



**Notice of Meeting**

**and**

**Information Circular**

**in respect of the**

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**to be held on May 15, 2012**

**March 21, 2012**

**VALEURA ENERGY INC.**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 15, 2012**

**TO THE SHAREHOLDERS OF VALEURA ENERGY INC.**

NOTICE IS HEREBY GIVEN that an annual and special meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Common Shares**") of Valeura Energy Inc. (the "**Corporation**") will be held in the Royal Room at the Metropolitan Conference Centre, 333 - 4th Avenue S.W., Calgary, Alberta, at 9:00 a.m. (Calgary time) on May 15, 2012 for the following purposes:

1. to receive the audited financial statements of the Corporation for the period ended December 31, 2011 and the report of the auditors thereon;
2. to appoint KPMG LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year;
3. to elect the directors of the Corporation for the ensuing year;
4. to consider, and if thought advisable, pass a resolution to approve, ratify and confirm the Corporation's Shareholder Rights Plan dated as of March 21, 2012 between the Corporation and Valiant Trust Company, as rights agent; and
5. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

Shareholders should refer to the Information Circular for more detailed information with respect to the matters to be considered at the Meeting.

**If you are a registered Shareholder** and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and return it in the envelope provided to Valiant Trust Company, the registrar and transfer agent of the Corporation, at 606 - 4<sup>th</sup> Street, Calgary, Alberta, T2P 1T1, or by facsimile, at (403) 237-7103, by no later than 9:00 a.m. (Calgary time) on May 11, 2012 or two business days preceding the date of any adjournment.

**If you are not a registered Shareholder** and receive these materials through your broker or through another intermediary, please complete and return the form of proxy in accordance with the instructions provided to you by your broker or by the other intermediary.

The board of directors of the Corporation has fixed April 3, 2012 as the record date. Shareholders of record at the close of business on April 3, 2012 are entitled to notice of the Meeting and to vote thereat or at any adjournment(s) thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to April 3, 2012; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than 10 days before the Meeting, that his or her name be included on the list of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting. The transfer books will not be closed.

**BY ORDER OF THE BOARD OF DIRECTORS**

(Signed) "*James D. McFarland*"

James D. McFarland  
President & Chief Executive Officer

March 21, 2012

## INFORMATION CIRCULAR

### FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 15, 2012

#### PURPOSE OF SOLICITATION

**This Information Circular ("Information Circular") is furnished in connection with the solicitation of proxies by the management of Valeura Energy Inc. ("Valeura" or the "Corporation") for use at the annual and special meeting (the "Meeting") of the holders ("Shareholders") of common shares ("Common Shares") of Valeura.**

The Meeting will be held in the Royal Room of the Metropolitan Conference Centre, 333 - 4th Avenue S.W., Calgary, Alberta, at 9:00 a.m. (Calgary time) on May 15, 2012 and at any adjournments thereof for the purposes set forth in the Notice of Annual and Special Meeting of Shareholders (the "**Notice of Meeting**") accompanying this Information Circular. Information contained herein is given as of March 21, 2012 unless otherwise specifically stated.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by directors, officers and employees of Valeura who will not be additionally compensated therefor. Brokers, nominees or other persons holding Common Shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such shares. The costs of soliciting proxies will be borne by Valeura.

#### APPOINTMENT AND REVOCATION OF PROXIES

Enclosed herewith is a form of proxy for use at the Meeting. The persons named in the form of proxy are directors and/or officers of Valeura. **A Shareholder submitting a proxy has the right to appoint a nominee (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the persons designated in the enclosed form of proxy by inserting the name of the chosen nominee in the space provided for that purpose on the form of proxy and by striking out the printed names.**

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is signed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, it must be executed by a duly authorized officer or attorney thereof. The proxy, to be acted upon, must be deposited with Valiant Trust Company, the registrar and transfer agent of the Corporation, at 606 - 4<sup>th</sup> Street, Calgary, Alberta, T2P 1T1, or by facsimile, at (403) 237-7103, by no later than 9:00 a.m. (Calgary time) on May 11, 2012 or two business days preceding the date of any adjournment.

A Shareholder who has given a proxy may revoke it prior to its use, in any manner permitted by law, including by an instrument in writing executed by the Shareholder or by his attorney authorized in writing or, if the Shareholder is a corporation, executed by a duly authorized officer or attorney thereof and deposited at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

#### ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES

**The Information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold 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 proxies deposited by Shareholders whose names appear on the records of Valeura as the registered Shareholders can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of Valeura. Such Common Shares will more likely be registered

under the names of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the names of CDS & Co. (the registration name for CDS Depository and Clearing Services Inc., which acts as nominee 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, brokers and their agents and nominees are prohibited from voting Common 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 policy requires 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 which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services, Inc. ("**Broadridge**"). Broadridge typically mails a scanable voting instruction form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number or visit [www.proxyvote.com](http://www.proxyvote.com) to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted.

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 agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for a registered Shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend at the Meeting and indirectly vote their Common Shares as proxyholder for a registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

### **VOTING OF PROXIES**

All Common Shares represented at the Meeting by properly executed proxies will be voted on any matter that may be called for and, where a choice with respect to any matter to be acted upon has been specified in the accompanying form of proxy, the Common Shares represented by the proxy will be voted in accordance with such instructions. **In the absence of any such instruction, the persons whose names appear on the printed form of proxy will vote in favour of all the matters set out thereon. The enclosed form of proxy confers discretionary authority upon the persons named therein. If any other business or amendments or variations to matters identified in the Notice of Meeting properly comes before the Meeting then discretionary authority is conferred upon the person appointed in the proxy to vote in the manner they see fit, in accordance with their best judgment.**

At the time of the printing of this Information Circular, the management of Valeura knew of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The board of directors of Valeura (the "**Board**") has fixed April 3, 2012 as the record date. Shareholders at the close of business on April 3, 2012 are entitled to receive notice of the Meeting and to vote thereat or at any adjournments thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered Shareholder has transferred the ownership of any Common Shares subsequent to April 3, 2012; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he or she owns the Common Shares and demands, not later than 10 days before the Meeting, that his or her name be included on the list

of persons entitled to vote at the Meeting, in which case, the transferee shall be entitled to vote such Common Shares at the Meeting.

As of the date hereof, 46,406,135 Common Shares were issued and outstanding as fully paid and non-assessable and Financing Warrants were issued and outstanding which are exercisable to purchase 13,269,217 Common Shares, as well as the Options and Performance Warrants described below.

As of the date hereof, to the knowledge of the directors and executive officers of Valeura, there are no persons or companies who beneficially own, directly or indirectly, or control or direct Common Shares carrying 10% or more of the voting rights attached to all of the Common Shares.

As of the date hereof, the directors and executive officers of Valeura, as a group, beneficially own, directly or indirectly, 3,354,728 Common Shares representing approximately 7.2% of the issued and outstanding Common Shares of Valeura.

As of the date hereof, the directors and executive officers of Valeura, as a group, beneficially own, directly or indirectly: (a) options ("**Options**") to purchase 1,440,000 Common Shares issuable pursuant to the Corporation's stock option plan (the "**Option Plan**") (b) performance warrants ("**Performance Warrants**") to purchase 2,607,750 Common Shares, and (c) Financing Warrants to purchase 137,479 Common Shares. If all such Options, Performance Warrants and Financing Warrants were exercised, the directors and executive officers of Valeura, as a group, would hold approximately 11.6% of the then issued and outstanding Common Shares (on a fully diluted basis).

## **ANNUAL AND SPECIAL BUSINESS OF THE MEETING**

### **Receipt of the Financial Statements and Auditors' Report**

The audited financial statements of the Corporation for the period ended December 31, 2011 and the report of the auditors thereon will be placed before the Shareholders at the Meeting.

Under National Instrument 51-102, Continuous Disclosure Obligations, a person or corporation who in the future wishes to receive interim financial statements from the Corporation must deliver a written request for such material to the Corporation, together with a signed statement that the person or corporation is the owner of securities (other than debt instruments) of the Corporation. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed return card, together with the completed form of proxy to Valiant Trust Company, 606 - 4<sup>th</sup> Street, Calgary, Alberta, T2P 1T1.

Copies of the Corporation's annual and interim financial statements are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Appointment of Auditors**

At the Meeting, Shareholders will be asked to pass a resolution appointing KPMG LLP, Chartered Accountants, as auditors of the Corporation, to hold office until the next annual meeting of Shareholders and to authorize the Board to fix the remuneration to be paid thereto. KPMG LLP, Chartered Accountants, were appointed as the auditors of Valeura on April 9, 2010 concurrently with the completion of the Corporation's transaction with Northern Hunter Energy Inc. ("**Northern Hunter**") which resulted in the recapitalization and reorganization of the Corporation (the "**Reorganization**").

### **Election of Directors**

The term of office for each director is from the date of the Meeting at which he is elected until the annual meeting next following or until his successor is elected or appointed. At the Meeting, a board of six directors will be proposed for election. The enclosed form of proxy or voting instruction form permits Shareholders to vote "for" or to "withhold" their vote in respect of each director nominee. Except where authority to vote on the election of

directors is withheld, the persons designated by the Corporation in the enclosed form of proxy intend to vote for the election of the six nominees whose names are set forth below. If, due to circumstances not at present foreseen, any of the persons named below should not be available for election, it is intended that the persons named in the accompanying form of proxy will vote for such other person or persons as the Board may recommend. In 2011, the Corporation adopted a majority voting policy. Unless there is a contested election, a director who receives more *withhold* votes than *for* votes, will offer to resign. The Governance and Compensation Committee will review the matter and recommend to the Board whether to accept the resignation. The director will not participate in any deliberations on the matter. In such case the Board will publicly announce its decision within 90 days of the annual general meeting.

Shareholders should note that, as a result of the majority voting policy, a withhold vote is effectively the same as a vote *against* a director nominee in an uncontested election.

Name and Residence	Position held with Valeura	Director Since	Principal Occupation for the Previous Five Years	Common Shares Beneficially Owned or Controlled Directly or Indirectly <sup>(4)(5)</sup>
<p>Abdel F. Badwi<sup>(2)</sup> Calgary, Alberta, Canada</p> <p>Age: 65</p>	<p>Director</p>	<p>April 9, 2010</p>	<p>Mr. Badwi has been President and Chief Executive Officer of Bankers Petroleum Ltd. (a TSX-listed issuer) since February 2008. Prior to his employment with Bankers Petroleum Ltd., Mr. Badwi was President and Chief Executive Officer of Rally Energy Corp. from July 2005 to October 2007.</p> <p>Mr. Badwi has more than 35 years of experience in the exploration, development and production of oil and gas fields in North America, South America, Europe, Asia and the Middle East.</p> <p>Mr. Badwi is a Member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and the Canadian Society of Petroleum Geologists. He holds a Bachelor of Science in Petroleum Geology and Chemistry from the University of Alexandria, Egypt, and received Management Development training from the University of Calgary.</p>	<p>214,250 Common Shares</p> <p>Value of holdings: \$329,945</p>
<p>William T. Fanagan<sup>(1)(2)</sup> Vancouver, British Columbia, Canada</p> <p>Age: 64</p>	<p>Director (Chair)</p>	<p>April 9, 2010</p>	<p>Mr. Fanagan has been a private businessman since August 2001.</p> <p>Mr. Fanagan's financial and executive career with Gulf Canada Resources Limited and its affiliates spanned 24 years with assignments in Indonesia, Australia, USA, Russia and Canada, including President and CEO of Gulf Indonesia Resources Limited.</p> <p>Mr. Fanagan is a fellow of the Institute of Chartered Accountants in Ireland and a member of the Institute of Corporate Directors. He graduated from the University College of Dublin in 1969 with a Bachelor of Commerce degree.</p>	<p>153,000 Common Shares</p> <p>Value of holdings: \$235,620</p>

Name and Residence	Position held with Valeura	Director Since	Principal Occupation for the Previous Five Years	Common Shares Beneficially Owned or Controlled Directly or Indirectly <sup>(4)(5)</sup>
<p>Claudio A. Ghersinich<sup>(1)(3)</sup> Calgary, Alberta, Canada</p> <p>Age: 55</p>	<p>Director</p>	<p>April 9, 2010</p>	<p>Mr. Ghersinich has been President and Chief Executive Officer of Carrera Investments Corp. (an investment company) since May 2005 and a director of Vermilion Energy Inc. since 1994. He has also been Chairman of the Board of ArPetrol Ltd. since March 2011 and prior to that had been a director of ArPetrol Inc. (private) since 2004 and Chairman since 2007.</p> <p>Mr. Ghersinich has more than 30 years of oil and gas experience and was a co-founder of Vermilion Energy Inc. He has been a director of a number of public and private companies operating in Canada, Europe, Libya, Trinidad, Argentina and Australia.</p> <p>Mr. Ghersinich is a member of Association of Professional Engineers, Geologists and Geophysicists of Alberta. He holds a Bachelor of Science degree in Civil Engineering from the University of Manitoba.</p>	<p>1,235,500 Common Shares</p> <p>Value of holdings: \$1,902,670</p>
<p>James D. McFarland Calgary, Alberta, Canada</p> <p>Age: 65</p>	<p>President and Chief Executive Officer</p>	<p>June 29, 2010</p>	<p>Mr. McFarland has been President and Chief Executive Officer of Valeura since April 9, 2010. Prior to this, he was President and Chief Executive Officer of Verenex Energy Inc. (a TSX-listed issuer) from March 1, 2004 to December, 2009.</p> <p>Mr. McFarland has more than 39 years of oil and gas experience in Canada, the USA, Europe, Australia and North Africa, including a 23 year career with Imperial Oil Limited and other ExxonMobil affiliates.</p> <p>Mr. McFarland is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta, the Society of Petroleum Engineers International, the Program Committee of the World Petroleum Council and the Institute of Corporate Directors. He received a Bachelor of Science in Chemical Engineering from Queen's University and a Master of Science in Petroleum Engineering from the University of Alberta and completed the Executive Development Program at Cornell University. In 2003, he was awarded the Australian Centenary Medal for outstanding service through business and commerce.</p>	<p>338,134 Common Shares</p> <p>Value of holdings: \$520,726</p>

Name and Residence	Position held with Valeura	Director Since	Principal Occupation for the Previous Five Years	Common Shares Beneficially Owned or Controlled Directly or Indirectly <sup>(4)(5)</sup>
Kenneth D. McKay <sup>(2)(3)</sup> Calgary, Alberta, Canada  Age: 53	Director	April 9, 2010	<p>Mr. McKay has been Executive Chairman of Bulldog Oil &amp; Gas Inc. (an oil and gas company) since October 2008. Prior to this, he was President and Chief Executive Officer of Bulldog Resources Inc. from December 1, 2005 to February 2008.</p> <p>Mr. McKay has more than 27 years of oil and gas experience. He has founded, grown and sold a number of oil and gas companies operating in Western Canada.</p> <p>Mr. McKay is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. He graduated in 1982 with a Bachelor of Science in Geology from the University of Calgary.</p>	528,769 Common Shares  Value of holdings: \$814,304
Ronald W. Royal <sup>(1)(3)</sup> Abbotsford, British Columbia, Canada  Age: 63	Director	June 29, 2010	<p>Mr. Royal has been a private businessman since April, 2007. He was President and General Manager of Esso Chad Inc. from March 2002 to April 2007.</p> <p>Mr. Royal has more than 35 years of oil and gas experience with Imperial Oil Limited and other ExxonMobil upstream affiliates in France and Chad.</p> <p>Mr. Royal holds a Bachelor of Applied Science degree in Mechanical Engineering from the University of British Columbia. In 2003, he was awarded the title "Chevalier de l'Ordre National du Chad" for his contributions to the economic development of Chad.</p>	183,000 Common Shares  Value of holdings: \$281,820

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Governance and Compensation Committee.
- (3) Member of the Reserves & Health, Safety and Environment Committee.
- (4) Includes all Common Shares held by the spouse or children living in the same residence of such individual, corporations controlled by them or family trusts of such individual.
- (5) The value of the Common Shares held by the directors is calculated by multiplying the amount of Common Shares held by \$1.54, the closing price of Common Shares on the Toronto Stock Exchange ("TSX") on December 31, 2011.

***Corporate Cease Trade Orders or Bankruptcies***

Except as disclosed below, to the knowledge of management, no director or proposed director of Valeura:

- (a) is, as at the date hereof, or has been, within 10 years before the date hereof, a director or chief executive officer or chief financial officer of any corporation (including Valeura ) that, while that person was acting in that capacity:
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days;

- (ii) was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the corporation being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (iii) is, as the date hereof, or has been within 10 years from the date hereof, a director or executive officer of any company (including Valeura ) that, while that person was acting in such 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.

James D. McFarland was the Managing Director and a director of Southern Pacific Petroleum NL ("**SPP**"), which was listed on the Australian Stock Exchange. In December 2003, a secured creditor of SPP appointed a receiver-manager. Mr. McFarland ceased being a director and the Managing Director of SPP in February 2004.

### ***Personal Bankruptcies***

To the knowledge of management of Valeura, no director of Valeura has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

### ***Penalties or Sanctions***

To the knowledge of management of Valeura, no director of Valeura has: (i) 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, other than penalties for late filing of insider reports; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director.

### **Approval, Ratification and Confirmation of Shareholder Rights Plan**

On March 21, 2012, the Board implemented a shareholder rights plan (the "**Rights Plan**") with immediate effect pursuant to the terms of the Shareholder Rights Agreement dated March 21, 2012 between the Corporation and Valiant Trust Company as rights agent. A copy of the Rights Plan is available on the SEDAR profile of the Corporation at [www.sedar.com](http://www.sedar.com).

The Rights Plan has been adopted to ensure, to the extent possible, the fair and equal treatment of the Corporation's Shareholders in the event of a take-over bid for the Corporation's common shares. It is designed to provide the Corporation's Board and Shareholders with an opportunity to fully evaluate any unsolicited take-over bid and, if appropriate, to evaluate and pursue other alternatives to maximize Shareholder value without any undue time constraints. The Rights Plan was not adopted in response to any actual or threatened take-over bid or other proposal from a third party to acquire control of the Corporation. The Rights Plan is similar to those adopted by several other Canadian companies and is not intended to block take-over bids that treat the Corporation's Shareholders fairly. According to the terms of the Rights Plan, an offer that satisfies certain minimum standards designed to protect Shareholder interests will be considered to be a "Permitted Bid". A Permitted Bid must, among other conditions, be made by way of a take-over bid circular to all Shareholders, remain open for a minimum of 60 days and be accepted by a specified percentage of the common shares held by independent Shareholders.

A summary of the terms and conditions of the Rights Plan is contained in Appendix "B" to this Management Information Circular.

### ***Approval Required***

The Rights Plan provides that it must be ratified and confirmed by Shareholders at the next meeting following the Effective Date. The TSX Company Manual also requires that such ratification and confirmation be obtained from the Shareholders at the Meeting. The Rights Plan must be ratified and confirmed by a majority of the votes cast at the Meeting by the Independent Shareholders (as defined in the Rights Plan). The Corporation is not aware of any Shareholders that would not qualify as Independent Shareholders. If the Rights Plan is not ratified and confirmed by the Shareholders as aforesaid at the Meeting, the Rights Plan will be cancelled effective immediately after the conclusion of the Meeting. **The Board recommends that you vote FOR the resolution ratifying and confirming the Rights Plan.**

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, approve the following ordinary resolution to approve the Rights Plan:

"BE IT RESOLVED THAT:

1. The adoption by the Corporation of the shareholder rights plan created by the Shareholder Rights Plan Agreement dated as of March 21, 2012 between the Corporation and Valiant Trust Company as rights agent, (the "**Rights Plan**"), be implemented, and the Rights Plan, which issues shareholder rights to holders of Common Shares that are outstanding at the Record Time (as defined in the Rights Plan) on the terms set out in the Rights Plan, and continues the issuance of rights thereafter to holders of newly issued Voting Shares (as defined in the Rights Plan) until the termination or expiration of the Rights Plan, be and is hereby approved, ratified and confirmed; and
2. Any one officer or director of the Corporation is hereby authorized to execute and deliver all such documents and to do all such acts and things as may be deemed advisable in such individual's discretion for the purpose of giving effect to this resolution."

## **EXECUTIVE OFFICER AND DIRECTOR COMPENSATION**

### **Compensation Discussion and Analysis**

#### ***Introduction***

The purpose of this Compensation Discussion and Analysis ("**CD&A**") is to provide information about the Corporation's philosophy, objectives and processes regarding executive compensation.

This disclosure is intended to communicate the compensation provided to the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**"), and the three most highly compensated executive officers of the Corporation, if any, whose individual total compensation was more than \$150,000 for the year ended December 31, 2011 (collectively the "**Named Executive Officers**" or "**NEOs**"). For the year ended December 31, 2011, the Corporation had the following four NEOs and no other executive officers or individuals acting in a similar capacity:

James D. McFarland, President and Chief Executive Officer ("**CEO**")

Stephen E. Bjornson, Chief Financial Officer ("**CFO**")

Donald W. Shepherd, Vice President, Engineering ("**VP Engineering**")

Lyle A. Martinson, Vice President, Operations ("**VP Operations**")

The following disclosure is intended to provide information about the Corporation's current philosophy, objectives and processes regarding executive compensation and how determinations in respect of 2011 compensation were made for the Corporation's NEOs, being Messrs. McFarland, Bjornson, Shepherd and Martinson.

The Board has established the Governance and Compensation Committee comprised of three independent directors to assist the Board in fulfilling its obligations relating to human resource and compensation matters and to establish a plan of continuity and development of senior management. The Governance and Compensation Committee's mandate includes (a) reviewing and recommending for Board approval, the corporate goals and objectives for the CEO to be considered in determining his or her compensation and performance evaluation, (b) in consultation with the CEO, reviewing and recommending the compensation philosophy, guidelines and plans for the Corporation's employees and executives, (c) in consultation with the CEO, reviewing the appointment of and approving the compensation for the executive team, (d) reviewing the compensation of the CEO and (e) in consultation with the CEO, reviewing all other compensation principles or policy matters including the annual budget for base salaries and bonuses, long-term incentives (such as the Option Plan and the PSU Plan) and other benefits.

### ***Compensation Philosophy and Objectives of Compensation Programs***

The executive compensation program adopted by Valeura and applied to its executive officers is designed to attract and retain qualified and experienced executives who will contribute to the success of Valeura. The executive compensation program attempts to ensure that the compensation of the executive officers provides a competitive base compensation package and a strong link between corporate performance and compensation. Executive officers are motivated through the program to enhance long-term Shareholder value, with current compensation being weighted toward at-risk long term incentives in the form of Options, Performance Warrants and other security based incentives so as to foster alignment with the interests of the Corporation's Shareholders.

Valeura's executive compensation program in 2011 consisted of four components: (i) base salary; (ii) a discretionary cash bonus based on the position of the executive within the Corporation and performance; (iii) performance and long-term incentives comprised of Options; and (iv) benefits. In the future, the Corporation may award performance share units tied to performance criteria pursuant to the Corporation's PSU Plan. No awards under the PSU Plan have been awarded as of the date hereof. The goal of the compensation program is to attract and retain the most qualified people and to motivate and reward such individuals on a short term and long term basis.

The Corporation pays base salary in order to provide executive officers with sufficient income that reflects their executive position and level of responsibility while also reflecting salary norms in the sector and the general marketplace. The Corporation's view is that a competitive base salary is a necessary element for retaining qualified executive officers, as it creates a meaningful incentive for individuals to remain at Valeura and not be unreasonably susceptible to recruiting efforts by the Corporation's competitors.

Long-term equity-based compensation, in the form of Options and possible future awards under the PSU Plan, is an important element of the Corporation's compensation program because it provides a pay-at-risk component to compensation and rewards long-term performance by allowing officers to participate in the market appreciation of the Common Shares over an extended period. It is also required in order for the Corporation to be competitive from a total remuneration standpoint and to encourage executive retention through time-based and performance-based vesting of awards.

Cash bonuses are part of the Corporation's compensation program as it is believed that they can be used to help to motivate executive officers to achieve key corporate objectives by rewarding the achievement of these objectives. Currently, cash bonuses are awarded on a discretionary basis following an evaluation of the corporate performance factors and individual performance factors discussed below.

The Corporation provides a traditional employee benefits plan consisting of health and dental care and various forms of life and disability insurances. The NEOs participate in the same health, dental and insurance benefits as are offered to all full-time employees. In addition, the NEOs receive a reimbursement of parking costs up to a defined limit or a transportation allowance in lieu of parking. The Corporation provides these benefits in conjunction with base salaries and long-term incentives to attract, motivate and retain individuals in a competitive environment.

The Corporation does not believe that its compensation programs encourage excessive or inappropriate risk taking as: (i) the Corporation's employees receive both fixed and variable compensation, and the fixed (salary) portion provides a steady income regardless of the stock value which allows employees to focus on the Corporation's

business; and (ii) the employee stock option plan encourages a long-term perspective due to the vesting provisions of the Options.

Although the Corporation does not have a policy which prohibits any NEO or director from purchasing financial instruments designed to hedge or offset a decrease in market value of equity securities granted as compensation or held by the NEO or director, no NEO or director has entered into any such agreement.

### ***Determining Compensation***

As indicated above, the Governance and Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to compensation matters. The Governance and Compensation Committee operates under a written mandate adopted by the Board. The Governance and Compensation Committee is comprised of the following directors: Messrs. Badwi (Chair), Fanagan and McKay. Each member of the Governance and Compensation Committee is an independent director as such term is defined by National Instrument 58-101 – Disclosure of Corporate Governance Practices ("**NI 58-101**") and all members of the Governance and Compensation Committee have expertise and extensive experience in compensation and other human resource areas in the oil and gas industry through their tenure in executive roles in the energy sector. In addition, the Governance and Compensation Committee utilizes compensation data from independent compensation consultants in the form of industry compensation surveys and the Governance and Compensation Committee met with Total Reward Professionals, the Corporation's independent compensation consultant, to review its assessment and recommendations.

Compensation for the Corporation's executive officers is recommended by the CEO and then reviewed by the Governance and Compensation Committee. Recommendations are then made by the Governance and Compensation Committee to the Board for the Board's ultimate approval. In making recommendations, the CEO, with support from a human resources and compensation consultant, reviews compensation data in the oil and gas sector compiled by third party providers, as well as other more subjective factors such as level of responsibility, importance to the Corporation and the degree to which an officer's contribution will be critical to the Corporation's success in the near and long term. The Governance and Compensation Committee then reviews and discusses these recommendations, including review of any comparative data provided, and determines what recommendations to make to the Board. Although discussions between the CEO and members of the Governance and Compensation Committee are customary during this process, certain deliberations of the Governance and Compensation Committee and all final determinations by both the Governance and Compensation Committee and the Board regarding executive compensation are conducted during in camera sessions in the absence of any members of management. The Board also approves compensation for the directors of the Corporation in the form of fees and long term equity incentives based upon recommendations made by the Governance and Compensation Committee, which also take into account the assessment data of independent compensation consultants.

### ***Base Salaries***

Base salary is intended to reflect an employee's position within the corporate structure, his or her years of experience and level of responsibility and salary norms in the sector and the general marketplace. As such, decisions with respect to base salary levels for executive officers are not based on objective identifiable performance measures but for the most part are determined by reference to competitive market information for similar roles and levels of responsibility, as well as more subjective factors such as leadership, commitment, accountability, industry experience and contribution.

As consideration for the services provided by the Named Executive Officers, the Corporation has agreed to pay the Named Executive Officers an annual salary in an amount determined by the Board in its annual salary review completed in the first quarter of each fiscal year and effective April 1 of each year. Salaries for 2011 were determined in March 2011, however the increases in base salaries were contingent upon completion of the TBNG-PTI Acquisition and, upon such completion in June 2011, the increases were effective retroactive to April 1<sup>st</sup>.

The annual base salaries in 2011 were set at \$200,000 for the CEO, \$175,000 for the CFO and \$165,000 for the VP Engineering and the VP Operations, effective April 1, 2011. In approving the 2011 base salaries for the NEOs, the Board considered the recommendations of the CEO, which were based upon public disclosure information available

for other junior and intermediate oil and gas companies operating internationally that are listed on the TSX or the TSXV, with a market capitalization between approximately \$100 million and \$450 million. Based on these criteria, the Corporation's peer group for 2011 consisted of the following:

Alange Energy Corp.  
America Petrogas Inc.  
Antrim Energy Inc.  
Calvalley Petroleum Inc.  
Eurogas International Inc.

Petroamerica Oil Corp.  
Petrolifera Petroleum Ltd.  
Vast Exploration Inc.  
Western Zagros Resources Ltd.  
Winstar Resources Ltd.

#### *Cash Bonus*

Discretionary cash bonuses are intended to motivate and reward the accomplishment of specific business and operating objectives within a one-year period. On June 8, 2011 the Corporation completed its acquisition of natural gas production in Turkey of approximately 10.0 MMcf/d (net before royalties) and 588,719 net acres of land in the Thrace and Anatolian basins (the "**TBNG-PTI Acquisition**"). In early 2011, the Corporation approved the payment of bonuses, which were contingent upon the completion of the TBNG-PTI Acquisition. Cash bonuses were paid to the NEOs in June 2011 upon closing the TBNG-PTI Acquisition in the aggregate amount of \$260,000. For further details, see "Summary Compensation Table".

#### *Performance and Long-Term Incentives*

The Corporation believes that long-term performance and increases in Shareholder value are achieved through an ownership culture that encourages performance by all employees, including executives, through the use of at-risk long-term incentives. In addition, it is required in order for the Corporation to be competitive from a total remuneration standpoint, particularly given that the current size and stage of the Corporation prevents it from paying base cash salaries comparable to those of larger companies in the oil and gas industry with whom it must compete for experienced executive officers. Accordingly, the Corporation has established the Option Plan and the PSU Plan to provide employees, including executive officers, with incentives to help align those employees' interests with the performance of the Corporation as reflected in its Common Share price. For a description of the Option Plan and the PSU Plan, see "Equity Plan Compensation".

During the year ended December 31, 2011, Messrs. McFarland, Bjornson, Shepherd and Martinson were each granted Options in connection with the closing of the TBNG-PTI Acquisition. These Options have a seven-year term and vest in thirds over a three year period. The Options granted in 2011 are exercisable at \$3.25, which was an exercise price higher than the then market price of the Common Shares at the time of issuance. The Board set the exercise price at the higher price to match the price per Unit under the Corporation's February 2011 private placement financing that was completed to fund the TBNG-PTI Acquisition. In approving the overall grant of options, regard was given to the desire to weight total compensation towards at-risk long-term incentives in recognition of more modest base salaries for the executives, as well as to foster alignment with the interests of Shareholders. In recommending to the Board the size of option awards to individual executives, the Governance and Compensation Committee considered the recommendations made by the CEO and each executive's level of responsibility and authority, with a particular emphasis on the degree to which each executive's contribution would be critical to long-term corporate success, and consideration was given to the amount of each executive's option award relative to the allocation of options granted to the CEO to ensure an appropriate scaling within the executive team. See "Incentive Plan Awards - Outstanding Option-Based Awards" below for the Options held by individual NEOs.

As of the date hereof, no awards have yet been granted under the PSU Plan.

#### *Benefits*

The Corporation's benefits program consists of health and dental care and various forms of life and disability insurances consistent with industry norms. In addition, the NEOs receive a reimbursement of parking costs up to a defined limit or a transportation allowance in lieu of parking.

### Severance and Change of Control Agreements

Executive employment agreements were put in place for the four NEOs effective June 17, 2011 following closing of the TBNG-PTI Acquisition providing for severance or other payouts upon a change of control event. See "Employment Agreements and Termination and Change of Control Benefits".

### Option Based Awards

The Governance and Compensation Committee, upon the recommendation of the CEO, reviews and makes recommendations to the Board for its ultimate approval with respect to grants of Options to executive officers. When making recommendations with respect to Option awards and the size of such awards, the Governance and Compensation Committee will take into consideration the overall number of Options and other security-based incentives that are outstanding relative to the number of outstanding Common Shares of the Corporation.

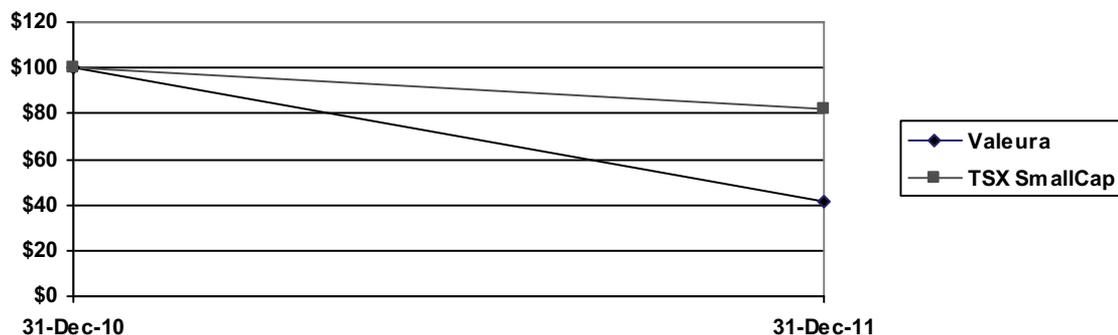
### Bonuses and Awards

In determining the annual bonuses and awards paid in 2011, NEOs were evaluated on corporate performance factors and on individual performance factors (approximately 80% corporate and 20% individual). The corporate performance factors include the following key performance indicators: (i) safety; (ii) production; (iii) reserve and resource base additions; (iv) share performance compared to the Corporation's peer group; and (v) corporate strategy and discretionary performance indicators.

In addition to the performance factors noted above, in determining the annual bonuses and awards that will be paid in 2012, the Corporation has adopted funds flow from operations per Common Share as an additional key performance indicator. Funds flow from operations is calculated as cash flow from operating activities before adjustments for decommissioning expenditures and net changes in non-cash working capital.

### Performance Graph

The following graph illustrates changes from December 31, 2010 to December 31, 2011, in cumulative return to Shareholders of an investment in the Common Shares of the Corporation compared to the cumulative total return on the Standard & Poor's/TSX SmallCap Index ("**TSX SmallCap**"), assuming the reinvestment of cash distributions and/or dividends. On April 9, 2010 Northern Hunter completed a reverse-takeover of PanWestern Energy Inc., ("**PanWestern**") a public company that was listed on the TSXV, and accordingly, Shareholder return is only displayed for the two most recently completed financial years.



	December 31, 2010	December 31, 2011
Valeura	\$100	\$41.62
TSX SmallCap	\$100	\$81.61

## Summary Compensation Table

The following table provides information concerning compensation of the NEOs for the years ended December 31, 2011, 2010 and 2009. Only the figures included in the column entitled "Salary", "All Other Compensation" and "Non-Equity Incentive Plan Compensation" represent cash paid to the current NEOs for each of the respective years. The figures shown in the columns entitled "Stock Option Awards" and "Performance Warrant Awards" represent the fair value of the Options and Performance Warrants on the grant date, calculated using the Black-Scholes model. See footnotes (2), (3) and (5) to this table for further details.

Name and Principal Position	Year	Salary (\$)	Stock Option Awards (\$)	Performance Warrant Awards (\$)	Non-equity incentive plan compensation (\$)	All Other Compensation <sup>(10)</sup> (\$)	Total Compensation (\$)
					Annual Incentive Plan		
James D. McFarland <sup>(1)</sup> CEO	2011	191,580	442,941 <sup>(4)(6)</sup>	Nil	100,000 <sup>(9)</sup>	Nil	734,521
	2010	140,560 <sup>(2)</sup>	332,094 <sup>(5)(6)</sup>	809,462 <sup>(7)(8)</sup>		Nil	1,282,116
	2009	Nil	Nil	Nil		Nil	Nil
Stephen E. Bjornson <sup>(1)</sup> CFO	2011	170,177	267,610 <sup>(4)(6)</sup>	Nil	60,000 <sup>(9)</sup>	Nil	497,787
	2010	134,322 <sup>(2)</sup>	200,640 <sup>(5)(6)</sup>	505,049 <sup>(7)(8)</sup>		Nil	840,011
	2009	120,000 <sup>(3)</sup>	Nil	Nil		Nil	120,000
Donald W. Shepherd <sup>(1)</sup> VP Engineering	2011	159,080	221,471 <sup>(4)(6)</sup>	Nil	50,000 <sup>(9)</sup>	Nil	430,551
	2010	111,810 <sup>(2)</sup>	166,047 <sup>(5)(6)</sup>	304,413 <sup>(7)(8)</sup>		Nil	582,270
	2009	Nil	Nil	Nil		Nil	Nil
Lyle A. Martinson <sup>(1)</sup> VP Operations	2011	159,080	221,471 <sup>(4)(6)</sup>	Nil	50,000 <sup>(9)</sup>	Nil	430,551
	2010	116,810 <sup>(2)</sup>	166,047 <sup>(5)(6)</sup>	304,413 <sup>(7)(8)</sup>		Nil	587,270
	2009	Nil	Nil	Nil		Nil	Nil

### Notes:

- (1) Messrs. McFarland, Bjornson, Shepherd and Martinson were appointed as officers of the Corporation on April 9, 2010, concurrently with completion of the Reorganization.
- (2) Includes amounts paid for consulting days worked from February 1, 2010 to April 1, 2010 prior to the Reorganization, based on an annualized base compensation level effective April 1, 2010 of \$150,000 for Mr. McFarland, \$135,000 for Mr. Bjornson and \$125,000 for Messrs. Shepherd and Martinson.
- (3) Represents consulting fees paid to Mr. Bjornson for providing services as Chief Executive Officer of Northern Hunter. Mr. Bjornson was appointed Chief Executive Officer of Northern Hunter on November 1, 2008.
- (4) This does not represent cash paid to the NEO. This figure is based on the grant date fair value of such Options as at June 20, 2011 calculated through the use of the Black-Scholes Model. This grant date was the date the Options were granted to the NEOs in connection with the completion of TBNG-PTI Acquisition. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of \$2.05 per share, Risk Free Interest Rate of 2.08%; Expected Life of 4.5 years; Expected Volatility of 100% and Dividend per Share of nil. The Options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, none of these Options had vested as at December 31, 2011.
- (5) This does not represent cash paid to the NEO. This figure is based on the grant date fair value of such Options as at January 8, 2010 calculated through the use of the Black-Scholes Model. This grant date was the date the Options were granted to the NEOs in Northern Hunter; such Options were then exchanged for Options of the Corporation as part of the Reorganization. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of \$1.54 per share, Risk Free Interest Rate of 2.46%; Expected Life of 4.5

- years; Expected Volatility of 110% and Dividend per Share of nil. The Options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, one-third of these Options had vested as at December 31, 2011.
- (6) The actual value of the Options granted to the NEOs will be determined based on the market price of the Common Shares at the time of exercise of such Options, which may be greater or less than grant date fair value reflected in the table above. See "Incentive Plan Awards - NEOs - Outstanding Option-Based Awards" below.
- (7) This figure does not represent cash paid to the NEO. This figure is based on the grant date fair value of such Performance Warrants as at January 8, 2010 calculated through the use of the Black Scholes Model. This grant date was the date the Performance Warrants were granted to the NEOs in Northern Hunter; such Performance Warrants were then exchanged for Performance Warrants of the Corporation as part of the Reorganization. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing option-like instruments which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the Performance Warrant, Performance Warrant term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of \$1.54 per share, Risk Free Interest Rate of 2.46%; Expected Life of 4.5 years; Expected Volatility of 110% and Dividend per Share of nil. None of the Performance Warrants had vested as at December 31, 2010 and two-thirds of the Performance Warrants had vested as at December 31, 2011. See "Equity Plan Compensation - Performance Warrants" for a description of the vesting terms of the Performance Warrants.
- (8) The actual value of the Performance Warrants granted to the NEOs will be determined based on the market price of the Common Shares at the time of exercise of such Performance Warrants, which may be greater or less than grant date fair value reflected in the table above. See "Incentive Plan Awards - NEOs - Outstanding Performance Warrants" below.
- (9) Represents bonuses paid to the NEOs in June 2011 upon completion of the TBNG-PTI Acquisition.
- (10) Nil indicates that perquisites and other personal benefits did not exceed \$50,000 or 10% of the total salary of the NEO for the financial year.

## Incentive Plan Awards - NEOs

### *Outstanding Option-Based Awards*

The following table sets forth information with respect to the unvested Options granted under the Option Plan to the NEOs which were outstanding as of December 31, 2011. None of the NEOs exercised options from January 1, 2011 to December 31, 2011.

Name and Principal Position	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Option-Based Awards		
		Option Exercise Price (\$) <sup>(2)</sup>	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(3)</sup>
James D. McFarland CEO	216,000	3.25	June 20, 2018	Nil
	216,000	2.00	January 8, 2017	Nil
Stephen E. Bjornson CFO	130,500	3.25	June 20, 2018	Nil
	130,500	2.00	January 8, 2017	Nil
Donald W. Shepherd VP Engineering	108,000	3.25	June 20, 2018	Nil
	108,000	2.00	January 8, 2017	Nil
Lyle A. Martinson VP Operations	108,000	3.25	June 20, 2018	Nil
	108,000	2.00	January 8, 2017	Nil

**Note:**

- (1) The Corporation received shareholder and stock exchange approvals to consolidate its shares on a 10:1 basis and to graduate from a TSXV to a TSX listing, effective September 15, 2011. As a result these figures have been adjusted accordingly.
- (2) The Options granted in 2011 are exercisable at \$3.25, which was an exercise price higher than the then market price of the Common Shares at the time of issuance. The Board set the exercise price at the higher price to match the price per Unit under the Corporation's February 2011 private placement financing that was completed to fund the TBNG-PTI Acquisition.
- (3) The value shown is the product of the number of Common Shares underlying the Option multiplied by the difference between the Common Share TSX closing price on December 31, 2011 of \$1.54 and the exercise price, which for the year ended December 31, 2011 was nil.

### Outstanding Performance Warrants

The following table sets forth information with respect to the unvested Performance Warrants granted to the NEOs which were outstanding as of December 31, 2011. No additional Performance Warrants were granted in 2011.

Name and Principal Position	Number of Securities Underlying Unexercised Performance Warrants (#) <sup>(2)</sup>	Option-Based Awards		
		Performance Warrant Exercise Price (\$) <sup>(2)</sup>	Performance Warrant Expiration Date	Value of Unexercised In-the-Money Performance Warrants (\$) <sup>(1)</sup>
James D. McFarland CEO	526,500	2.00	January 8, 2015	Nil
Stephen E. Bjornson CFO	328,500	2.00	January 8, 2015	Nil
Donald W. Shepherd VP Engineering	198,000	2.00	January 8, 2015	Nil
Lyle A. Martinson VP Operations	198,000	2.00	January 8, 2015	Nil

**Note:**

- (1) The value shown is the product of the number of Common Shares underlying the Performance Warrant multiplied by the difference between the Common Share TSX closing price on December 31, 2011 of \$1.54 and the exercise price, which for the year ended December 31, 2011 was nil. Two-thirds of the Performance Warrants had vested as at December 31, 2011. See "Equity Plan Compensation - Performance Warrants" for a description of the vesting terms of the Performance Warrants.
- (2) The Corporation received shareholder and stock exchange approvals to consolidate its shares on a 10:1 basis and to graduate from a TSXV to a TSX listing, effective September 15, 2011. As a result these figures have been adjusted accordingly.

### Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth information with respect to the value of Options and Performance Warrants vested during the year ended December 31, 2011 as well as the cash bonuses granted to the Named Executive Officers during the year ended December 31, 2011.

Name	Option-Based Awards Value Vested During Year (\$) <sup>(1)</sup>	Performance Warrants Value Vested During Year (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation Value earned during the year (\$) <sup>(2)</sup>
James D. McFarland CEO	Nil	Nil	100,000
Stephen E. Bjornson CFO	Nil	Nil	60,000
Donald W. Shepherd VP Engineering	Nil	Nil	50,000
Lyle A. Martinson VP Operations	Nil	Nil	50,000

**Note:**

- (1) The value shown is the product of the number of Common Shares underlying the Performance Warrants and Options that vested multiplied by the difference between the Common Share TSX closing price on December 31, 2011 of \$1.54 and the exercise price of the Options and Performance Warrants that vested price, which for the year ended December 31, 2011 was nil.
- (2) Represents bonuses paid to the NEOs in June 2011 upon completion of the TBNG-PTI Acquisition.

**Employment Agreements and Termination and Change of Control Benefits**

Each of the Named Executive Officers is a party to an executive employment agreement (the "**Executive Employment Agreements**") with the Corporation. The Executive Employment Agreements were established in 2011 for the President and Chief Executive Officer, Chief Financial Officer, Vice President, Operations and Vice President, Engineering following the completion of the TBNG-PTI Acquisition. The Executive Employment Agreements have an indefinite term and contain standard confidentiality and non-solicitation provisions.

Valeura has agreed pursuant to the Executive Employment Agreements that the Named Executive Officers will receive base salaries determined by the Board and may receive discretionary bonuses, grants of Options, Performance Share Units, reimbursement of expenses, benefits and certain perquisites as set forth in the Executive Employment Agreements, with the amounts paid in 2011 with respect to such matters set forth in the Summary Compensation Table.

The Executive Employment Agreements are effective June 17, 2011 and provide that, upon the termination of employment without just cause, in the case of constructive dismissal, upon disability as defined in the amended Executive Employment Agreements, or upon a change of control of the Corporation, if the executive does not remain with the Corporation, the Named Executive Officer is entitled to receive the amount of unpaid annual salary and declared but unpaid bonuses to and including the date of termination of employment, plus:

- (a) in the case of the President and Chief Executive Officer, a severance payment in the amount of two times the annual salary and cost of benefits plus two times the average amount of the bonus paid for the three calendar years prior to the date of termination;
- (b) in the case of the Chief Financial Officer, a severance payment in the amount of one and one-half times annual salary and cost of benefits plus one and one-half times the average amount of the bonus paid for the three calendar years prior to the date of termination; and
- (c) in the case of each of the Vice President, Operations and Vice President, Engineering, a severance payment in the amount of one time annual salary and cost of benefits plus one time the average amount of bonus paid for the three calendar years prior to the date of termination.

Upon the death of any of the NEOs, such NEO's personal representatives shall be entitled to receive the amount of unpaid salary to and including the date of death, plus any bonus declared but not yet paid, plus all outstanding vacation pay and expense reimbursements.

In addition, in the event of termination of employment for any reason, any outstanding Options shall be treated in the manner set forth in the Option Plan and applicable stock option agreement, which provide that all unvested Options shall terminate as of the date notice is given in respect of such termination. Notwithstanding the foregoing, in the event of any Change of Control Transaction (as defined in the Option Plan) or an Unsolicited Offer (as defined in the Option Plan), all unexercised and unvested outstanding Options granted shall vest and become immediately exercisable unless otherwise determined by the Board in accordance with the Option Plan.

The following table sets forth information with respect to the estimated aggregate dollar amount that each Named Executive Officer discussed above would have been entitled to if the event resulting in termination of employment occurred on December 31, 2011.

Name	Triggering Event	Cash Payment	Value of Equity and Share Based Awards and other Benefits	Total Payout
James D. McFarland	Termination without cause and Cessation of employment in the case of a change of control	\$400,000	221,737 <sup>(2)</sup>	\$621,737
	Termination with cause or resignation	Nil <sup>(1)</sup>	Nil <sup>(3)</sup>	Nil
	Disability	\$400,000	221,737 <sup>(2)</sup>	\$621,737
	Death	Nil	Nil <sup>(2)</sup>	Nil
Stephen E. Bjornson	Termination without cause and Cessation of employment in the case of a change of control	\$262,500	106,299 <sup>(2)</sup>	\$368,799
	Termination with cause or resignation	Nil <sup>(1)</sup>	Nil <sup>(3)</sup>	Nil
	Disability	\$262,500	106,299 <sup>(2)</sup>	\$368,799
	Death	Nil	Nil <sup>(2)</sup>	Nil
Donald W .Shepherd	Termination without cause and Cessation of employment in the case of a change of control	\$247,500	59,769 <sup>(2)</sup>	\$307,269
	Termination with cause or resignation	Nil <sup>(1)</sup>	Nil <sup>(3)</sup>	Nil
	Disability	\$247,500	59,769 <sup>(2)</sup>	\$307,269
	Death	Nil	Nil <sup>(2)</sup>	Nil
Lyle A. Martinson	Termination without cause and Cessation of employment in the case of a change of control	\$247,500	59,769 <sup>(2)</sup>	\$307,269
	Termination with cause or resignation	Nil <sup>(1)</sup>	Nil <sup>(3)</sup>	Nil
	Disability	\$247,500	59,769 <sup>(2)</sup>	\$307,269
	Death	Nil	Nil <sup>(2)</sup>	Nil

**Notes:**

- (1) In the event of a termination for just cause, resignation or retirement, the Corporation shall have no further obligation to the Named Executive Officer, other than the payment of unpaid base salary, any bonus declared but not yet paid, plus all outstanding vacation pay and expense reimbursement.
- (2) The value shown is a multiple of the cash bonus amount paid in respect of the year ended December 31, 2010 (as there have not yet been three years of bonuses paid) and the product of the number of Common Shares underlying the Options and the Performance Warrants multiplied by the difference between the Common Share TSX closing price on December 31, 2011 of \$1.54 and the exercise price, which for the year ended December 31, 2011 was nil.
- (3) The value shown is the product of the number of Common Shares underlying the vested Options and the vested Performance Warrants multiplied by the difference between the Common Share TSX closing price on December 31, 2011 of \$1.54 and the exercise price, which for the year ended December 31, 2011 was nil.

**Director Compensation**

Directors are remunerated based on their expertise and time commitment provided to the Corporation. Directors receive a set retainer of \$20,000 per year, except for the Chairman who receives an additional set retainer of \$5,000. The Chair of the Audit Committee receives an additional \$8,000 retainer and the Chairs of the Governance and

Compensation Committee and the Reserves & Health, Safety and Environment Committee each receive an additional \$6,000 retainer. Additional fees are paid for Committee service and meeting attendance (\$1,000 per meeting). Directors are also eligible to receive Options and PSUs pursuant to the Option Plan and PSU Plan. The Governance and Compensation Committee recommend compensation levels and any Option or PSU awards for directors to the Board, taking into account compensation data from independent compensation consultants and the compensation levels for the directors of companies in the Corporation's peer group

### **Compensation Table**

The following table sets forth information concerning compensation paid to the directors for the year ended December 31, 2011.

<b>Name</b>	<b>Fees Earned<sup>(1)</sup> (\$)</b>	<b>Option-based awards<sup>(2) (3)</sup> (\$)</b>	<b>Total (\$)</b>
Abdel F. Badwi	24,500	\$64,575	89,075
William T. Fanagan	32,750	\$64,575	97,325
Claudio A. Ghersinich	22,000	\$64,575	86,575
Kenneth D. McKay	22,000	\$64,575	86,575
Ronald W. Royal	27,500	\$64,575	92,075

**Notes:**

- (1) Payment of cash retainers and fees commenced April 1, 2011.
- (2) This does not represent cash paid to the director. This figure is based on the grant date fair value of such Options as at June 20, 2011 calculated through the use of the Black-Scholes Model. This grant date was the date the Options were granted to the directors in connection with the completion of TBNG-PTI Acquisition. The grant date fair value was determined in accordance with International Financial Reporting Standards. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since Black-Scholes is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term (weighted average expected life), risk-free interest rate, dividend yield of stock and volatility of stock return. The actual assumptions and estimates used for the summary compensation table values were as follows: Fair Value of \$2.05 per share, Risk Free Interest Rate of 2.08%; Expected Life of 4.5 years; Expected Volatility of 100% and Dividend per Share of nil. The Options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, none of these Options granted in 2011 had vested as at December 31, 2011.
- (3) The actual value of the Options granted to the directors will be determined based on the market price of the Common Shares at the time of exercise of such Options, which may be greater or less than grant date fair value reflected in the table above. See "Incentive Plan Awards - Directors - Outstanding Option-Based Awards" below.

### **Incentive Plan Awards - Directors**

#### **Outstanding Option-Based Awards**

The following table sets forth with respect to the Options granted under the Option Plan to the directors which were outstanding as of December 31, 2011.

<b>Name</b>	<b>Number of Securities Underlying Unexercised Options<sup>(1)</sup></b>	<b>Option-Based Awards</b>		
		<b>Option Exercise Price (\$)<sup>(1) (2)</sup></b>	<b>Option Expiration Date</b>	<b>Value of Unexercised In-the-Money Options (\$)<sup>(3)</sup></b>
Abdel F. Badwi	31,500	3.25	June 20, 2018	Nil
	31,500	2.00	January 8, 2017	Nil
William T. Fanagan	31,500	3.25	June 20, 2018	Nil
	31,500	2.00	January 8, 2017	Nil
Claudio A. Ghersinich	31,500	3.25	June 20, 2018	Nil
	31,500	2.00	January 8, 2017	Nil
Kenneth D. McKay	31,500	3.25	June 20, 2018	Nil
	31,500	2.00	January 8, 2017	Nil
Ronald W. Royal	31,500	3.25	June 20, 2018	Nil
	31,500	2.00	January 8, 2017	Nil

**Notes:**

- (1) The Corporation received shareholder and stock exchange approvals to consolidate its shares on a 10:1 basis and to graduate from a TSXV to a TSX listing, effective September 15, 2011. As a result these figures have been adjusted accordingly.
- (2) The Options granted in 2011 are exercisable at \$3.25, which was an exercise price higher than the then market price of the Common Shares at the time of issuance. The Board set the exercise price at the higher price to match the price per Unit under the Corporation's February 2011 private placement financing that was completed to fund the TBNG-PTI Acquisition.
- (3) The value shown is the product of the number of Common Shares underlying the Option multiplied by the difference between the Common Share TSX closing price on December 31, 2011 of \$1.54 and the exercise price.

**Outstanding Performance Warrants**

The following table sets forth information with respect to the unvested Performance Warrants granted to directors which were outstanding as of December 31, 2011.

Name	Number of Securities Underlying Unexercised Performance Warrants <sup>(1)(2)</sup>	Option-Based Awards		
		Performance Warrant Exercise Price (\$) <sup>(2)</sup>	Performance Warrant Expiration Date	Value of Unexercised In-the-Money Performance Warrants (\$) <sup>(3)</sup>
Abdel F. Badwi	146,250	2.00	January 8, 2015	Nil
William T. Fanagan	108,000	2.00	January 8, 2015	Nil
Claudio A. Ghersinich	675,000	2.00	January 8, 2015	Nil
Kenneth D. McKay	319,500	2.00	January 8, 2015	Nil
Ronald W. Royal	108,000	2.00	January 8, 2015	Nil

**Notes:**

- (1) The allocation of Performance Warrants to the directors was based on the level of their investment in the Corporation as part of the private placement which occurred in connection with the Reorganization, as well as certain funds invested in Northern Hunter during the 12-month period prior to the Reorganization.
- (2) In conjunction with the graduation to the TSX, the Corporation received approval to consolidate its shares on a 10:1 basis. As a result these figures have been adjusted accordingly.
- (3) The value shown is the product of the number of Common Shares underlying the Performance Warrant multiplied by the difference between the Common Share TSX closing price on December 31, 2011 of \$1.54 and the exercise price which for the year ended December 31, 2011 was nil. Two-thirds of the Performance Warrants had vested as at December 31, 2011. See "Equity Plan Compensation - Performance Warrants" for a description of the vesting terms of the Performance Warrants.

**Director Compensation - Incentive Plan Awards - Value Vested or Earned During the Year**

Name	Option-Based Awards Value Vested During Year (\$) <sup>(1)</sup>	Performance Warrants Value Vested During Year (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation Value earned during the year (\$)
Abdel F. Badwi	Nil	Nil	Nil
William T. Fanagan	Nil	Nil	Nil
Claudio A. Ghersinich	Nil	Nil	Nil
Kenneth D. McKay	Nil	Nil	Nil
Ronald W. Royal	Nil	Nil	Nil

**Note:**

- (1) The value shown is the product of the number of Common Shares underlying the Performance Warrants and Options that vested multiplied by the difference between the Common Share TSX closing price on December 31, 2011 of \$1.54 and the exercise price of the Options and Performance Warrants that vested, which for the year ended December 31, 2011 was nil.

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON**

Except as disclosed in this Information Circular, management of Valeura is not aware of any material interest of any director or executive officer or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No director, proposed director, executive officer, nor any of their respective associates or affiliates, is or has been indebted to the Corporation or its subsidiaries since the beginning of the Corporation's most recently completed financial year.

## **EQUITY PLAN COMPENSATION**

The Corporation currently has two equity compensation plans in place, the Option Plan and PSU Plan. Both plans authorize the Board to make grants to directors, officers, employees or other services providers of the Corporation. In 2011 the Corporation granted Options exercisable into 1,247,361 Common Shares, representing 2.7% of the issued and outstanding Common Shares and no Performance Warrants. As of December 31, 2011 the Corporation had Options exercisable into 2,315,861 Common Shares outstanding, which represents 5% of the issued and outstanding Common Shares and Performance Warrants exercisable into 2,796,750 Common Shares outstanding, which represents 6% of the issued and outstanding Common Shares.

### **Option Plan**

The Option Plan is intended to achieve a number of objectives through the grant of Options including:

- retaining and attracting qualified directors, officers, employees and consultants;
- promoting a proprietary interest in the Corporation;
- providing a long-term incentive element in compensation; and
- promoting profitability of the Corporation.

### ***Number of Shares Available Under the Option Plan***

The 10% rolling limit on the number of Common Shares that may be reserved for issuance applies to the Common Shares reserved for issuance under the Option Plan and the Common Shares reserved for issuance from treasury under the PSU Plan.

Subject to the policies of the TSX, the number of Common Shares issuable under the Option Plan and any other stock option plan or the PSU Plan of the Corporation: (i) to any one individual shall not exceed 5% of the total number of Common Shares outstanding; (ii) the number of Common Shares of the Corporation reserved for issuance at any time to Insiders pursuant to Options that, when combined with the number of Common Shares of the Corporation issuable pursuant to any other security based compensation arrangement of the Corporation of the Corporation, may not exceed 10% of the outstanding Common Shares; and (iii) there may not be issued to Insiders, within a one-year period, a number of Common Shares of the Corporation that, when combined with any other security based compensation arrangement of the Corporation, will exceed 10% of the outstanding Common Shares. The term "Insider" has the meaning ascribed thereto in the TSX Company Manual.

### ***Participation and Change in Employment***

The Option Plan provides that:

- 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. Similarly, the Option Plan specifies that the granting of options pursuant to the Option 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 of any of its subsidiaries; and
- Options shall not be affected by any change of employment of the optionee or by the optionee ceasing to be a director, officer, employee or consultant of the Corporation or a subsidiary, where the optionee becomes or continues to be a director, officer, employee or consultant of the Corporation or a subsidiary.

### ***Ceasing to be a Director, Officer, Employee or Consultant***

The Option Plan gives the Board discretion when issuing options to determine whether options may be exercised at all or for a limited period of time following an optionee ceasing to be an employee, officer, director or consultant for any reason other than death, provided however, that options held by such optionees must expire within a reasonable period following the date of such cessation as required under TSX policies.

### ***Term and Black-out Periods***

Under the Option Plan, all options shall be for a term as determined in the discretion of the Board at the time of the grant, provided that no options shall have a term exceeding ten years (as required under TSX policies).

The Option Plan also allows for the extension of the expiry date for an option during a black-out period imposed by the Corporation. In the event that the expiration date of an option falls within such a black-out period or within five business days after a black-out period, the expiry date of such options shall be altered to be ten business days after the black-out period ends, provided that in no case shall such extension create a Stock Option having a term exceeding ten years.

### ***Change of Control Transactions and Unsolicited Offers***

The Option Plan contains a comprehensive definition of Change of Control Transaction and provides that, unless otherwise determined by the Board, in the event of a Change of Control Transaction or an Unsolicited Offer (as such terms are defined in the Option Plan), all options shall vest and become immediately exercisable.

In addition, if the Board approves a Change of Control Transaction, the Board may provide notice to the optionees of the time period during which such optionees must purchase all or a portion of that number of Common Shares to which such optionees are entitled to pursuant to the unexercised options. Any number of the options not exercised at the expiry of such period shall terminate and expire, unless such Change of Control Transaction is not completed.

Any options remaining unexercised following the earlier of the withdrawal of an Unsolicited Offer and the expiry of such Unsolicited Offer in accordance with its terms again become subject to the original terms of the agreement relating to the grant of options as if the Unsolicited Offer had not been made.

### ***Amendment and Termination***

The Option Plan contains provisions specifically outlining amendments to the Option Plan which may be made by the Board without the further approval of Shareholders. While this is not specifically required by the policies of the TSX, these provisions provide clarity and are consistent with the rules of the TSX which require that in order for amendments to proceed without requiring securityholder approval, the plan must specify if securityholder approval is required for each type of amendment to a stock option plan.

On August 24, 2011, in connection with the Corporation's graduation from the TSXV to the TSX, Valeura amended the Option Plan to comply with the insider participation requirements of the TSX. In accordance with the terms of the Option Plan, as such amendments were of a "housekeeping" nature and the requirements of the TSX, Shareholder approval was not required.

## **PSU Plan**

### ***Purpose of the PSU Plan***

The principal purposes of the PSU Plan are: (i) to strengthen the ability of the Corporation to attract and retain qualified directors, officers, employees and consultants which the Corporation and its subsidiaries require; (ii) to encourage the acquisition of a proprietary interest in the Corporation by such directors, officers, employees and consultants, thereby aligning their interests with the interests of the Corporation's Shareholders; and (iii) to focus management of the Corporation and its subsidiaries on operating and financial performance and total long-term Shareholder return by providing an increased incentive to contribute to the Corporation's growth and profitability.

### ***Common Shares Subject to the Plan***

The Common Shares to be delivered to grantees of Performance Share Units awarded pursuant to the PSU Plan shall be, in the sole discretion of the Board, either acquired through the facilities of the TSX or issued by the Corporation from treasury, in which case (i) the number of Common Shares reserved for issuance from time to time pursuant to Unit Awards plus the number of Common Shares reserved for issuances from time to time pursuant to any stock option plan or stock option arrangement of the Corporation may not exceed 10% of the aggregate number of outstanding Common Shares and (ii) the number of Common Shares issuable in any 12-month period under the PSU Plan and any stock option plan or stock option arrangement of the Corporation (A) to any one individual shall not exceed 5% of the total number of Common Shares outstanding; (B) to any one consultant shall not exceed 2% of the total number of Common Shares outstanding; and (C) to Employees conducting Investor Relations Activities shall not exceed, in the aggregate, 2% of the total number of Common Shares outstanding.

### ***Eligibility and Award Determination***

In accordance with the terms of the PSU Plan, awards of Performance Share Units ("**Unit Awards**") may be granted to employees, officers, directors or consultants of the Corporation or a subsidiary (individually, a "Service Provider" and collectively, "**Service Providers**").

In determining the Service Providers to whom Unit Awards may be granted and the number of Performance Share Units to be awarded pursuant to each Unit Award, the Board will take into account the following factors: (i) compensation data for comparable benchmark positions among the Corporation's competitors; (ii) the duties and seniority of the Service Provider; (iii) corporate performance measures of the Corporation for the most recently completed fiscal year; (iv) individual and/or departmental contributions and potential contributions to the success of the Corporation; and (v) such other factors as the Board shall deem relevant in connection with accomplishing the purpose of the plan.

### ***Vesting and Performance Factor***

The vesting date for the Performance Share Units issued under the Unit Award and any adjustment (upward or downward) to the number of Performance Share Units awarded by the application of a Performance Factor (as defined in the PSU Plan) shall be determined at the discretion of the Board, provided, however, in the event of a Change of Control Transaction or an Unsolicited Offer (each as defined in the PSU Plan), unless otherwise determined by the Board, all Performance Share Units credited to the grantee's Performance Account (as defined in the PSU Plan) that have not yet vested as of such time multiplied by the Performance Factor shall vest on the earlier of: (i) the next applicable vesting date determined in accordance with the Unit Award; and (ii) immediately prior to the effective time of a Change of Control Transaction, or on the date the Unsolicited Offer is made, as applicable.

### ***Cash Payment Option***

Under the terms of the PSU Plan, the Board may elect, in its sole discretion, to pay to any grantee of a Unit Award in lieu of delivering all or any part of the Common Shares that would be otherwise delivered to the grantee on such vesting date, a cash amount equal to the aggregate fair market value of such Common Shares that would otherwise be issued on such vesting date in consideration for surrender by the grantee to the Corporation of the right to receive all or any part of the Common Shares under such Unit Award.

### ***Termination of Relationship as Service Provider and Non-Transferability***

In the event that a grantee of a Unit Award is terminated (whether for cause or without cause), all outstanding Unit Award Agreements and unvested Performance Share Units held by such grantee shall be terminated and all rights to receive Common Shares thereunder shall be forfeited. In the event that a grantee of a Unit Award ceases to be a Service Provider for any reason other than due to a termination or the disability or death of such grantee, all Unit Award Agreements and all unvested Performance Share Units will be terminated and all rights to receive Common Shares thereunder shall be forfeited as of the last day of any notice period applicable in respect of such voluntary resignation. In the event of the disability or death of the grantee, the vesting date of all Performance Share Units shall be accelerated as of the date of the grantee's death or as of the date of the determination of disability, as applicable, provided that the Board, taking into account the performance of the Corporation and the grantee, may determine the Performance Factor (as defined in the PSU Plan) to be applied in determining the number of Performance Share Units which will vest.

All rights to receive Common Shares pursuant to a Unit Award granted to a Service Provider may only be exercised by such Service Provider personally (except in the event of the death of the grantee of a Unit Award, in which case, Common Shares or cash may be delivered to the grantee's estate or designated beneficiary).

### ***Administration of the PSU Plan***

The PSU Plan shall be administered by the Board. The Board shall have the authority to make Unit Awards, to determine to whom and the times at which Unit Awards will be granted, to determine the fair market value of the Common Shares on any date, to determine the number of Performance Share Units to be awarded pursuant to each Unit Award, to determine the vesting dates of the Performance Share Units, to prescribe, amend and rescind rules and regulations relating to the PSU Plan, to interpret the PSU Plan, to determine the terms and provisions of Unit Award Agreements and to make all other determinations deemed necessary for the administration of the PSU Plan.

Outstanding Unit Awards granted under the PSU Plan may be adjusted in certain events, such as any change in the Common Shares through a reorganization or the granting of rights to Shareholders to purchase Common Shares at prices substantially below fair market value. In these events, the PSU Plan or any Unit Awards may be adjusted by the Board to prevent dilution or enlargement.

### ***Amendment and Termination of the PSU Plan***

Under the PSU Plan, the Corporation retains the right to amend from time to time or to suspend, terminate or discontinue the terms and conditions of the PSU Plan and the Performance Share Units granted thereunder by resolution of the Board. The Board shall have the power to approve amendments relating to the Plan or to Unit Awards granted, without further approval of Shareholders, to the extent that such amendment: is to cure any ambiguity, error or omission in the PSU Plan; is necessary to comply with applicable law of any stock exchange on which the Common Shares are listed; is an amendment to the PSU Plan respecting administration and eligibility for participation under the PSU Plan; changes the terms and conditions of which Unit Awards may be or have been granted; alters, extends or accelerates the terms of vesting applicable to any Performance Share Unit; changes the termination provisions of a Performance Share Unit; or is an amendment to the PSU Plan for housekeeping purposes. Any amendments will be subject to the prior consent of any applicable regulatory bodies, including the TSX, and Shareholder approval, as may be required. Amendments having the following result will require Shareholder approval: changing the number of Common Shares issuable under the PSU Plan; material or unreasonable dilution in the number of outstanding Common Shares or any material benefit to a Service Provider; or

changing the class of eligible participants to the PSU Plan with the potential of increasing participation by insiders. Any amendment to the PSU Plan shall take effect only with respect to Unit Awards granted after the effective date of such amendment, provided that it may apply to any outstanding Unit Awards with the mutual consent of the Corporation and the Service Providers to whom such Unit Awards have been granted.

On August 24, 2011, in connection with the Corporation's graduation from the TSXV to the TSX, Valeura amended the PSU Plan to comply with the insider participation requirements of the TSX. In accordance with the terms of the PSU Plan, as such amendments were of a "housekeeping" nature and the requirements of the TSX, Shareholder approval was not required.

### **Performance Warrants**

In addition to the Option Plan and the PSU Plan, the Corporation has Performance Warrants outstanding, which are governed by performance warrant certificates between the Corporation and the holder. The grant of the Performance Warrants was presented to the Shareholders as part of the Reorganization approvals and was approved by Shareholders who held or exercised control over more than 50% of the Shares, by way of a written consent.

The key attributes of the Performance Warrants are as set forth below.

The vesting of the Performance Warrants is based on the value attributed to the Common Shares at certain points in time and the continued employment of the relevant holder in the following manner:

- (1) if the applicable holder of Performance Warrants continues in his or her capacity (as an employee, officer or director) with the Corporation until January 8, 2011; and at any time during the term of the Performance Warrants, the consecutive 20-day weighted average market price of the Common Shares is equal to or greater than \$0.40 per share (prior to the 10:1 share consolidation), then one-third of the Performance Warrants vest;
- (2) if the applicable holder of Performance Warrants continues in his or her capacity (as an employee, officer or director) with the Corporation until July 8, 2011; and at any time during the term of the Performance Warrants, the consecutive 20-day weighted average market price of the common shares is equal to or greater than \$0.50 per share (prior to the 10:1 share consolidation), then one-third of the Performance Warrants vest; and
- (3) if the applicable holder of Performance Warrants continues in his or her capacity (as an employee, officer or director) with the Corporation until January 8, 2012; and at any time during the term of the Performance Warrants, the consecutive 20-day weighted average market price of the common shares is equal to or greater than \$0.60 per share (prior to the 10:1 share consolidation), then one-third of the Performance Warrants vest.

The market price vesting hurdles for all outstanding Performance Warrants have been met (note that the market price per share above was prior to the 10:1 consolidation of Common Shares). For full vesting of the Performance Warrants, the time condition detailed above must still be met.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth the number of Common Shares to be issued upon exercise of outstanding Options and Performance Warrants, the weighted average exercise price of such outstanding Options and the number of Common Shares remaining available for future issuance under equity compensation plans as at December 31, 2011.

Equity Compensation Plan Category	Number of Common Shares to be issued upon exercise of outstanding Options	Weighted-average exercise price of outstanding Options	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by Shareholders	2,315,861	\$2.66	2,324,752 <sup>(1)</sup>
	2,796,750 <sup>(2)</sup>	\$2.00	203,250 <sup>(3)</sup>
Equity compensation plans not approved by Shareholders	Nil	N/A	N/A
Total	5,112,611	-	2,528,002

**Notes:**

- (1) Based on the figure that is 10% of the issued and outstanding Common Shares that are available for issuance under the Current Option Plan as at December 31, 2011. As at December 31, 2011, there were 46,406,135 Common Shares issued and outstanding.
- (2) Represents the grant of Performance Warrants made to directors, officers and certain employees in connection with the Reorganization (as defined herein). The key terms of these Performance Warrants are disclosed above under "*Equity Plan Compensation - Performance Warrants*".
- (3) A total of 3,000,000 Performance Warrants were approved for issuance by the Shareholders in connection with the Reorganization.

### **CORPORATE GOVERNANCE**

The Corporation's Statement of Corporate Governance Practices is set out in Appendix "A" to this Information Circular.

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

Except as disclosed in this Information Circular and the Filing Statement with respect to the Reorganization which is available on SEDAR at [www.sedar.com](http://www.sedar.com), neither the Corporation nor any director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any other insider of the Corporation, nor any associate or affiliate of any one of them has or has had, at any time since the beginning of the year ended December 31, 2011, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation.

### **OTHER BUSINESS**

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

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is contained in the Corporation's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2011 and information with respect to the business of the Corporation is contained in the Annual Information Form of the Corporation for the year ended December 31, 2011. In addition, a Shareholder may obtain copies of the Corporation's financial statements and management's discussion and analysis by contacting the Corporation at Suite 1200, 202 - 6th Avenue SW, Calgary, Alberta, T2P 2R9, by telephone at (403) 237-7102.

## APPENDIX "A"

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

*Capitalized terms used in this Appendix "A" but not otherwise defined herein shall have the meanings ascribed thereto in the Information Circular to which this Appendix "A" is appended.*

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. The Board is of the view that its approach to corporate governance is appropriate and continues to work to align with the recommendations currently in effect and contained in National Policy 58-201, Corporate Governance Guidelines ("NP 58-201") which are addressed below.

#### Composition of the Board

##### *Independence*

The Board currently consists of six directors who provide the Corporation with a wide diversity of business experience. Additional information for each of the nominee directors can be found under the heading "Meeting Matters - Election of Directors". None of the directors are "Related" as such term is defined by the Canadian Coalition for Good Governance. Five of the current Board members (representing more than 80% of the Board), being Messrs. Badwi, Fanagan, Ghersinich, McKay and Royal are independent directors as such term is defined by National Instrument 58-101, Disclosure of Corporate Governance Practices ("NI 58-101"). Each of the independent directors has no direct or indirect material relationship with the Corporation, including any business or other relationship, which could reasonably be expected to interfere with the director's ability to act with a view to the best interest of the Corporation or which could reasonably be expected to interfere with the exercise of the director's independent judgment.

##### *Retirement Policy*

The Board adopted a retirement policy for directors. After the age of 70, a director may not stand for re-election unless the board in its discretion decides otherwise.

##### *Other Directorships*

The following directors (and nominees) currently serve on the board of directors of the reporting issuers (or equivalent) listed below, each of which are reporting issuers in one or more Canadian (or foreign) jurisdictions:

<b>Name</b>	<b>Name of other Reporting Issuer</b>
<b><u>Directors</u></b>	
Abdel F. Badwi	Bankers Petroleum Ltd. ArPetrol Ltd. MENA Hydrocarbons Inc.
William T. Fanagan	None
Claudio A. Ghersinich	Vermilion Energy Inc. ArPetrol Ltd.
Kenneth D. McKay	None
James D. McFarland	Pengrowth Energy Corporation MEG Energy Corp.
Ronald W. Royal	None

### **Board Meetings**

The Board holds a minimum of four regular quarterly meetings and a corporate strategy session each year, as well as additional meetings as required. The Board has determined that an *in camera* session of the directors will be held at each regularly scheduled Board and committee meeting so that the independent members of the Board, will have an opportunity to meet without the presence of management members of the Board.

### **Meeting Attendance**

Name	Board Meetings Attended in 2011		Committee Meetings Attended in 2011	
	No.	%	No.	%
Abdel F. Badwi	4 of 5	80	2 of 2	100
William T. Fanagan	5 of 5	100	6 of 6	100
Claudio A. Ghersinich	4 of 5	80	5 of 6	83
Kenneth D. McKay	5 of 5	100	4 of 4	100
James D. McFarland	5 of 5	100	8 of 8 <sup>(1)</sup>	100
Ronald W. Royal	5 of 5	100	6 of 6	100

**Notes:**

- (1) Mr. McFarland is not a member of any of the three standing committees but was requested by the chair of each committee to attend the meetings of each such committee. At each such meeting the members of each committee, all of whom are independent, meet in camera without Mr. McFarland.

### **Orientation and Continuing Education**

New directors are provided with an orientation and education program which includes written information about the duties and obligations of directors and the business and operations of the Corporation included in a comprehensive Board manual. New directors are also provided with the opportunity to review documents from recent Board meetings and to participate in meetings and discussions with senior management and other directors. Orientation programs are tailored to meet a director's individual needs and areas of expertise.

Continuing education opportunities are directed at enabling individual directors to maintain or enhance their skills and abilities as directors, as well as ensuring that their knowledge and understanding of the Corporation's affairs remains current. Directors are kept informed as to matters which may impact the Corporation's operations through regular reports and presentations at Board and Committee meetings. Non-management directors are encouraged to, and often, attend Committee meetings of which they are not members. With the transition to IFRS in 2011, all directors received a comprehensive briefing by the Corporation's auditors on the implications of these new accounting rules.

### **Ethical Business Conduct**

The Board has adopted a Code of Business Conduct and Ethics (the "**Code**"), which applies to all directors, officers, employees and contractors of the Corporation. A complete copy of the Code is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Code demonstrates the Corporation's commitment to conducting business ethically, legally and in a safe and fiscally, environmentally and socially responsible manner. It outlines a framework of guiding principles to which

each employee, director, officer and contractor is expected to adhere and acknowledge, and this acknowledgement is an annual requirement.

The Code provides that directors, officers, employees and contractors must, among other things: (a) at all times abide by all applicable laws and respect their intent, including laws related to insider trading and reporting, anti-bribery statutes and health, safety and environmental laws; (b) always act in the best interest of the Corporation; (c) avoid situations that may result in a conflict or perceived conflict between their personal interests and those of the Corporation; (d) provide full disclosure of any actual or potential conflicts of interest in accordance with the procedures of the Code; (e) maintain the confidentiality of all non-public information relating to the Corporation; (f) not use the Corporation's property for personal benefit; (g) maintain proper records and ensure compliance with internal controls and financial reporting and accounting standards; and (h) conduct operations with the aim of preventing adverse effects on the environment and safeguarding life and health.

The Board monitors compliance with the Code. Where a director or officer has any interest in or a perceived conflict involving a contract or business relationship with the Corporation, that director or officer is excluded from all discussions and deliberations regarding the contract or relationship and such director abstains from voting in respect thereof. Members of the Board and executive officers have disclosed to the Corporation all directorships held by such member and the existence and nature of any interests that could result in a conflict situation with the Corporation.

The Board has also adopted a policy relating to the reporting of inappropriate activity to encourage and promote a culture of ethical business conduct. This policy is intended to encourage and facilitate the reporting of: (a) questionable accounting, internal accounting controls, or auditing matters; (b) the reporting of fraudulent financial information to Shareholders, regulatory agencies or financial markets; and (c) conduct which results in a violation of law by the Corporation or in substantial mismanagement of the Corporation's resources that, if proven, would constitute a criminal offence or reasonable grounds for dismissal of the person engaging in this conduct, without the fear of recrimination, retaliation or harassment.

### **Nomination of Directors**

The Governance and Compensation Committee has the responsibility for reviewing the composition of the Board by taking into account, among other things, its size and the particular competencies and skills of its members. The Governance and Compensation Committee, in consultation with the Board Chair and CEO, will then identify potential Board nominees and recommend such nominees for election as directors based on the competencies and skills each new member possesses in the context of the needs of the Corporation. The Board as a whole is then responsible for nominating new directors.

### **Board Committees**

The Board has three standing committees, being the Audit Committee, the Governance and Compensation Committee and the Reserves & Health, Safety and Environment Committee. The following is a description of the committees and their current membership.

### **Board Assessments**

The Board is responsible for ensuring that there is a process in place for annually evaluating the effectiveness and contribution of the CEO, the Board, the committees of the Board, the Board Chair and the individual directors based on their applicable terms of reference or position description.

The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Board deems relevant, the assessments may consider in the case of the Board or a Committee, the applicable terms of reference, the applicable position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board.

The Governance and Compensation Committee annually reviews and makes recommendations to the Board on the method and content of such evaluations and oversees the evaluation process. The Committee has developed an annual Board effectiveness survey which includes an individual director self-evaluation questionnaire and guide and evaluation of peer performance. The evaluation uses confidential director questionnaires and anonymous summaries of results, which encourage candid and constructive commentary. Confidentiality of individual director comments is maintained.

### Areas of Expertise

Valeura maintains a skills matrix to evaluate the skill set of the Board. The intent is to ensure the Board as a whole has the range of skills, expertise and experience to fulfill the overall mandate effectively. Each director indicates his level of expertise in each area annually on a four-point scale from limited (one) to expert application (four). There were no significant gaps identified in any of the desired skill areas. The matrix helps the Corporation identify gaps and is used when we search for new directors.

The Governance and Compensation Committee reviewed the completed skills matrix and evaluations in November 2011 and noted that the Board as a whole rated its aggregate score as between the skilled and expert level, with no significant gaps identified in any of the desired skill areas. The Committee is therefore satisfied that the Board has the appropriate experience and expertise to ensure that each of these areas is well-addressed and the Board is performing well. The table below highlights the skill areas assessed.

<b>SKILL/EXPERIENCE DESCRIPTION</b>
<b>Managing/Leading Growth</b> – Senior executive experience leading significant growth agenda through mergers and acquisitions. Demonstrates knowledge in developing long term corporate business strategies.
<b>Global</b> – Experience leading an international operation. Has a solid understanding of cultural and industry environments in the regions where the Corporation operates.
<b>Government Relations/Regulatory</b> - Broad regulatory, political and public policy experience at Canadian and international levels.
<b>CEO/Senior Officer</b> – Experience working as a CEO or senior officer for an organization of size similar to or greater than the Corporation.
<b>Industry Knowledge</b> – Maintains an understanding of the regulatory, business, social and political environments in which the Corporation operates. Becomes knowledgeable about the Corporation’s business including industry trends and key competitors.
<b>Oil and Gas</b> – Senior executive experience in the oil and gas industry, combined with a strong knowledge of the Corporation’s strategy and operations. May have formal training in engineering, geology, and/or geophysics.
<b>Company Knowledge</b> – Becomes generally knowledgeable about the Corporation's business, including operations, markets, challenges, opportunities and internal control systems. Established knowledge of the Corporation’s senior management team and other high potential senior employees.
<b>Governance/Board</b> – Prior or current experience as a board member of a Canadian operation (public, private or non-profit sectors).
<b>Financial and Operational Acumen</b> – Senior executive experience in financial accounting and reporting and corporate finance. Familiarity with internal financial controls. Knowledge of and ability to evaluate strategic operating, capital and financing plans.
<b>Compensation</b> – Senior executive experience or board compensation committee participation with a thorough understanding of compensation, benefits and long term incentive programs, legislation and agreements. This includes specific expertise in executive compensation programs including base pay, incentives, equity and perquisites.
<b>Health, Safety &amp; Environment</b> – Thorough understanding of industry regulations and public policy related to workplace health, safety and environment. Demonstrated commitment to the Corporation’s health and safety values and knowledge of current programs.

<b>SKILL/EXPERIENCE DESCRIPTION</b>
<b>Social Responsibility</b> – Demonstrated understanding and commitment to the Corporation’s social responsibility values and programs.
<b>Diversity</b> – Contributes to the Board in a way that enhances perspectives through diversity in gender, ethnic background, geographic origin, experience (industry and public, private and non-profit sectors), etc.
<b>Personal Effectiveness</b> – Full and frank participation, effective, independent and respected presence. Displays personal effectiveness through interaction with others including Board members and company representatives.

***Audit Committee***

The Audit Committee is comprised of William T. Fanagan (Chair), Ronald W. Royal and Claudio A. Ghersinich.

All members are independent directors that the Board has determined are "financially literate" as defined in National Instrument 52-110, Audit Committees ("**NI 52-110**").

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing: (i) the financial information that will be provided to Shareholders and others; (ii) the systems of internal controls management and the Board have established; and (iii) all audit functions.

Further information relating to the Audit Committee can be found under the heading "Audit Committee" in the Corporation's Annual Information Form dated March 21, 2012 (the "**AIF**") and filed on SEDAR at [www.sedar.com](http://www.sedar.com). The Terms of Reference for the Audit Committee can be found in Appendix B to the AIF.

***Governance and Compensation Committee***

The Governance and Compensation Committee is comprised of Abdel F. Badwi (Chair), William T. Fanagan and Kenneth D. McKay. All three members are independent directors.

The main purposes of the Governance and Compensation Committee are: (i) to provide a focus on governance that will enhance the Corporation's performance, to assess and make recommendations regarding Board effectiveness and to establish and lead the process for identifying, recruiting, appointing and providing ongoing development for directors; and (ii) to assist the Board in fulfilling its obligations relating to human resource and compensation matters and to establish a plan of continuity and development of senior management.

The key responsibilities of the Governance and Compensation Committee include the following:

- reviewing and considering the current and long term composition of the Board and recommending nominees for election as members of the Board;
- reviewing, monitoring and making recommendations regarding the orientation and ongoing development of directors;
- reviewing the Board manual periodically including the terms of reference for the Board, the Board Chair, the CEO, individual directors and Committees;
- reviewing the director compensation program and making recommendations to the Board accordingly;
- implementing evaluations of the CEO, the Board, the Board Chair, Board committees and individual directors;

- appointing and overseeing the Corporation's disclosure committee (a management committee) and public disclosure matters;
- overseeing the Corporation's Code of Business Conduct and ensuring a system to monitor compliance is in place;
- regularly reviewing the corporate governance practices of the Corporation and, if appropriate, recommending changes to the Board;
- review and recommend for Board approval, corporate goals and objectives for the CEO to be considered in determining his or her compensation and performance evaluation;
- review and recommend the compensation philosophy, guidelines and plans for the Corporation's employees and executives; and
- in consultation with the CEO, review the compensation principles for base salaries, bonuses, long-term incentives and benefit plans and approve the compensation for the executive team (including the CEO).

The Governance and Compensation Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors. In November 2011, the Corporation retained Total Reward Professionals to assist the Governance and Compensation Committee with its executive and director compensation deliberations. Total Reward Professionals' role includes, but is not limited to: (i) advising the Governance and Compensation Committee on emerging trends and developments in compensation; and (ii) reviewing the overall compensation blueprint including overall strategy, target positioning, proxy comparators, survey comparators, performance metrics and pay element design.

The table below shows the fees paid to Total Reward Professionals over the last two years:

Services Performed	Fees paid in 2011	Fees paid in 2010
Executive compensation-related fees	\$9,003	Not Applicable
All other fees	Nil	Not Applicable

The Governance and Compensation Committee holds in camera meetings, without management present, at every regularly scheduled meeting of the Governance and Compensation Committee. The Governance and Compensation Committee will meet at least two times annually.

#### ***Reserves & Health, Safety and Environment Committee***

The Reserves & Health, Safety and Environment Committee is comprised of Ronald W. Royal (Chair), Kenneth D. McKay and Claudio A. Ghersinich. All members of the Reserves & Health, Safety and Environment Committee are independent.

The main purposes of the Reserves & Health, Safety and Environment Committee are: (i) to provide the Board with a mechanism to review oil and gas reserves; (ii) to assist the Board in carrying out its responsibilities by having responsible persons to ensure that the Corporation's activities are conducted in an environmentally responsible manner; and (iii) to ensure the Corporation maintains the integrity of its health and safety policies.

The key responsibilities of the Reserves & Health, Safety and Environment Committee include:

- reviewing the selection and qualifications of the independent engineering firm responsible for the estimate of reserve quantities, the scope of its work and ensuring consistency of its practices and standards and all matters related to the independent engineering firm;

- reviewing with the independent engineering firm the evaluation report and summary of the reserves and future cash flows of the Corporation's oil and gas properties;
- assisting the Board in respect of matters related to evaluations of petroleum and natural gas reserves;
- reviewing the health, safety and environment policies, activities and performance of the Corporation on behalf of the Board to ensure compliance with applicable laws, regulations, policies and industry standards; and
- advising and making recommendations to the Board, as appropriate on matters relating to health, safety and the environment.

The Reserves & Health, Safety and Environment Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to determine the compensation of such advisors.

The Reserves & Health, Safety and Environment Committee holds in camera meetings, without management present, at every regularly scheduled meeting of the Reserves & Health, Safety and Environment Committee and will meet at least two times annually.

## APPENDIX "B"

The following is an outline of the significant terms of the shareholder rights plan (the "**Rights Plan**") which has been adopted pursuant to a shareholder rights plan agreement (the "**Rights Plan Agreement**") dated March 21, 2012 (the "**Effective Date**"). Capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Rights Plan or the accompanying Management Information Circular as the case may be.

### *Purpose of the Plan*

The objective of the Rights Plan is to ensure, to the extent possible, that all Shareholders are treated equally and fairly in connection with any takeover bid for Valeura. Takeover bids may be structured to be coercive or may be initiated at a time when the Board will have a difficult time preparing an adequate response to the offer. Accordingly, such offers do not always result in Shareholders receiving equal or fair treatment or full or maximum value for their investment. Under current Canadian securities legislation, a takeover bid is required to remain open for 35 days, a period of time which may be insufficient for the directors to: (i) evaluate a takeover bid (particularly if it includes share consideration); (ii) explore, develop and pursue alternatives which are superior to the takeover bid and which could maximize Shareholder value; and (iii) make reasoned recommendations to the Shareholders.

The Rights Plan discourages discriminatory, coercive or unfair takeovers of the Corporation and gives the Board time if, in the circumstances, the Board determines it is appropriate to take such time, to pursue alternatives to maximize Shareholder value in the event an unsolicited takeover bid is made for all or a portion of the outstanding Common Shares. As set forth in detail below, the Rights Plan discourages coercive hostile takeover bids by creating the potential that any Common Shares which may be acquired or held by such a bidder will be significantly diluted. The potential for significant dilution to the holdings of such a bidder can occur as the Rights Plan provides that all holders of Common Shares who are not related to the bidder will be entitled to exercise rights issued to them under the Rights Plan and to acquire Common Shares at a substantial discount to prevailing market prices. The bidder or the persons related to the bidder will not be entitled to exercise any Rights (defined below) under the Rights Plan. Accordingly, the Rights Plan will encourage potential bidders to make takeover bids by means of a Permitted Bid (as defined below) or to approach the Board to negotiate a mutually acceptable transaction. The Permitted Bid provisions of the Rights Plan are designed to ensure that in any takeover bid for outstanding Common Shares of the Shareholders, all Shareholders are treated equally and are given adequate time to properly assess such takeover bid on a fully-informed basis.

The Rights Plan is not being proposed to prevent a takeover of the Corporation, to secure the continuance of management or the directors of the Corporation in their respective offices or to deter fair offers for the Common Shares.

### *Term*

Provided the Rights Plan is ratified and confirmed at the Meeting, the Rights Plan (unless terminated earlier) will remain in effect until termination of the annual meeting of Shareholders in 2015 unless the term of the Rights Plan Agreement is extended beyond such date by resolution of Shareholders at such meeting.

### *Issuance of Rights*

One right (a "**Right**") has been issued by Valeura pursuant to the Rights Plan Agreement in respect of each Voting Share which was outstanding as of the close of business (Calgary time) (the "**Record Time**") on the Effective Date. "Voting Shares" include the Common Shares and any other shares of the Corporation entitled to vote generally in the election of all directors. As of the date hereof, the only Voting Shares outstanding are the Common Shares. One Right will also be issued for each additional Voting Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time (each, as defined below), subject to the earlier termination or expiration of the Rights as set out in the Rights Plan Agreement.

The issuance of the Rights is not dilutive and will not affect reported earnings or cash flow per share until the Rights separate from the underlying Common Shares and become exercisable or until the exercise of the Rights. The issuance of the Rights will not change the manner in which Shareholders trade their Common Shares.

### ***Certificates and Transferability***

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for Common Shares issued after the Record Time. Rights are also attached to Common Shares which were outstanding at the Record Time, although share certificates issued prior to the Record Time will not bear such a legend. Shareholders are not required to return their certificates in order to have the benefit of the Rights. Prior to the Separation Time, Rights will trade together with the Common Shares and will not be exercisable or transferable separately from the Common Shares. From and after the Separation Time, the Rights will become exercisable, will be evidenced by Rights Certificates and will be transferable separately from the Common Shares.

### ***Separation of Rights***

The Rights will become exercisable and begin to trade separately from the associated Common Shares at the "Separation Time" which is generally (subject to the ability of the Board to defer the Separation Time) the close of business on the tenth trading day after the earliest to occur of:

- a public announcement that a person or group of affiliated or associated persons or persons acting jointly or in concert has become an "Acquiring Person", meaning that such person or group has acquired Beneficial Ownership (as defined in the Rights Plan) of 20% or more of the outstanding Voting Shares other than as a result of: (i) a reduction in the number of Voting Shares outstanding; (ii) a "Permitted Bid" or "Competing Permitted Bid" (as defined below); (iii) acquisitions of Voting Shares in respect of which the Board has waived the application of the Rights Plan Agreement; (iv) other specified exempt acquisitions and pro rata acquisitions in which shareholders participate on a *pro rata* basis; or (v) an acquisition by a person of Voting Shares upon the exercise, conversion or exchange of a security convertible, exercisable or exchangeable into a Voting Share received by a person in the circumstances described in (ii), (iii) or (iv) above;
- the date of commencement of, or the first public announcement of an intention of any person (other than the Corporation or any of its subsidiaries) to commence a takeover bid (other than a Permitted Bid or a Competing Permitted Bid) where the Voting Shares subject to the bid owned by that person (including affiliates, associates and others acting jointly or in concert therewith) would constitute 20% or more of the outstanding Voting Shares; and
- the date upon which a Permitted Bid or Competing Permitted Bid ceases to qualify as such.

Promptly following the Separation Time, separate certificates evidencing rights ("**Rights Certificates**") will be mailed to the holders of record of the Voting Shares as of the Separation Time and the Rights Certificates alone will evidence the Rights.

### ***Rights Exercise Privilege***

After the Separation Time, each Right entitles the holder thereof to purchase one Common Share at an initial "Exercise Price" equal to three times the "Market Price" at the Separation Time. The Market Price is defined as the average of the daily closing prices per share of such securities on each of the 20 consecutive trading days through and including the trading day immediately preceding the Separation Time. Following a transaction which results in a person become an Acquiring Person (a "**Flip-In Event**"), the Rights entitle the holder thereof to receive, upon exercise, such number of Common Shares which have an aggregate Market Price (as of the date of the Flip-In Event) equal to twice the then Exercise Price of the Rights for an amount in cash equal to the Exercise Price. In such event, however, any Rights beneficially owned by an Acquiring Person (including affiliates, associates and other acting jointly or in concert therewith), or a transferee of any such person, will be null and void thereby

significantly diluting the Acquiring person if Rights are exercised. A Flip-In Event does not include take-over bids approved by the Board or acquisitions pursuant to a Permitted Bid or Competing Permitted Bid.

### ***Permitted Bid Requirements***

A bidder can make a takeover bid and acquire Voting Shares without triggering a Flip-In Event under the Rights Plan if the takeover bid qualifies as a Permitted Bid.

The requirements of a "Permitted Bid" include the following:

- the takeover bid must be made by means of a takeover bid circular;
- the takeover bid is made to all holders of Voting Shares on the books of Valeura, other than the offeror;
- the takeover bid contains, and the take-up and payment for securities tendered or deposited thereunder are subject to, an irrevocable and unqualified condition that no Voting Shares are taken up or paid for pursuant to the takeover bid unless more than 50% of the Voting Shares held by Independent Shareholders: (i) shall have been deposited or tendered pursuant to the take-over bid and not withdrawn; and (ii) have previously been or are taken up at the same time;
- the takeover 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 takeover bid prior to the close of business on the date that is not less than 60 days following the date of the takeover bid;
- Voting Shares may be deposited pursuant to such takeover bid at any time during the period of time between the date of the takeover bid and the time at which Voting Shares may be taken up and paid for and any Voting Shares deposited pursuant to the takeover bid may be withdrawn until taken up and paid for; and
- the Take-over Bid contains an irrevocable and unqualified provision that if on the date on which Voting Shares may be taken up and paid for under the takeover bid, more than 50% of the Voting Shares held by Independent Shareholders have been deposited or tendered pursuant to the takeover bid and not withdrawn, the offeror will make a public announcement of that fact and the takeover bid will be extended to remain open for deposits and tenders of Voting Shares for not less than 10 business days from the date of such public announcement.

The Rights Plan also allows for a competing Permitted Bid (a "**Competing Permitted Bid**") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid except that the takeover 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 takeover bid prior to the close of business on the date that is no earlier than the later of (A) 35 days after the date of the takeover bid constituting the Competing Permitted Bid; and (B) 60 days following the date on which the earliest prior Permitted Bid then in existence was made;

### ***Permitted Lock-Up Agreements***

A person will not become an Acquiring Person by virtue of having entered into an agreement (a "**Permitted Lock-Up Agreement**") with a Shareholder whereby the Shareholder agrees to deposit or tender Voting Shares to a takeover bid (the "**Lock-Up Bid**") made by such person, provided that the agreement meets certain requirements including:

- the terms of the agreement are publicly disclosed and a copy of the agreement is publicly available not later than the date of the Lock-Up Bid or, if the Lock-Up Bid has not been made prior to the date on which such agreement is entered into, not later than the first business day following the date of such agreement;

- the Shareholder who has agreed to tender Voting Shares to the Lock-Up Bid made by the other party to the agreement is permitted to terminate its obligation under the agreement, and to terminate any obligation with respect to the voting of such Voting Shares, in order to tender Voting Shares to another takeover bid or transaction where: (i) the offer price or value of the consideration payable under the other takeover bid or transaction is equal to or greater than the price or value of the consideration per share at which the Shareholder has agreed to deposit or tender Voting Shares to the Lock-Up Bid, or is equal to or greater than a specified minimum which is not more than 7% higher than the price or value of the consideration per share at which the Shareholder has agreed to deposit or tender Voting Shares under the Lock-Up Bid; and (ii) if the number of Voting Shares offered to be purchased under the Lock-Up Bid is less than all of the Voting Shares held by Shareholders (excluding Voting Shares held by the offeror), the number of Voting Shares offered to be purchased under the other takeover bid or transaction (at an offer price not lower than in the Lock-Up Bid) is greater than the number of Voting Shares offered to be purchased under the Lock-Up Bid or is greater than a specified number which is not more than 7% higher than the number of Voting Shares offered to be purchased under the Lock-Up Bid; and
- no break-up fees, top-up fees, or other penalties that exceed in the aggregate the greater of 2.5% of the price or value of the consideration payable under the Lock-Up Bid and 50% of the increase in consideration resulting from another takeover bid or transaction shall be payable by the Shareholder if the Shareholder fails to deposit or tender Voting Shares to the Lock-Up Bid.

### ***Waiver and Redemption***

If a potential offeror does not desire to make a Permitted Bid, it can negotiate with, and obtain the prior approval of, the Board to make a takeover bid by way of a takeover bid circular sent to all holders of Voting Shares on terms which the Board considers fair to all Shareholders. In such circumstances, the Board may waive the application of the Rights Plan thereby allowing such bid to proceed without dilution to the offeror. Any waiver of the application of the Rights Plan in respect of a particular takeover bid shall also constitute a waiver of any other takeover bid which is made by means of a takeover bid circular to all holders of Voting Shares while the initial takeover bid is outstanding. The Board may also waive the application of the Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding Voting Shares within 14 days or such earlier or later date as may be specified by the Board. With the prior consent of the holders of Voting Shares, the Board may, prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of Voting Shares otherwise than pursuant to the foregoing, waive the application of the Rights Plan to such Flip-in Event.

The Board may, with the prior consent of the holders of Voting Shares, at any time prior to the occurrence of a Flip-in Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.00001 per Right. Rights are deemed to be redeemed following completion of a Permitted Bid, a Competing Permitted Bid or a takeover bid in respect of which the Board has waived the application of the Rights Plan.

### ***Protection Against Dilution***

The Exercise Price, the number and nature of securities which may be purchased upon the exercise of Rights and the number of Rights outstanding are subject to adjustment from time to time to prevent dilution in the event of dividends, subdivisions, consolidations, reclassifications or other changes in the outstanding Common Shares, pro rata distributions to holders of Common Shares and other circumstances where adjustments are required to appropriately protect the interests of the holders of Rights.

### ***Exemptions for Investment Advisors***

Investment managers (for client accounts), trust companies (acting in their capacity as trustees or administrators), Crown agent or agencies that manage public assets, statutory bodies whose business includes the management of funds (for employee benefit plans, pension plans, or insurance plans of various public bodies) and administrators or trustees of registered pension plans or funds acquiring greater than 20% of the Voting Shares are exempted from

triggering a Flip-in Event, provided they are not making, either alone or jointly or in concert with any other person, a takeover bid.

***Duties of the Board***

The adoption of the Rights Plan will not in any way lessen or affect the duty of the Board to act honestly and in good faith with a view to the best interests of the Corporation. The Board, when a takeover bid or similar offer is made, will continue to have the duty and power to take such actions and make such recommendations to Shareholders as are considered appropriate.

***Amendment***

Valeura may make amendments to the Rights Plan Agreement at any time to correct any clerical or typographical error and, subject to confirmation at the next following meeting of holders of Voting Shares, may make amendments which are required to maintain the validity of the Rights Agreement due to changes in any applicable legislation, regulations or rules. Valeura may, with the prior approval of Shareholders (or the holders of Rights if the Separation Time has occurred), supplement, amend, vary, rescind or delete any of the provisions of the Rights Plan Agreement.