian Order of Professional Engineers, I.D.A., the International Desalination Agency and the European Desalination Society (EDS).</p> <p>As Project Engineer, Project Manager, and Department Manager at SNAM PROGETTI S.p.A (that was incorporated in 2008 into Saipem S.p.A. group, becoming its offshore projects division), where he had been working for 20 years, he was directly involved in the execution of basic design, engineering, construction, commissioning of several projects in the area of oil and gas production, transportation, and processing. Later, as General Manager and Managing Director, he was responsible for the negotiation, acquisition, supervision and execution of more than 50 contracts for the supply of grass root refineries all around the world.</p> <p>He is a world enhanced oil recovery specialist, environmental entrepreneur focused on industrial waste water treatment, advisor and consultant to Government and private enterprises in Italy and abroad for environment, conservation, desalination and waste management.</p>	<p>Nil</p>
<p>Erik Larre,<sup>(1)(4)</sup> Oslo, Norway, Director</p>	<p>March 22, 2011</p>	<p>Previously Director and Chairman of the Audit Committee of Sparebank 1 Nord Norge, Norway.</p> <p>He is an entrepreneur with activities in many countries around the world.</p>	<p>4,334,068 indirect ownership through an affiliated entity, Tonsenhagen Forretningsentrum AS</p>

Notes:

- (1) Audit Committee member.
- (2) Remuneration Committee member.
- (3) Corporate Governance Committee member.
- (4) To the knowledge of the Corporation, no proposed director, together with the proposed director's associates and affiliates beneficially own or control or direct, directly or indirectly, 10% or more of the voting rights attached to all voting securities of the Corporation. Information regarding ownership of securities by the proposed directors and their respective associates and affiliates, not being within the knowledge of the Corporation, has been provided by the respective proposed directors.

No proposed director:

- (a) Is, or, within 10 years before to the date of this Information Circular, has been a director or chief executive officer or chief financial officer of any company that:
  - (i) while the proposed director was acting in that capacity, was the subject of:
    - (A) a cease trade or similar order (including a management cease trade order that applied to the directors or executive officers of the company) for a period of more than 30 consecutive days; or
    - (B) an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days;
  - (ii) was subject to an order of the type referred to in subparagraphs (A) or (B) above that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer of the company that resulted from an event that occurred while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer of that company;
- (b) except as set out below, is, or, within 10 years before to the date of this Information Circular, has been a director or executive officer of any company that, while the proposed director was acting in that capacity or within a year of the proposed director 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; or
- (c) has, within 10 years before to the date of this Information Circular, 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 proposed director's assets; or
- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for the proposed director.

### **Appointment of Auditor**

At the Meeting, Shareholders will be asked to pass an ordinary resolution to appoint MNP LLP, Chartered Accountants, of Calgary, Alberta as auditor of the Corporation to hold office until the next annual general meeting of Shareholders, at a remuneration to be fixed by the Board of Directors of the Corporation. MNP LLP has been the auditors of the Corporation since May 2013.



## **Approval of Stock Option Plan**

The Corporation has a stock option plan (the "**Plan**") pursuant to which, non-transferable options to purchase common shares of the Corporation may be granted to directors, officers, consultants and employees of the Corporation, exercisable for a period of up to 5 years from the date of grant, provided that the number of common shares reserved for issuance under options will not exceed 10% of the issued and outstanding common shares. A copy of the Plan is attached hereto as Appendix B.

The policies of the TSX Venture Exchange require that the Plan receive shareholder approval yearly at the Corporation's annual general meeting.

At the Meeting, shareholders will be asked to consider and if thought fit, pass the following ordinary resolution:

*"BE IT RESOLVED that:*

- 1. the stock option plan of the Corporation in the form attached as Appendix B (the "**Plan**") to the Management Information Circular accompanying the notice of this Meeting be and is hereby ratified as the stock option plan of the Corporation;*
- 2. the issued and outstanding stock options previously granted shall continue to be governed by the Plan;*
- 3. any one (or more) director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal or otherwise) that may be necessary or desirable to give effect to this resolution and obtain acceptance of the Plan by the TSX Venture Exchange."*

## **STATEMENT OF EXECUTIVE COMPENSATION**

### ***Compensation Discussion and Analysis***

The Corporation has a Remuneration Committee consisting of Messrs. Salimbeni, Regis Milano and Portillo. All of these individuals are independent in that they are neither employees nor executive officers of the Corporation or any of its affiliates. Mr. Luigi Regis Milano is the Chair of the Remuneration Committee. The role of the Remuneration Committee is to assist the Board of Directors in its oversight role with respect to the Corporation's global human resources strategy, policies and programs and with respect to all matters relating to proper utilization of human resources within the Corporation, with special focus on management succession, development and compensation.

The Corporation entered into a formal executive compensation plan with its President and Chief Executive Officer, pursuant to a Consulting Agreement. This compensation plan consisted of fees of \$64,800 per year, stock options granted under the Corporation's Stock Option Plan, a benefit in the form of a payment by the Corporation of an annual life insurance premium of US\$5,000 wherein his heirs are the beneficiaries, and a future bonus plan. This Consulting Agreement terminated on March 31, 2012.

As of January 01, 2015, the President and Chief Executive Officer commenced receiving a monthly salary of \$16,666 with the option that up to fifty percent of the monthly salary be taken in shares in the event that, in the opinion of the Board, the cash position of the Corporation has deteriorated to a point where solvent trading is likely to be comprised. The new compensation plan consists of a 12 month duration, with a 12 month rolling notice period. A review of the compensation plan shall be undertaken at each financial year end.

In setting executive compensation the Board of Directors takes into consideration the balance between the Corporation's capacity to pay cash compensation, the need to offer competitive compensation packages in order to attract and retain qualified individuals, and short and long-term compensation objectives.

### ***Salary***

Base salaries are established by the Board of Directors on the recommendation of the Remuneration Committee after negotiation with the executive and taking into consideration the executive's duties, performance and experience. Although the Corporation does not have a policy regarding bonuses, bonuses may be used to provide short term compensation to executives to recognize both individual performance, overall performance of the Corporation and to provide additional compensation on where, due to limited financial resources, the Corporation has been unable to pay appropriate levels of compensation in prior periods. Bonuses, if awarded, will be in amounts determined at the discretion of the Board of Directors on the recommendation of the Remuneration Committee and may be paid in cash or otherwise as determined by the Board of Directors.

### ***Stock Options***

#### **1 Stock Option Plan**

##### **1.1 Background**

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

##### **1.2 Administration**

The Directors are responsible for administering the Stock Option Plan and have full and final discretion to interpret its provisions and to prescribe, amend, rescind and waive the rules and regulations governing its administration and operation.

##### **1.3 Eligibility**

The Directors can designate those directors, officers, employees, consultants or other personnel of the Company or its subsidiaries who are granted Options ("**Optionholders**") pursuant to the Stock Option Plan. Subject to the policies (the "**Exchange Policies**") of the TSXV or any other stock exchange on which the Common Shares are listed (the "**Exchange**") and certain other limitations, the Directors are authorised to provide for the grant and exercise of Options on such

terms (which may vary as between Options) as they shall determine. No Option may be granted to any person except upon recommendation of the Board.

#### 1.4 **Participation**

Participation in the Stock Option Plan is entirely voluntary and any decision not to participate shall not affect an individual's relationship or employment with the Company. The granting of an Option pursuant to the Stock Option Plan shall in no way be construed as conferring on any Optionholder any right with respect to continuance as a director, officer, employee or consultant of the Company or any of its subsidiaries. Options are not affected by any change of employment of the Optionholder or by the Optionholder ceasing to be a director, officer or a consultant of the Company or any of its subsidiaries where the Optionholder at the same time becomes or continues to be a director, officer, full-time employee or consultant of the Company or any of its subsidiaries.

#### 1.5 **Shares subject to Options**

The number of authorised but unissued Common Shares that may be issued upon the exercise of Options granted under the Stock Option Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Company shall not exceed 10% of the issued and outstanding Common Shares as at the closing of the initial public offering of the Common Shares on the TSXV.

In addition, unless the Company receives the permission of the stock exchange or exchanges on which the Common Shares are listed to exceed such threshold, the Options granted under the Stock Option Plan together with all of the Company's other previously established stock option plans or grants, must not result at any time in:

- (a) the number of Common Shares reserved for issuance pursuant to Options granted to insiders (as defined in the Exchange Policies) exceeding 10% of the issued and outstanding Common Shares;
- (b) the grant to insiders (as defined in the Exchange Policies) within a 12 month period, of a number of Options exceeding 10% of the outstanding Common Shares; or
- (c) the grant to any one Optionholder within a 12 month period, of a number of Options exceeding 5% of the issued and outstanding Common Shares.

#### 1.6 **Option price and exercise price**

Subject to prior termination under the Stock Option Plan, each Option and all rights thereunder expire on the date set out in the stock option agreement entered into between the Company and each Optionholder, which shall be the date of expiry of the period determined by the Board of Directors during which the Optionholder may exercise the Option (the "**Option Period**"). The Option Period cannot exceed a period of 5 years from the date the relevant Option is granted unless the Company receives the permission of the stock exchange or exchanges on which the Common Shares are then listed and, in any event, no Option can be exercisable for a period exceeding 10 years from the date it is granted.

Subject to Exchange Policies and any limitations imposed by any relevant regulatory authority, the exercise price of an Option granted under the Stock Option 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 last per share closing price for the Common Shares on the Exchange before the date of grant of the Option (less any applicable discount under the Exchange Policies).

**1.7 Exercise of Options**

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.

Subject to any vesting limitations which may be imposed by the Directors at the time of grant of an Option, an Optionholder is generally entitled to exercise an Option granted to him at any time prior to the expiry of the Option Period. If an Optionholder ceases to be a director, officer, employee or consultant of the Company or its subsidiaries for any reason other than death, the Optionholder may within 90 days or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held. If an Optionholder dies, the Option previously granted to him is exercisable within one year following the date of the death or prior to the expiry of the Option Period, whichever is earlier, by the person or persons to whom the Optionholder's rights under the Option pass.

**1.8 Anti-dilution**

On certain variations to the share capital of the Company, the number of Common Shares comprised in existing Options may be adjusted so as to avoid the dilution of such Options.

**1.9 Transferability of Options**

No right or interest of any Optionholder under the Stock Option Plan is assignable or transferable.

**1.10 Options granted to the Directors**

As at December 20, 2016 the outstanding Options that have been granted to the Directors or any member of their immediate families, are as follows:

<b>Name</b>	<b>Date of grant</b>	<b>Number of Options over Common Shares</b>	<b>Exercise Price (CAD \$)</b>	<b>Expiry Date</b>
Jose Ramon Lopez-Portillo	November 18, 2016	600,000	\$0.10	November 18,2021
Luigi Regis Milano	November 18, 2016	1,000,000	\$0.10	November 18,2021
Andrea Cattaneo	November 18, 2016	3,000,000	\$0.10	November 18,2021
Dario E. Sodero	November 18, 2016	500,000	\$0.10	November 18,2021

Erik Larre	November 18, 2016	500,000	\$0.10	November 18,2021
Francesco Salimbeni	Nil	Nil	Nil	nil

**Summary Compensation Table**

The following table summarises annual compensation and long-term compensation of the Company's "Named Executive Officers" (as defined by Form 51-102F6) for the three most recently completed financial years that ended on 31 March 2016. All the amounts are expressed in thousand Canadian dollars:

Name and principal position	Year <sup>(2)</sup>	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Pension value (\$)	All other compensation (\$)	Total Compensation (\$)
Andrea Cattaneo <sup>(1)</sup> , President and Chief Executive Officer	2014	124	Nil	Nil	Nil	153 <sup>(3)</sup>	277
	2015	180	Nil	Nil	Nil	200 <sup>(3)</sup>	380
	2016	303	Nil	Nil	Nil	Nil	303
Luigi Regis Milano <sup>(4)</sup> , Director and Former Chief Financial Officer	2014	13	Nil	Nil	Nil	Nil	13
	2015	55	Nil	Nil	Nil	Nil	55
	2016	59	Nil	Nil	Nil	Nil	59
Nilesh Jagatia <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

1. Andrea Cattaneo was appointed President and Chief Executive Officer effective January 1, 2009. As proposed by the Compensation Committee, Mr. Cattaneo's annual consulting fee payment is approximately CAD \$200,000, payable in equal monthly instalments, plus benefits for the year ended March 31, 2015.
2. Financial years ended 31 March.
3. Bonus paid to CEO approved by the Board of Directors.
4. Luigi Regis Milano served as Chief Financial Officer from November 28, 2012 to March 7, 2016.
5. Nilesh Jagatia served as Chief Financial Officer from March 7, 2016 to October 6, 2016.

**Outstanding Share-Based and Option-Based Awards**

The following table summarizes for each Named Executive Officer, all share-based and option-based awards outstanding as at December 20, 2016, including awards granted in previous financial years

Name	Number of securities underlying unexercised options (#)	Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup>	Share-based awards	
					Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Andrea Cattaneo, Chief Executive Officer	318,333	\$0.25	May 5, 2017	Nil	Nil	Nil
	333,333	\$0.25	January 16, 2018	Nil	Nil	Nil
	583,333	\$0.20	November 7, 2018	Nil	Nil	Nil
Luigi Regis Milano (1), Chief Financial Officer	333,333	\$0.25	16 December 2017	Nil	Nil	Nil
	1,612,142	\$0.20	7 November 2018	Nil	Nil	Nil

**Notes:**

(1) The 1,945,475 Warrants stated for Luigi Regis Milano are held by Pole Position SRL, a company controlled by members of Mr. Regis Milano's immediate family. The relevant members of Mr. Regis Milano's immediate family own 100% of the share capital of Pole Position SRL. Mr. Regis Milano is also the sole director of Pole Position SRL.

**Incentive Plan Awards — Value Vested During the Year**

The following table summarizes for each Named Executive Officer the value of option-based awards and share-based awards that vested during the year ended March 31, 2016.

Name	Option-based awards - Value vested during the year <sup>(1)</sup> (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Andrea Cattaneo, Chief Executive Officer	Nil	Nil	Nil
Luigi Regis Milano, (2) former Chief Financial Officer	Nil	Nil	Nil

Note:

- Value determined by subtracting the market price of the underlying shares on the vesting date from the exercise price of the options. Market price of underlying shares on March 31, 2016 is CND \$0.12.
- Luigi Regis Milano served as Chief Financial Officer from November 28, 2012 to March 7, 2016.

**Pension Plan Benefits**

The Corporation does not have a pension plan.

**Deferred Compensation Plans**

The Corporation does not have a deferred compensation plan.

**Termination and Change of Control Benefits**

The Corporation does not have any contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation or a change in a Named Executive officer's responsibilities other than Andrea Cattaneo. The Corporation entered into a consulting agreement with Mr. Cattaneo to act as President and Chief Executive Officer. In the event of a change of control of the Corporation, Mr. Cattaneo will be entitled to terminate the contract and receive consulting fees and a payment equal to the estimated present value on the date of termination of benefits and incentive options that Mr. Cattaneo would have received had the contract remained in force for its entire term.

**DIRECTOR COMPENSATION**

**Director Compensation Table**

The following table summarizes compensation provided during the year ended March 31, 2016 to Directors of the Corporation who were not also Named Executive Officers during the year:

<b>Name<sup>(1)</sup></b>	<b>Fees earned (\$)</b>	<b>Share based awards (\$)</b>	<b>Option based awards<sup>(2)</sup> (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Dario Sodero	19,000	Nil	Nil	Nil	Nil	Nil	19,000
Francesco Salimbeni	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Erik Larre <sup>(3)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jose Ramon Lopez-Portillo	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note:

1. Compensation for Andrea Cattaneo appears elsewhere in this Information Circular.
2. Fair value is determined by using the Black-Sholes pricing model on the date of grant.
3. Erik Larre was appointed a Director of the Corporation on March 22, 2011.
4. In the year ending March 31, 2016, Mr. Sodero received a fee for professional consulting services of approximately CAD\$19,000.

**Outstanding Share-Based and Option-Based Awards**

The following table summarizes for each Director who was not also a Named Executive Officer during the year ended March 31, 2016, all share-based and option-based awards outstanding as at December 20, 2016, including awards granted in previous financial years.

Name	Number of securities underlying unexercised options (#)	Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup>	Share-based awards	
					Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Erik Larre(1)	666,666	\$0.25	December 16, 2017	Nil	Nil	Nil
	1,519,250	\$0.15	June 16, 2018	Nil	Nil	Nil
	1,306,050	\$0.20	October 10, 2018	Nil	Nil	Nil
Jose Ramon Lopez-Portillo	Nil	Nil	Nil	Nil	Nil	Nil
Dario E. Sodero	Nil	Nil	Nil	Nil	Nil	Nil
Francesco Salimbeni	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

(1) The 3,491,966 Warrants in which Erik Larre has a beneficial interest are held by Tonsenhagen Forretningscentrum, a company controlled by Mr. Larre. Mr. Larre owns 100% of the share capital of Tonsenhagen Forretningscentrum.

**Incentive Plan Awards**

The following table summarizes for each Director who was not also a Named Executive Officer during the year ended March 31, 2016, the value of option-based awards and share-based awards that vested during the year ended March 31, 2016.

Name	Option-based awards - Value vested during the year <sup>(1)</sup> (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation — Value earned during the year (\$)
Luigi Regis Milano	Nil	Nil	Nil
Dario Sodero	Nil	Nil	Nil



Francesco Salimbeni	Nil	Nil	Nil
Erik Larre	Nil	Nil	Nil
Jose Ramon Lopez-Portillo	Nil	Nil	Nil

Note:

1. Value determined by subtracting the market price of the underlying shares on the vesting date from the exercise price of the options. Market price of underlying shares on March 31, 2016: CDN\$0.20.
2. Awards for Andrea Cattaneo and for Luigi Regis Milano appear elsewhere in this Information Circular.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

At the end of the Corporation's most recently completed financial year, the Corporation had the following compensation plans under which equity securities of the Corporation were authorized for issuance:

<b>Plan Category</b>	<b>Number of warrants to be issued upon exercise of outstanding options</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Plans approved by security holders	29,638,898	8,364,096
Plans not approved by security holders	Nil	Nil
<b>Total</b>	<b>29,638,898</b>	<b>8,364,096</b>

As at March 31, 2016, the Company had 29,638,898 warrants outstanding and exercisable at a weighted average exercise price of \$0.23 per share with a weighted average life remaining of 1.80 years.

As at March 31, 2016, the Company had 8,364,096 of securities, remaining available for future issuance, relating the outstanding amount of the convertible notes at a conversion price of \$0.125 per share.

## INDEBTEDNESS OF DIRECTORS, SENIOR OFFICERS AND ASSOCIATES

As of December 20, 2016 none of the directors, executive officers or employees of the Corporation and the former executive officers, directors or employees of the Corporation and its subsidiaries, were indebted to:

- (a) the Corporation or any of its subsidiaries; or
- (b) to any other entity where the indebtedness is the subject of a guarantee, support agreement (including, but not limited to, an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide

compensation for the purpose of maintaining or servicing any indebtedness), letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries:

During the last completed financial year of the Corporation:

- (a) no director or executive officer of the Corporation;
- (b) no nominees for election as director of the Corporation; and
- (c) no associate of any person referred to in paragraphs (a) and (b), was
- (d) indebted to the Corporation or any of its subsidiaries; or
- (e) indebted to any other entity where the indebtedness is the subject of a guarantee, support agreement (including, but not limited to, an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide compensation for the purpose of maintaining or servicing any indebtedness of the borrower), letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Since the commencement of the Corporation's last completed financial year:

- (a) no informed person (as defined in National Instrument 51-102 — Continuous Disclosure Obligations);
- (b) no proposed director of the Corporation; and
- (c) no associate or affiliate of any person referred to in paragraph (a) or (b);

had a material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries, with the exception of the following related party transactions, that are considered to be in the normal course of operations and are initially recognized at fair value:

- a) Included in general and administrative expenses is \$282,367 (2015 – \$257,837) charged by a company controlled by an officer and director of the Company for office rent and administrative services. As at March 31, 2016, \$nil (2015 – \$nil) was included in trade and other payables in respect of these charges.
- b) Included in interest expense is \$nil (2015 – \$2,466) on \$50,000 Swiss Francs of convertible notes held by a company controlled by a director of the Company, of which \$nil is included in trade and other payables as at March 31, 2016 (2015 – \$nil). These notes were converted to common shares and the related accrued and unpaid interest forgiven on September 12, 2014.
- c) Included in trade and other payables is \$52,591 (2015 – \$nil) due to an officer and director of the Company in respect of short-term, unsecured, non-interest bearing advances made to the Company.

- d) Included in trade and other payables is \$8,966 (2015 – \$52,313) due to officers and directors of the Company in respect of general and administrative expenditures made on behalf of the Company for which the officers and directors will be reimbursed.
- e) Included in trade and other payables is \$30,586 (2015 – \$nil) due to officers and directors of the Company in respect of salaries.

#### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

None of:

- (a) the persons who have been directors or executive officers of the Corporation at any time since the beginning of the Corporation's last financial year;
- (b) the proposed nominees for election as a director of the Corporation at the Meeting; or
- (c) the associates or affiliates of any of the persons or companies listed in paragraphs (a) or (b),

has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

#### **MANAGEMENT CONTRACTS**

None of the management functions of the Corporation or any subsidiary are to any substantial degree performed other than by the directors or executive officers of the Corporation or subsidiary.

#### **AUDIT COMMITTEE INFORMATION**

Securities regulations require disclosure of certain information regarding the Corporation's audit committee, the way it functions and the fees paid to the Auditor. This information can be found in Appendix A.

#### **CORPORATE GOVERNANCE PRACTICES**

Securities regulations require disclosure of certain information regarding the Corporation's corporate governance practices. This information can be found in Appendix C.

#### **OTHER MATTERS**

Management of the Corporation is not aware of any other matters to come before the Meeting other than as set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matters.

#### **APPOINTMENT OF NEW CFO**

On November 7, 2016 the Company hired Mr. Alan Hume as its new Chief Financial Officer.

Alan Hume is a qualified accountant with over 30 years' accounting, business and corporate finance experience in both the energy and construction industries. Mr. Hume has previously been chief financial officer for an AIM listed oil and gas exploration company, for a privately held Canadian oil and gas exploration and production company and for an international construction joint venture in the United Arab Emirates. He also has significant experience in senior finance director and commercial director roles in the oilfield services and power production sectors. Mr. Hume has operated in the UK, US, Norway, Turkey and other European countries, as well as in Southern Africa. He was admitted as a Fellow of the Chartered Institute of Management Accountants in 1999.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may obtain copies of the Corporation's financial statements and MD&A, free of charge, by contacting Mr. Andrea Cattaneo, the Chief Executive Officer at [Andrea.Cattaneo@zenithenergy.ca](mailto:Andrea.Cattaneo@zenithenergy.ca)

Financial information is provided in the Corporation's comparative financial statements and MD&A for its most recently completed financial year.

## APPENDIX A

### ZENITH ENERGY LTD.

#### Audit Committee Charter

##### **OVERALL ROLE AND RESPONSIBILITY**

The Audit Committee shall:

- (a) 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
- (b) 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,

- 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, or 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 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 therefore 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.

### COMPOSITION OF THE COMMITTEE

The following table contains the name of each member of the Audit Committee and indicates whether the member is "independent" and "financially literate", as those terms are defined by National Instrument 52-110 -- Audit Committees ("NI 52-110"):

<b>Name</b>	<b>Independent</b>	<b>Financially Literate</b>
Jose Ramon Lopez-Portillo	Yes	Yes
Dario Sodero	Yes	Yes
Erik Larre <sup>(1)</sup>	Yes	Yes

Notes:

1. Chairman of the Audit Committee.

### AUDIT COMMITTEE OVERSIGHT

Since the commencement of the Corporation's most recently completed financial year, there has been no recommendation of the audit committee to nominate or compensate an external auditor that was not adopted by the Board of Directors.

### RELIANCE OF CERTAIN EXEMPTIONS

Since the commencement of the Corporations most recently completed financial year, the Corporation has not relied on:

- (a) the exemption in section 2.4 (De minimus Non-audit Services) of NI 52 110; or
- (b) an exemption from NI 52 110 in whole or in part, granted under Part 8 (Exemptions) of NI 52 110.

### PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services, but does pre-approve all non-audit services.



**AUDIT FEES AND PRE APPROVAL OF AUDIT SERVICES**

The following table summarizes the fees paid during the last two financial years to the Corporation's auditor:

<b>Item</b>	<b>2016</b>	<b>2015</b>
Audit Fees	\$ 115,000	\$ 115,000
Audit Related Fees	-	-
Other Fees	-	-

**RELIANCE ON EXEMPTION**

The Corporation is a "venture issuer" as defined in NI 52-110 and as such is relying on the exemption in section 6.1 of NI 52-110 from the requirement to comply with the requirements of Part 3 (Composition of Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

**APPENDIX B**

**ZENITH 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 Canoe 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.



## APPENDIX C

### CORPORATE GOVERNANCE DISCLOSURE

#### GENERAL

The Board of Directors believes that good corporate governance improves corporate performance and benefits all shareholders. While it is the responsibility of the Corporation to develop its own corporate governance practices, National Policy 58-201 - *Corporate Governance Guidelines* ("**NP 58 201**") provides guidelines to be considered in developing those practices. National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("**NI 58-101**") requires annual disclosure of the Corporation's corporate governance practices. The following discussion sets out the Corporation's approach to certain aspects of corporate governance as required by NI 58-101.

#### BOARD OF DIRECTORS

Directors are considered to be independent if they have no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Corporation's Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

Management has been delegated the responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Corporation's business in the ordinary course, managing cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board of Directors facilitates its independent supervision over management by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions, and all debt and equity financing transactions. Through its Audit Committee, the Board of Directors examines, among other things, the effectiveness of the Corporation's internal control processes and management information systems. The Board of Directors as a whole reviews executive compensation and recommends stock option grants.

The independent non-executive members of the Board of Directors of the Corporation are:

Jose Ramon Lopez-Portillo  
Dario Soderò  
Francesco Salimbeni  
Erik Larre

The non-independent director are:

Andrea Cattaneo  
Luigi Regis Milano

The Board of Directors has a majority of independent non-executive directors.

## DIRECTORSHIPS

The following directors are directors of the issuers, other than the Corporation, whose names are set out opposite their respective names below. These issuers are reporting issuers in Canada or the equivalent in a foreign jurisdiction.

Name	Other reporting issuers of which the Director is a director
Dario Sodero	Director of Rockbridge Resources Inc. and Director of CYGAM Energy Inc. until September 25, 2012.

## ORIENTATION AND CONTINUING EDUCATION

The Board of Directors has not developed any specific orientation procedures for new directors or continuing education procedures for current directors.

## ETHICAL BUSINESS CONDUCT

The Board of Directors has not developed specific procedures to promote a culture of ethical business conduct. Applicable laws impose duties on individual Directors to act honestly and in good faith with a view to the best interests of the Corporation. The Corporation's governing legislation also places restriction on an individual Director's participation in decisions of the Board of Directors where the Director has a personal interest. In view of these obligations and restrictions, the Board of Directors has not developed specific procedures to promote a culture of ethical conduct and believes that this is appropriate in view of the Corporation's size and stage of development.

## NOMINATION OF DIRECTORS

Prior to recommending nominee Directors to shareholders at the Corporation's Annual General Meeting, the Board of Directors as a whole considers the number of Directors and the skills and experience required to carry out the Board's duties effectively. The Board does not have a separate nominating committee.

## COMPENSATION

The Board of Directors on the recommendation of its Remuneration Committee determines compensation for the Directors and the President and Chief Executive Officer.

## OTHER BOARD COMMITTEES

In addition to the Audit Committee and the Remuneration Committee, the Board of Directors has established a Corporate Governance Committee.

The Corporate Governance 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 Corporate Governance Committee is comprised of Messrs. Dario Soderro and Jose Ramon Lopez-Portillo.

#### **ASSESSMENTS**

The Board of Directors has not established any formal procedure to satisfy itself that the Board, its Committees and individual Directors are performing effectively.

