

PETROFRONTIER CORP.
320, 715 – 5th Avenue S.W.
Calgary, AB T2P 2X6

MANAGEMENT INFORMATION CIRCULAR

This management information circular (the "**Information Circular**") is furnished in connection with the solicitation of proxies by or on behalf of the management of PetroFrontier Corp. (the "**Corporation**") for use at the annual and special meeting of the holders ("**Shareholders**") of the common shares of the Corporation ("**Common Shares**") to be held on Thursday, November 10, 2011 at 10:00 a.m. (Calgary time) at PetroFrontier's Conference Room, Main Floor, 715 - 5th Avenue SW, Calgary, Alberta, T2P 2X6 (the "**Meeting**") and at any adjournment thereof for the purposes set out in the Notice of Meeting accompanying this Information Circular. Unless otherwise noted, information in this Information Circular is given as at October 13, 2011.

GENERAL PROXY INFORMATION

Solicitation of Proxies

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally, by telephone or other personal contact by directors, officers, employees or agents of the Corporation. Arrangements will also be made with clearing agencies, brokerage houses and other financial intermediaries, custodians, nominees and fiduciaries to forward proxy solicitation material to the beneficial owners of Common Shares pursuant to the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*. The cost of any such solicitation will be borne by the Corporation.

Appointment and Revocation of Proxies

The individuals named in the accompanying form of proxy are officers and or directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) other than Robert J. Iverach, Q.C. and Shane J. Kozak, the management designees, to attend and represent the Shareholder and act on the Shareholder's behalf at the Meeting.** Such right may be exercised by inserting in the blank space provided in the accompanying form of proxy the name of the person to be designated or by completing another proper form of proxy and, in either case, depositing the form of proxy with the registrar and transfer agent of the Corporation, Olympia Trust Company. A proxy will not be valid unless the completed, dated and signed form of proxy is delivered to Olympia Trust Company, Suite 2300, 125 - 9th Avenue SE, Calgary, Alberta, T2G 0P6 not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) preceding the Meeting or an adjournment of the Meeting.

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, prior to the revocation. A Shareholder may revoke a proxy by depositing an instrument in writing, executed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of the Corporation:

1. at the offices of the registrar and transfer agent of the Corporation, Olympia Trust Company, Suite 2300, 125 - 9th Avenue SE, Calgary, Alberta, T2G 0P6 at any time, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the Meeting or an adjournment of the Meeting at which the proxy is to be used; or

2. at the registered office of the Corporation, Suite 320, 715 – 5th Avenue S.W., Calgary, Alberta, T2P 2X6, at any time up to and including the last business day preceding the day of the Meeting at which the proxy is to be used; or
3. with the chairman of the Meeting on the day of the Meeting or an adjournment of the Meeting.

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, Olympia Trust Company, within the time period set out under the heading "Voting of Proxies", or by the Shareholder personally attending the Meeting and voting its Common Shares, or in any other manner permitted by law.

Voting Of Proxies

All Common Shares represented at the Meeting by properly executed proxies will be voted by the persons named in the proxy and, where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Common Shares represented thereby will be voted or withheld from voting in accordance with such specifications. **In the absence of any such specifications by the Shareholder, such Common Shares will be voted IN FAVOUR of all the matters set out herein.**

The enclosed Instrument of Proxy confers discretionary authority upon the management designees, or other persons appointed as proxyholders thereunder, with respect to any amendments to or variations of matters identified in the Notice of Meeting and with respect to any other matters, which may properly come before the meeting. As of the date of this Information Circular, the management of the Corporation is not aware of any such amendments, variations or other matters, which may come before the Meeting other than matters referred to in the accompanying Notice of Meeting. In the event that other matters come before the Meeting, the management designees intend to vote in accordance with the discretion of the management of the Corporation.

Proxies, to be valid, must be deposited at the office of the Corporation's registrar and transfer agent, Olympia Trust Company, Suite 2300, 125 - 9th Avenue SE, Calgary, Alberta, T2G 0P6 not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) preceding the Meeting or an adjournment of the Meeting.

Advice to Beneficial Holders of Common Shares on Voting their 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 their Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares or their proxyholders are permitted to vote at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then, in almost all cases, those 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). Common 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 Common Shares are communicated to the appropriate person.

Applicable regulatory rules require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/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 Common Shares are voted at the meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically provides a scannable voting instruction form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting instruction forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares or a website address where shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form or a proxy with a Broadridge sticker on it cannot use that voting instruction form or proxy to vote Common Shares directly at the Meeting. The voting instruction form or proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted at the Meeting.**

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

Beneficial Shareholders should follow the instructions on the forms that they receive and contact their intermediaries promptly if they need assistance.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares, without nominal or par value and an unlimited number of preferred shares, without nominal or par value. As at the Record Date (as defined herein), 63,939,821 Common Shares are issued and outstanding. The Common Shares are entitled to be voted at the Meeting on the basis of one vote for each Common Share held. The Corporation does not have any other class of voting securities.

The holders of Common Shares of record at the close of business on the record date, set by the directors of the Corporation to be September 27, 2011 (the "**Record Date**"), are entitled to vote such Common Shares at the Meeting, except to the extent that: (i) such person transfers ownership of any of its Common Shares after the Record Date; (ii) the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes its ownership to the Common Shares; and (iii) the transferee makes a demand to the registrar and transfer agent of the Corporation, Olympia Trust Company, not later than 10 days before the Meeting, that its name be included on the Shareholders list, in which case the transferee shall be entitled to vote its Common Shares at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, as of the date hereof, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation, other than the following:

<u>Name and Municipality of Residence</u>	<u>Type of Ownership</u>	<u>Number of Common Shares</u>	<u>Percentage of Class</u>
Quantum Partners LP New York, New York	Indirect	9,850,000 ⁽¹⁾	15.4%
Heritage Oil Plc. Jersey, Channel Islands	Direct	8,832,000	13.8%

Notes:

- (1) Based on the alternative monthly report prepared pursuant to National Instrument 62-103 by Soros Fund Management LLC and Quantum Partners LP dated June 10, 2011, which is filed under the Corporation's SEDAR profile.
- (2) Based on the filing prepared by Heritage Oil Plc., which is filed under the Corporation's SEDAR profile.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Corporation's directors and officers, the only matters to be placed before the Shareholders at the Meeting are those matters set forth in the Corporation's accompanying Notice of Meeting relating to: (i) the receipt of the audited financial statements of the Corporation for the financial year ended December 31, 2010 and the auditor's report thereon; (ii) the fixing of the number of directors to be elected at the Meeting at seven (7) and the election of the directors of the Corporation for the ensuing year; (iii) the appointment of the auditors for the Corporation; (iv) the approval of the Corporation's stock option plan; and (v) the approval of the Corporation's shareholder rights plan.

I. Receipt of Financial Statements

The directors will place before the Meeting the financial statements for the year ended December 31, 2010 together with the auditors' report thereon.

II. Election of Directors

The board of directors of the Corporation (the "**Board of Directors**" or the "**Board**") currently consists of eight (8) directors, all of whom are elected annually. The term of office for each of the present directors of the Corporation expires at the Meeting. It is proposed that the number of directors to be elected at the Meeting, for the ensuing year, be fixed at seven (7). At the Meeting, the Shareholders will be asked to consider and, if thought fit, approve an ordinary resolution fixing the number of directors to be elected at the Meeting, at seven (7). **It is the intention of the management designees, if named as proxy, to vote FOR the resolution setting the number of directors at seven, unless the Shareholder has specified in its proxy that its Common Shares are to be voted against setting the number of directors at seven (7).**

Each director elected at the Meeting will hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation, unless his office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Alberta) (the "ABCA") or the Corporation's by-laws. **It is the intention of the management designees, if named as proxy, to vote FOR the election of the persons listed in the table below to the Board of Directors, unless the Shareholder has specified in its proxy that its Common Shares are to be withheld from voting on the election of directors.**

Management has no reason to believe that any of such nominees will be unable to serve as directors; however, if, for any reason one or more of the proposed nominees do not stand for election or are unable to serve as directors, the management designees named in the enclosed form of proxy intend to vote for another nominee or nominees, as the case may be, in their discretion, unless the Shareholder has specified in its proxy that its Common Shares are to be withheld from voting on the election of directors.

The following table sets out information in respect of each of the nominees for director of the Corporation, and is based on information received by the Corporation from said nominees.

<u>Name and Municipality of Residence</u>	<u>Director Since⁽⁵⁾</u>	<u>Principal Occupation During the Last Five Years</u>	<u>Number of Common Shares Beneficially Owned</u>
Paul J. Bennett ⁽³⁾ Calgary, Alberta	December 31, 2010	Chief Executive Officer and a Director of PetroFrontier and PetroFrontier (Australia) Pty. Ltd. (" PetroFrontier Australia "), a wholly-owned subsidiary of PetroFrontier, since February 2009 and President of PetroFrontier and PetroFrontier Australia since October 13, 2011; President, Chief Executive Officer and Director of Rodinia Oil Corp. (" Rodinia ") since July 2006; President, Energen Resources Ltd. since August 2004.	25,000
Dr. James W. Buckee ⁽¹⁾⁽³⁾ Wiltshire, United Kingdom	December 31, 2010	Retired since October 2007; President and Chief Executive Officer of Talisman Energy Inc. (formerly BP Canada Inc.) (1993 - 2007).	484,000
Robert J. Iverach Q.C. ICD.D Calgary, Alberta	December 31, 2010	President, R. J. Iverach Professional Corporation since November 1976; Counsel with Burstall Winger LLP since May 2009; Director and Chairman of Rodinia and Rodinia Oil (Australia) Pty. Ltd. since July 2006; Director and Chairman of PetroFrontier and PetroFrontier Australia since February 2009; Partner, Felesky Flynn LLP from 1978 to 1990 and from 1994 to 2005.	281,501
Al. J. Kroontje ⁽¹⁾⁽²⁾⁽⁴⁾ Calgary, Alberta	December 31, 2010	President of his private investment company, Pellinore Holdings Inc.; Director of Novus Energy Inc., Polar Star Mining Corporation, Border Petroleum Corp. and Cobalt Coal Ltd., each of which are public companies listed on the TSX Venture Exchange; President of Telford Services Group, Inc. from May 1996 to August 2009.	1,000,000 ⁽⁴⁾
C. Kent Jespersen Calgary, Alberta	December 31, 2010	Independent businessman and corporate director.	28,700
Martin P. McGoldrick ⁽¹⁾⁽²⁾ Calgary, Alberta	December 31, 2010	Retired since July 2006; Senior Vice President, Director of Jennings Capital Inc. from September 2003 to July 2006.	185,000
Donald J. Rae ⁽²⁾⁽³⁾ Calgary, Alberta	December 31, 2010	President, Chief Executive Officer and Director of Coral Hill Energy Ltd. since October 2009; President, Chief Executive Officer and Director of Wave Energy Ltd. from August 2005 to October 2009.	135,000

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance and Compensation Committee.
- (3) Member of the Reserves Committee.

- (4) 750,000 of these Common Shares are owned by Pellinore Holdings Inc., Mr. Kroontje's private investment company.
- (5) On December 31, 2010, Australia Energy Corp. ("AEC") and Pendulum Capital Corporation ("Pendulum") amalgamated to form PetroFrontier Corp. (the "Amalgamation"). Messrs. Bennett, Iverach, Buckee, Jespersen and McGoldrick were appointed as directors of AEC on February 9, 2009; Mr. Kroontje was appointed as a director of AEC on November 3, 2009 and Mr. Rae was appointed as a director of AEC on August 24, 2010.

The proposed directors and senior officers of the Corporation, as a group, control 4,404,835 Common Shares representing 6.9% of the outstanding Common Shares.

No proposed director of the Corporation is, as of the date hereof or has been, within the past ten years, a director, chief executive officer or chief financial officer 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; or
- (b) was subject to an event that resulted, after the director, chief executive officer or chief financial officer ceased to be a director, chief executive officer or chief financial 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.

No proposed director of the Corporation is, as of the date hereof, or has been within the past ten years, a director or executive officer of a company (including the Corporation) that, while that person was acting in that capacity, 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.

No proposed director of the Corporation has, within the past ten 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.

No proposed director of the Corporation 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 securityholder in deciding whether to vote for a proposed director.

III. Appointment of Auditors

KPMG LLP, Chartered Accountants were the auditors of the Corporation since November 26, 2009. On August 1, 2011, the Corporation appointed PricewaterhouseCoopers LLP, Chartered Accountants, as the new auditor of the Corporation. Pursuant to the requirements of National Instrument 51-102 - *Continuous Disclosure Obligations* ("NI 51-102"), attached to this Information Circular as Schedule "A" are the Notice of Change of Auditors of the Corporation in respect of the appointment of PricewaterhouseCoopers LLP, together with a letter from each of KPMG LLP and PricewaterhouseCoopers LLP.

The Board of Directors has proposed to appoint PricewaterhouseCoopers LLP as auditors of the Corporation for the ensuing year, until the next annual meeting of Shareholders. **It is the intention of the management designees, if named as proxy, to vote FOR the appointment of**

PricewaterhouseCoopers LLP as auditors of the Corporation, at a remuneration to be fixed by the Board of Directors, unless the Shareholder has specified in its proxy that its Common Shares are to be withheld from voting on the appointment of auditors.

IV. Stock Option Plan

The policies of the TSX Venture Exchange ("TSXV") require all listed companies with a 10% rolling stock option plan to obtain shareholder approval of such plan on an annual basis. In connection with the Amalgamation, the shareholders of Pendulum adopted a new ten percent (10%) rolling incentive stock option plan on December 29, 2010 (the "**Stock Option Plan**"), which became effective upon the closing of the Amalgamation on December 31, 2010. Shareholders will be asked at the Meeting to vote on a resolution to adopt the Stock Option Plan for the ensuing year in the form attached as Schedule "B" hereto.

The Stock Option Plan provides that the Board of Directors may from time to time, in its discretion, grant to directors, officers, employees, and consultants of the Corporation and its subsidiaries or affiliates of the Corporation, stock options (the "**Options**") to purchase Common Shares. The Stock Option Plan provides the number of authorized but unissued Common Shares that may be issued upon the exercise of Options 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 aggregate number of Common Shares and no one optionee is permitted to hold Options entitling such optionee to purchase more than 5% of the aggregate number of Common Shares issued and outstanding. As at the Record Date, this represents 6,393,982 Common Shares available under the Stock Option Plan. As of the Record Date, Options to purchase a total of 5,410,002 Common Shares were issued and outstanding to directors, officers, employees and consultants of the Corporation.

Unless disinterested Shareholder approval is obtained, the number of Common Shares that may be reserved for issuance to any one person under Options granted in any 12 month period must not exceed 5% of the outstanding Common Shares determined at the date of grant. The number of Common Shares that may be reserved for issuance to a person who is a consultant under Options granted in any 12 month period must not exceed 2% of the issued and outstanding Common Shares. The aggregate number of Common Shares that may be reserved to persons who perform investor relations activities for the Corporation must not exceed 2% of the issued and outstanding Common Shares. The Board of Directors determines the price per Common Share and the number of Common 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 Common Share set by the Board of Directors is subject to minimum pricing restrictions set by the TSXV.

The Stock Option Plan provides that if an Option expires or terminates without having been exercised in full, the Common Shares not purchased become available again under the Stock Option Plan. Options granted under the Stock Option Plan may be exercisable for a period of up to 10 years, and may vest at such times as determined at the time of grant, subject to acceleration in accordance with the terms of the Stock Option Plan. The exercise price must be paid in full on any exercise of Options.

If an optionee ceases to hold his position with the Corporation for any reason other than death, his or her Options may be exercised within the earlier of the expiry date and 90 days following the date the optionee ceases to hold such position, but only to the extent the optionee was entitled to exercise the Option at the date of such cessation. In the event of the death of an optionee, his or her Options may be exercised within the earlier of the expiry date and one year after his or her death and only to the extent the optionee was entitled to exercise the Options on the date of his or her death. Options granted pursuant to the Stock Option Plan may not be transferred or assigned.

Management of the Corporation believes that it would be in the best interest of the Corporation to adopt the Stock Option Plan to attract and retain key individuals and to align the interest of directors, officers, employees and consultants of the Corporation and its affiliates in the growth and development of the Corporation and its affiliates by providing them with the opportunity through stock options to acquire an increased proprietary interest in the Corporation.

The Stock Option Plan is subject to approval by the TSXV and subject to approval by the Shareholders of the Corporation, as required by the rules of the TSXV. **It is the intention of the management designees, if named as proxy, to vote FOR approval of the Stock Option Plan, unless the Shareholder has specified in its proxy that its Common Shares be voted against the approval of the Stock Option Plan.**

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

"BE IT RESOLVED THAT:

- (a) the incentive stock option plan of the Corporation, as described in and attached as Schedule "B" to the Information Circular of the Corporation dated October 13, 2011, be and is hereby ratified and approved;
- (b) any one director or officer of the Corporation be authorized to make all such arrangements, to 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; and
- (c) the directors of the Corporation may revoke this resolution before it is acted upon without further approval of the Shareholders."

The foregoing resolution must be approved by a simple majority of the votes cast at the Meeting by the holders of Common Shares. If the Stock Option Plan is not approved by the Shareholders, the Corporation will have to consider other methods of compensating and providing incentives to directors, officers, employees and consultants.

V. Shareholder Rights Plan

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to approve, with or without variation, a resolution approving a shareholder rights plan (the "**Rights Plan**"). The text of the Rights Plan is attached as Schedule "C" hereto.

Background

The Corporation and Olympia Trust Company (the "**Rights Agent**") entered into an agreement dated as of July 28, 2011 to implement the Rights Plan. At the Meeting, Shareholders will be asked to approve and ratify the Rights Plan between the Corporation and the Rights Agent which became effective on July 28, 2011.

The principal objectives of the Rights Plan are to:

- ensure that if a change of control transaction is attempted, it is made at a fair price to all shareholders;
- deter abusive or coercive tactics for acquisition of control, including creeping bids or underpriced partial bids;

- give the Board sufficient time to seek out and consider alternatives to maximize shareholder value;
- give adequate time for shareholders of the Corporation to properly assess the merits of a bid without undue pressure and to allow competing bids to emerge.

The Rights Plan is not intended to:

- prevent a take-over of the Corporation or to secure continuance in office of management or the directors of the Corporation;
- inhibit any shareholder from using the proxy mechanism set out in the *Business Corporation Act* (Alberta) to promote a change in the management or direction of the Corporation, including the right of holders of not less than 5% of the issued voting shares to requisition the directors to call a meeting of shareholders to transact any proper business stated in the requisition; or
- detract in any way from or lessen the duties of the Board to act honestly and in good faith with a view to the best interests of the Corporation and its shareholders and to act in accordance with such standards when considering a bid made for the Common Shares of the Corporation.

The Rights Plan is designed to encourage a bidder to approach the Board to negotiate a transaction that is acceptable to the Board or to make a bid that conforms to the requirements of a permitted bid ("**Permitted Bid**").

A Permitted Bid is an offer that meets the following conditions:

- the bid is made by take-over bid circular to all holders of the Corporation's shares;
- the bid provides that no shares will be taken up or paid for earlier than 60 days following the date of the bid and then only if at such date more than 50% of the shares held by independent shareholders (i.e. shareholders other than the bidder) have tendered their shares to the bid;
- shares may be tendered at any time during the 60 day period and tendered shares may be withdrawn until taken up and paid for by the bidder; and
- the bidder must agree to make a public announcement of the deposit of more than 50% of the shares by independent shareholders and keep the bid open for at least an additional 10 business days from the date of such announcement.

A Permitted Bid enables each shareholder of the Corporation to make two separate decisions. First, a shareholder will decide whether the bid (or any competing bid) is adequate on its own merits. In making this decision, the shareholder will not be influenced by the likelihood that the bid will succeed. Second, the shareholder may make a decision to tender to a bid that has 50% support of independent shareholders. A shareholder who has not already tendered to that bid (or who has tendered to a competing bid) will have a further 10 business days to decide whether to tender to the bid or withdraw his or her shares from the competing bid.

If the bidder satisfies all the conditions of a Permitted Bid, the Rights do not become exercisable and the Rights Plan is not triggered. If the prescribed bid format is not adhered to, and if the Board does not waive the provisions of the Rights Plan, a bidder who acquires 20% or more of the Common Shares will trigger the Rights Plan.

In such a case, the rights issued pursuant to the Rights Plan will "flip-in" and all shareholders, excluding the bidder, will have the right to acquire a substantially dilutive number of shares at a 50% discount to market. The effect of triggering the Rights Plan will significantly dilute the bidder's holdings and would probably make the acquisition of the target corporation's shares prohibitively expensive. To facilitate a

Board's ability to seek alternative bids, the Rights Plan allows "Competing Permitted Bids" to be made while a Permitted Bid is in existence.

Upon adoption of the Rights Plan and at the closing of the Meeting (the "**Record Time**"), one right (a "**Right**") is issued and attached to each outstanding Common Share of the Corporation. A Right is also attached to any subsequent shares issued by the Corporation. The Rights trade with the shares until the "**Separation Time**" which is eight trading days following:

- the first date of public announcement that a person and/or others connected to such person has become an "**Acquiring Person**" (i.e., holds 20% or more of Corporation's common shares). The Board may not postpone the Separation Time in this circumstance;
- the date of commencement of, or first public announcement of the intent of any person to commence a take-over bid other than a Permitted Bid or a competing Permitted Bid, or such later time as may be determined by the Board; and
- the date upon which a Permitted Bid or a competing Permitted Bid ceases to be such. The Board may not postpone the Separation Time on the occurrence of this event.

A person becomes an Acquiring Person upon the acquisition of 20% or more of the Common Shares of the Corporation and as a consequence triggers a "**Flip-in Event**". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time and the first date of public announcement by the Corporation that an Acquiring Person exists will automatically become null and void upon the occurrence of a Flip-in Event.

The initial exercise price for the Rights shall be a multiple of five (5) times the prevailing market price. After the close of business on the eighth business day after the occurrence of the Flip-in Event, the Rights will permit the holder to purchase that number of Common Shares having an aggregate value (based on the prevailing market price at the time of the occurrence of the Flip-in Event) equal to twice the exercise price for an amount in cash equal to the exercise price (i.e. five (5) times the current market price). The effect is the holder can acquire Common Shares at a 50% discount to the market price.

The issue of the Rights is not initially dilutive and do not in any way alter the financial condition of the Corporation. Upon a Flip-in Event occurring and the Rights separating from the attached shares, reported earnings per Common Share on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution. Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Common Shares issued from and after the Record Time. Rights are also attached to such shares outstanding on the Record Time, although share certificates issued prior to that date will not bear such a legend. Shareholders do not have to return their certificates in order to have the benefit of the Rights.

Prior to the Separation Time, Rights will not be transferable separately from the attached shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and traded separately from the shares.

Subject to the approval of shareholders in certain circumstances, the board of directors may waive the exercise of the Rights or elect to redeem the Rights for a price as fixed in the Rights Plan. Amendments to the Rights Plan require approval of shareholders (or holders of Rights if the Separation Time has occurred), except for clerical or typographical errors or, subject to subsequent ratification by Shareholders (or holders of Rights if the Separation Time has occurred), an amendment to comply with changes in law. All amendments to the Rights Plan shall be subject to any required regulatory approval.

Vote Required

Shareholder approval of the Rights Plan is not required by law but is required pursuant to the policies of the TSXV. The Rights Plan has been conditionally approved by the TSXV, subject to shareholder approval. For the Rights Plan to be approved, the resolution must be passed by a simple majority of 50% plus one vote of the votes cast at the Meeting. If the Rights Plan resolution is not passed, the Rights Plan will terminate.

Recommendation of the Board of Directors

The Board of Directors has reviewed the Rights Plan for conformity with current practices of Canadian issuers with respect to shareholder rights plan design. Based on its review, the Board of Directors has determined that it is advisable and in the best interests of the Corporation and its shareholders that we have in place a shareholder rights plan in the form of the Rights Plan. Accordingly, the Board of Directors recommends a vote "for" the approval of the Rights Plan. **It is the intention of the management designees, if named as proxy, to vote FOR approval of the Rights Plan, unless the Shareholder has specified in its proxy that its Common Shares be voted against the approval of the Rights Plan.**

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

"BE IT RESOLVED THAT:

- (a) The Shareholder Rights Plan of PetroFrontier Corp. (the "Corporation") dated July 28, 2011, providing for certain shareholder rights as described in the Information Circular of the Corporation dated October 13, 2011, and in the form attached as Schedule "C" to the Information Circular, be and is hereby approved and adopted and ratified;
- (b) any one director or officer of the Corporation be authorized to make all such arrangements, to 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; and
- (c) the directors of the Corporation may revoke this resolution before it is acted upon without further approval of the Shareholders."

The foregoing resolution must be approved by a simple majority of the votes cast at the Meeting by the holders of Common Shares.

If the resolution is not passed at the Meeting, the Rights Plan will become void and of no further force and effect, all outstanding Rights will be redeemed and the Corporation will no longer have any form of shareholder rights plan.

STATEMENT OF EXECUTIVE COMPENSATION

For the purpose of this section, a "CEO" or "CFO" means each individual who served as Chief Executive Officer or Chief Financial Officer, respectively, of the Corporation or acted in a similar capacity during the most recently completed financial year. A "Named Executive Officer" or "NEO" means each CEO, each CFO, each of the Corporation's three (3) most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year of the Corporation and whose total salary and bonus exceeds \$150,000 and any additional individuals (other than the CEO and CFO) for whom disclosure would have been provided except that the

individual was not serving as an officer of the Corporation at the end of the most recently completed financial year end.

Discussion and Analysis

In assessing the compensation of its executive officers, the Corporation does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on Board discussion.

The Corporation's executive compensation program has three principal components: base salary, incentive bonus plan and Options.

Base salaries for all employees of the Corporation are established for each position through the Board and management's review of comparative salaries of similar type and size corporations. Individual and corporate performance are also taken into account. It is anticipated that the management of the Corporation shall continue to be compensated in accordance with industry standards.

Incentive bonuses, in the form of cash payments, are designed to add a variable component of compensation based on corporate and individual performance for executive officers and employees. The payment of bonuses has not yet comprised a significant part of the Corporation's executive compensation program. The Corporate Governance and Compensation Committee has not yet established pre-determined performance criteria for the payment of bonuses.

It is intended by the Corporation for Options to continue to be the principal form of long-term variable compensation incentive. The number of Options granted are related to individual performance and are used as incentives to attract, retain and motivate qualified staff. Outstanding Options are considered in granting new Options.

Implementation of a new incentive option plan and amendments to the existing Stock Option Plan are the responsibility of the Corporation's Corporate Governance and Compensation Committee.

Summary Compensation Table

The following table sets forth the total compensation paid to or earned by each of AEC's and Pendulum's Named Executive Officers during the financial years ended December 31, 2010 and 2009, prior to the Amalgamation to form the Corporation on December 31, 2010.

Name and Principal Position	Year Ended December 31	Salary (\$)	Share-Based Awards ⁽¹⁾ (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation ⁽²⁾⁽³⁾ (\$)		Pension Value ⁽⁴⁾ (\$)	All Other Compensation ⁽⁵⁾ (\$)	Total Compensation ⁽⁶⁾ (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Paul J. Bennett ⁽⁷⁾⁽⁸⁾ Chief Executive Officer of AEC	2010	99,938	N/A	400,868 ⁽¹¹⁾	Nil	N/A	N/A	60,000	560,806
	2009	13,453	N/A	78,650 ⁽¹²⁾	Nil	N/A	N/A	Nil	92,103
Matthew P. Philipchuk ⁽⁷⁾⁽⁸⁾ Former President of AEC	2010	93,275	N/A	393,609 ⁽¹¹⁾	Nil	N/A	N/A	116,623 ⁽¹³⁾	603,507
	2009	9,567	N/A	78,650 ⁽¹²⁾	Nil	N/A	N/A	Nil	88,217

Name and Principal Position	Year Ended	Salary (\$)	Share- Based Awards ⁽¹⁾ (\$)	Option- Based Awards (\$)	Non-Equity Incentive Plan Compensation ⁽²⁾⁽³⁾ (\$)		Pension Value ⁽⁴⁾ (\$)	All Other Compensation ⁽⁵⁾ (\$)	Total Compensation ⁽⁶⁾ (\$)
	December 31								
Peter A. Philipchuk Vice-President Exploration of AEC	2010	150,000	N/A	416,736 ⁽¹¹⁾	Nil	N/A	N/A	72,500 ⁽¹⁴⁾	639,236
	2009	25,000	N/A	78,650 ⁽¹²⁾	Nil	N/A	N/A	Nil	103,650
Shane J. Kozak ⁽⁹⁾ Vice-President, Finance, Chief Financial Officer and Secretary of AEC	2010	69,375	N/A	474,398 ⁽¹¹⁾	Nil	N/A	N/A	45,000	588,773
	2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kenneth L. DeWyn Chief Executive Officer and Chief Financial Officer of Pendulum	2010	Nil	N/A	33,250 ⁽¹¹⁾	Nil	N/A	N/A	Nil	33,250
	2009	Nil	N/A	Nil	Nil	N/A	N/A	Nil	Nil
Jeffrey W. Holmgren ⁽⁷⁾⁽¹⁰⁾ Former Vice- President, Finance, Chief Financial Officer and Secretary of AEC	2010	37,500	N/A	Nil	Nil	N/A	N/A	Nil	37,500
	2009	4,426	N/A	39,000 ⁽¹²⁾	Nil	N/A	N/A	Nil	43,426

Notes:

- (1) Neither the Corporation nor its predecessors award share-based awards or any awards tied to the fair market value of the Common Shares to the Named Executive Officers and no such awards are outstanding.
- (2) Although short term non-equity incentives in the form of cash bonuses are part of the PetroFrontier's executive compensation program, neither the Corporation nor its predecessors award or paid any cash bonuses to the Named Executive Officers in the years ended December 31, 2010 and 2009.
- (3) The Corporation does not have a non-equity long-term incentive plan.
- (4) The Corporation does not have any pension or defined contribution plans.
- (5) Unless otherwise set forth above, the aggregate amount of all perquisites and other personal benefits, securities or property was less than the lesser of \$50,000 and 10% of the total annual salary and bonus of the Named Executive Officer for each financial year.
- (6) Includes the dollar value of total compensation for the covered financial year.
- (7) Effective November 1, 2009, each of Messrs. Bennett, Philipchuk and Holmgren received compensation from the Corporation and Rodinia for their services to both companies.
- (8) Effective October 13, 2011, Mr. Bennett became the President and Chief Executive Officer of the Corporation. Mr. Philipchuk is a current director of the Corporation but will not stand for re-election to the Board at the Meeting.
- (9) Shane J. Kozak was appointed Vice-President, Finance, Chief Financial Officer and Secretary of AEC on April 1, 2010 and receives annual compensation of \$92,500 from PetroFrontier. Mr. Kozak also receives compensation from Rodinia for his services. Mr. Kozak received a grant of 200,000 AEC stock options exercisable at \$1.00 per share in connection with the commencement of his employment. Based on the weighted average grant date fair value of the applicable awards of \$1.00 per AEC stock option. The fair value of AEC stock options granted were estimated at the date of grant using the Black-Scholes option pricing model based on the AEC stock option expiry dates with the following assumptions: risk free rate of return of 2.59%, expected life of 5 years, no annual dividends and expected volatility of 100%.
- (10) Mr. Holmgren resigned as an officer of AEC on March 31, 2010.
- (11) The following AEC stock options were granted during the financial year ended December 31, 2010 to Named Executive Officers : (a) 260,000 AEC stock options with an exercise price of \$2.00 per share, expiring on December 22, 2015 were granted to Paul J. Bennett; (b) 62,500 AEC stock options with an exercise price of \$1.20 per share, expiring on February 28, 2014 and 220,000 AEC stock options with an exercise price of \$2.00 per share, expiring on December 22, 2015 were granted to Matthew P. Philipchuk; (c) 62,500 AEC stock options with an exercise price of \$1.20 per share, expiring on February 28, 2014 and 235,000 AEC stock options with an exercise price of \$2.00, expiring on December 22, 2015 were granted to Peter A. Philipchuk; and (d) 200,000 AEC stock options with an exercise price of \$1.00 per share, expiring on March 31, 2015 and 210,000 AEC stock options with an exercise price of \$2.00, expiring on December 22, 2015 were granted to Shane J. Kozak. The fair value of AEC stock options granted were estimated at the date of grant using the Black-Scholes option pricing model based on the AEC stock option expiry dates with the following assumptions: risk free rate of return of 1.8% - 2.6%, expected life of 5 years, no annual dividends and expected volatility of 100% -

- 117%. The following Pendulum stock options were granted during the financial year ended December 31, 2010 to Named Executive Officers: (a) 350,000 Pendulum stock options with an exercise price of \$0.10 per share, expiring on July 13, 2010 were granted to Kenneth DeWyn. The fair value of Pendulum stock options granted were estimated at the date of grant using the Black-Scholes option pricing model based on the Pendulum stock option expiry dates with the following assumptions: risk free rate of return of 2.2%, expected life of 10 years, no annual dividends and expected volatility of 120%.
- (12) The following AEC stock options were granted during the financial year ended December 31, 2009 to Named Executive Officers: (a) 125,000 AEC stock options with an exercise price of \$0.25 per share, expiring on February 28, 2014 and 120,000 AEC stock options with an exercise price of \$1.00 per share, expiring on December 31, 2014 were granted to Paul J. Bennett; (b) 125,000 AEC stock options exercisable at \$0.25 per share expiring on February 28, 2014 and 120,000 AEC stock options exercisable at \$1.00 per share expiring on December 31, 2014 were granted to Matthew P. Philipchuk; (c) 60,000 AEC stock options exercisable at \$0.25 per share expiring on February 28, 2014 and 60,000 AEC stock options exercisable at \$1.00 per share expiring on December 31, 2014 were granted to Jeffrey Holmgren and (d) 125,000 AEC stock options exercisable at \$0.25 per share expiring on February 28, 2014 and 120,000 AEC stock options exercisable at \$1.00 per share expiring on December 31, 2014 were granted to Peter A. Philipchuk. Based on the weighted average grant date fair value of the applicable awards of \$0.32 per AEC stock option. The fair value of AEC stock options granted were estimated at the date of grant using the Black-Scholes option pricing model based on the AEC stock option expiry dates with the following assumptions: risk free rate of return of 4.12%, expected life of 5 years, no annual dividends and expected volatility of 55%.
- (13) Matthew Philipchuk received an industry equivalent expatriate compensation package in the annual amount of approximately \$88,831, of which approximately \$66,623 was paid out in 2010, which includes amounts for travel, food, housing, cost of living allowance and expatriate premiums.
- (14) Peter Philipchuk receives \$30,000 per annum for certain living expenses while living abroad in Australia on assignment for the Corporation of which \$22,500 was paid out in 2010. In addition, the Corporation provides Peter Philipchuk with accommodations while on assignment in Australia, which total approximately \$41,600 (Australian dollars) per annum.

Incentive Plan Awards

Outstanding Option Based Awards

The following table sets forth the options granted to the Named Executive Officers to purchase or acquire securities of the Corporation outstanding at the end of the financial year ended December 31, 2010.

Name	Option-based Awards			Value of unexercised in-the-money options ⁽¹⁾ (\$)
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	
Paul J. Bennett	125,000	\$0.25	February 28, 2014	218,750
	120,000	\$1.00	December 31, 2014	120,000
	260,000	\$2.00	December 22, 2015	-
Matthew P. Philipchuk	120,000	\$1.00	December 31, 2014	120,000
	62,500	\$1.20	February 28, 2014	50,000
	220,000	\$2.00	December 22, 2015	-
Peter A. Philipchuk	120,000	\$1.00	December 31, 2014	120,000
	62,500	\$1.20	February 28, 2014	50,000
	235,000	\$2.00	December 22, 2015	-
Shane J. Kozak	200,000	\$1.00	March 31, 2015	200,000
	210,000	\$2.00	December 22, 2015	-
Kenneth L. DeWyn	350,000 ⁽²⁾	\$0.10 ⁽²⁾	December 31, 2011	23,333

Notes:

- (1) The market value for such Common Shares was estimated at \$2.00 per share.
- (2) Pursuant to the amalgamation of AEC and Pendulum, each twelve Pendulum stock options were exchanged for one Option of the Corporation exercisable at a price of \$1.20 per share until December 31, 2011.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards paid to Named Executive Officers during the financial year ended December 31, 2010.

**Option-Based Awards - Value vested
during the year⁽¹⁾**

Name	(\$)
Paul J. Bennett	159,841 ⁽¹⁾
Matthew P. Philipchuk	180,973 ⁽¹⁾
Peter A. Philipchuk	188,682 ⁽¹⁾
Shane J. Kozak	158,137 ⁽¹⁾
Kenneth L. DeWyn	33,250 ⁽²⁾

Notes:

- (1) Based on the weighted average grant date fair value of the applicable awards of \$0.87 per Option. The fair value of Options granted were estimated at the date of grant using the Black-Scholes option pricing model based on the Option expiry dates with the following assumptions: risk free rate of return of 3.01%, expected life of 5 years, no annual dividends and expected volatility of 84.8%.
- (2) Based on the weighted average grant date fair value of the applicable awards of \$0.095 per Pendulum Stock Option. The fair value of Options granted were estimated at the date of grant using the Black-Scholes option pricing model based on the Option expiry dates with the following assumptions: risk free rate of return of 2.15%, expected life of 10 years, no annual dividends and expected volatility of 100%.

Pension Plan Benefits

The Corporation does not have a pension plan that provides for payments or benefits at, following, or in connection with retirement. The Corporation does not have a defined contribution plan or deferred compensation plans.

Termination and Change of Control Benefits

Each of the Named Executive Officers has entered into an employment agreement with the Corporation. Pursuant to their employment agreements, the annual salary of each Named Executive Officer is subject to annual review by the corporate governance and compensation committee of the Board.

The employment agreements for Paul J. Bennett provides for a lump sum payment equivalent to Mr. Bennett's then annual salary if termination occurs prior to one calendar year of service being completed, and thereafter, a lump sum equal to two times Mr. Bennett's then annual salary, if termination is without just cause, including an election by Mr. Bennett's to terminate the agreement on a change of control. The employment agreement for Shane J. Kozak provides for a lump sum payment equal to one month's salary for each month of service up to one year if termination occurs without just cause and a lump sum equal to two times the executive's then annual salary if the executive terminates the agreement on a change of control. The employment agreement for Peter A. Philipchuk provides for a lump sum payment if the executive has completed one calendar year of service equal to 1/3 of the executive's base salary for each completed year of service to a maximum of one times the executive's base salary, if the termination is without just cause or the executive terminates the agreement on a change of control. For all the Named Executive Officers' employment agreements, in the event of a change of control or termination without just cause, all unvested Options or rights accelerate and become exercisable forthwith.

Compensation of Directors

Directors who are not actively involved with day-to-day operations of the Corporation receive an annual retainer of \$40,000 commencing in 2011 and are reimbursed for their reasonable expenses by the Corporation. The Board may award additional remuneration to any director undertaking extraordinary services on behalf of the Corporation other than services ordinarily required of a director. Directors who are actively involved in the operations of the Corporation will be compensated in accordance with industry standards.

Director Compensation Table

The following table sets forth the value of all compensation provided to directors, not including the director who is also a Named Executive Officer, for Pendulum and AEC during the financial year ended December 31, 2010.

Name⁽¹⁾	Fees earned⁽²⁾ (\$)	Share-Based Awards (\$)	Option-Based Awards⁽⁴⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
Robert J. Iverach	104,963 ⁽³⁾	Nil	285,865	Nil	Nil	Nil	390,828
Dr. James W. Buckee	20,000	Nil	180,298	Nil	Nil	Nil	200,298
C. Kent Jespersen	20,000	Nil	154,180	Nil	Nil	Nil	174,180
Martin P. McGoldrick	20,000	Nil	180,298	Nil	Nil	Nil	200,298
Al J. Kroontje	20,000	Nil	154,180	Nil	Nil	Nil	174,180
Donald J. Rae	20,000	Nil	244,348	Nil	Nil	Nil	264,348
Jana Lillies	Nil	Nil	16,625	Nil	Nil	Nil	16,625
Charlene Dittmer	Nil	Nil	16,625	Nil	Nil	Nil	16,625

Notes:

- (1) Information regarding the compensation received by Paul J. Bennett and Matthew P. Philipchuk, who were directors and executive officers of AEC during the financial year ended December 31, 2010, in their capacity as officers, including AEC stock options, from AEC during the financial year ended December 31, 2009, may be found under the heading "Summary of Compensation Table". Information concerning the compensation received by Kenneth L. DeWyn in his capacity as an officer of Pendulum including Pendulum stock options, may be found under the heading "Summary Compensation Table". Messrs. Bennett, Philipchuk and DeWyn were not paid any additional amounts as directors of AEC or Pendulum, respectively.
- (2) The Corporation paid a \$20,000 annual retainer to its directors who were not actively involved in the day-to-day operations of the Corporation during the financial year ended December 31, 2010. Direct expenses of directors are reimbursed at cost.
- (3) The Chairman of the Board of the Corporation (Mr. Iverach) is presently paid a fee of \$90,000 per annum, as compensation for his active involvement in the day-to-day operations of PetroFrontier.
- (4) The following AEC stock options were granted during the financial year ended December 31, 2010: (a) 45,000 AEC stock options with an exercise price of \$1.20 per share, expiring on February 28, 2014 and 160,000 AEC stock options with an exercise price of \$2.00 per share, expiring on December 22, 2015 were granted to Robert J. Iverach; (b) 30,000 AEC stock options with an exercise price of \$1.20 per share, expiring on February 28, 2014 and 100,000 AEC stock options with an exercise price of \$2.00 per share, expiring on December 22, 2015 were granted to Dr. James W. Buckee; (c) 100,000 AEC stock options with an exercise price of \$2.00 per share, expiring on December 22, 2015 were granted to C. Kent Jespersen; (d) 30,000 AEC stock options with an exercise price of \$1.20 per share, expiring on February 28, 2014 and 100,000 AEC stock options with an exercise price of \$2.00 per share, expiring on December 22, 2015 were granted to Martin McGoldrick; (e) 100,000 AEC stock options with an exercise price of \$2.00 per share, expiring on December 22, 2015 were granted to Al Kroontje; and (f) 120,000 AEC stock options with an exercise price of \$1.00 per share, expiring on August 24, 2015 and 100,000 AEC stock options with an exercise price of \$2.00 per share, expiring on December 22, 2015 were granted to Donald J. Rae. The fair value of AEC stock options granted were estimated at the date of grant using the Black-Scholes option pricing model based on the AEC stock option expiry dates with the following assumptions: risk free rate of return of 1.8% - 2.6%, expected life of 5 years, no annual dividends and expected volatility of 100% - 117%. The following Pendulum stock options were granted during the financial year ended December 31, 2010: (a) 175,000 Pendulum stock options with an exercise price of \$0.10 per share, expiring on July 13, 2020 were granted to Jana Lillies; and (b) 175,000 Pendulum stock options with an exercise price of \$0.10 per share, expiring on July 13, 2020 were granted to Charlene Dittmer. The fair value of Pendulum stock options granted were estimated at the date of grant using the Black-Scholes option pricing model based on the Pendulum stock option expiry dates with the following assumptions: risk free rate of return of 2.2%, expected life of 10 years, no annual dividends and expected volatility of 120%.

Outstanding Option-Based Awards

The following table sets forth the options granted to the directors of Pendulum and AEC, not including those directors who are also Named Executive Officers, to purchase or acquire securities outstanding at the end of the financial year ended December 31, 2010.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
Robert J. Iverach	90,000	\$1.00	December 31, 2014	90,000
	45,000	\$1.20	February 28, 2014	36,000
	160,000	\$2.00	December 22, 2015	-
Dr. James W. Buckee	60,000	\$1.00	December 31, 2014	60,000
	30,000	\$1.20	February 28, 2014	24,000
	100,000	\$2.00	December 22, 2015	-
C. Kent Jespersen	60,000	\$0.25	February 28, 2014	105,000
	60,000	\$1.00	December 31, 2014	60,000
	100,000	\$2.00	December 22, 2015	-
Martin P. McGoldrick	60,000	\$1.00	December 31, 2014	60,000
	30,000	\$1.20	February 28, 2014	24,000
	100,000	\$2.00	December 22, 2015	-
Al J. Kroontje	120,000	\$1.00	December 31, 2014	120,000
	100,000	\$2.00	December 22, 2015	-
Donald J. Rae	120,000	\$1.00	August 24, 2015	120,000
	100,000	\$2.00	December 22, 2015	-
Jana Lillies	175,000 ⁽²⁾	\$0.10 ⁽²⁾	December 31, 2011	11,667
Charlene Dittmer	175,000 ⁽²⁾	\$0.10 ⁽²⁾	December 31, 2011	11,667

Notes:

- (1) The market value for such Common Shares was estimated at \$2.00 per share.
(2) Pursuant to the Amalgamation of Pendulum and AEC, each twelve Pendulum stock options were exchanged for one Option of the Corporation exercisable at a price of \$1.20 per share until December 31, 2011.

Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards paid to directors of Pendulum and AEC during the financial year ended December 31, 2010.

Name	Option-Based Awards - Value vested during the year ⁽¹⁾ (\$)
Robert J. Iverach	131,747 ⁽¹⁾
Dr. James W. Buckee	84,405 ⁽¹⁾
C. Kent Jespersen	64,394 ⁽¹⁾
Martin P. McGoldrick	84,405 ⁽¹⁾
Al J. Kroontje	72,194 ⁽¹⁾
Donald J. Rae	81,450 ⁽¹⁾
Jana Lillies	16,625 ⁽²⁾
Charlene Dittmer	16,625 ⁽²⁾

Notes:

- (1) Based on the weighted average grant date fair value of the applicable awards of \$0.84 per Option. The fair value of Options granted were estimated at the date of grant using the Black-Scholes option pricing model based on the Option expiry dates with the following assumptions: risk free rate of return of 3.07%, expected life of 5 years, no annual dividends and expected volatility of 82.5%.
- (2) Based on the weighted average grant date fair value of the applicable awards of \$0.095 per Pendulum Stock Option. The fair value of Options granted were estimated at the date of grant using the Black-Scholes option pricing model based on the Option expiry dates with the following assumptions: risk free rate of return of 2.15%, expected life of 10 years, no annual dividends and expected volatility of 100%.

EQUITY COMPENSATION PLANS

The following table sets forth the information pertaining to the Corporation's Stock Option Plan as at December 31, 2010 after giving effect to the Amalgamation of Pendulum and AEC:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance, under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	4,123,333	\$1.51	2,304,764
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	4,123,333	\$1.51	2,304,764

For information regarding the Corporation's Stock Option Plan, see "Particulars of Matters to be Acted Upon - Stock Option Plan."

CORPORATE GOVERNANCE

In establishing its corporate governance practices, the Board has been guided by Canadian securities legislation and the TSXV guidelines for effective corporate governance, including National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201") and other regulatory requirements such as National Instrument 52-110 – *Audit Committees* ("NI 52-110"). The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of its shareholders, but that it also promotes effective decision making at the Board level.

Mandate of the Board

The Board has responsibility for the stewardship of the Corporation, which is detailed in its "Board of Directors Responsibilities". In carrying out this mandate, the Board meets regularly and a broad range of matters are discussed and reviewed for approval. These matters include selecting senior management, reviewing compensation, establishing standards of business conduct and ethical behaviour, evaluating senior management performance, succession planning, overseeing strategic management and planning, overseeing risk management, affirming a control environment, overseeing capital management and overseeing the independent inspection/audit group.

The Board strives to ensure that actions taken by the Corporation correspond closely with the objectives of its shareholders. The Board will meet at least once annually to review in depth the Corporation's strategic plan and it reviews the Corporation's resources, which are required to carry out the Corporation's growth strategy and to achieve its objectives.

Composition of the Board

The Board currently consists of eight directors. Of these, five are independent directors as defined under NP 58-201. Under NP 58-201, a director is independent if he or she has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. In addition, certain individuals are deemed, for the purposes of NP 58-201, to have material relationships with the Corporation, including any individual who is, or has recently been, an employee or executive officer of the Corporation, and an individual whose immediate family member is, or has recently been, an executive officer of the Corporation. Under this definition, the Board has determined that the five independent directors are Dr. James W. Buckee, Martin P. McGoldrick, C. Kent Jespersen, Al J. Kroontje and Donald J. Rae.

For the purpose of NP 58-201, Paul J. Bennett, Matthew P. Philipchuk and Robert J. Iverach are not considered to be independent directors. Paul J. Bennett, President and Chief Executive Officer, is not considered an independent director because he is an executive officer of the Corporation. Matthew P. Philipchuk is not considered an independent director because he is an executive officer of the Corporation. Robert J. Iverach is not considered an independent director because he is Counsel with Burstall Winger LLP, who are the solicitors of the Corporation. Mr. Philipchuk will not stand for re-election to the Board of Directors at the Meeting.

The size of the Corporation is such that all of its operations are conducted by a small management team. The Board considers that management is effectively supervised by the independent directors on an informal basis because the independent directors have regular and full access to management. The independent directors are also able to meet at any time they consider necessary without any members of management including the non-independent directors being present.

Further supervision is performed through the Audit Committee, which is composed of a majority of independent directors.

Other Directorships

Robert J. Iverach, Q.C. is a director of Veresen Inc. and North American Oil Trust and a director and the Chairman of the Boards of Rodinia and FoodChek Systems Inc. C. Kent Jespersen is Chairman of Orvana Minerals Corp., and a director of TransAlta Corporation, Axia NetMedia Corporation, Rodinia, CanElson Drilling Inc. and Matrix Energy Technologies Inc. Paul J. Bennett is a director of Uranium Participation Corp., Rodinia and Armistice Resources Corp. Dr. Buckee is a director of Rodinia, NWest Energy Inc., Cairn Energy PLC, EnQuest PLC, Black Swan Energy Inc. and Magma Global Ltd. Al J. Kroontje is a director of Novus Energy Inc., Polar Star Mining Corporation, Border Petroleum Inc., Cobalt Coal Ltd., E.G. Capital Inc., Galleria Opportunities Inc., Acme Capital Corp. and Whitemud Resources Ltd. Martin P. McGoldrick is a director of Rodinia. Donald Rae is a director of Coral Hill Energy Ltd., a private corporation.

Orientation and Continuing Education

The Board has not developed a formal orientation and training program for newly appointed directors.

The Board encourages continuing education for the Corporation's employees, management and directors. Directors are encouraged to communicate with management, auditors and technical consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance, to attend related industry seminars and to visit the Corporation's operations. Board members have full access to the Corporation's records.

Ethical Business Conduct

The Board endorses management's initiatives to operate with sound integrity and ethical values and promotes this conduct at Board meetings. The Board usually meets at least once a quarter and typically more often. A whistleblower program is in place for employees to report violations of ethical conduct. To date, no issues have been reported through the Corporation's whistleblower program.

The Corporation intends to resolve all conflicts of interest in accordance with the provisions of the ABCA in order to ensure directors exercise independent judgment in considering transactions and agreements in which a director or officer has a material interest.

The ABCA provides that a director or officer shall disclose the nature and extent of any interest that he or she has in a material contract or material transaction, whether made or proposed, if the director or officer:

- is a party to the contract or transaction;
- is a director or an officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or
- has a material interest in a party to the contract or transaction,

and shall refrain from voting on any matter in respect of such contract or transaction unless otherwise provided under the ABCA.

Nomination of Directors

The Board is responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of members based on the recommendations of the Corporate Governance and Compensation Committee. The Board shall identify and review possible candidates for Board membership consistent with criteria approved by the Board, and annually recommend qualified candidates for a slate of nominees to be proposed for election to the Board at the annual meeting of the Corporation's shareholders. The Board shall consider the appropriate size of the Board with a view to facilitating effective decision making. In the event of a vacancy on the Board between annual meetings of the Corporation's shareholders, the Board may identify, review and recommend qualified candidates for Board membership to the Board for consideration to fill such vacancies, if the Board determines that such vacancies will be filled.

When formulating these recommendations, the Board shall seek and consider advice and recommendations from management, and may seek or consider advice and recommendations from consultants, outside counsel, accountants or other advisors as it or the Board may deem appropriate.

Remuneration of Directors and Chief Executive Officer

With the exception of the Chairman of the Board, the non-employee directors of the Corporation are paid annual retainer fees of \$40,000 and are reimbursed for all reasonable expenses incurred. Non-employee directors are entitled to participate in the Corporation's Stock Option Plan. The compensation of directors will be reviewed by the Board on an annual basis, considering the levels of compensation paid to directors of public corporations of similar size. The Chairman of the Board is paid an annual retainer of \$90,000 and is reimbursed for all reasonable expenses incurred.

The compensation of the Chief Executive Officer of the Corporation is reviewed by the Corporate Governance and Compensation Committee and the Board on an annual basis. The Board considers the Chief Executive Officer's performance and other relevant factors, including the scope of his position and responsibilities, the current business environment and the achievement of corporate goals. The Chief

Executive Officer is not present for certain portions of director meetings when the Board discusses the performance or compensation of the Chief Executive Officer.

Assessments

The Board does not believe that formal assessments would be useful at this stage of the Corporation's development. The Board conducts informal annual assessments of its effectiveness, the individual directors and each of its committees. The Chairman of the Board is charged with ensuring that the Board carries out its responsibilities and that these responsibilities are clearly understood by all of its members. The Chairman also ensures that the Board can function independent of management, that the necessary resources and procedures are available or in place to support its responsibilities and that the appropriate functions are delegated to the relevant committees. The Chairman is responsible for overseeing and setting the Board agenda, the quality of information sent to directors and the in camera sessions held without management. The Chairman is also responsible for ensuring a process is in place for an annual performance review of the Chief Executive Officer, which is conducted by the Board, and for senior management succession planning matters.

Committees of the Board of Directors

The Board has established three board committees: the Audit Committee, the Corporate Governance and Compensation Committee and the Reserves Committee. The information below summarizes the functions of each of the committees in accordance with their charters.

Audit Committee

The Audit Committee has been structured to comply with the requirements of NI 52-110 as it relates to TSXV listed issuers. The Board has determined that the Audit Committee members have the appropriate level of financial understanding and industry specific knowledge to be able to perform the duties of the position and in particular are financially literate as defined in NI 52-110.

The Audit Committee periodically assesses the adequacy of procedures for the public disclosure of financial information and review, on behalf of the Board, and reports to the Board the results of its review and its recommendations regarding all material matters of a financial reporting and audit nature, including, but not limited to:

- oversight of the nature and scope of the annual audit;
- oversight of management's reporting on internal accounting standards and practices; and
- review of financial information, accounting systems and procedures, financial reporting and financial statements.

The primary objectives of the Audit Committee are as follows:

- assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Corporation and related matters;
- provide better communication between directors and external auditors;
- enhance the external auditor's independence;
- increase the credibility and objectivity of financial reports; and
- strengthen the role of the outside directors by facilitating in-depth discussions between directors on the Audit Committee, management and external auditors.

The Audit Committee ensures satisfactory procedures for (i) receipt, retention and treatment of complaints received by the Corporation regarding any accounting, internal accounting controls or auditing matters and (ii) the confidential anonymous submission of concerns by employees regarding

questionable accounting or auditing matters. The Board is kept informed of the Audit Committee's activities by a report delivered at each regular meeting of the Board of Directors.

The Audit Committee shall recommend the appointment and terms of engagement of the external auditor annually and reviews and evaluates the external auditor. The external auditor reports directly to the Audit Committee. In addition, the Audit Committee pre-approves non-audit services undertaken by the external auditor and on an annual basis, reviews and discusses with the external auditors all significant relationships such auditors have with the Corporation to determine the auditors' independence.

The Audit Committee has direct responsibility for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, including the resolution of disagreements between the external auditor and management.

The Audit Committee meets at least once per financial quarter to fulfill its mandate. The Audit Committee is comprised of Messrs. McGoldrick, Kroontje and Buckee, all of whom are financially literate in accordance with NI 52-110. Messrs. McGoldrick (Chairman), Kroontje and Buckee are all independent for the purposes of NI 52-110.

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

Martin P. McGoldrick - Mr. McGoldrick has over 30 years combined in oil and gas investment banking, international oil and gas exploration and in the electrical utility industry. Prior to joining the Corporation, he served as Senior Vice President and Director, Investment Banking with Jennings Capital Inc.

Al J. Kroontje – Mr. Kroontje has held many senior positions with private and public companies. Mr. Kroontje is currently a director of several TSXV listed companies including Border Petroleum Inc. and Polar Star Mining Corporation.

Dr. James Buckee - Dr. Buckee has held many senior positions with private and public companies, including being the CEO and President of Talisman Inc. He is currently a director of Rodinia, NWest Energy Inc., Cairn Energy PLC, EnQuest PLC and Black Swan Energy Ltd.

The text of the Audit Committee's Charter is provided in Schedule "D" to this Information Circular.

Auditor

The auditor of the Corporation is PricewaterhouseCoopers LLP, Chartered Accountants, of Calgary, Alberta. PricewaterhouseCoopers LLP was appointed as the Corporation's auditor on August 1, 2011. Prior thereto, KPMG LLP was the auditor of the Corporation from November 26, 2009.

External Auditor Services Fees (By Category)

The following table provides information about the fees billed to the Corporation for professional services rendered by the Corporation's auditors, KPMG LLP, during the two most recently completed financial years:

	2010	2009
Audit Fees	\$80,000	\$ 47,500
Audit-Related Fees	\$54,000	-
Tax Fees	\$ 4,500	\$ 6,850
Other Fees	-	-
Total	\$138,500	\$ 54,350

Reliance on Certain Exemptions

As the Corporation is listed on the TSXV, it is a "venture issuer" and may avail itself of exemptions from the requirements of Part 3 Composition of the Audit Committee and Part 5 Reporting Obligations of NI 52-110, which require the independence of each member of an audit committee and the disclosure of audit committee information in an annual information form, respectively. The Corporation has relied on the exemption in Part 5 because, as a venture issuer, it is not required to file an annual information form.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee's role is to develop the approach of the Corporation in matters concerning corporate governance, to review and make recommendations to the Board in connection with such matters and to assist the Board in fulfilling its responsibilities relating to human resources policies and compensation for the directors, officers and employees of the Corporation and its subsidiaries. The Corporate Governance and Compensation Committee also reviews and recommends to the Board a comprehensive statement of compensation philosophy, strategy and principles for the Corporation's executives, and periodically evaluates the Corporation's compensation and benefits program in accordance with such statement. The Corporate Governance and Compensation Committee reviews and makes recommendations to the Board regarding all new employment, consulting, retirement and severance agreements and arrangements proposed for the Corporation's executives, and evaluates existing agreements with the Corporation's executives and its directors.

In addition, the Corporate Governance and Compensation Committee's mandate provides that the responsibilities of such committee include:

- establishing and reviewing member characteristics for the Board;
- evaluating, identifying and recommending nominees to the Board;
- monitoring and reviewing the education and development of members of the Board;
- recommending directors to serve as committee members and chairs;
- reviewing and developing corporate governance guidelines, policies and procedures for the Board;
- establishing and implementing evaluation processes for the Board, committees and chairs;
- establishing procedures for the engagement of independent counsel by a director;
- reviewing disclosure by the Corporation of matters within the committee's mandate; and
- reviewing and evaluating the committee's mandate and efficacy.

The Corporate Governance and Compensation Committee is comprised of Messrs. Kroontje (Chairman), Rae and McGoldrick, all of whom are independent.

Reserves Committee

Notwithstanding that the Corporation currently has no reserves, the Board has determined it is appropriate to form the Reserves Committee. The Reserves Committee has a defined mandate and is responsible for reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and natural gas activities, including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements; reviewing the Corporation's procedures for providing information to the independent evaluator; meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the Reserves Data (as defined in NI 51-101) and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided); reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefore and whether there have been any disputes with management; providing a recommendation to the Board as to whether to approve the

content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith; reviewing the Corporation's procedures for reporting other information associated with oil and gas producing activities; and generally reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves.

The Reserves Committee is comprised of Messrs. Rae (Chairman), Buckee, and Bennett. Mr. Bennett is not independent.

MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by the directors and senior officers of the Corporation and are not to any substantial degree performed by any other person or corporation.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth herein, 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 of the Corporation at any time since the beginning of the Corporation's last financial year, or of any nominee for election as a director, or of any associate or affiliate of any such 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 - Stock Option Plan".

INTEREST OF INFORMED PERSON IN MATERIAL TRANSACTIONS

Other than as otherwise disclosed in this Information Circular, the management of the Corporation is not aware of any material interest, direct or indirect, of any informed person or proposed director of the Corporation or any associate or affiliate of any such persons in any transaction since the commencement of the financial year ended December 31, 2010 or in any proposed transaction, which has materially affected or would materially affect the Corporation or any of its subsidiaries.

The Corporation and Rodinia share five common directors, being Paul J. Bennett, Robert J. Iverach, James W. Buckee, C. Kent Jespersen and Martin P. McGoldrick. The Corporation and Rodinia also share the same executive management. Paul J. Bennett and Shane J. Kozak are each officers of the Corporation and Rodinia and are compensated by both companies. At the present time, PetroFrontier Australia does not compensate any of these two officers.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

As at the date hereof, no director, executive officer, employees or former director, executive officer or employee or any associate or affiliate of any such director, officer or employee, owe any indebtedness to the Corporation or owe any indebtedness to any other entity which is, or at any time has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or either of its subsidiaries.

GENERAL

All matters referred to herein for approval by the Shareholders require a majority of the votes cast by holders of Common Shares who are present in person or by proxy at the Meeting. The contents and the sending of this Information Circular have been approved by the directors of the Corporation.

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 December 31, 2010.

Under NI 51-102 *Continuous Disclosure Obligations*, any person or company who wishes to receive annual and/or 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 annual and/or 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 310, 606 – 4th Street S.W., Calgary, Alberta, T2P 1T1. The Corporation will maintain a supplemental mailing list of persons or companies wishing to receive annual and/or interim financial statements.

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

A-1

SCHEDULE "A"

CHANGE OF AUDITOR

PetroFrontier Corp.
CHANGE OF AUDITOR NOTICE
Pursuant to National Instrument 51-102, Section 4.11

I. Former Auditor

(a) On **August 1, 2011**,

- (i) KPMG LLP resigned as the auditor of **PetroFrontier Corp.** at the Company's request.
- (ii) The Audit Committee and the Board of Directors accepted the resignation of the auditor.

(c) The auditor's reports of KPMG LLP on the financial statements of **PetroFrontier Corp.** for the two years ended **December 31, 2010** did not contain any reservations as to departures from generally accepted accounting principles or limitation in the scope of the audit.


(d) In connection with the audits for the two years ended **December 31, 2010** and through to **August 1, 2011**, there have been no reportable events, as defined in the National Instrument.

II. Successor Auditor

The Corporation has appointed **PricewaterhouseCoopers LLP Chartered Accountants** as its new auditor as of **August 1, 2011**. The Audit Committee and the Board of Directors considered and approved the appointment.

DATED at Calgary, Alberta, this 1st day of August, 2011.

PetroFrontier Corp.



Shane J. Kozak, CA
Vice President Finance, Chief Financial Officer and Corporate Secretary



KPMG LLP
Chartered Accountants
2700-205 5 Avenue SW
Calgary AB T2P 4B9

Telephone (403) 691-8000
Telefax (403) 691-8008
Internet www.kpmg.ca

August 1, 2011

Alberta Securities Commission
600, 250 - 5th Street SW
Calgary, Alberta T2P 0R7

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2

PetroFrontier Corp.
Suite 320, 715 - 5th Avenue S.W.
Calgary, Alberta T2P 2X6

TSX Venture Exchange Inc.
10th Floor, 300 - 5th Avenue SW
Calgary, Alberta T2P 3C4

Dear Sirs/Madams:

Re: PetroFrontier Corp. (the "Corporation")

As required by Section 4.11 of *National Instrument 51-102: Continuous Disclosure Obligations*, we have reviewed the information contained in the Corporation's Notice of Change of Auditors dated August 1, 2011 (the "**Notice**"). Based on our knowledge at the date hereof, we confirm that we are in agreement with the statements contained in the Notice as they relate to us.

Yours truly,

Chartered Accountants
Calgary, AB



August 1, 2011

Alberta Securities Commission
600, 250 - 5th Street SW
Calgary, Alberta T2P 0R7

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2

PetroFrontier Corp.
Suite 320, 715 - 5th Avenue S.W.
Calgary, Alberta T2P 2X6

TSX Venture Exchange Inc.
10th Floor, 300 - 5th Avenue SW
Calgary, Alberta T2P 3C4

Dear Sirs/Madams:

Re: PetroFrontier Corp. (the "Corporation")

As required by Section 4.11 of *National Instrument 51-102: Continuous Disclosure Obligations*, we have reviewed the information contained in the Corporation's Notice of Change of Auditors dated August 1, 2011 (the "**Notice**"). Based on our knowledge at the date hereof, we confirm that we are in agreement with the statements contained in the Notice as they relate to us.

Yours truly,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
111 5 Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

SCHEDULE "B"

**PETROFRONTIER CORP.
STOCK OPTION 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 and any shares or securities of the Corporation into which such common shares are changed, converted, subdivided, consolidated or reclassified;
- (c) **"Corporation"** means PetroFrontier Corp. 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 TSXV before the date of grant of an Option, less any applicable discount under TSXV Policies;
- (e) **"Exchange Policies"** means the policies of the Exchange, including those set forth in the Corporate Finance Manual of the Exchange;
- (f) **"Insider"** has the meaning ascribed thereto in Exchange Policies;
- (g) **"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;
- (h) **"Option Period"** means the period determined by the Board of Directors during which an Optionee may exercise an Option, not to exceed the maximum period permitted by the Exchange, which maximum period is ten (10) years from the date the Option is granted;
- (i) **"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

- (j) **"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 TSXV. 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.

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. Common 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 on a non-diluted basis at any time, and such aggregate number of Common Shares shall automatically increase or decrease as the number of issued and outstanding Common Shares changes. 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; and
- (b) the grant to Insiders within a 12 month period, of a number of Options exceeding 10% of the 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 or an Employee conducting Investor Relations Activities (as such terms are defined in Exchange Policies)).

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, including, without limitation, the 1933 Act, the *United States Securities and Exchange Act of 1934, as amended*, applicable U.S. state laws, the rules and regulations promulgated thereunder, 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 the later of: (i) 12 months after the completion of the Qualifying Transaction (as defined in TSX Venture Exchange Inc. Policy 2.4) by the Corporation; and (ii) one (1) year after the Optionee 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 TSXV, or as otherwise allowed by the TSXV.

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, in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the TSXV or any relevant regulatory authority, whether or not such amendment or termination would affect any accrued rights, subject to the approval of the TSXV 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 TSXV or any relevant regulatory authority and the approval of the shareholders of the Corporation if required by the TSXV or such regulatory authority. Subject to TSXV 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 TSXV. 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. Prior Plans

On the effective date (as set out in Section 19 hereof), subject to TSXV approval and, if required, shareholder approval:

- (a) the Plan shall entirely replace and supersede prior stock option plans, if any, enacted by the Corporation; and
- (b) all outstanding options shall be deemed to be granted pursuant to the Plan.

19. Effective Date

This Plan shall become effective as of and from, and the effective date of the Plan shall be December 31, 2010, upon receipt of all necessary shareholder and regulatory approvals.

20. Legends on Hold Periods

If required by the Exchange policies or applicable securities laws, the Common Shares issued on exercise of the Options will be legended.

SCHEDULE "C"

SHAREHOLDER RIGHTS PLAN AGREEMENT

SHAREHOLDER RIGHTS PLAN AGREEMENT

DATED AS OF JULY 28, 2011

BETWEEN

PETROFRONTIER CORP.

AND

OLYMPIA TRUST COMPANY

AS RIGHTS AGENT

SHAREHOLDER RIGHTS PLAN AGREEMENT

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SHAREHOLDER RIGHTS PLAN AGREEMENT

MEMORANDUM OF AGREEMENT dated as of July 28, 2011 between PetroFrontier Corp. (the "**Corporation**"), a corporation amalgamated under the *Business Corporations Act* (Alberta) and Olympia Trust Company, a trust company incorporated under the laws of Alberta (the "**Rights Agent**");

WHEREAS the Board of Directors of the Corporation has determined that it is in the best interests of the Corporation to adopt a shareholder rights plan to insure, to the extent possible, that all shareholders of the Corporation are treated fairly in connection with any take-over bid or other acquisition of control of the Corporation;

AND WHEREAS in order to implement the adoption of a shareholder rights plan as established by this Agreement, the Board of Directors of the Corporation has:

- (a) authorized the issuance, effective at 12:01 a.m. (Calgary time) on the Effective Date (as hereinafter defined), of one Right (as hereinafter defined) in respect of each Common Share (as hereinafter defined) outstanding at 12:01 a.m. (Calgary time) on the Effective Date (the "**Record Time**");
- (b) authorized the issuance of one Right in respect of each Common Share of the Corporation issued after the Record Time and prior to the earlier of the Separation Time (as hereinafter defined) and the Expiration Time (as hereinafter defined); and
- (c) authorized the issuance of Rights Certificates (as defined below) to holders of Rights pursuant to the terms and subject to the conditions set forth herein;

AND WHEREAS each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Corporation pursuant to the terms and subject to the conditions set forth herein;

AND WHEREAS the Corporation desires to appoint the Rights Agent to act on behalf of the Corporation and the holders of Rights, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates (as hereinafter defined), the exercise of Rights and other matters referred to herein;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Corporation and not by the Rights Agent;

NOW THEREFORE, in consideration of the premises and the respective covenants and agreements set forth herein, and subject to such covenants and agreements, the parties hereby agree as follows:

ARTICLE 1 **INTERPRETATION**

1.1 Certain Definitions

For purposes of this Agreement, the following terms have the meanings indicated:

- (a) "**Acquiring Person**" shall mean any Person who is the Beneficial Owner of 20% or more of the outstanding Voting Shares; provided, however, that the term "Acquiring Person" shall not include:

- (i) the Corporation or any Subsidiary of the Corporation;
 - (ii) any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or any combination of (A) a Voting Share Reduction, (B) Permitted Bid Acquisitions, (C) an Exempt Acquisition, (D) Pro Rata Acquisitions or (E) a Convertible Security Acquisition; provided, however, that if a Person becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares by reason of one or any combination of the operation of Paragraphs (A), (B), (C), (D) or (E) above and such Person's Beneficial Ownership of Voting Shares thereafter increases by more than 1.0% of the number of Voting Shares outstanding (other than pursuant to one or any combination of a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition, or a Convertible Security Acquisition), then as of the date such Person becomes the Beneficial Owner of such additional Voting Shares, such Person shall become an "Acquiring Person";
 - (iii) for a period of ten days after the Disqualification Date (as defined below), any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of such Person becoming disqualified from relying on Clause 1.1(f)(v) solely because such Person or the Beneficial Owner of such Voting Shares is making or has announced an intention to make a Take-over Bid, either alone or by acting jointly or in concert with any other Person. For the purposes of this definition, "**Disqualification Date**" means the first date of public announcement that any Person is making or has announced an intention to make a Take-over Bid;
 - (iv) an underwriter or member of a banking or selling group that becomes the Beneficial Owner of 20% or more of the Voting Shares in connection with a distribution of securities of the Corporation; or
 - (v) a Person (a "**Grandfathered Person**") who is the Beneficial Owner of 20% or more of the outstanding Voting Shares of the Corporation determined as at the Record Time, provided, however, that this exception shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the Record Time, become the Beneficial Owner of additional Voting Shares of the Corporation that increases its Beneficial Ownership of Voting Shares by more than 1% of the number of Voting Shares outstanding as at the Record Time (other than pursuant to one or any combination of a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition or a Convertible Security Acquisition);
- (b) "**Affiliate**" when used to indicate a relationship with a Person means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified Person;
 - (c) "**Agreement**" shall mean this shareholder rights plan agreement dated as of July 28, 2011 between the Corporation and the Rights Agent, as the same may be further amended or supplemented from time to time; "hereof", "herein", "hereto" and similar expressions mean and refer to this Agreement as a whole and not to any particular part of this Agreement;

- (d) **"annual cash dividend"** shall mean cash dividends paid in any fiscal year of the Corporation to the extent that such cash dividends do not exceed, in the aggregate, the greatest of:
- (i) 200 per cent of the aggregate amount of cash dividends declared payable by the Corporation on its Common Shares in its immediately preceding fiscal year;
 - (ii) 300 per cent of the arithmetic mean of the aggregate amounts of the annual cash dividends declared payable by the Corporation on its Common Shares in its three immediately preceding fiscal years; and
 - (iii) 100 per cent of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding fiscal year;
- (e) **"Associate"** means, when used to indicate a relationship with a specified Person, a spouse of that Person, any Person of the same or opposite sex with whom that Person is living in a conjugal relationship outside marriage, a child of that Person or a relative of that Person if that relative has the same residence as that Person;
- (f) A Person shall be deemed the **"Beneficial Owner"** of, and to have **"Beneficial Ownership"** of, and to **"Beneficially Own"**,
- (i) any securities as to which such Person or any of such Person's Affiliates or Associates is the owner at law or in equity;
 - (ii) any securities as to which such Person or any of such Person's Affiliates or Associates has the right to become the owner at law or in equity (where such right is exercisable immediately or within a period of 60 days and whether or not on condition or the happening of any contingency or the making of any payment) pursuant to any Convertible Security, agreement, arrangement, pledge or understanding, whether or not in writing (other than (x) customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a public offering or private placement of securities and (y) pledges of securities in the ordinary course of business), or upon the exercise of any conversion right, exchange right, share purchase right (other than the Rights), warrant or option; or
 - (iii) any securities which are Beneficially Owned within the meaning of Clauses 1.1(f)(i) and (ii) by any other Person with whom such Person is acting jointly or in concert;
- provided, however, that a Person shall not be deemed the **"Beneficial Owner"** of, or to have **"Beneficial Ownership"** of, or to **"Beneficially Own"**, any security:
- (iv) where such security has been, or has been agreed to be, deposited or tendered pursuant to a Lock-up Agreement or is otherwise deposited or tendered to any Take-over Bid made by such Person, made by any of such Person's Affiliates or Associates or made by any other Person acting jointly or in concert with such Person until such deposited or tendered security has been taken up or paid for, whichever shall first occur;

- (v) where such Person, any of such Person's Affiliates or Associates or any other Person acting jointly or in concert with such Person holds such security provided that:
- A. the ordinary business of any such Person (the "**Investment Manager**") includes the management of investment funds for others (which others, for greater certainty, may include or be limited to one or more employee benefit plans or pension plans) and such security is held by the Investment Manager in the ordinary course of such business in the performance of such Investment Manager's duties for the account of any other Person (a "**Client**"), including non-discretionary accounts held on behalf of a Client by a broker or dealer appropriately registered under applicable law;
 - B. such Person (the "**Trust Company**") is licensed to carry on the business of a trust company under applicable laws and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons (each an "**Estate Account**") or in relation to other accounts (each an "**Other Account**") and holds such security in the ordinary course of such duties for the estate of any such deceased or incompetent Person or for such Other Accounts;
 - C. such Person is established by statute for purposes that include, and the ordinary business or activity of such Person (the "**Statutory Body**") includes, the management of investment funds for employee benefit plans, pension plans, insurance plans or various public bodies;
 - D. such Person (the "**Administrator**") is the administrator or trustee of one or more pension funds or plans (a "**Plan**"), or is a Plan, registered under the laws of Canada or any Province thereof or the laws of the United States of America or any State thereof;
 - E. such Person (the "**Crown Agent**") is a Crown agent or agency; or
 - F. such Person (the "**Manager**") is the manager or trustee of a mutual fund ("**Mutual Fund**") that is registered or qualified to issue its securities to investors under the securities laws of any province of Canada or the laws of the United States of America or is a Mutual Fund.

provided, in any of the above cases, that the Investment Manager, the Trust Company, the Statutory Body, the Administrator, the Plan, the Crown Agent, the Manager or the Mutual Fund, as the case may be, is not then making a Take-over Bid or has not then announced an intention to make a Take-over Bid alone or acting jointly or in concert with any other Person, other than an Offer to Acquire Voting Shares or other securities (x) pursuant to a distribution by the Corporation, (y) by means of a Permitted Bid or (z) by means of ordinary market transactions (including prearranged trades entered into in the ordinary course of business of such Person) executed through the facilities of a stock exchange or organized over-the-counter market;

- (vi) where such Person is (A) a Client of the same Investment Manager as another Person on whose account the Investment Manager holds such security, (B) an Estate Account or an Other Account of the same Trust Company as another Person on whose account the Trust Company holds such security or (C) a Plan with the same Administrator as another Plan on whose account the Administrator holds such security;
- (vii) where such Person is (A) a Client of an Investment Manager and such security is owned at law or in equity by the Investment Manager, (B) an Estate Account or an Other Account of a Trust Company and such security is owned at law or in equity by the Trust Company or (C) a Plan and such security is owned at law or in equity by the Administrator of the Plan; or
- (viii) where such Person is a registered holder of such security as a result of carrying on the business of, or acting as a nominee of, a securities depository;
- (g) "**Board of Directors**" shall mean the board of directors of the Corporation or any duly constituted and empowered committee thereof;
- (h) "**Business Corporations Act**" means the *Business Corporations Act* (Alberta) as amended, and the regulations made thereunder, and any comparable or successor laws or regulations thereto;
- (i) "**Business Day**" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in Calgary are authorized or obligated by law to close;
- (j) "**Canadian Dollar Equivalent**" of any amount which is expressed in United States Dollars means, on any date, the Canadian dollar equivalent of such amount determined by multiplying such amount by the U.S. - Canadian Exchange Rate in effect on such date;
- (k) "**close of business**" on any given date shall mean the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the principal transfer office in Calgary of the transfer agent for the Common Shares of the Corporation (or, after the Separation Time, the principal transfer office in Calgary of the Rights Agent) is closed to the public;
- (l) "**Common Shares**" shall mean the common shares in the capital of the Corporation;
- (m) "**Competing Permitted Bid**" means a Take-over Bid that:
 - (i) is made after a Permitted Bid has been made and prior to the expiry of the Permitted Bid;
 - (ii) satisfies all components of the definition of a Permitted Bid other than the requirements set out in Clause 1.1(kk)(ii)(A) of the definition of a Permitted Bid; and
 - (iii) contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified condition that no Voting Shares will be taken up or paid for pursuant to the Take-over Bid prior to the close of business on a date that is no earlier than the later of: (A) the 60th day after the date on

which the earliest Permitted Bid which preceded the Competing Permitted Bid was made; and (B) 35 days after the date of the Take-over Bid constituting the Competing Permitted Bid;

- (n) **"controlled"** a Person is "controlled" by another Person or two or more other Persons acting jointly or in concert if:
- (i) in the case of a body corporate, securities entitled to vote in the election of directors of such body corporate carrying more than 50% of the votes for the election of directors are held, directly or indirectly, by or for the benefit of the other Person or Persons and the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such body corporate; or
 - (ii) in the case of a Person which is not a body corporate, more than 50% of the voting or equity interests of such entity are held, directly or indirectly, by or for the benefit of the other Person or Persons;

and "controls", "controlling" and "under common control with" shall be interpreted accordingly;

- (o) **"Convertible Security"** means, with respect to any security, a security convertible into or exercisable or exchangeable for the first-mentioned security including, without limitation, share purchase rights, exchange rights, options and warrants;
- (p) **"Convertible Security Acquisition"** means the acquisition of Voting Shares upon the exercise, conversion or exchange of Convertible Securities acquired by a Person pursuant to a Permitted Bid Acquisition, Exempt Acquisition or Pro Rata Acquisition;
- (q) **"Co-Rights Agents"** shall have the meaning ascribed thereto in Subsection 4.1(a);
- (r) **"Disposition Date"** shall have the meaning ascribed thereto in Subsection 5.1(h);
- (s) **"Dividend Reinvestment Acquisition"** shall mean an acquisition of Voting Shares pursuant to a Dividend Reinvestment Plan;
- (t) **"Dividend Reinvestment Plan"** means a regular dividend reinvestment or other plan of the Corporation made available by the Corporation to holders of its securities where such plan permits the holder to direct that some or all of:
- (i) dividends paid in respect of shares of any class of the Corporation;
 - (ii) proceeds of redemption of shares of the Corporation;
 - (iii) interest paid on evidences of indebtedness of the Corporation; or
 - (iv) optional cash payments;
- be applied to the purchase from the Corporation of Voting Shares;
- (u) **"Election to Exercise"** shall have the meaning ascribed thereto in Clause 2.2(d)(ii);

- (v) "**Effective Date**" means July 28, 2011 or any other later date as determined by a duly authorized officer or director of the Corporation;
- (w) "**Exempt Acquisition**" means a share acquisition (i) in respect of which the Board of Directors has waived the application of Section 3.1 pursuant to the provisions of Subsection 5.1(a)(h) or (i) pursuant to a distribution by the Corporation of Voting Shares or Convertible Securities (and the conversion or exchange to such securities) pursuant to a public offering or private placement, provided that the acquiror does not thereby Beneficially Own a greater percentage of the Voting Shares or Convertible Securities so issued than the percentage of Voting Shares or Convertible Securities Beneficially Owned by the acquirer immediately prior to such acquisition, or (iii) pursuant to an amalgamation, merger or other statutory procedure requiring shareholder approval;
- (x) "**Exercise Price**" shall mean, as of any date, the price at which a holder may purchase the securities issuable upon exercise of one whole Right which, until adjustment thereof in accordance with the terms hereof, shall be an aggregate dollar amount equal to the Market Price per Common Share (determined as at the Separation Time) multiplied by five (5);
- (y) "**Expansion Factor**" shall have the meaning ascribed thereto in Clause 2.3(a)(x);
- (z) "**Expiration Time**" shall mean the date of termination of this Agreement pursuant to Section 5.18;
- (aa) "**Flip-in Event**" shall mean a transaction in or pursuant to which any Person becomes an Acquiring Person;
- (bb) "**holder**" shall have the meaning ascribed thereto in Section 2.8;
- (cc) "**Independent Shareholders**" shall mean holders of Voting Shares, other than:
 - (i) any Acquiring Person;
 - (ii) any Offeror (other than any Person who, by virtue of Clause 1.1(f)(v), is not deemed to Beneficially Own the Voting Shares held by such Person);
 - (iii) any Affiliate or Associate of any Acquiring Person or Offeror;
 - (iv) any Person acting jointly or in concert with any Acquiring Person or Offeror; and
 - (v) any employee benefit plan, deferred profit sharing plan, stock participation plan and any other similar plan or trust for the benefit of employees of the Corporation or a Subsidiary of the Corporation unless the beneficiaries of the plan or trust direct the manner in which the Voting Shares are to be voted or withheld from voting or direct whether the Voting Shares are to be tendered to a Take-over Bid;
- (dd) "**Lock-up Agreement**" means an agreement (the terms of which are publicly disclosed and a copy of which is made available to the public (including the Corporation)):
 - (i) not later than the date on which the Lock-up Bid (as defined below) is publicly announced; or

- (ii) if the Lock-up Bid has been made prior to the date on which such agreement has been entered into, forthwith and in any event not later than the Business Day following the date of such agreement;

between an Offeror, any of its Affiliates or Associates or any other Person acting jointly or in concert with the Offeror and a Person (the "**Locked-up Person**") who is not an Affiliate or Associate of the Offeror or a Person acting jointly or in concert with the Offeror whereby the Locked-up Person agrees to deposit or tender the Voting Shares and/or Convertible Securities held by the Locked-up Person to the Offeror's Take-over Bid or to any Take-over Bid made by any of the Offeror's Affiliates or Associates or made by any other Person acting jointly or in concert with the Offeror (the "**Lock-up Bid**"), where the agreement:

- (iii) A. permits the Locked-up Person to withdraw the Voting Shares and/or Convertible Securities from the agreement in order to tender or deposit the Voting Shares and/or Convertible Securities to another Take-over Bid, or to support another transaction that provides for a consideration for each Voting Share and/or Convertible Security that is higher than the consideration contained in or proposed to be contained in the Lock-up Bid; or
- B. (a) permits the Locked-up Person to withdraw the Voting Shares and/or Convertible Securities from the agreement in order to tender or deposit the Voting Shares and/or Convertible Securities to another Take-over Bid, or to support another transaction that provides for a consideration for each Voting Share and/or Convertible Security that exceeds by as much as or more than a specified amount the ("**Specified Amount**") the consideration for each Voting Share and/or Convertible Security contained in or proposed to be contained in, and is made for at least the same number of Voting Shares and/or Convertible Securities as, the Lock-up Bid; and (b) does not by its terms provide for a Specified Amount that is greater than 7% over the consideration for each Voting Share and/or Convertible Security contained in or proposed to be contained in the Lock-up Bid;

and, for greater certainty, the Lock-up Agreement may contain a right of first refusal or require a period of delay to give the Offeror an opportunity to at least match a higher consideration in another Take-over Bid or transaction or other similar limitation on a Locked-up Person's rights to withdraw Voting Shares and/or Convertible Securities from the Lock-up Agreement and not to tender such Voting Shares to the Take-over Bid to which the Locked-up Person has agreed to deposit or tender so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares and/or Convertible Securities in sufficient time to tender to the other Take-over Bid or participate in the other transaction; and

- (iv) the agreement does not provide for any "break-up fees", "top-up fees", penalties, expenses reimbursement or other amounts that exceed in the aggregate the greater of:

- A. the cash equivalent of 2.5% of the consideration payable under the Take-over Bid to the Locked-up Person; and
- B. 50% of the amount by which the consideration payable under another Take-over Bid or transaction to a Locked-up Person exceeds the consideration that such Locked-up Person would have received under the Lock-up Bid;

to be paid by a Locked-up Person pursuant to the Lock-up Agreement in the event that the Locked-up Person fails to deposit or tender Voting Shares and/or Convertible Securities to the Lock-up Bid or withdraws Voting Shares and/or Convertible Securities in order to tender to another Take-over Bid or participate in another transaction;

- (ee) **"Market Price"** per security of any securities on any date of determination shall mean the average of the daily closing prices per security of such securities (determined as described below) on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date; provided, however, that if an event of a type analogous to any of the events described in Section 2.3 hereof shall have caused the closing prices used to determine the Market Price on any Trading Days not to be fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day, each such closing price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in order to make it fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day. The closing price per security of any securities on any date shall be:
 - (i) the closing board lot sale price or, in case no such sale takes place on such date, the average of the closing bid and asked prices for each of such securities as reported by the principal Canadian stock exchange (as determined by volume of trading) on which such securities are listed or admitted to trading;
 - (ii) if for any reason none of such prices is available on such day or the securities are not listed or posted for trading on a Canadian stock exchange, the last sale price or, in case no such sale takes place on such date, the average of the closing bid and asked prices for each of such securities as reported by the principal national United States securities exchange (as determined by volume of trading) on which such securities are listed or admitted to trading;
 - (iii) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange or a national United States securities exchange, the last sale price or, in case no sale takes place on such date, the average of the high bid and low asked prices for each of such securities in the over-the-counter market, as quoted by any recognized reporting system then in use; or
 - (iv) if for any reason none of such prices is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange or a national United States securities exchange or quoted by any such reporting system, the

average of the closing bid and asked prices as furnished by a recognized professional market maker making a market in the securities;

provided, however, that if for any reason none of such prices is available on such day, the closing price per share of such securities on such date means the fair value per share of such securities on such date as determined by a nationally recognized investment dealer or investment banker; provided further that if an event of a type analogous to any of the events described in Section 2.3 hereof shall have caused any price used to determine the Market Price on any Trading Day not to be fully comparable with the price as so determined on the Trading Day immediately preceding such date of determination, each such price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in order to make it fully comparable with the price on the Trading Day immediately preceding such date of determination. The Market Price shall be expressed in Canadian dollars and, if initially determined in respect of any day forming part of the 20 consecutive Trading Day period in question in United States dollars, such amount shall be translated into Canadian dollars on such date at the Canadian Dollar Equivalent thereof;

- (ff) "**1934 Exchange Act**" means the *Securities Exchange Act of 1934* of the United States, as amended, and the rules and regulations thereunder as now in effect or as the same may from time to time be amended, re-enacted or replaced;
- (gg) "**Nominee**" shall have the meaning ascribed thereto in Subsection 2.2(c);
- (hh) "**Offer to Acquire**" shall include:
 - (i) an offer to purchase or a solicitation of an offer to sell Voting Shares; and
 - (ii) an acceptance of an offer to sell Voting Shares, whether or not such offer to sell has been solicited;

or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell;
- (ii) "**Offeror**" shall mean a Person who has announced, and has not withdrawn, an intention to make or who has made, and has not withdrawn, a Take-over Bid, other than a Person who has completed a Permitted Bid, a Competing Permitted Bid or an Exempt Acquisition;
- (jj) "**Offeror's Securities**" means Voting Shares Beneficially Owned by an Offeror on the date of the Offer to Acquire;
- (kk) "**Permitted Bid**" means a Take-over Bid made by an Offeror by way of take-over bid circular which also complies with the following additional provisions:
 - (i) the Take-over Bid is made to all holders of Voting Shares as registered on the books of the Corporation, other than the Offeror;
 - (ii) the Take-over Bid contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no Voting Shares will be taken up or paid for pursuant to the Take-over Bid (A) prior to the

close of business on the date which is not less than 60 days following the date of the Take-over Bid and (B) unless if at such date more than 50% of the Voting Shares held by Independent Shareholders shall have been deposited or tendered pursuant to the Take-over Bid and not withdrawn;

- (iii) unless the Take-over Bid is withdrawn, the Take-over Bid contains an irrevocable and unqualified provision that Voting Shares may be deposited pursuant to such Take-over Bid at any time during the period of time described in Clause 1.1(ii)(ii) and that any Voting Shares deposited pursuant to the Take-over Bid may be withdrawn until taken up and paid for; and
 - (iv) the Take-over Bid contains an irrevocable and unqualified provision that in the event that the deposit condition set forth in Clause 1.1(kk)(ii) is satisfied the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Voting Shares for not less than ten Business Days from the date of such public announcement;
- (ll) **"Permitted Bid Acquisition"** shall mean an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;
- (mm) **"Person"** shall include any individual, firm, partnership, association, trust, trustee, executor, administrator, legal personal representative, body corporate, corporation, unincorporated organization, syndicate, a government and its agencies or instrumentalities and any entity or group whether or not having legal personality;
- (nn) **"Pro Rata Acquisition"** means an acquisition by a Person of Voting Shares or Convertible Securities pursuant to:
- (i) a Dividend Reinvestment Acquisition;
 - (ii) a stock dividend, stock split or other event in respect of securities of the Corporation of one or more particular classes or series pursuant to which such Person becomes the Beneficial Owner of Voting Shares or Convertible Securities on the same pro rata basis as all other holders of securities of the particular class, classes or series;
 - (iii) the acquisition or the exercise by the Person of only those rights to purchase Voting Shares or Convertible Securities distributed to that Person in the course of a distribution to all holders of securities of the Corporation of one or more particular classes or series pursuant to a rights offering or pursuant to a prospectus, provided that the Person does not thereby acquire a greater percentage of such Voting Shares or Convertible Securities or securities convertible into or exchangeable for Voting Shares or Convertible Securities so offered than the Person's percentage of Convertible Securities or Voting Shares Beneficially Owned immediately prior to such acquisition; or
 - (iv) a distribution of Voting Shares or Convertible Securities (and the conversion or exchange of such convertible or exchangeable securities), made pursuant to a prospectus or by way of a private placement or securities exchange take-over bid, provided that the Person does not thereby acquire a greater percentage of such Voting Shares or Convertible Securities, so offered than the Person's percentage

of Convertible Securities or Voting Shares Beneficially Owned immediately prior to such acquisition;

- (oo) "**Record Time**" has the meaning set forth in the second whereas clause;
- (pp) "**Right**" means a right to purchase a Common Share of the Corporation upon the terms and subject to the conditions set forth in this Agreement;
- (qq) "**Rights Certificate**" means the certificates representing the Rights after the Separation Time, which shall be substantially in the form attached hereto as Attachment 1;
- (rr) "**Rights Holders' Special Meeting**" means a meeting of the holders of Rights called by the Board of Directors for the purpose of approving a supplement or amendment to this Agreement pursuant to Subsection 5.4(c);
- (ss) "**Rights Register**" shall have the meaning ascribed thereto in Subsection 2.6(a);
- (tt) "**Securities Act (Alberta)**" shall mean the *Securities Act*, S.A. 1991, c.S-6.1, as amended, and the regulations thereunder, and any comparable or successor laws or regulations thereto;
- (uu) "**Separation Time**" shall mean the close of business on the eighth Trading Day after the earlier of:
 - (i) the Stock Acquisition Date;
 - (ii) the date of the commencement of or first public announcement of the intent of any Person (other than the Corporation or any Subsidiary of the Corporation) to commence a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid), or such later time as may be determined by the Board of Directors, provided that, if any Take-over Bid referred to in this Clause (ii) expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-over Bid shall be deemed, for the purposes of this definition, never to have been made; and
 - (iii) the date on which a Permitted Bid or Competing Permitted Bid ceases to be such;
- (vv) "**Special Meeting**" means a special meeting of the holders of Voting Shares, called by the Board of Directors for the purpose of approving a supplement or amendment to this Agreement pursuant to Subsection 5.4(b);
- (ww) "**Stock Acquisition Date**" shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 182 of the *Securities Act* (Alberta) or Section 13(d) of the *1934 Exchange Act*) by the Corporation or an Acquiring Person that an Acquiring Person has become such;
- (xx) "**Subsidiary**" a corporation is a Subsidiary of another corporation if:
 - (i) it is controlled by:
 - A. that other; or

- B. that other and one or more corporations each of which is controlled by that other; or
 - C. two or more corporations each of which is controlled by that other; or
- (ii) it is a Subsidiary of a corporation that is that other's Subsidiary;
- (yy) "**Take-over Bid**" shall mean an Offer to Acquire Voting Shares of any class, or Convertible Securities with respect thereto if, assuming that the Voting Shares or Convertible Securities subject to the Offer to Acquire are acquired and are Beneficially Owned at the date of such Offer to Acquire by the Person making such Offer to Acquire, such Voting Shares (including Voting Shares that may be acquired upon conversion of Convertible Securities) together with the Offeror's Securities, constitute in the aggregate 20% or more of the outstanding Voting Shares at the date of the Offer to Acquire;
 - (zz) "**Trading Day**", when used with respect to any securities, shall mean a day on which the principal Canadian stock exchange on which such securities are listed or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any Canadian stock exchange, a Business Day;
 - (aaa) "**U.S.-Canadian Exchange Rate**" means, on any date:
 - (i) if on such date the Bank of Canada sets an average noon spot rate of exchange for the conversion of one United States dollar into Canadian dollars, such rate; and
 - (ii) in any other case, the rate for such date for the conversion of one United States dollar into Canadian dollars calculated in such manner as may be determined by the Board of Directors from time to time acting in good faith;
 - (bbb) "**Voting Share Reduction**" means an acquisition or redemption by the Corporation of Voting Shares which, by reducing the number of Voting Shares outstanding, increases the proportionate number of Voting Shares Beneficially Owned by any person to 20% or more of the Voting Shares then outstanding; and
 - (ccc) "**Voting Shares**" shall mean the Common Shares of the Corporation and any other securities in the capital of the Corporation entitled to vote generally in the election of all directors.

1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

1.3 Headings

The division of this Agreement into Articles, Sections, Subsections, Clauses, Paragraphs, Subparagraphs or other portions hereof and the insertion of headings, subheadings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Calculation of Number and Percentage of Beneficial Ownership of Outstanding Voting Shares

For purposes of this Agreement, the percentage of Voting Shares Beneficially Owned by any Person, shall be and be deemed to be the product (expressed as a percentage) determined by the formula:

$$100 \times A/B$$

where:

A = the number of votes for the election of all directors generally attaching to the Voting Shares Beneficially Owned by such Person; and

B = the number of votes for the election of all directors generally attaching to all outstanding Voting Shares.

Where any Person is deemed to Beneficially Own unissued Voting Shares, such Voting Shares shall be deemed to be outstanding for the purpose of calculating the percentage of Voting Shares Beneficially Owned by such Person.

1.5 Acting Jointly or in Concert

For the purposes hereof, a Person is acting jointly or in concert with every Person who, as a result of any agreement, commitment or understanding, whether formal or informal, with the first Person or any Affiliate thereof, acquires or offers to acquire Voting Shares or Convertible Securities in respect thereto (other than customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a public offering or private placement of securities or pledges of securities in the ordinary course of business).

1.6 Generally Accepted Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be the recommendations at the relevant time of the Canadian Institute of Chartered Accountants, or any successor institute, applicable on a consolidated basis (unless otherwise specifically provided herein to be applicable on an unconsolidated basis) as at the date on which a calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

ARTICLE 2 **THE RIGHTS**

2.1 Legend on Common Share Certificates

Certificates representing Common Shares, including without limitation Common Shares issued upon conversion of Convertible Securities, which are issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time, shall also evidence one Right for each Common Share

represented thereby and shall have impressed on, printed on, written on or otherwise affixed to them a legend in a form substantially to the following effect:

Until the Separation Time (defined in the Shareholder Rights Agreement referred to below), this certificate also evidences rights of the holder described in a Shareholder Rights Plan Agreement dated as of July 28, 2011 (the "Shareholder Rights Agreement") between PetroFrontier Corp. (the "Corporation") and Olympia Trust Company, the terms of which are incorporated herein by reference and a copy of which is on file at the registered office of the Corporation. Under certain circumstances set out in the Shareholder Rights Agreement, the rights may expire, may be amended or redeemed, may become null and void or may be evidenced by separate certificates and no longer evidenced by this certificate. The Corporation will mail or arrange for the mailing of a copy of the Shareholder Rights Agreement to the holder of this certificate without charge as soon as practicable after the receipt of a written request therefor.

Certificates representing Common Shares that are issued and outstanding at the Record Time shall also evidence one Right for each Common Share represented thereby, notwithstanding the absence of the foregoing legend, until the close of business on the earlier of the Separation Time and the Expiration Time.

2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights

- (a) Subject to adjustment as herein set forth, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase one Common Share for the Exercise Price (and the Exercise Price and number of Common Shares are subject to adjustment as set forth below). Notwithstanding any other provision of this Agreement, any Rights held by the Corporation or any of its Subsidiaries shall be void.
- (b) Until the Separation Time,
 - (i) the Rights shall not be exercisable and no Right may be exercised; and
 - (ii) each Right will be evidenced by the certificate for the associated Common Share of the Corporation registered in the name of the holder thereof (which certificate shall also be deemed to represent a Rights Certificate) and will be transferable only together with, and will be transferred by a transfer of, such associated Common Share of the Corporation.
- (c) From and after the Separation Time and prior to the Expiration Time:
 - (i) the Rights shall be exercisable; and
 - (ii) the registration and transfer of Rights shall be separate from and independent of Common Shares of the Corporation.

Promptly following the Separation Time, the Corporation will prepare or cause to be prepared and the Rights Agent will mail to each holder of record of Common Shares as of the Separation Time and, in respect of each Convertible Security converted into Common

Shares after the Separation Time and prior to the Expiration Time, promptly after such conversion, the Corporation will prepare or caused to be prepared and the Rights Agent will mail to the holder so converting (other than an Acquiring Person and, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of record of such Rights (a "**Nominee**")) at such holder's address as shown by the records of the Corporation (the Corporation hereby agreeing to furnish copies of such records to the Rights Agent for this purpose):

- (i) a Rights Certificate appropriately completed, representing the number of Rights held by such holder at the Separation Time and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule or regulation or with any rule or regulation of any self-regulatory organization, stock exchange or quotation system on which the Rights may from time to time be listed or traded, or to conform to usage; and
- (ii) a disclosure statement describing the Rights,

provided that a Nominee shall be sent the materials provided for in (x) and (y) in respect of all Common Shares of the Corporation held of record by it which are not Beneficially Owned by an Acquiring Person and the Corporation may require any Nominee or suspected Nominee to provide such information and documentation as the Corporation may reasonably require.

- (d) Rights may be exercised, in whole or in part, on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent:
 - (i) the Rights Certificate evidencing such Rights;
 - (ii) an election to exercise such Rights (an "**Election to Exercise**") substantially in the form attached to the Rights Certificate appropriately completed and executed by the holder or his executors or administrators or other personal representatives or his or their legal attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Rights Agent; and
 - (iii) payment by certified cheque, banker's draft, wire transfer, or money order payable to the order of the Corporation, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being exercised.
- (e) Upon receipt of a Rights Certificate, together with a completed Election to Exercise executed in accordance with Clause 2.2(d)(ii), which does not indicate that such Right is null and void as provided by Subsection 3.1(b), and payment as set forth in Clause 2.2(d)(iii), the Rights Agent (unless otherwise instructed by the Corporation in the event that the Corporation is of the opinion that the Rights cannot be exercised in accordance with this Agreement) will thereupon promptly:

- (i) requisition from the transfer agent certificates representing the number of such Common Shares to be purchased (the Corporation hereby irrevocably authorizing its transfer agent to comply with all such requisitions);
 - (ii) when appropriate, requisition from the Corporation the amount of cash, if any, to be paid in lieu of issuing fractional Common Shares;
 - (iii) after receipt of the certificates referred to in Clause 2.2(e)(i), deliver the same to or upon the order of the registered holder of such Rights Certificates, registered in such name or names as may be designated by such holder;
 - (iv) when appropriate, after receipt, deliver the cash referred to in Clause 2.2(e)(ii) to or to the order of the registered holder of such Rights Certificate; and
 - (v) remit to the Corporation all payments received on exercise of the Rights.
- (f) In case the holder of any Rights shall exercise less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised (subject to the provisions of Subsection 5.5(a)) will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.
- (g) The Corporation covenants and agrees that it will:
- (i) take all such action as may be necessary and within its power to ensure that all Common Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Common Shares (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered as fully paid and non-assessable;
 - (ii) take all such action as may be necessary and within its power to comply with the requirements of the *Business Corporations Act* (Alberta), the *Securities Act* (Alberta) and the securities laws or comparable legislation of each of the provinces of Canada and any other applicable law, rule or regulation, in connection with the issuance and delivery of the Rights Certificates and the issuance of any Common Shares upon exercise of Rights;
 - (iii) use reasonable efforts to cause all Common Shares issued upon exercise of Rights to be listed on the stock exchanges on which such Common Shares were traded immediately prior to the Stock Acquisition Date;
 - (iv) cause to be reserved and kept available out of the authorized and unissued Common Shares, the number of Common Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights;
 - (v) pay when due and payable, if applicable, any and all federal, provincial and municipal transfer taxes and charges (not including any income or capital taxes of the holder or exercising holder or any liability of the Corporation to withhold tax) which may be payable in respect of the original issuance or delivery of the Rights Certificates, or certificates for Common Shares to be issued upon exercise of any Rights, provided that the Corporation shall not be required to pay any

transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being transferred or exercised; and

- (vi) after the Separation Time, except as permitted by Section 5.1 or Section 5.4, not take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

2.3 Adjustments to Exercise Price; Number of Rights

The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3.

- (a) In the event the Corporation shall at any time after the date of this Agreement:
 - (i) declare or pay a dividend on Common Shares payable in Common Shares or Convertible Securities in respect thereto or other securities of the Corporation) other than pursuant to any optional stock dividend program;
 - (ii) subdivide or change the then outstanding Common Shares into a greater number of Common Shares;
 - (iii) consolidate or change the then outstanding Common Shares into a smaller number of Common Shares; or
 - (iv) issue any Common Shares (or Convertible Securities in respect thereto or other securities of the Corporation) in respect of, in lieu of or in exchange for existing Common Shares except as otherwise provided in this Section 2.3,

the Exercise Price and the number of Rights outstanding, or, if the payment or effective date therefor shall occur after the Separation Time, the securities purchasable upon exercise of Rights shall be adjusted as of the payment or effective date in the manner set forth below.

If the Exercise Price and number of Rights outstanding are to be adjusted:

- (i) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Common Shares (or other capital stock) (the "**Expansion Factor**") that a holder of one Common Share immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result thereof; and
- (ii) each Right held prior to such adjustment will become that number of Rights equal to the Expansion Factor,

and the adjusted number of Rights will be deemed to be distributed among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the shares issued in respect of such dividend, subdivision, change,

consolidation or issuance, so that each such Common Share (or other capital stock) will have exactly one Right associated with it.

For greater certainty, if the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable upon exercise of each Right after such adjustment will be the securities that a holder of the securities purchasable upon exercise of one Right immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result of such dividend, subdivision, change, consolidation or issuance.

If, after the Record Time and prior to the Expiration Time, the Corporation shall issue any shares of capital stock other than Common Shares in a transaction of a type described in Clause 2.3(a)(i) or (iv), shares of such capital stock shall be treated herein as nearly equivalent to Common Shares as may be practicable and appropriate under the circumstances and the Corporation and the Rights Agent agree to amend this Agreement in order to effect such treatment.

In the event the Corporation shall at any time after the Record Time and prior to the Separation Time issue any Common Shares otherwise than in a transaction referred to in this Subsection 2.3(a), each such Common Share so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such associated Common Share.

- (b) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time fix a record date for the issuance of rights, options or warrants to all holders of Common Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for or carrying a right to purchase Common Shares) at a price per Common Share (or, if a Convertible Security carrying a right to purchase or subscribe for Common Shares, having a conversion, exchange or exercise price, including the price required to be paid to purchase such Convertible Security or right per share) less than 90% of Market Price on such record date, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:
- (i) the numerator of which shall be the number of Common Shares outstanding on such record date, plus the number of Common Shares that the aggregate offering price of the total number of Common Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the convertible or exchangeable securities or rights so to be offered, including the price required to be paid to purchase such convertible or exchangeable securities or rights) would purchase at such Market Price per Common Share; and
 - (ii) the denominator of which shall be the number of Common Shares outstanding on such record date, plus the number of additional Common Shares to be offered for subscription or purchase (or into which the convertible or exchangeable securities or rights so to be offered are initially convertible, exchangeable or exercisable).

In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors, whose determination shall be

described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights, options or warrants are not so issued, or if issued, are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed, or to the Exercise Price which would be in effect based upon the number of Common Shares (or securities convertible into, or exchangeable or exercisable for Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

For purposes of this Agreement, the granting of the right to purchase Common Shares (whether from treasury or otherwise) pursuant to the Dividend Reinvestment Plan or any employee benefit, stock option or similar plans shall be deemed not to constitute an issue of rights, options or warrants by the Corporation; provided, however, that, in all such cases, the right to purchase Common Shares is at a price per share of not less than 90% of the current market price per share (determined as provided in such plans) of the Common Shares.

- (c) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time fix a record date for the making of a distribution to all holders of Common Shares (including any such distribution made in connection with a merger or amalgamation) of evidences of indebtedness, cash (other than an annual cash dividend or a dividend referred to in Section 2.3(a)(i), but including any dividend payable in other securities of the Corporation), assets or rights, options or warrants (excluding those referred to in Subsection 2.3(b)), the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:
- (i) the numerator of which shall be the Market Price per Common Share on such record date, less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights), on a per share basis, of the portion of the cash, assets, evidences of indebtedness, rights, options or warrants so to be distributed; and
 - (ii) the denominator of which shall be such Market Price per Common Share.

Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such a distribution is not so made, the Exercise Price shall be adjusted to be the Exercise Price which would have been in effect if such record date had not been fixed.

- (d) Notwithstanding anything herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one per cent in the Exercise Price; provided, however, that any adjustments which by reason of this Subsection 2.3(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under Section 2.3 shall be made to the nearest cent or to the nearest ten-thousandth of a share. Notwithstanding the first sentence of this Subsection 2.3(d), any adjustment required by Section 2.3 shall be made no later than the earlier of:

- (i) three years from the date of the transaction which gives rise to such adjustment;
or
 - (ii) the Expiration Date.
- (e) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time issue any shares of capital stock (other than Common Shares), or rights, options or warrants to subscribe for or purchase any such capital stock, or securities convertible into or exchangeable for any such capital stock, in a transaction referred to in Clause 2.3(a)(i) or (iv), if the Board of Directors acting in good faith determines that the adjustments contemplated by Subsections 2.3(a), (b) and (c) in connection with such transaction will not appropriately protect the interests of the holders of Rights, the Board of Directors may determine what other adjustments to the Exercise Price, number of Rights and/or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Subsections 2.3(a), (b) and (c) above, such adjustments, rather than the adjustments contemplated by Subsections 2.3(a), (b) and (c) above, shall be made. Subject to the prior consent of the holders of the Voting Shares or the Rights obtained as set forth in Subsection 5.4(b) or (c), the Corporation and the Rights Agent shall have authority to amend this Agreement as appropriate to provide for such adjustments.
- (f) Each Right originally issued by the Corporation subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of a Right immediately prior to such issue, all subject to further adjustment as provided herein.
- (g) Irrespective of any adjustment or change in the Exercise Price or the number of Common Shares issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Exercise Price per Common Share and the number of Common Shares which were expressed in the initial Rights Certificates issued hereunder.
- (h) In any case in which this Section 2.3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or other securities upon the occurrence of the event requiring such adjustment.
- (i) Notwithstanding anything contained in this Section 2.3 to the contrary, the Corporation shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in their good faith judgment the Board of Directors shall determine to be advisable, in order that any:
 - (i) consolidation or subdivision of Common Shares;

- (ii) issuance (wholly or in part for cash) of Common Shares or securities that by their terms are convertible into or exchangeable for Common Shares;
- (iii) stock dividends; or
- (iv) issuance of Convertible Securities or other rights, options or warrants referred to in this Section 2.3,

hereafter made by the Corporation to holders of its Common Shares, shall not be taxable to such shareholders.

- (j) Whenever an adjustment to the Exercise Price or a change in the securities purchasable upon exercise of the Rights is made pursuant to this Section 2.3, the Corporation shall promptly and in any event, where such change or adjustment occurs prior to the Separation Time, not later than the Separation Time:
 - (i) file with the Rights Agent and with each transfer agent for the Common Shares a certificate specifying the particulars of such adjustment or change; and
 - (ii) cause notice of the particulars of such adjustment or change to be given to the holders of the Rights.

Failure to file such certificate or to cause such notice to be given as aforesaid, or any defect therein, shall not affect the validity of such adjustment or change.

2.4 Date on Which Exercise Is Effective

Each Person in whose name any certificate for Common Shares or other securities, if applicable, is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Common Shares or other securities, if applicable, represented thereon, and such certificate shall be dated the date upon which the Rights Certificate evidencing such Rights was duly surrendered in accordance with Subsection 2.2(d) (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the Common Share transfer books of the Corporation are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Common Share transfer books of the Corporation are open.

2.5 Execution, Authentication, Delivery and Dating of Rights Certificates

- (a) The Rights Certificates shall be executed on behalf of the Corporation by any two officers or directors of the Corporation. The signature of any of these officers on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or any of them have ceased to hold such offices either before or after the countersignature and delivery of such Rights Certificates.
- (b) Promptly after the Corporation learns of the Separation Time, the Corporation will notify the Rights Agent of such Separation Time and will deliver Rights Certificates executed

by the Corporation to the Rights Agent for countersignature, and the Rights Agent shall manually countersign (or by facsimile signature in a manner satisfactory to the Corporation) and deliver such Rights Certificates to the holders of the Rights pursuant to Subsection 2.2(c) hereof. No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent as aforesaid.

- (c) Each Rights Certificate shall be dated the date of countersignature thereof.

2.6 Registration, Transfer and Exchange

- (a) The Corporation will cause to be kept a register (the "**Rights Register**") in which, subject to such reasonable regulations as it may prescribe, the Corporation will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed registrar for the Rights (the "**Rights Registrar**") for the purpose of maintaining the Rights Register for the Corporation and registering Rights and transfers of Rights as herein provided and the Rights Agent hereby accepts such appointment. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.

After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Subsection 2.6(c), the Corporation will execute, and the Rights Agent will countersign and deliver and register, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.

- (b) All Rights issued upon any registration of transfer or exchange of Rights Certificates shall be the valid obligations of the Corporation, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.
- (c) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Corporation or the Rights Agent, as the case may be, duly executed by the holder thereof or such holder's attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.6, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.

2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates

- (a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Corporation shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.
- (b) If there shall be delivered to the Corporation and the Rights Agent prior to the Expiration Time:

- (i) evidence to their reasonable satisfaction of the destruction, loss or theft of any Rights Certificate; and
- (ii) such security or indemnity as may be reasonably required by them to save each of them and any of their agents harmless;

then, in the absence of notice to the Corporation or the Rights Agent that such Rights Certificate has been acquired by a bona fide purchaser, the Corporation shall execute and upon the Corporation's request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

- (c) As a condition to the issuance of any new Rights Certificate under this Section 2.7, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.
- (d) Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence the contractual obligation of the Corporation, whether or not the destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights duly issued hereunder.

2.8 Persons Deemed Owners of Rights

The Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term "holder" of any Right shall mean the registered holder of such Right (or, prior to the Separation Time, of the associated Common Share).

2.9 Delivery and Cancellation of Certificates

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Corporation may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificate shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9, except as expressly permitted by this Agreement. The Rights Agent shall, subject to applicable laws, and its ordinary business practices, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Corporation.

2.10 Agreement of Rights Holders

Every holder of Rights, by accepting the same, consents and agrees with the Corporation and the Rights Agent and with every other holder of Rights:

- (a) to be bound by and subject to the provisions of this Agreement, as amended from time to time in accordance with the terms hereof, in respect of all Rights held;
- (b) that prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated Common Share certificate representing such Right;
- (c) that after the Separation Time, the Rights Certificates will be transferable only on the Rights Register as provided herein;
- (d) that prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the associated Common Share certificate made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent shall be affected by any notice to the contrary;
- (e) that such holder of Rights has waived his right to receive any fractional Rights or any fractional shares or other securities upon exercise of a Right (except as provided herein);
- (f) that, subject to the provisions of Section 5.4, without the approval of any holder of Rights or Voting Shares and upon the sole authority of the Board of Directors, acting in good faith, this Agreement may be supplemented or amended from time to time to cure any ambiguity or to correct or supplement any provision contained herein which may be inconsistent with the intent of this Agreement or is otherwise defective, as provided herein;
- (g) that notwithstanding anything in this Agreement to the contrary, neither the Corporation nor the Rights Agent shall have any liability to any holder of a Right or any other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; and
- (h) the Rights Agent shall have no obligation to ensure or verify compliance with any applicable laws or regulatory requirements on the issue, exercise or transfer of any Rights or Common Shares issuable upon the exercise thereof. The Rights Agent shall be entitled to process all transfers and exercises of Rights upon the presumption that such transfers or exercises are permissible pursuant to all applicable laws and regulatory requirements. The Rights Agent shall have no obligation to ensure that the legends appearing on the Rights Certificates or Common Shares comply with regulatory requirements or securities laws of applicable jurisdiction.

2.11 Rights Certificate Holder Not Deemed a Shareholder

No holder, as such, of any Rights or Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose whatsoever the holder of any Common Share or any other share or security of the Corporation which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed or deemed or confer upon the holder of any Right or Rights Certificate, as such, any right, title, benefit or privilege of a holder of Common Shares or any other shares or securities of the Corporation or any right to vote at any meeting of shareholders of the Corporation whether for the election of directors or otherwise or upon any matter submitted to holders of Common Shares or any other shares of the Corporation at any meeting thereof, or to give or withhold consent to any action of the Corporation, or to receive notice of any meeting or other action affecting any holder of Common Shares or any other shares of the Corporation except as expressly provided herein, or to receive dividends, distributions or subscription rights, or otherwise, until the Right or Rights evidenced by Rights Certificates shall have been duly exercised in accordance with the terms and provisions hereof.

ARTICLE 3 ADJUSTMENTS TO THE RIGHTS

3.1 Flip-in Event

- (a) Subject to Subsection 3.1(b) and Section 5.1, in the event that prior to the Expiration Time a Flip-in Event shall occur, each Right shall constitute, effective at the close of business on the eighth Trading Day after the Stock Acquisition Date, the right to purchase from the Corporation, upon exercise thereof in accordance with the terms hereof, that number of Common Shares having an aggregate Market Price on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 in the event that after such consummation or occurrence, an event of a type analogous to any of the events described in Section 2.3 shall have occurred).
- (b) Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are or were Beneficially Owned on or after the earlier of the Separation Time or the Stock Acquisition Date by:
 - (i) an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person); or
 - (ii) a transferee of Rights, directly or indirectly, from an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person), where such transferee becomes a transferee concurrently with or subsequent to the Acquiring Person becoming such in a transfer that the Board of Directors, acting in good faith, has determined is part of a plan, arrangement or scheme of an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person), that has the purpose or effect of avoiding Clause 3.1(b)(i),

shall become null and void without any further action, and any holder of such Rights (including transferees) shall thereafter have no right to exercise such Rights under any provision of this Agreement and further shall thereafter not have any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The holder of any Rights represented by a Rights Certificate which is submitted to the Rights Agent upon exercise or for registration of transfer or exchange which does not contain the necessary certifications set forth in the Rights Certificate establishing that such Rights are not void under this Subsection 3.1(b) shall be deemed to be an Acquiring Person for the purposes of this Subsection 3.1(b) and such Rights shall become null and void.

- (c) From and after the Separation Time, the Corporation shall do all such acts and things as shall be necessary and within its power to ensure compliance with the provisions of this Section 3.1, including without limitation, all such acts and things as may be required to satisfy the requirements of the *Business Corporations Act* (Alberta), the *Securities Act* (Alberta) and the securities laws or comparable legislation of each of the provinces of Canada and of the United States and each of the states thereof in respect of the issue of Common Shares upon the exercise of Rights in accordance with this Agreement.
- (d) Any Rights Certificate that represents Rights Beneficially Owned by a Person described in either Clause 3.1(b)(i) or (ii) or transferred to any nominee of any such Person, and any Rights Certificate issued upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain the following legend:

The Rights represented by this Rights Certificate were issued to a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Plan Agreement) or a Person who was acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person. This Rights Certificate and the Rights represented hereby are void or shall become void in the circumstances specified in Subsection 3.1(b) of the Shareholder Rights Plan Agreement.

provided, however, that the Rights Agent shall not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but shall impose such legend only if instructed to do so by the Corporation in writing or if a holder fails to certify upon transfer or exchange in the space provided on the Rights Certificate that such holder is not a Person described in such legend.

3.2 Fiduciary Duties of the Board of Directors of the Corporation

For clarification, it is understood that nothing contained in this Article 3 shall be considered to affect the obligations of the Board of Directors to exercise its fiduciary duties. Without limiting the generality of the foregoing, nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of the Voting Shares reject or accept any Take-over Bid or take any other action including, without limitation, the commencement, prosecution, defence or settlement of any litigation and the submission of additional or alternative Take-over Bids or other proposals to the shareholders of the Corporation with respect to any Take-over Bid or otherwise that the Board of Directors believes is necessary or appropriate in the exercise of its fiduciary duties.

ARTICLE 4
THE RIGHTS AGENT

4.1 General

- (a) The Corporation hereby appoints the Rights Agent to act as agent for the Corporation and the holders of the Rights in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint such co-Rights Agents ("**Co-Rights Agents**") as it may deem necessary or desirable, subject to the approval of the Rights Agent. In the event the Corporation appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and Co-Rights Agents shall be as the Corporation may determine, with the approval of the Rights Agent and the Co-Rights Agent. The Corporation agrees to pay all reasonable fees and expenses of the Rights Agent in respect of the performance of its duties under this Agreement. The Corporation also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without gross negligence, bad faith or wilful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including its reasonable legal costs and expenses of defending against any claim of liability, which right to indemnification will survive the termination of this Agreement or the resignation or removal of the Rights Agent.
- (b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Common Shares, Rights Certificate, certificate for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.
- (c) The Corporation shall inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and, at any time upon request shall provide to the Rights Agent an incumbency certificate certifying the then current officers of the Corporation.
- (d) The Corporation shall inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and, at any time upon request, shall provide to the Rights Agent an incumbency certificate certifying the then current officers of the Corporation.

4.2 Merger, Amalgamation or Consolidation or Change of Name of Rights Agent

- (a) Any corporation into which the Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation, statutory arrangement or consolidation to which the Rights Agent is a party, or any corporation succeeding to the shareholder or stockholder services business of the Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4 hereof. In case at the time

such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights have not been countersigned, any successor Rights Agent may countersign such Rights Certificates in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.

- (b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

4.3 Duties of Rights Agent

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, all of which the Corporation and the holders of certificates for Common Shares and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

- (a) the Rights Agent, at the expense of the Corporation, may consult with and retain legal counsel (who may be legal counsel for the Corporation) and such other experts as it shall reasonably consider necessary to perform its duties hereunder, and the opinion of such counsel or other expert will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion;
- (b) whenever in the performance of its duties under this Agreement, the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Corporation prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a Person believed by the Rights Agent to be the Chairman of the Board, President, any Vice-President, Chief Financial Officer, Corporate Secretary, or any Assistant Secretary of the Corporation and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate;
- (c) the Rights Agent will be liable hereunder for its own gross negligence, bad faith or wilful misconduct;
- (d) the Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for Common Shares or the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Corporation only;

- (e) the Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any certificate for a Common Share or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exerciseability of the Rights (including the Rights becoming void pursuant to Subsection 3.1(b) hereof) or any adjustment required under the provisions of Section 2.3 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 describing any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this Agreement or any Rights or as to whether any Common Shares will, when issued, be duly and validly authorized, executed, issued and delivered and fully paid and non-assessable;
- (f) the Corporation agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement;
- (g) the Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any person designated in writing by the Corporation, and to apply to such individuals for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such individual. It is understood that instructions to the Rights Agent shall, except where circumstances make it impractical or the Rights Agent otherwise agrees, be given in writing and, where not in writing, such instructions shall be confirmed in writing as soon as reasonably practicable after the giving of such instructions;
- (h) subject to applicable law, the Rights Agent and any shareholder or stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested, or contract with or lend money to the Corporation or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity; and
- (i) the Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

4.4 Change of Rights Agent

The Rights Agent may resign and be discharged from its duties under this Agreement upon 60 days' notice (or such lesser notice as is acceptable to the Corporation) in writing mailed to the Corporation and

to each transfer agent of Common Shares by registered or certified mail. The Corporation may remove the Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent and to each transfer agent of the Common Shares by registered or certified mail. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Corporation will appoint a successor to the Rights Agent. If the Corporation fails to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent, then by prior written notice to the Corporation the resigning Rights Agent or the holder of any Rights (which holder shall, with such notice, submit such holder's Rights Certificate, if any, for inspection by the Corporation), may apply to any court of competent jurisdiction for the appointment of a new Rights Agent, at the Corporation's expense. Any successor Rights Agent, whether appointed by the Corporation or by such a court, shall be a corporation incorporated under the laws of Canada or a province thereof authorized to carry on the business of a trust company in the Province of Alberta. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent, upon receipt of all outstanding fees and expenses owing to it, shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Corporation will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares and mail a notice thereof in writing to the holders of the Rights in accordance with Section 5.9. Failure to give any notice provided for in this Section 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of any successor Rights Agent, as the case may be.

ARTICLE 5

MISCELLANEOUS

5.1 Redemption and Waiver

- (a) The Board of Directors acting in good faith may, until the occurrence of a Flip-in Event, upon prior written notice delivered to the Rights Agent, determine to waive the application of Section 3.1 to a particular Flip-in Event that would result from a Take-over Bid made by way of take-over bid circular to all holders of record of Voting Shares (which for greater certainty shall not include the circumstances described in Subsection 5.1(h)); provided that if the Board of Directors waives the application of Section 3.1 to a particular Flip-in Event pursuant to this Subsection 5.1(a), the Board of Directors shall be deemed to have waived the application of Section 3.1 to any other Flip-in Event occurring by reason of any Take-over Bid which is made by means of a take-over bid circular to all holders of record of Voting Shares prior to the expiry of any Take-over Bid (as the same may be extended from time to time) in respect of which a waiver is, or is deemed to have been, granted under this Subsection 5.1(a).
- (b) Subject to the prior consent of the holders of the Voting Shares or the Rights obtained as set forth in Subsection 5.4(b) or (c), the Board of Directors acting in good faith may, at its option, at any time prior to the provisions of Section 3.1 becoming applicable as a result of the occurrence of a Flip-in Event, elect to redeem all but not less than all of the outstanding Rights at a redemption price of \$0.0001 per Right appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 if an event of the type analogous to any of the events described in Section 2.3 shall have occurred (such redemption price being herein referred to as the "**Redemption Price**").

- (c) Where a Person acquires pursuant to a Permitted Bid, a Competing Permitted Bid or an Exempt Acquisition under Subsection 5.1(a) outstanding Voting Shares, other than Voting Shares Beneficially Owned at the date of the Permitted Bid, the Competing Permitted Bid or the Exempt Acquisition under Subsection 5.1(a) by such Person, then the Board of Directors shall immediately upon the consummation of such acquisition without further formality and without any approval under Subsection 5.4(b) or (c) be deemed to have elected to redeem the Rights at the Redemption Price.
- (d) Where a Take-over Bid that is not a Permitted Bid Acquisition is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price.
- (e) If the Board of Directors is deemed under Subsection 5.1(c) to have elected, or elects under either of Subsection 5.1(b) or (d), to redeem the Rights, the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.
- (f) Within 10 days after the Board of Directors is deemed under Subsection 5.1(c) to have elected, or elects under Subsection 5.1(b), (d) or (j), to redeem the Rights, the Corporation shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the transfer agent for the Voting Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.
- (g) Upon the Rights being redeemed pursuant to Subsection 5.1(d), all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares as of the Separation Time had not been mailed to each such holder and for all purposes of this Agreement the Separation Time shall be deemed not to have occurred.
- (h) The Board of Directors may waive the application of Section 3.1 in respect of the occurrence of any Flip-in Event if the Board of Directors has determined within eight Trading Days following a Stock Acquisition Date that a Person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person under this Agreement and, in the event that such a waiver is granted by the Board of Directors, such Stock Acquisition Date shall be deemed not to have occurred. Any such waiver pursuant to this Subsection 5.1(h) must be on the condition that such Person, within 10 days after the foregoing determination by the Board of Directors or such earlier or later date as the Board of Directors may determine (the "**Disposition Date**"), has reduced its Beneficial Ownership of Voting Shares such that the Person is no longer an Acquiring Person. If the Person remains an Acquiring Person at the close of business on the Disposition Date, the Disposition Date shall be deemed to be the date of occurrence of a further Stock Acquisition Date and Section 3.1 shall apply thereto.
- (i) The Board of Directors acting in good faith may with the prior consent of the holders of Voting Shares obtained as set forth herein, prior to the occurrence of the relevant Flip-in

Event, upon prior written notice delivered to the Rights Agent, determine to waive the application of Section 3.1 to a Flip-in Event that may occur by reason or an acquisition of Voting Shares other than pursuant to a Take-over Bid made by means of a Take-over Bid circular to all holders of record of Voting Shares and other than in the circumstances set out in Subsection 5.1(h). In the event that the Board of Directors proposes such a waiver, the Board of Directors shall extend the Separation Time to a time and date subsequent to and not more than 10 Business Days following the meeting of shareholders held to approve such waiver.

- (j) Where a Take-over Bid that is not a Permitted Bid or a Competing Permitted Bid is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price without the consent of the holders of the Voting Shares or the Rights and reissue Rights under this Agreement to holders of record of Voting Shares immediately following such redemption. Upon the Rights being redeemed and reissued pursuant to this Subsection 5.1(j), all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares at the Separation Time had not been mailed to each such holder, and for all purposes of this Agreement the Separation Time shall be deemed not to have occurred and the Corporation shall be deemed to have issued replacement Rights to the holders of its then outstanding Common Shares.

5.2 Expiration

No Person shall have any rights whatsoever pursuant to this Agreement or in respect of any Right after the Expiration Time, except the Rights Agent as specified in Subsection 4.1(a) of this Agreement.

5.3 Issuance of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or the Rights to the contrary, the Corporation may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in the number or kind or class of securities purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

5.4 Supplements and Amendments

- (a) The Corporation may make amendments to this Agreement to correct any clerical or typographical error or, subject to Subsection 5.4(e), which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation, rules or regulations thereunder. Notwithstanding anything in this Section 5.4 to the contrary, no such amendment shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent to such supplement or amendment.
- (b) Subject to Section 5.4(a), the Corporation may, with the prior consent of the holders of Voting Shares obtained as set forth below, at any time before the Separation Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if provided by the holders of Voting Shares at a Special Meeting, which Special Meeting shall be called and held in compliance with applicable laws and regulatory requirements and the requirements in the

articles and by-laws of the Corporation. Subject to compliance with any requirements imposed by the foregoing, consent shall be given if the proposed amendment, variation or rescission is approved by the affirmative vote of a majority of the votes cast by Independent Shareholders present or represented in person or by proxy at and entitled to be voted at the Special Meeting.

- (c) The Corporation may, with the prior consent of the holders of Rights obtained as set forth below, at any time after the Separation Time and before the Expiration Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally), provided that no such amendment, variation or deletion shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent thereto. Such consent by Rights Holders shall be deemed to have been given if provided by the holders of Rights at a Rights Holders' Special Meeting, which Rights Holders' Special Meeting shall be called and held in compliance with applicable laws and regulatory requirements and, to the extent possible, with the requirements in the articles and by-laws of the Corporation applicable to meetings of holders of Voting Shares, applied *mutatis mutandis*. Subject to compliance with any requirements imposed by the foregoing, consent shall be given if the proposed amendment, variation or rescission is approved by the affirmative vote of a majority of the votes cast by holders of Rights (other than holders of Rights whose Rights have become null and void pursuant to Subsection 3.1(b)), represented in person or by proxy at and entitled to be voted at the Rights Holders' Special Meeting.
- (d) Any approval of the holders of Rights shall be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the Corporation's by-laws and the *Business Corporations Act* (Alberta) with respect to meetings of shareholders of the Corporation.
- (e) Any amendments made by the Corporation to this Agreement pursuant to Subsection 5.4(a) which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation, rule or regulation thereunder shall:
 - (i) if made before the Separation Time, be submitted to the shareholders of the Corporation at the next meeting of shareholders and the shareholders may, by the majority referred to in Subsection 5.4(b), confirm or reject such amendment;
 - (ii) if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called for on a date not later than immediately following the next meeting of shareholders of the Corporation and the holders of Rights may, by resolution passed by the majority referred to in Subsection 5.4(d), confirm or reject such amendment.

Any such amendment shall be effective from the date of the resolution of the Board of Directors adopting such amendment, until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such amendment is confirmed,

it continues in effect in the form so confirmed. If such amendment is rejected by the shareholders or the holders of Rights or is not submitted to the shareholders or holders of Rights as required, then such amendment shall cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent resolution of the Board of Directors to amend this Agreement to substantially the same effect shall be effective until confirmed by the shareholders or holders of Rights as the case may be.

- (f) Any supplement or amendment to this Agreement pursuant to Section 5.4 shall be subject to the receipt of any requisite approval or consent from any governmental or regulatory authority having jurisdiction over the Corporation, including without limitation any requisite approval of the TSX Venture Exchange and other exchanges on which the Common Shares are listed.

5.5 Fractional Rights and Fractional Shares

- (a) The Corporation shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. After the Separation Time, in lieu of issuing fractional Rights, the Corporation shall pay to the holders of record of the Rights Certificates (provided the Rights represented by such Rights Certificates are not void pursuant to the provisions of Subsection 3.1(b), at the time such fractional Rights would otherwise be issuable), an amount in cash equal to the fraction of the Market Price of one whole Right that the fraction of a Right that would otherwise be issuable is of one whole Right. The Rights Agent shall have no obligation to make any payments in lieu of fractional Common Shares unless the Corporation shall have provided the Rights Agent with the necessary funds to pay in full all amounts payable in accordance with Subsection 2.2(e).
- (b) The Corporation shall not be required to issue fractions of Common Shares upon exercise of Rights or to distribute certificates which evidence fractional Common Shares. In lieu of issuing fractional Common Shares, the Corporation shall pay to the registered holders of Rights Certificates, at the time such Rights are exercised as herein provided, an amount in cash equal to the fraction of the Market Price of one Common Share that the fraction of a Common Share that would otherwise be issuable upon the exercise of such Right is of one whole Common Share at the date of such exercise. The Rights Agent shall have no obligation to make any payments in lieu of fractional Common Shares unless the Corporation shall have provided the Rights Agent with the necessary funds to pay in full all amounts payable in accordance with Subsection 2.2(e).

5.6 Rights of Action

Subject to the terms of this Agreement, all rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights. Any holder of Rights, without the consent of the Rights Agent or of the holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce such holder's right to exercise such holder's Rights, or Rights to which such holder is entitled, in the manner provided in such holder's Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to

specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

5.7 Regulatory Approvals

Any obligation of the Corporation or action or event contemplated by this Agreement shall be subject to the receipt of any requisite approval or consent from any governmental or regulatory authority, and without limiting the generality of the foregoing, necessary approvals of The TSX Venture Exchange and other exchanges shall be obtained, such as to the issuance of Common Shares upon the exercise of Rights under Subsection 2.2(d).

5.8 Declaration as to Non-Canadian or Non-U.S. Holders

If in the opinion of the Board of Directors (who may rely upon the advice of counsel) any action or event contemplated by this Agreement would require compliance by the Corporation with the securities laws or comparable legislation of a jurisdiction outside Canada, the Board of Directors acting in good faith shall take such actions as it may deem appropriate to ensure such compliance. In no event shall the Corporation or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to persons who are citizens, residents or nationals of any jurisdiction other than Canada or the United States, in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes.

5.9 Notices

- (a) Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Corporation shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Rights Agent), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

PetroFrontier Corp.
Suite 320, 715 - 5 Avenue SW
Calgary, Alberta T2P 2X6

Attention: Chief Executive Officer
Telecopy No.: (403) 718-3888

- (b) Notices or demands authorized or required by this Agreement to be given or made by the Corporation or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Corporation), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

Olympia Trust Company
2300, 125 - 9th Ave SE
Calgary, Alberta T2G 0P6

Attention: Manager, Corporate and Shareholder Services
Telecopy No.: (403) 265-1455

- (c) Notices or demands authorized or required by this Agreement to be given or made by the Corporation or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by first class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the register of the Rights Agent or, prior to the Separation Time, on the register of the Corporation for its Common Shares. Any notice which is mailed or sent in the manner herein provided shall be deemed given, whether or not the holder receives the notice.
- (d) Any notice given or made in accordance with this Section 5.9 shall be deemed to have been given and to have been received on the day of delivery, if so delivered, on the third Business Day (excluding each day during which there exists any general interruption of postal service due to strike, lockout or other cause) following the mailing thereof, if so mailed, and on the day of telegraphing, telecopying or sending of the same by other means of recorded electronic communication (provided such sending is during the normal business hours of the addressee on a Business Day and if not, on the first Business Day thereafter). Each of the Corporation and the Rights Agent may from time to time change its address for notice by notice to the other given in the manner aforesaid.

5.10 Costs of Enforcement

The Corporation agrees that if the Corporation fails to fulfil any of its obligations pursuant to this Agreement, then the Corporation will reimburse the holder of any Rights for the costs and expenses (including legal fees) incurred by such holder to enforce his rights pursuant to any Rights or this Agreement.

5.11 Successors

All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind and enure to the benefit of their respective successors and assigns hereunder.

5.12 Benefits of this Agreement

Nothing in this Agreement shall be construed to give to any Person other than the Corporation, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; further, this Agreement shall be for the sole and exclusive benefit of the Corporation, the Rights Agent and the holders of the Rights.

5.13 Compliance with Money Laundering Legislation

The Rights Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Rights Agent reasonably determines that such an act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Rights Agent reasonably determine at any time that its acting under this Agreement has resulted in it being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Company, provided: (i) that the Rights Agent's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Rights Agent's satisfaction within such 10-day period, then such resignation shall not be effective.

5.14 Privacy Provision

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individual's personal information (collectively, "**Privacy Laws**") may apply to obligations and activities under this Agreement. Despite any other provision of this Agreement, neither party will take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Company will, prior to transferring or causing to be transferred personal information to the Rights Agent, obtain and retain any consents of the relevant individuals to the collection, use and disclosure of their personal information, or will have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The parties will use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws.

5.15 Governing Law

This Agreement and each Right issued hereunder shall be deemed to be a contract made under the laws of the Province of Alberta and for all purposes shall be governed by and construed in accordance with the laws of such Province applicable to contracts to be made and performed entirely within such Province.

5.16 Severability

If any term or provision hereof or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective only as to such jurisdiction and to the extent of such invalidity or unenforceability in such jurisdiction without invalidating or rendering unenforceable or ineffective the remaining terms and provisions hereof in such jurisdiction or the application of such term or provision in any other jurisdiction or to circumstances other than those as to which it is specifically held invalid or unenforceable.

5.17 Effective Date

This Agreement shall be effective as of the Effective Date (being the date this Agreement was approved by the Board of Directors).

5.18 Reconfirmation and Approval

This Agreement must be reconfirmed and approved by a resolution passed by a majority of greater than 50 per cent of the votes cast by all Independent Shareholders who vote in respect of such reconfirmation and approval at a meeting of holders of Voting Shares to be held not later than January 28, 2012 and thereafter at such a meeting to be held, *mutatis mutandis*, every three (3) years thereafter. If the Agreement is not so reconfirmed and approved or is not presented for reconfirmation at any such meeting, this Agreement and all outstanding Rights shall terminate and be void and of no further force and effect on and from the close of business on that date which is the earlier of the date of termination of the meeting called to consider the reconfirmation and approval of this Agreement and the date of termination of the annual meeting of holders of Voting Shares in the applicable year; provided, that termination shall not occur if a Flip-in Event has occurred (other than a Flip-in Event which has been waived pursuant to Subsection 5.1(a) hereof), prior to the date upon which this Agreement would otherwise terminate pursuant to this Section 5.18.

5.19 Determinations and Actions by the Board of Directors

All actions, calculations and determinations (including all omissions with respect to the foregoing) which are done or made by the Board of Directors, in good faith, for the purposes hereof shall not subject the Board of Directors or any director of the Corporation to any liability to the holders of the Rights.

5.20 Time of the Essence

Time shall be of the essence in this Agreement.

5.21 Execution in Counterparts

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

PETROFRONTIER CORP.

By: (signed) "Robert J. Iverach"
Name: Robert J. Iverach
Title: Chairman of the Board

By: (signed) "Shane R. Kozak"
Name: Shane R. Kozak
Title: Vice President Finance and CFO

OLYMPIA TRUST COMPANY

By: (signed) "Kirsten Dillon"
Name: Kirsten Dillon
Title: Account Officer

By: (signed) "Miguel Lahud"
Name: Miguel Lahud
Title: Corporate Administrator

ATTACHMENT 1

PETROFRONTIER CORP.

SHAREHOLDER RIGHTS PLAN AGREEMENT

[Form of Rights Certificate]

Certificate No. _____

Rights _____

THE RIGHTS ARE SUBJECT TO TERMINATION ON THE TERMS SET FORTH IN THE SHAREHOLDER RIGHTS PLAN AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SUBSECTION 3.1(b) OF THE SHAREHOLDER RIGHTS PLAN AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES, OR TRANSFEREES OF AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES, MAY BECOME VOID.

Rights Certificate

This certifies that _____, or registered assigns, is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Shareholder Rights Plan Agreement, dated as of July 28, 2011, as the same may be amended or supplemented from time to time (the "**Shareholder Rights Agreement**"), between PetroFrontier Corp., a corporation duly amalgamated under the *Business Corporations Act* (Alberta) (the "**Corporation**") and Olympia Trust Company, a trust company incorporated under the laws of Alberta (the "**Rights Agent**") (which term shall include any successor Rights Agent under the Shareholder Rights Agreement), to purchase from the Corporation at any time after the Separation Time (as such term is defined in the Shareholder Rights Agreement) and prior to the Expiration Time (as such term is defined in the Shareholder Rights Agreement), one fully paid common share of the Corporation (a "**Common Share**") at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with the Form of Election to Exercise (in the form provided hereinafter) duly executed and submitted to the Rights Agent at its principal office in the City of Calgary. The Exercise Price per Right shall initially be an aggregate dollar amount equal to the Market Price (as defined in the Shareholder Rights Agreement) per Common Share (determined as at the Separation Time) multiplied by five (5) (payable by certified cheque, banker's draft or money order payable to the order of the Rights Agent or by wire transfer to an account designated by the Rights Agent) and shall be subject to adjustment in certain events as provided in the Shareholder Rights Agreement.

This Rights Certificate is subject to all of the terms and provisions of the Shareholder Rights Agreement, which terms and provisions are incorporated herein by reference and made a part hereof and to which Shareholder Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Corporation and the holders of the Rights Certificates. Copies of the Shareholder Rights Agreement are on file at the registered office of the Corporation.

This Rights Certificate, with or without other Rights Certificates, upon surrender at any of the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Shareholder Rights Agreement, the Rights evidenced by this Rights Certificate may be redeemed by the Corporation at a redemption price of **[\$0.0001]** per Right subject to adjustment in certain events.

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidence hereby, but in lieu thereof a cash payment will be made, as provided in the Shareholder Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or of any other securities which may at any time be issuable upon the exercise hereof, nor shall anything contained in the Shareholder Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the Rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Shareholder Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Shareholder Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Corporation and its corporate seal.

Date: _____

PETROFRONTIER CORP.

By: _____
[Title]

By: _____
[Title]

Countersigned:

OLYMPIA TRUST COMPANY

By: _____
Authorized Signature

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto

(Please print name and address of transferee.)

the Rights represented by this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____, as attorney, to transfer the within Rights on the books of the Corporation, with full power of substitution.

Dated: _____

Signature Guaranteed:

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a Canadian chartered bank, a Canadian trust company, a member of a recognized stock exchange or a member of the Securities Transfer Association Medallion Program (STAMP).

CERTIFICATE

(To be completed if true.)

The undersigned party transferring Rights hereunder, hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof. Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Agreement.

Signature

(To be attached to each Rights Certificate.)
FORM OF ELECTION TO EXERCISE

(To be exercised by the registered holder if such holder desires to exercise the Rights Certificate.)

TO: _____

The undersigned hereby irrevocably elects to exercise _____ whole Rights represented by the attached Rights Certificate to purchase the Common Shares or other securities, if applicable, issuable upon the exercise of such Rights and requests that certificates for such securities be issued in the name of:

(Name)

(Address)

(City and Province)

(Phone number)

Social Insurance Number or other taxpayer identification number.

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

(Name)

(Address)

(City and Province)

(Phone number)

Social Insurance Number or other taxpayer identification number.

Dated: _____

Signature Guaranteed:

Signature
(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a Charter I Canadian Bank, a Canadian trust company, a member of a recognized stock exchange or a member of the Securities Transfer Association Medallion Program (STAMP).

CERTIFICATE

(To be completed if true.)

The undersigned party exercising Rights hereunder, hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof. Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Agreement.

Signature

(To be attached to each Rights Certificate.)

NOTICE

In the event the certification set forth above in the Forms of Assignment and Election is not completed, the Corporation will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof. No Rights Certificates shall be issued in exchange for a Rights Certificate owned or deemed to have been owned by an Acquiring Person or an Affiliate or Associate thereof, or by a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof.

SCHEDULE "D"

AUDIT COMMITTEE CHARTER

Role and Obligations

The Audit Committee (the "**Committee**") is a committee of the board of directors (the "**Board**") of PetroFrontier Corp. (the "**Corporation**") to which the Board has delegated its responsibility for the oversight of the nature and scope of the annual audit, the oversight of management's reporting on internal accounting standards and practices, the review of financial information, accounting systems and procedures, financial reporting and financial statements and has charged the Committee with the responsibility of recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The primary objectives of the Audit Committee are as follows:

1. assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Corporation and related matters;
2. provide better communication between directors and external auditors;
3. enhance the external auditor's independence;
4. increase the credibility and objectivity of financial reports; and
5. strengthen the role of the outside directors by facilitating in depth discussions between directors on the Audit Committee, management and external auditors.

Membership of Committee

1. The Committee will be comprised of at least three (3) directors of the Corporation, none of whom are members of management of the Corporation and all of whom are "independent" (as such term is used in National Instrument 52-110 - Audit Committees ("**NI 52-110**") unless the Board determines that the exemption contained in NI 52-110 is available and determines to rely thereon.
2. The Board of Directors may from time to time designate one of the members of the Committee to be the Chairman of the Committee (the "**Committee Chairman**").

All of the members of the Committee must be "financially literate" (as defined in NI 52-110) unless the Board determines that an exemption under NI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of NI 52-110.

Mandate and Responsibilities Committee

It is the responsibility of the Committee to:

1. Oversee the work of the external auditors, including the resolution of any disagreements between management and the external auditors regarding financial reporting.
2. Satisfy itself on behalf of the Board with respect to Corporation's internal control systems:
 - (a) identifying, monitoring and mitigating business risks; and

- (b) ensuring compliance with legal, ethical and regulatory requirements.
3. Review the annual and interim financial statements of the Corporation and related management's discussion and analysis ("**MD&A**") prior to their submission to the Board for approval. The process should include but not be limited to:
- (a) reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;
 - (b) reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - (c) reviewing accounting treatment of unusual or non-recurring transactions;
 - (d) ascertaining compliance with covenants under loan agreements;
 - (e) reviewing disclosure requirements for commitments and contingencies;
 - (f) reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - (g) reviewing unresolved differences between management and the external auditors; and
 - (h) obtain explanations of significant variances with comparative reporting periods.
4. Review the financial statements, prospectuses, MD&A, annual information forms ("**AIF**") and all public disclosure containing unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of all other financial information and will periodically assess the accuracy of those procedures.
5. With respect to the appointment of external auditors by the Board:
- (a) recommend to the Board the external auditors to be nominated;
 - (b) recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors will report directly to the Committee;
 - (c) on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with the Corporation to determine the auditors' independence;
 - (d) when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
 - (e) review and pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply

with such other procedures as may be established by the Committee from time to time.

6. Review with external auditors (and internal auditor if one is appointed by the Corporation) their assessment of the internal controls of the Corporation, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee will also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Corporation and its subsidiaries.
7. Review risk management policies and procedures of the Corporation (i.e., hedging, litigation and insurance).
8. Establish a procedure for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - (b) the confidential anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
9. Review and approve the Corporation's hiring policies regarding partners and employees and former partners and employees of the present and former external auditors of the Corporation.

The Committee has authority to communicate directly with the internal auditors (if any) and the external auditors of the Corporation. The Committee will also have the authority to investigate any financial activity of the Corporation. All employees of the Corporation are to cooperate as requested by the Committee.

The Committee may also retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at such compensation as established by the Committee and at the expense of the Corporation without any further approval of the Board.

Meetings and Administrative Matters

1. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Committee Chairman shall be entitled to a second or casting vote.
2. The Committee Chairman will preside at all meetings of the Committee, unless the Committee Chairman is not present in which case the members of the Committee that are present will designate from among such members a Committee Chairman for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee will be taken. The Chief Financial Officer will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Committee Chairman.

5. The Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other-times as the external auditor and the Committee consider appropriate.
6. Agendas, approved by the Committee Chairman, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of the Corporation as it sees fit from time, to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
8. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
9. The Committee may retain persons having special expertise and may obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation.
10. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee, each member will hold such office until the Committee is reconstituted.
11. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Committee Chairman.