

INTERNATIONAL SOVEREIGN ENERGY CORP.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

To Be Held On May 27, 2009

**NOTICE OF MEETING AND
MANAGEMENT INFORMATION CIRCULAR**

April 21, 2009

INTERNATIONAL SOVEREIGN ENERGY CORP.

1750, 801-6th Avenue SW
Calgary, AB T2P 3W2

NOTICE OF ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF INTERNATIONAL SOVEREIGN ENERGY CORP.

TAKE NOTICE that the annual and special meeting (the “**Meeting**”) of the Shareholders of **INTERNATIONAL SOVEREIGN ENERGY CORP.** (hereinafter called the “**Corporation**”) will be held at Borden Ladner Gervais LLP, 11th Floor Canterra Tower, 400 Third Avenue S.W., Calgary, Alberta, T2P 4H2 on Wednesday, May 27, 2009, at 2:00 p.m. (Calgary time) for the purposes of:

1. Receiving and considering the audited financial statements of the Corporation for the fiscal year ended December 31, 2008 and the Report of the Auditor thereon;
2. Fixing the number of directors of the Corporation at five (5);
3. Electing the board of directors for the ensuing year;
4. Appointing Deloitte & Touche LLP as auditor of the Corporation for the ensuing year and to authorize the board of directors to fix their remuneration;
5. Approving the new stock option plan of the Corporation and certain of the stock options previously granted by the Corporation;
6. Approving a special resolution of the shareholders to amend the articles of the Corporation to allow directors to appoint additional directors of the Corporation in between shareholder meetings and to permit meetings of shareholders of the Corporation to be held outside of Alberta;
7. Transacting such other business as may properly be brought before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular dated April 21, 2009, accompanying this Notice and forming part hereof.

Only Shareholders of record at the close of business on April 27, 2009 are entitled to notice of and to attend and vote at the Meeting or any adjournment thereof. **Shareholders who are unable to attend the Meeting in person are requested to date and sign the enclosed proxy and return it, in the envelope provided, to Valiant Trust Company, 130 King Street West, Suite 2950, P.O. Box 34, Toronto, Ontario M5X 1A9. In order to be valid and acted upon at the Meeting, forms of proxy must be returned to the aforesaid address not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the date of the Meeting, or any adjournment thereof.**

DATED at Calgary, Alberta, this 21st day of April, 2009.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) “Eugene N. Hretzay”
Eugene N. Hretzay, Chief Executive Officer

INTERNATIONAL SOVEREIGN ENERGY CORP.

INFORMATION CIRCULAR

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS MAY 27, 2009

SOLICITATION OF PROXIES BY MANAGEMENT

This Information Circular is furnished in connection with the solicitation of proxies by the management of International Sovereign Energy Corp. (the “**Corporation**”) for use at the annual and special meeting of the holders of common shares (“**Common Shares**”) of the Corporation to be held on Wednesday, May 27, 2009, at 2:00 p.m. (Calgary time), (the “**Meeting**”) or at any adjournment thereof, for the purposes set forth in the Notice of Meeting accompanying this Information Circular.

There is enclosed herewith a form of proxy for use at the Meeting. The holders of Common Shares of the Corporation (“**Shareholders**”) are entitled to vote and are encouraged to participate in the Meeting.

This solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of the Notice of Meeting, form of proxy and this Information Circular will be borne by the Corporation. Management does not contemplate a solicitation of proxies other than by mail.

In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so.

APPOINTMENT AND REVOCATION OF PROXIES

A Shareholder has the right to appoint a nominee, other than the persons designated in the enclosed form of proxy (who need not be a Shareholder), to represent him at the Meeting, by inserting the name of his chosen nominee in the space provided for that purpose on the form of proxy or by completing another proper form of proxy. Such a Shareholder should notify the nominee of his appointment, obtain his consent to act as proxy and instruct him on how the Shareholder’s shares are to be voted. In any case, the form of proxy should be dated and executed by the Shareholder or his attorney authorized in writing.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and received by Valiant Trust Company, 130 King Street West, Suite 2950, P.O. Box 34, Toronto, Ontario M5X 1A9, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the date of the Meeting, or any adjournment thereof.

In addition to revocation by any other manner permitted by law, a Shareholder who has given a proxy may revoke it, at any time before it is exercised, by instrument in writing executed by the Shareholder or by his attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited at the office of Valiant Trust Company, 130 King Street West, Suite 2950, P.O. Box 34, Toronto, Ontario M5X 1A9, 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 such meeting on the date of the Meeting or any adjournment thereof. If a person who has given a proxy attends personally at the Meeting, such person may revoke the proxy and vote in person.

NOTICE TO BENEFICIAL HOLDERS OF SHARES

Only registered Shareholders or the persons they validly appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a “Non-Registered Shareholder”) are registered either (i) in the name of an intermediary (an “Intermediary”) (including banks, trust companies, securities dealers or brokers and trustees or administrators of self administered RRSPs, RRIFs, RESPs and similar plans) that the Non-Registered Shareholder deals with in respect of the Common Shares, or (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited), of which the Intermediary is a participant. In accordance with the requirements of the Canadian Securities Administrators, the Corporation will distribute copies of the Notice of Meeting, this Information Circular, and the enclosed form of proxy (collectively, the “meeting materials”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Shareholders.

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Non-Registered Shareholders in advance of Shareholder meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Non-Registered Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Non-Registered Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Non-Registered Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services, Inc. (“**Broadridge**”) in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Non-Registered Shareholders and asks Non-Registered Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). 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 Non-Registered Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

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

VOTING OF PROXIES

The persons named in the enclosed form of proxy are directors and/or officers of the Corporation and have indicated their willingness to represent as proxy the Shareholders who appoint them. Each Shareholder may instruct his proxy how to vote his shares by completing the blanks on the form of proxy.

Common Shares represented by properly executed proxy forms in favour of the persons designated on the enclosed proxy form will be voted for, against, or withheld from voting in accordance with the instructions made on the proxy forms, on any ballot that may be called for and, if Shareholders specify a choice as to any matters to be acted upon, such Shareholders' shares shall be voted accordingly. In the absence of such instructions or choices, such shares will be voted in favour of all matters identified in the Notice of Meeting accompanying this Information Circular.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments and variations to matters identified in the Notice of Meeting and with respect to any other matters which may properly come before the Meeting. The Common Shares represented by the proxy will be voted on such matters in accordance with the best judgment of the person voting such shares. At the time of printing of this Information Circular, management knows of no such amendments, variations or other matters to come before the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS OF SHARES

The Corporation is authorized to issue an unlimited number of Common Shares. As of April 21, 2009, 16,096,084 Common Shares were issued and outstanding. On all matters to be considered and acted upon at the Meeting, holders of Common Shares are entitled to one vote for each Common Share held. The Corporation is also authorized to issued Class A preferred shares which carry voting rights, but no Class A preferred shares have been issued.

The board of directors of the Corporation (the "**Board**") has fixed April 27, 2009, as the record date (the "**Record Date**") for determining which Shareholders are entitled to receive notice of the Meeting. A shareholder of record at the close of business on April 27, 2009, shall be entitled to vote the Common Shares registered in such shareholder's name on that date, except to the extent that (a) such person transfers his Common Shares after the Record Date; and (b) the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes his ownership to the Common Shares, and makes a demand to the registrar and transfer agent of the Corporation, not later than 10 days before the Meeting, that his name be included on the Shareholders' list.

To the best of the knowledge of the directors and officers of the Corporation, no person or company beneficially owns or controls or directs, directly or indirectly, Common Shares carrying more than 10% of the voting rights of the Corporation.

QUORUM FOR MEETING

At the Meeting, a quorum shall consist of two or more persons present and holding or representing by proxy in the aggregate not less than 5% of the outstanding Common Shares. If a quorum is not present at a meeting within a reasonable time after the time fixed for the holding of the meeting, the Shareholders present or represented at the meeting may adjourn the meeting to a fixed time and place but may not transact any other business.

APPROVAL REQUIREMENTS

To be effective, the ordinary resolutions must be approved by a majority (50%) of the votes cast by those Shareholders entitled to do so, voting in person or by proxy at the Meeting on the resolutions. All of the matters to be acted upon at the Meeting require approval by an ordinary resolution except for approval of the amendment to the articles of the Corporation, which requires approval by way of a special resolution. A special resolution is a resolution passed by a majority of not less than two thirds (2/3) of the votes cast by those Shareholders entitled to do so, voting in person or by proxy at the Meeting. **The Common Shares represented by the Proxy will be voted "For" all resolutions hereinafter set forth unless the**

Shareholder specifies that the subject shares are to be voted against or withheld with respect to the resolution in question.

MATTERS TO BE ACTED UPON AT THE MEETING

To the knowledge of the Corporation's directors, the only matters to be placed before the Meeting are those set forth in the accompanying Notice of Meeting and more particularly discussed below.

1. Financial Statements

The financial statements for the year ended December 31, 2008 have been sent with these meetings materials to registered Shareholders. No vote by Shareholders with respect to financial statements is required or proposed to be taken.

2. Fix Number of Directors to be Elected

Shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution fixing the number of directors to be elected. At the Meeting, it will be proposed that five (5) directors be elected to hold office until the next annual general meeting or until their successors are elected or appointed

In order to be effective, this resolution requires the affirmative vote of a majority of the votes cast by shareholders in person or by proxy at the Meeting. **Unless otherwise directed, Management Designees, intend to vote their proxies in favour of this resolution.**

3. Election of Directors

At the Meeting, it is proposed that five persons be elected as directors of the Corporation, to serve until the next annual meeting of Shareholders or until their successors are duly elected or appointed. Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

The names and municipalities of residence of the five persons nominated for election as directors of the Corporation by shareholders, the number of Common Shares of the Corporation beneficially owned or controlled or directed, directly or indirectly, the offices held by each in the Corporation, and the present principal occupation of each are as follows:

Name and Municipality of Residence	Present Office or Position Held	Principal Occupation	Number of Common Shares Indirectly or Directly Beneficially Owned or Controlled⁽¹⁾
John Lokker Calendon, Ontario	Director since June 2008; Chairman	CEO of Neal Traffic Services Limited, Brampton, Ontario.	354,500
Eugene Hretzay Mississauga, Ontario	Director from August 2007 – May 2008; director since June 2008; President and CEO	Prior to accepting the position of President and CEO, Mr. Hretzay was Corporate Counsel & Secretary to Morguard Corporation (real estate) Tri-White Corporation (tourism) and Royal Laser Corp. (automotive parts). From	250,000

Name and Municipality of Residence	Present Office or Position Held	Principal Occupation	Number of Common Shares Indirectly or Directly Beneficially Owned or Controlled ⁽¹⁾
		September 2004 to March 2006: oil and gas auditor for Deloitte & Touche LLP, Calgary. From April 2006 to May 2008: President of Lexervice PC (cross-border tax and transactions legal services).	
Sharad Mistry Thornhill, Ontario	Director since June 2008; CFO and Corporate Secretary	Mr. Mistry is President of SNRS International Inc., providing CFO services to public and private companies. 2004 to present: Director, Finance Chair Registered Insurance Brokers of Ontario.	172,000
Gordon Ashworth Toronto, Ontario	Director since June 2008	Partner and Chairman, Devon Communications since 2003. 2005 to present: director and audit committee member of Baymount Incorporated.	64,500
Peter Proszanski Toronto, Ontario	Director since June 2008	Senior Partner, Himelfarb, Proszanski LLP. 2007 to present: director of Media Ventures Corp.	81,000

Note:

- (1) Based on information provided by the individual directors and officers. Does not include options or warrants to purchase common shares.

See the section below entitled “Disclosure of Corporate Governance Practices – Board Committees” for a discussion of the committees to which each of the directors has been appointed.

To the knowledge of the management of the Corporation, no proposed director or a holding company of such proposed director, is, or within the ten years prior to the date hereof, has been, a director or executive officer of any other company that, while that person or holding company was acting in that capacity: (i) was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer, or the holding company of the foregoing person, ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) within a year of that person or holding company 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.

To the knowledge of the management of the Corporation, no proposed director or a holding company of such proposed director, has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has become subject to or instituted any proceedings, arrangement or compromise with creditors, or has had a receiver, receiver manager or trustee appointed to hold assets of the proposed director or the assets of the proposed director's holding company.

To the knowledge of the management of the Corporation, no proposed director or a holding company of such proposed director, has been subject to: (i) any penalties imposed by a court relating to

securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

In order to be effective, this resolution requires the affirmative vote of a majority of the votes cast by shareholders in person or by proxy at the Meeting. **Unless otherwise directed, Management Designees, intend to vote their proxies in favour of this resolution.**

4. Appointment of Auditors

At the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote in favour of a resolution to appoint the firm of Deloitte & Touche LLP, Chartered Accountants, of Calgary, Alberta, to serve as auditors of the Corporation until the next annual meeting of shareholders and to authorize the Board to fix the remuneration of the auditors. In order to be effective, this resolution requires the affirmative vote of a majority of the votes cast by shareholders in person or by proxy at the Meeting. **Unless otherwise directed, Management Designees intend to vote their proxies in favour of this resolution.**

5. Approval of Stock Option Plan

At the Meeting, Shareholders will be asked to consider and approve the Corporation's new stock option plan (the "**Plan**"). The Plan was adopted by the Board on April 21, 2009. A summary of the Plan for which the Corporation is seeking approval is set forth below and a full copy of the Plan is attached hereto as Schedule "A". It is intended that the Plan replace and supersede the previous stock option plan of the Corporation approved by shareholders at the 2008 annual and special meeting of Shareholders (the "**2008 Option Plan**") and the fixed option plan of the Corporation in place prior thereto and approved by shareholders at the 2004 annual and special meeting of shareholders (the "**Fixed Option Plan**"). The general terms of the Plan, which has been conditionally approved by the Toronto Stock Exchange (the "**TSX**") are as follows.

Pursuant to the Plan, the following persons ("**Eligible Participants**" or "**Optionees**") are permitted to be granted options ("**Options**") to purchase Common Shares: (i) an employee or insider of the Corporation or any of its subsidiaries; and (ii) any other person or company engaged to provide ongoing management or consulting services for the Corporation or for any entity controlled by the Corporation.

The exercise price of each Option is determined by the directors of the Corporation and shall not be lower than the market price of the Common Shares on the TSX on the date of grant. "Market price" shall mean the five day volume weighted average trading price of the Common Shares on the TSX over the last five trading days on which the Common Shares traded on the TSX immediately preceding the date of the grant, or in the event that any of these five trading days fall in a black-out period (as imposed pursuant to policies of the Corporation), "market price" shall mean the last closing price of the Shares on the Exchange immediately preceding the date of grant.

Pursuant to the Plan, the Corporation shall make all necessary or desirable determinations regarding the granting of Options to Eligible Participants and may take into consideration the present and potential contributions of a particular Eligible Participant to the success of the Corporation, the recommendations of the Board or any subsidiary of the Corporation and any other factors which it may deem proper and relevant.

Subject to earlier termination as described below, each Option and all rights thereunder granted pursuant to the Plan shall expire on the date determined by the Corporation, provided that the duration of an Option

shall not be less than 1 year or exceed 10 years. Unless otherwise specified by the Corporation, Options will vest as to 1/3 after each of the first, second and third anniversaries of the grant of the Option.

Vested Options may be exercised no later than 90 days following the date a person ceases to be an Eligible Participant, unless such termination is for cause, in which case no Options may be exercised following the date of termination. Where the Option expires or is deemed to expire during a black-out period (as determined pursuant to the policies of the Corporation) or within ten business days from the date that any black-out period ends, the Option shall not be deemed to expire until the day that is ten business days from the last day of the black-out period. Options are non-transferable except to the extent the rights of an Optionee pass to another person upon death by will or pursuant to the laws of descent and distribution. In the event of an offer for the Common Shares, the Options become fully exercisable.

The Plan includes adjustment provisions which provide discretion to the Corporation to adjust the terms of Options in the event of a consolidation, subdivision or reclassification of the Common Shares and it includes provisions which allow Options to be exercised in connection with an offer to acquire all of the outstanding Common Shares, notwithstanding vesting and other restrictions contained in the Plan.

Where the Common Shares are listed and posted for trading on a recognized stock exchange, Eligible Participants may elect to surrender unexercised Options granted pursuant to the Plan that are vested and exercisable to the Corporation in consideration of the receipt by the Eligible Participant of an amount (the “**Settlement Amount**”) equal to the excess, if any, of the aggregate fair market value of the Common Shares (based on the weighted average trading price of the Common Shares on such stock exchange during the five trading days preceding the date of surrender or the price pursuant to an offer made for all of the issued and outstanding Common Shares, whichever is greater) able to be purchased pursuant to the vested and exercisable portion of such Options on the date of surrender, over the aggregate exercise price for the Common Shares pursuant to such Options. The Corporation may, in its sole discretion, refuse to accept the surrender of unexercised Options and if any such surrender is not accepted by the Corporation or completed for any reason, the notice of surrender shall be deemed to be withdrawn and the Options in respect of which such notice was provided shall again become subject to their original terms as if such notice of surrender had not been provided.

Pursuant to the Plan, the Corporation may issue up to and including 10% of its issued and outstanding Common Shares (on a non-diluted basis) as Options. The aggregate number of Common Shares reserved for issuance to insiders pursuant to Options or other security based compensation arrangements of the Corporation shall not at any time exceed 10% of the total number of Common Shares then outstanding. The issuance of Common Shares to insiders of the Corporation pursuant to Options or any other security based compensation arrangements shall not exceed or result in the issuance to such insiders within a one year period of more than 10% of the total number of Common Shares outstanding.

The Plan provides the Board with broad discretion to amend the Plan or an option granted thereunder without Shareholder approval, subject only to any approvals required by regulatory authorities or stock exchanges. Terms of the Plan that could be amended by the Board without approval of Shareholders could include, without limitation, an amendment that:

- (a) is for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
- (b) is necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares are listed;

- (c) is an amendment to the Plan respecting administration and eligibility for participation under the Plan;
- (d) changes the terms and conditions on which Options may be granted pursuant to the Plan including the provisions relating to exercise price, vesting provisions and Option period;
- (e) changes the termination provisions of an Option or the Plan which does not entail an extension beyond the original expiry date; or
- (f) is an amendment to the Plan of a “housekeeping nature”,

provided that in the case of any amendment referred to in paragraph (a) or (b) above, the alteration, amendment or variance does not:

- (a) amend the number of Common Shares issuable under the Plan;
- (b) add any form of financial assistance by the Corporation for the exercise of any Option;
- (c) result in a material or unreasonable dilution in the number of outstanding Common Shares or any material benefit to an Eligible Participant; or
- (d) change the class of eligible participants to the Plan which would have the potential of broadening or increasing participation by insiders of the Corporation, the Corporation or a subsidiary.

Subject to any required regulatory approval of any regulatory authority or stock exchange, the Corporation may amend the exercise price, the Option period (which in no event shall exceed 10 years from the date of grant) and the termination provisions of Options granted pursuant to the Plan, without Common Shareholder approval, provided that if the Corporation proposes to reduce the exercise price or extend the Option period of Options granted to insiders of the Corporation, the Corporation must seek and obtain Shareholder approval.

There are currently 16,096,084 issued and outstanding Common Shares. Therefore, at the time of implementation of the Plan, a maximum of 1,609,608 Common Shares may have been reserved and allocated under the Plan. This number will increase if and as the issued and outstanding Common Shares of the Corporation increases. If Options are exercised, surrendered (including pursuant to surrender for a Settlement Amount as described above), terminated or expire without being exercised in whole or in part, new Options may be granted covering the Common Shares not purchased under such lapsed Options to the extent permitted by the Exchange.

The policies of the TSX provide that a listed issuer may grant options or rights under a security based compensation arrangement that has not been approved by security holders provided that no exercise of such option or right may occur until security holder approval is obtained. The Corporation has granted 630,000 Options to certain members of the Board and to certain officers, employees and consultants of the Corporation as set out below. None of these options have been exercised. 580,000 of the options set out below were granted pursuant to the 2008 Option Plan (the “**2008 Options**”) and require the confirmation and approval of the Shareholders as the 2008 Option Plan was not put forth to the TSX for approval.

Date of Grant	Optionee Name	# Options	Exercise Price (\$)	Expiry Date
8-Mar-07	Employees	50,000	2.00	7-Mar-12
19-Aug-08	Officers	225,000	1.25	18-Aug-13

Date of Grant	Optionee Name	# Options	Exercise Price (\$)	Expiry Date
19-Aug-08	Directors (not also Officers)	200,000	1.25	18-Aug-13
19-Aug-08	Employees	55,000	1.25	18-Aug-13
19-Aug-18	Consultant	50,000	1.25	18-Aug-13
23-Sep-08	Employee	50,000	1.25	22-Sep-13

The Shareholders will be asked to consider and if thought fit, approve an ordinary resolution approving the Plan and the 2008 Options. **Unless otherwise directed, the Management Designees intend to vote their proxies in favour of the following resolution.**

“BE IT RESOLVED that:

1. the stock option plan of International Sovereign Energy Corp. (the “Corporation”) substantially in the form attached as Schedule “A” to the management information circular of the Corporation dated April 21, 2009 (the “Circular”), be and is hereby approved and adopted as the stock option plan of the Corporation, amend, replace and supersede all previous option plans of the Corporation;
2. the form of the Corporation’s stock option plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the Shareholders of the Corporation;
3. the grant of the 2008 Options (as set out in the Circular) be approved, notified and confirmed;
4. any one director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under seal of the Corporation or otherwise) that may be necessary or desirable to give effect to these resolutions.”

6. Amendment to Articles

At the Meeting, Shareholders will be asked to consider and if thought fit, approve and adopt a special resolution of the Shareholders to amend the articles of the Corporation to add the following provisions:

- (a) The directors may, between annual general meetings, appoint one or more additional directors of the Corporation to serve until the next annual general meeting, but the number of additional directors shall not at any time exceed one-third (1/3) of the number of directors who held office at the expiration of the last annual meeting of the Corporation.
- (b) In addition to anywhere in Alberta, meetings of shareholders of the Corporation may be held outside Alberta.

This resolution must be approved by special resolution in order to become effective. To pass, a special resolution requires the affirmative vote of not less than two-thirds (2/3) of the votes cast by the Shareholders present at the Meeting in person or by proxy. **Unless otherwise directed, the Management Designees intend to vote proxies in favour of the following resolutions.**

“BE IT RESOLVED as a special resolution of the Corporation that:

1. The Articles of the Corporation (the **“Articles”**) be amended to add the following provisions:
 - a) The directors may, between annual general meetings, appoint one or more additional directors of the Corporation to serve until the next annual general meeting, but the number of additional directors shall not at any time exceed one-third (1/3) of the number of directors who held office at the expiration of the last annual meeting of the Corporation.
 - b) In addition to anywhere in Alberta, meetings of shareholders of the Corporation may be held outside Alberta.
2. Any one director or officer of the Corporation be and is hereby authorized and directed, for and on behalf of the Corporation, to execute, or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or file, or cause to be delivered or filed, as the case may be, all applications, declarations, documents, instruments and all such other acts and things as he may determine necessary or advisable to give effect to the foregoing resolutions including, without limitation, filing of articles of amendment, the execution of any such document or the doing of any such act or thing being conclusive evidence of such determination.

7. Other Business

The Corporation’s management is not aware of any other matters to come before the Meeting other than those set out in the Notice of Meeting. If other matters come before the Meeting, it is the intention of the Management Designees to vote the same in accordance with their best judgment in such matters.

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

The Corporation is not aware of any material interest of any director, executive officer, nominee for election as a director of the Corporation or of any associate or affiliate of any of the foregoing in respect of any matter to be acted on at the Meeting, except as specifically provided herein.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of any “informed person” (as defined in National Instrument 51-102) of the Corporation, any proposed nominee for election as a director of the Corporation or any associate or affiliate of any informed person or proposed nominee in any transaction since January 1, 2008, or in any proposed transaction, that has materially affected or would materially affect the Corporation.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors or senior officers of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, is or was indebted to the Corporation or any of its subsidiaries at any time since January 1, 2008.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Corporate Governance and Environmental Committee (the “**Governance Committee**”) is responsible for setting the overall compensation strategy of the Corporation and administering the Corporation’s executive compensation program. As part of its mandate, the Governance Committee approves the appointment and remuneration of the Corporation’s executive officers, including the Named Executive Officers identified in the Summary Compensation Table. The Governance Committee is also responsible for reviewing the Corporation’s compensation policies and guidelines generally.

The objective of the executive compensation program is to attract, motivate, reward and retain management talent that is needed to achieve the Corporation’s business objectives. The compensation program is designed to ensure that compensation is competitive with other companies of similar size and is commensurate with the experience, performance and contribution of the individuals involved and the overall performance of the Corporation. In evaluating performance, the Governance Committee gives consideration to the Corporation’s long-term interests and quantitative financial objectives, as well to the qualitative aspects of the individual’s performance and achievements. In addition, the Governance Committee will receive and review recommendations of the Chief Executive Officer relating to the general compensation structure and policies and programs for the Corporation and the salary and benefit levels for the executive officers.

The executive compensation program is comprised of three principal components: base salaries, a bonus plan and a stock option plan which are designed to provide a combination of cash and equity-based compensation to effectively retain and motivate the executive officers to achieve the corporate goals and objectives. Each component of the executive compensation program is described below.

Base Salaries

Executive officers are paid a base salary to compensate them for providing the leadership and specific skills needed to fulfill their responsibilities. The base salaries for the executive officers are reviewed annually by the Governance Committee and are determined by considering the contributions made by the officers, how their compensation levels related to compensation packages that would be achievable by such officers from other opportunities and commercially available salary survey data. Salaries of the executive officers are not determined based on benchmarks or a specific formula, but are related to comparable companies within the business segment the Corporation operates in and which are of comparable size and complexity. The Governance Committee submits its recommendation to the full board of directors to determine the salary of the Chief Executive Officer. The Governance Committee considers, and if thought appropriate, approves salaries recommended by the Chief Executive Officer for the other executive officers of the Corporation.

Bonus Plan

The Board, upon the recommendation of the Governance Committee, approves bonus payments to reward executive officers for their contribution to the achievement of annual corporate goals and objectives. The payment of bonuses is consistent with the overall objective of the Corporation to reward performance. No bonuses were awarded for 2008 or related to the 2008 performance of the Corporation. A bonus program has been established for executive officers and senior management. This program is based on key metrics in measuring financial performance against an established base of expectations, which metrics include the trading price of the Common Shares. The plan will reward participants on the Corporation achieving an increase in financial performance with rewards granted at increasingly higher percentages of base salaries dependent on the results achieved as measured against the base metrics. At no time will more than 100% of the base salary be awarded under this program.

Stock Option Plan

The Corporation has adopted an incentive stock option plan (previously defined as the “Plan”) and prior to that had the 2008 Option Plan in place, pursuant to which options to purchase Common Shares may be granted to directors, officers, employees and consultants of the Corporation. The Plan is designed, through the grant of options, to reward key individuals in relation to the share price of the Corporation. The Plan is an integral component of the Corporation’s total compensation program in terms of attracting and retaining key employees and enhances shareholder value by aligning the interests of executives and employees with the growth and profitability of the Corporation. The longer-term focus of the Plan complements and balances the short-term elements of the compensation program of the Corporation.

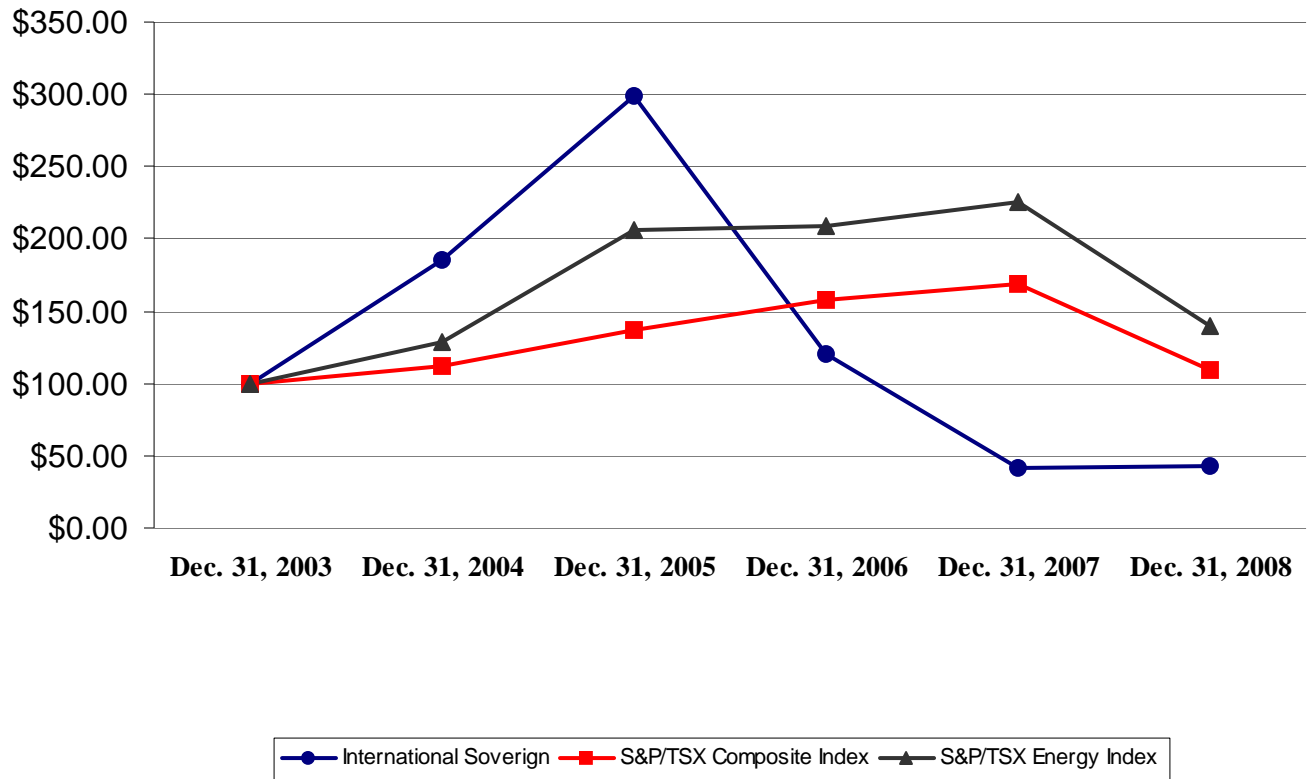
Pursuant to the Plan, the Board may grant from time to time to directors, officers, employees and consultants of the Corporation options to purchase Common Shares. In determining the number of options to be granted to the executive officers, the Governance Committee considers the amount, terms and vesting levels of existing options held by the officers and also the number of options remaining available for grant by the Corporation in the future to attract and retain qualified technical and administrative staff. Generally, the number of options granted to any optionee is a function of the level of authority and responsibility of the optionee, the contribution that has been made by the optionee to the business and affairs of the Corporation, the number of options that have already been granted to the optionee and such other factors as the Governance Committee may consider relevant.

See also the section below entitled “Equity Compensation Plan Information” for further information on the Option Plan.

Performance Graph

The following performance graph compares the Corporation’s cumulative total shareholder return on Common Shares over the period from December 31, 2003 to December 31, 2008, assuming a \$100 initial investment and the reinvestment of all dividends with the cumulative total shareholder return on the S&P/TSX Composite Index and the S&P/TSX Energy Index.

Cumulative Value of a \$100 Investment



	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008
International Sovereign	\$100.00	\$185.63	\$299.40	\$119.76	\$41.92	\$42.51
S&P/TSX Composite Index	\$100.00	\$112.48	\$137.12	\$157.02	\$168.27	\$109.33
S&P/TSX Energy Index	\$100.00	\$128.68	\$205.54	\$208.56	\$225.02	\$139.11

There is no correlation between the share trend shown above and executive compensation over the same period, particularly in light of the fact that new management came into the Corporation during 2008.

Option-Based Rewards

The process that the Corporation uses to grant option-based awards to executive officers, including the Named Executive Officers, is for the Board to approve option grants based on recommendations made by the Governance Committee. The key elements in determining the timing and level of any option grant is the need to provide the appropriate incentive to participants in the plan to improve the performance of the Corporation for the benefit of all shareholders, while ensuring that sufficient un-issued options remain to provide such incentive to new participants as the Corporation grows its operation and to recognise the contribution of existing participants. The initial grant during the tenure of the new Board was made to new directors, executive officers, senior management and consultants. Further options may be granted to

continue with the objectives of the share option program. Option awards are determined based on the factors described above under the heading “Stock Option Plan”.

Summary Compensation Table

The following table sets forth a summary of all compensation for services paid during the most recently completed financial year for the current CEO and CFO and the former CEO, CFO and Senior Vice President (the “**Named Executive Officers**”). No other executive officer received total compensation of more than \$150,000 during the most recently completed financial year.

Name and principal position	Year	Salary (\$) ⁽¹⁾	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Eugene Hretzay, CEO ⁽³⁾	2008	76,563	126,000	0	0	0	0 ⁽⁴⁾	202,563
Sharad Mistry, CFO	2008	32,500	63,000	0	0	0	0 ⁽⁴⁾	95,500
Lutfur Rahman Khan, former CEO	2008	150,000	0	0	0	0	670,898 ⁽⁵⁾	820,898
Dr. Waseem Rahman former Sr VP	2008	84,000	0	0	0	0	285,248 ⁽⁵⁾	369,248
Omair Choudry, former CFO	2008	78,000	0	0	0	0	267,993 ⁽⁵⁾	345,993

Notes:

- (1) Salaries for Mr. Khan, Dr. Rahman and Mr. Choudry were for the period of January 1, 2008 – June 30, 2008 and salaries for Mr. Hretzay and Mr. Mistry were for the period of June 24, 2008 – December 31, 2008.
- (2) These options have an exercise price of \$1.25 per Common Share and therefore were “out of the money” at December 31, 2008 and at April 21, 2009. The Corporation has calculated fair value of the options to Named Executive Officers at the grant date using the Black Scholes Model. The Corporation has chosen this methodology because it is recognized as the most common methodology used for valuing options and doing value comparisons. The fair value of each option granted by the Corporation estimated using the Black-Scholes option pricing model assuming no dividends will be paid on common shares, a risk-free interest rate of 2.80% on an average life of 5 years and a volatility of 85% to be \$0.84 per option. The aggregate number of options granted and held by each of the Named Executive Officers, during the financial year ended December 31, 2008 is disclosed in the table “*Outstanding Option-Based Awards*” below.
- (3) Mr. Hretzay, the Corporation and ENH Holdings Ltd. have entered into a consulting services agreement pursuant to which ENH Holdings Ltd. (of which Mr. Hretzay is the sole shareholder) has agreed to provide services to the Corporation in the nature of performing the role of president and Chief Executive Officer, such services to be provided by Mr. Hretzay. With respect to the salary set out in the above table, this amount was paid to ENH Holdings Ltd. which in turn paid an equal amount to Mr. Hretzay. The option based awards set out above were granted directly to Mr. Hretzay.
- (4) The value of all other compensation for each Named Executive Officer is less than \$50,000 and less than 10% of each Named Executive Officer’s total salary for the financial year ended December 31, 2008.
- (5) These former executives considered themselves to be entitled to a change of control payment under their respective employment contracts and unilaterally withdrew from the Corporation’s bank account prior to the annual and special meeting of the Corporation on June 23, 2008. The Corporation is attempting to recover these payments through the courts.

Outstanding Option-Based Awards

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the financial year ended December 31, 2008 to the Named Executive Officers of the Corporation.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾
Eugene Hretzay	150,000	1.25	August 19, 2013	0
Sharad Mistry	75,000	1.25	August 19, 2013	0

Note:

(1) These options were not vested and were “out of the money” at December 31, 2008 and at April 21, 2009.

Incentive Plan Awards – Value Vested or Earned During the Year

None of the share options issued to the Named Executive Officers of the Corporation vested during financial year ended December 31, 2008.

Termination and Change of Control Benefits

Pursuant to the consulting services agreement among the Corporation, ENH Holdings Ltd. and Mr. Hretzay, under which Mr. Hretzay provides management services to the Corporation, the following is provided with respect to a termination or change or control of the Corporation. In the event that Mr. Hretzay’s consulting arrangement is terminated by the Corporation for a reason other than a breach by Mr. Hretzay or the disability of Mr. Hretzay, or in the event that a material change in the composition of the Board or the share ownership of the Corporation takes place, the following shall become payable to ENH Holdings Ltd.: (i) accrued but unpaid bonus, fees for services and unpaid expenses, (ii) a lump sum amount equal to one year fees for services, and (iii) in the event that this agreement is terminated prior to August 14, 2009, an amount equal to \$12,500 multiplied by the number of completed months from August 14, 2008 to the date of termination OR if this agreement is terminated by the Corporation on or after August 14, 2009, an amount equal to the bonus received by ENH Holdings Ltd. in the immediately preceding year.

Pursuant to a resolution of the Board, in the event that Sharad Mistry’s employment with the Corporation is terminated, except in the case of an appointment of a permanent Chief Financial Officer of the Corporation who is not Mr. Mistry, Mr. Mistry will be entitled to an amount equal to one year’s salary and any bonus to which he would otherwise be entitled.

Director Compensation

Director Compensation Table

The following table sets forth information in respect of all amounts of compensation provided to the directors that are not Named Executive Officers during the Corporation’s financial year ended December 31, 2008.

Name	Fees earned (\$)	Option-based awards (\$) ⁽¹⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
John Lokker	30,000	84,000	0	0	0	114,000

Name	Fees earned (\$)	Option-based awards (\$) ⁽¹⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Gordon Ashworth	10,700	42,000	0	0	0	52,400
Peter Proszanski	9,800	42,000	0	0	0	51,500
Lutfur Rahman Khan	7,200	0	0	0	0	7,200
Afzal Mahomood	7,600	0	0	0	0	7,600
Dr. Waseem Rahman	7,200	0	0	0	0	7,200
Mahmood Arshad	7,600	0	0	0	0	7,600
Dr. Qamar Malik	7,600	0	0	0	0	7,600
Desmond Smith	7,200	0	0	0	0	7,200

Note:

- (1) These options have an exercise price of \$1.25 per Common Share and therefore were “out of the money” at December 31, 2008 and at April 21, 2009. The Corporation has calculated the fair value of the options to directors at the grant date using the Black Scholes Model. The Corporation has chosen this methodology because it is recognized as the most common methodology used for valuing options and doing value comparisons. The fair value of each option granted by the Corporation estimated using the Black-Scholes option pricing model assuming no dividends will be paid on common shares, a risk-free interest rate of 2.80% on an average life of 5 years and a volatility of 85% to be \$0.84 per option. The aggregate number of options granted and held by each of the directors, during the financial year ended December 31, 2008 is disclosed in the table “*Outstanding Option-Based Awards*” below.

Outstanding Option-Based Awards

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the financial year ended December 31, 2008 to the directors of the Corporation.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾
John Lokker	100,000	1.25	August 19, 2013	0
Gordon Ashworth	50,000	1.25	August 19, 2013	0
Peter Proszanski	50,000	1.25	August 19, 2013	0

Notes:

- (1) These options were not vested and were “out of the money” at December 31, 2008 and at April 21, 2009.

Incentive Plan Awards – Value Vested or Earned During the Year

None of the share options issued to the directors of the Corporation vested in the financial year ended December 31, 2008.

EQUITY COMPENSATION PLAN INFORMATION

As of December 31, 2008, equity securities are authorized for issuance as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	630,000	\$1.31	979,608
Equity compensation plans not approved by security holders	nil		nil
Total	630,000		979,608

The 2008 Option Plan of the Corporation was approved by Shareholders at the 2008 annual and special meeting. The 2008 Option Plan permits options to be granted by the directors of the Corporation to employees, directors, officers and consultants for a term not exceeding five years. The total number of Common Shares that can be made available to be granted under the 2008 Option Plan cannot exceed 10% of the Common Shares outstanding. As at December 31, 2008, 630,000 options were outstanding, which represented 3.9% of the issued and outstanding Common Shares of the Corporation at that time. Unless the directors of the Corporation determine otherwise, options granted are to be exercisable as to a maximum of 33 1/3% at each of the first three anniversaries of the date of grant.

The exercise price of the Common Shares purchased pursuant to options granted under the 2008 Option Plan shall not be less than that from time to time permitted by the TSX. Options cannot be assigned or transferred, except in the case of the death of an optionee. In the event of the death of an optionee, options granted which have vested at the time of death may be exercised at any time during the twelve (12) month period following the death. In the event that the optionee's employment or engagement with the Corporation is terminated for any reason other than death, the optionee shall have ninety (90) days from the date of such termination to exercise those options that have vested (thirty (30) days in the case of an optionee engaged in investor relations activities). The full price of the optioned shares must be paid upon exercise of any options.

The 2008 Option Plan further provides that any stock options granted under it:

- are not assignable;
- to any one participant, within a one-year period, shall not exceed 5% of the issued and outstanding shares;
- to any one consultant or employee conducting investor relations, within a one-year period, shall not exceed 2% of the issued and outstanding shares;
- shall become immediately exercisable upon an offer to purchase 20% or more of the Common Shares and
- may include a stock appreciation right whereby a participant can elect to surrender to the Corporation an unexercised option and receive in exchange that number of Common Shares that have an aggregate value equal to the excess of the market price (based on a 10 day weighted average sale price) of the Common Shares.

It is intended that upon the approval of the new Plan, that all options previously granted be governed by the new Plan.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Under National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, the Corporation is required to include in this Information Circular the disclosure required under Form 58-101F1 with respect to the matters set out under National Policy - 58-201 *Corporate Governance Guidelines*.

Board of Directors

The Corporation's Board, which is responsible for supervising the management of the business and affairs of the Corporation, is comprised of five directors, of which three are independent. The independent directors are John Lokker, Gordon Ashworth and Peter Proszanski. The President and Chief Executive Officer of the Corporation, Eugene N. Hretzay, is not independent by virtue of being a member of the Corporation's management. The Chief Financial Officer and Corporate Secretary, Sharad Mistry, is also not independent by virtue of being a member of the Corporation's management. Certain of the Corporation's directors serves as a director of other reporting issuers as indicated in the table below.

Director	Directorships Held
John Lokker	Tri-White Corporation
Gordon Ashworth	Baymount Incorporated
Peter Proszanski	Media Ventures Corp.

The independent members of the Board do not hold regularly scheduled meetings at which the non-independent director and members of management are not in attendance given the size of the Corporation. However, at such times as fully independent meetings are required, the non-independent directors and management would be excluded. During the most recently completed financial year, the independent directors of the Corporation held no meetings without the non-independent directors and members of management present, except for in camera meetings with the Corporation's auditors.

Attendance for the directors meetings and committee meetings from January – June 2008 (pre 2008 AGM) were as follows:

Name of Director	Board	Audit Committee	Reserves Committee
Lutfur Rahman Khan	3	3	
Afzal Mahomood	3	3	
Dr. Waseem Rahman	3	3	
Mahmood Arshad	3	3	
Dr. Qamar Malik	3	3	1
Desmond Smith	3	3	1
Eugene Hretzay	2	2	

Attendance for the directors and committee meetings from June – December 2008 (post 2008 AGM) were as follows:

Name of Director	Board	Audit Committee	Governance Committee
John Lokker	3	2	2
Gordon Ashworth	3	2	2
Peter Proszanski	3	2	2
Eugene Hretzay	3	2	2

Sharad Mistry	3	2	2
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Board Mandate

The Mandate of the Board is to plan the Corporation's long term objectives and goals on a continuous basis. The Board Mandate is attached hereto as Schedule "B".

Position Descriptions

John Lokker is the chair of the Board and is an independent director. The Board has developed written position descriptions of the chair of the Board and the chair of each Board committee.

The Board has also developed a written position description for the CEO.

Board Committees

The Board has established the following Board committees comprised of the members set out in the following table:

Committee	Members	Independent
Audit Committee	John Lokker (Chair)	Yes
	Peter Proszanski	Yes
	Gordon Ashworth	Yes
Corporate Governance and Environmental Committee	John Lokker (Chair)	Yes
	Peter Proszanski	Yes
	Gordon Ashworth	Yes
	Eugene Hretzay	No
	Sharad Mistry	No
Reserves Committee	John Lokker (Chair)	Yes
	Peter Proszanski	Yes
	Gordon Ashworth	Yes

The function of the Corporate Governance and Environmental Committee (previously defined as the "Governance Committee") is to i) recommend governance policies for adoption by the Corporation, and to amend, administer and monitor compliance with the Corporation's governance policies, ii) determine compensation policies and set the CEO's compensation and iii) review and make recommendations on environmental matters.

The function of the Reserves Committee is to recommend the engagement of a reserves evaluator, ensure the reserves evaluator's independence, review the procedures for disclosure of reserves evaluation, meet independently with the reserves evaluator to review the scope of the annual review of reserves, discuss findings and disagreements with management, annually assess the work of the reserves evaluator and approve the Corporation's annual reserve report and consent forms of management and the reserves evaluator thereto.

Please consult the annual information form of the Corporation filed in March, 2009 for a discussion of the Audit Committee.

Orientation and Continuing Education

The Corporation provides each new director with all applicable information regarding the roles and responsibilities of the Board, each Committee, the Board Chair, Chair of each Committee and the CEO. It provides information regarding the nature and operation of the Corporation's business, its organizational structure, governance policies and mandates for the board and each of the committees. The Corporation arranges for presentations to be made to the Board and each Committee of the Board to inform directors regarding corporate developments and changes in legal, regulatory and industry requirements affecting the Corporation. As well, directors are encouraged to interact with management and employees and to stay abreast of industry developments and the evolving business of the Corporation. The Corporation encourages its Board and Committee members to continue to educate themselves through courses and other opportunities to ensure that its Directors maintain the skill and knowledge necessary to meet their obligations as directors.

Ethical Business Conduct

The Corporation has adopted a written Code of Business Conduct (the "**Code**"). The Governance Committee takes reasonable steps to monitor compliance with the Code by requiring employees, on the commencement of their employment and as and when directed by management, to sign a copy of the Code acknowledging that they have read, understood and will comply with the Code. The Code applies to the Corporation's directors, officers, employees and consultants, each of whom is expected to ensure that his or her behaviour accords with the letter and the spirit of the Code. Questions or concerns about the Code are to be directed to an executive officer of the Corporation or to the Chair of the Governance Committee.

In addition to the Code, the Corporation has an Audit Committee Charter regarding the collection and dissemination of accounting information, and a Whistleblowing Policy with respect to reporting accounting and auditing irregularities. Copies of these documents are available on the Corporation's website and are filed on SEDAR as attachments to the annual information form of the Corporation filed in March 2009.

Since the beginning of the most recently completed financial year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.

Exercise of Independent Judgement

The Board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Code and are expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere. The Board is required by the Board Mandate to satisfy itself that the CEO and other executive officers are acting with integrity and fostering a culture of integrity throughout the Corporation.

The Governance Committee is responsible for reviewing departures from the Code by executive officers, management, employees and consultants, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. The Board as a whole is responsible for responding to conflict of interest situations involving directors, particularly with respect to existing or proposed transactions and agreements in respect of which directors advise they have a material interest.

Conflicts of Interest

The Board Mandate requires: (1) that directors and officers disclose any material interest in any transaction or agreement with the Corporation; (2) that an individual director, if requested by the Board, excuse himself or herself from Board's deliberations; and (3) that directors do not vote in respect of transactions in which they have an interest. The Corporation's directors and officers abide by the disclosure of conflict of interest provisions contained in the *Business Corporations Act* (Alberta), which are incorporated in the Code by reference. By taking these steps, the Board strives to ensure that directors at the Board meetings exercise independent judgement, unclouded by the relationships of the directors and officers to each other and the Corporation, in considering transactions and agreements in respect of which directors and executive officers have an interest.

Director Nomination

Responsibility for identifying new candidates to join the Board belongs to Board as a whole. The Board is responsible for identifying qualified candidates, recommending nominees for election as directors, and appointing directors to Committees. The Board considers candidate's independence, financial acumen, skills and available time to devote to the duties of the Board in making their recommendations for nomination. The Board reviews the composition and size of the Board and tenure of directors in advance of annual meetings when directors are most commonly elected by the Corporation's Shareholders, as well as when individual directors indicate that their terms may end or that their status may change. In order to aid in an objective nomination process, board members with the necessary types and breadth of experience to direct a public junior oil and gas company are sought.

Compensation

The Governance Committee annually recommends the compensation to be received by the Corporation's directors and CEO, and evaluates the proposed compensation to be received by the executive officers and management. The Governance Committee is comprised of the entire Board. The CEO and CFO, who are also directors, do not participate in any Board discussions with regard to compensation issues that pertain to him. Please see the earlier section entitled "Compensation Discussion and Analysis" for a discussion of compensation.

Director Assessment

In addition to determining compensation, the Governance Committee is responsible for conducting an informal annual evaluation and assessment of the performance, contribution and effectiveness of individual directors and each Committee, the Board Committees of the Board and the Board as a whole. The annual review also asks directors to provide feedback on the Corporation's Mandates, the Code and all of its policies.

ADDITIONAL INFORMATION

Copies of the Corporation's financial statements and MD&A are available on **SEDAR** at www.sedar.com.

SCHEDULE "A"

INTERNATIONAL SOVEREIGN ENERGY CORP. OPTION PLAN

PART 1 INTRODUCTION

1.1 Purpose

The purpose of the Plan is to secure for International Sovereign Energy Corp. (the "Corporation") and its shareholders the benefits of incentives inherent in share ownership by, amongst others, the directors, management, employees and consultants of the Corporation and the Subsidiaries who, in the judgment of the Board, will contribute to its future growth and success. It is generally recognized that a share option plan of the nature provided for herein aids in retaining and encouraging directors, management, employees and consultants who are considered potential key contributors to the success of the Corporation, by providing to them the opportunity to acquire a proprietary interest in the Corporation.

1.2 Definitions

Whenever used herein, the following words and expressions shall have the following meanings, namely:

- (a) "Board" means the board of directors of the Corporation as it may be constituted from time to time;
- (b) "Exchange" means The Toronto Stock Exchange;
- (c) "Corporation" means International Sovereign Energy Corp.;
- (d) "Insider" of the Corporation or a Subsidiary, as applicable, means:
 - (i) an insider as defined in the *Securities Act* (Alberta), other than a person who falls within that definition solely by the virtue of being a director or senior officer of a Subsidiary; and
 - (ii) an associate (as such term is defined in the *Securities Act* (Alberta)) of any person who is an insider by virtue of subparagraph (i);
- (e) "Option" means an option granted under the terms of the Plan;
- (f) "Option Period" means the period during which an Option may be exercised;
- (g) "Optionee" or "Participant" means a Service Provider to whom an Option has been granted under the terms of the Plan;
- (h) "Plan" means the plan established and operated pursuant to the terms hereof;
- (i) "Service Provider" means:
 - (i) an employee or Insider of the Corporation or of a Subsidiary; and

- (ii) any other person or company engaged to provide ongoing management or consulting services for the Corporation or for any entity controlled by the Corporation;
- (j) “Shares” means shares in the Corporation; and
- (k) “Subsidiary” means a subsidiary as described in the *Securities Act* (Alberta) and includes entities controlled, directly or indirectly, by the Corporation.

PART 2 SHARE OPTION PLAN

2.1 Participation

Options shall be granted only to Service Providers.

2.2 Determination of Option Recipients

The Board shall make all necessary or desirable determinations regarding the granting of Options to Service Providers and may take into consideration the present and potential contributions of a particular Service Provider to the success of the Corporation, the recommendations of the board of directors of any Subsidiary and any other factors which it may deem proper and relevant.

2.3 Price

The exercise price per Share shall be determined from time to time by the Board and shall not be lower than the market price of the Shares on the Exchange on the date of grant, if the Shares are then listed for trading on the Exchange. “Market price” shall mean the five day volume weighted average trading price of the Shares on the Exchange over the last five trading days on which the Shares traded on the Exchange immediately preceding the date of the grant, or in the event that any of these five trading days fall in a Black-out Period (as defined in Section 2.5(b)), “market price” shall mean the last closing price of the shares on the Exchange immediately preceding the date of grant.

2.4 Grant of Options

The Board may at any time authorize the granting of Options to such Service Providers as it may select for the number of Shares that it shall designate, subject to the provisions of the Plan.

Each Option granted to a Service Provider shall be evidenced by an Option Agreement with terms and conditions consistent with the Plan and as approved by the Board, or the President of the Corporation, if duly authorized by the Board, (which terms and conditions need not be the same in each case and may be changed from time to time). Until such time as the Board, or the President of the Corporation if so authorized, shall otherwise determine, and subject to the provisions herein, the form of Option Agreement adopted for use hereunder shall be that which is attached hereto as Schedule “A”.

2.5 Terms of Options

The Option Period shall be of such length as is determined by the Board but in any event shall not be less than one (1) year and shall not exceed ten (10) years from the date such Option is granted, and may also be reduced with respect to any such Option as provided in Section 2.9 hereof covering termination of employment or death of the Optionee.

Subject to the other terms and conditions of this Plan, and unless otherwise specified by the Board, Options may be exercised as follows:

- (a) the Optionee may exercise his or her rights as to 1/3 of the Shares under option or any lesser part thereof after each of the first, second and third anniversaries of the grant of the Option; and
- (b) notwithstanding anything else in the Plan, where the Option expires or is deemed to expire during a period of time imposed by the Corporation upon certain designated persons during which those persons may not trade in any securities of the Corporation (a “Black-Out Period”) or within ten (10) business days from the date that any Black-Out Period ends, the Option shall not be deemed to expire until the day that is ten (10) business days from the last day of the Black-Out Period.

Any Options remaining unexercised after they become eligible for exercise may be exercised in whole or in part at any time during the remainder of the Option Period.

Except as set forth in Sections 2.9 and Section 2.10, no Option may be exercised by the following Service Providers unless the Option has vested and specified Optionees are, at the time of such exercise:

- (a) in the case of an employee or consultant, in the employ or under contract of the Corporation or a Subsidiary and shall have been continuously so employed or contracted since the grant of his or her Option, but absence on leave, having the approval of the Corporation, shall not be considered an interruption of employment for any purpose of the Plan;
- (b) in the case of a director, a director of the Corporation or a Subsidiary and shall have been such a director continuously since the grant of his Option; or
- (c) in the case of an officer, an officer of the Corporation or a Subsidiary and shall have been such an officer continuously since the grant of his Option.

2.6 Exercise of Option

The exercise of any Option will be contingent upon receipt by the Corporation on behalf of the Corporation of payment (in cash, certified cheque or in any other manner as is acceptable to the Corporation) of the full purchase price for the Shares being purchased. No Optionee or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares subject to an Option, unless and until certificates for such Shares are issued to him or them under the terms of the Plan.

2.7 Cash Surrender Option

- (a) Where the Shares are listed and posted for trading on a recognized stock exchange, Participants may elect to surrender unexercised Options granted pursuant to the Plan that are vested and exercisable, to the Corporation in consideration of the receipt by the Participant of an amount (the “Settlement Amount”) equal to the excess, if any, of the aggregate fair market value of the Shares (based on the weighted average trading price of the Shares on such stock exchange during the five trading days preceding the date of surrender or the price pursuant to an offer made for all of the issued and outstanding Shares, whichever is greater) able to be purchased pursuant to the vested and exercisable portion of such Options on the date of surrender, over the aggregate exercise price for the Shares pursuant to such Options.

- (b) In no circumstances will the Participant at any time be obligated to surrender Options as provided by this cash surrender option. The Corporation may, in its sole discretion, refuse to accept the surrender of unexercised Options and if any such surrender is not accepted by the Corporation or completed for any reason, the notice of surrender (as described below) shall be deemed to be withdrawn and the Options in respect of which such notice was provided shall again become subject to their original terms as if such notice of surrender had not been provided.
- (c) Unexercised Options may be surrendered in whole or in part from time to time by delivery to the Corporation at its head office of a written notice of surrender specifying the number of Shares with respect to which the unexercised Options are being surrendered. Upon the surrender of unexercised Options as aforesaid, the Corporation shall use its reasonable efforts to forthwith deliver to the relevant Participant (or his or her personal representative, if applicable) or to the order thereof, payment of the Settlement Amount (net of any amounts required to be withheld under applicable withholding legislation) by way of cheque or otherwise in a manner acceptable to the Corporation.

2.8 Lapsed Option

If Options are exercised, surrendered (including pursuant to Section 2.7), terminated or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options to the extent permitted by the Exchange.

2.9 Effect of Termination of Employment or Death

- (a) If an Optionee shall die while employed or contracted by or while a director or officer of the Corporation or a Subsidiary, as applicable, any vested Option held by him or her at the date of death shall be exercisable only by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution. All such Options shall be exercisable only for a period of 90 days after the date of death or prior to the expiration of the Option Period in respect thereof, whichever is sooner.
- (b) If an Optionee ceases to be employed or contracted by or be a or officer of the Corporation or a Subsidiary, as applicable, for cause, no Option held by such Optionee may be exercised following the date on which such Optionee ceases to be so employed or contracted or ceases to be a director, trustee or officer, as the case may be.
- (c) If an Optionee ceases to be employed or contracted by or be a director or officer of the Corporation or a Subsidiary, as applicable, for any reason other than cause or death, any vested Option held by such Optionee at the effective date thereof shall be exercisable only for a period of 90 days after the date on which the Optionee ceases to be employed or contracted by or to be a director or officer of the Corporation or a Subsidiary, as applicable, (and not at the expiry date of any period of reasonable notice) or prior to the expiration of the Option Period in respect thereof, whichever is sooner.
- (d) If an Optionee who is a consultant ceases to be retained by the Corporation or a Subsidiary by virtue of a breach of the consulting agreement or the expiry thereof, or such retainer is otherwise terminated (other than for reasons set forth in Sections 2.9, (b) or (c) above), no Option held by such consultant may be exercised following such breach, expiry or termination, as the case may be.

2.10 Effect of Takeover Bid

If a bona fide offer (the “Offer”) for Shares is made to the Shareholders generally, which Offer, if accepted in whole or part, would result in the offeror exercising control over the Corporation within the meaning of the *Securities Act* (Alberta), the Corporation shall, immediately upon receipt of notice of the Offer, notify each Optionee currently holding an Option of the Offer, with full particulars thereof; whereupon, notwithstanding the applicability, if any, of Section 2.10 hereof, such Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the “Optioned Shares”) pursuant to the Offer.

If:

- (a) the Offer is withdrawn by the offeror; or
- (b) the Optionee does not tender the Optioned Shares pursuant to the Offer; or
- (c) all of the Optioned Shares tendered by the Optionee pursuant to the Offer are not taken up and paid for by the offeror in respect thereof,

then the Optioned Shares or, in the case of subsection (c) above, the Optioned Shares that are not taken up and paid for, shall be returned by the Optionee to the Corporation on behalf of the Corporation and reinstated as authorized but unissued Shares and the terms of the Option as set forth herein, as applicable, shall again apply to the Option. If any Optioned Shares are returned to the Corporation on behalf of the Corporation under this Section, the Corporation shall also refund the exercise price to the Optionee for such Optioned Shares. In no event shall the Optionee be entitled to sell the Optioned Shares otherwise than pursuant to the Offer.

2.11 Adjustment in Shares Subject to the Plan

If there is any change in the Shares through a consolidation, subdivision or reclassification of Shares, or otherwise, the number of Shares available under the Plan, the Shares subject to any Option, and the purchase price thereof shall be adjusted appropriately by the Board and such adjustment shall be effective and binding for all purposes of the Plan.

2.12 Liquidation

In the event the Corporation shall adopt a plan of complete liquidation, dissolution or winding-up, all Options shall become immediately exercisable in full, notwithstanding that they may have been initially granted subject to vesting provisions.

2.13 Approval

The terms of the Options granted from time to time hereunder, and the Optionees to whom are granted, are subject to the Exchange accepting notice of such terms and proposed Optionees (if such acceptance is required by the Exchange).

PART 3 GENERAL

3.1 Number of Shares and Limitations

- (a) The aggregate number of Shares that may be available for issuance under the Plan shall not exceed ten (10%) percent of the total number of Shares outstanding (on a non-diluted basis) at the time of grant.

- (b) The aggregate number of Shares reserved for issuance to Insiders pursuant to Options or any other security based compensation arrangements shall not at any time exceed ten (10%) percent of the total number of Shares then outstanding.
- (c) The issuance of Shares to Insiders pursuant to Options or any other security based compensation arrangements shall not exceed or result in the issuance to such Insiders within a one year period of more than ten (10%) percent of the total number of Shares outstanding.
- (d) For the purposes of determining the number of Shares outstanding at any particular time, the rules of the Exchange, as they relate to share compensation plans, shall govern.

3.2 Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable unless specifically provided herein. During the lifetime of a Participant, all benefits, rights and options may only be exercised by the Participant, except as provided for under Section 2.9 hereof.

3.3 Employment

Nothing contained in the Plan shall confer upon any Participant any right with respect to employment or continuance of employment with the Corporation, the Corporation or any Subsidiary, or interfere in any way with the right of the Corporation, the Corporation or any Subsidiary to terminate the Participant's employment at any time. Participation in the Plan by a Participant is voluntary.

3.4 Record Keeping

The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Participant; and
- (b) the number of Options granted to a Participant and the number of Options outstanding.

3.5 Necessary Approvals

If the Shares are listed for trading on the Exchange, the Plan shall be effective only upon the receipt of any required approvals of the Exchange.

The obligation of the Corporation to sell and deliver Shares in accordance with the Plan is subject to the approval of the Exchange and any regulatory authority having jurisdiction which may be required in connection with the authorization, issuance or sale of such Shares by the Corporation. If any Shares cannot be issued to any Participant for any reason including, without limitation, the failure to obtain such approval, then the obligation of the Corporation to issue such Shares shall terminate and any consideration paid to the Corporation on behalf of the Corporation shall be returned to the Participant.

3.6 Administration of the Plan

The Board is authorized to interpret the Plan from time to time and to adopt, amend and rescind rules and regulations for carrying out the Plan. The interpretation and construction of any provision of the Plan by the Board shall be final and conclusive. Administration of the Plan shall be the responsibility of the appropriate officers of the Corporation on behalf of the Corporation and all costs in respect thereof shall be paid by the Corporation on behalf of the Corporation.

3.7 Income Taxes

As a condition of and prior to participation in the Plan, a Participant shall be deemed to have authorized the Corporation on behalf of the Corporation to withhold from any remuneration otherwise payable to such Participant any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of such participation in the Plan.

3.8 Amendments to the Plan and the Option Agreement

The Board may at any time or from time to time, in its sole and absolute discretion and without shareholder approval, amend, suspend, terminate or discontinue the Plan and may amend the terms and conditions of options granted pursuant to the Plan, subject to any required approval of any regulatory authority or stock exchange. Without limiting the generality of the foregoing, but subject to any required regulatory approval of any regulatory authority or stock exchange, the Board may at any time alter, amend or vary the Plan without the approval of the shareholders of the Corporation if the alteration, amendment or variance:

- (a) is for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
- (b) is necessary to comply with applicable law or the requirements of any stock exchange on which the shares of the Corporation are listed;
- (c) is an amendment to the Plan respecting administration and eligibility for participation under the Plan;
- (d) changes the terms and conditions on which options may be granted pursuant to the Plan including the provisions relating to exercise price, vesting provisions and option period;
- (e) changes the termination provisions of an option or the Plan which does not entail an extension beyond the original expiry date;
- (f) is an amendment of the cashless exercise feature, payable in cash or securities which provides for a full deduction of the number of underlying securities from the Plan; or
- (g) is an amendment to the Plan of a “housekeeping nature”;

provided that in the case of any alteration, amendment or variance referred to in paragraph (a) or (b) of this Section 3.8, the alteration, amendment or variance does not:

- (a) amend the number of shares issuable under the Plan;
- (b) add any form of financial assistance by the Corporation for the exercise of any option; or
- (c) change the class of eligible participants to the Plan which would have the potential of broadening or increasing participation by Insiders of the Corporation or a Subsidiary.

Without limiting the generality of the foregoing, but subject to any required regulatory approval of any regulatory authority or stock exchange, the Board may amend the exercise price, the option period (which in no event shall exceed 10 years from the date of grant) and the termination provisions of options granted pursuant to the Plan, without shareholder approval, provided that if the Board proposes to reduce the exercise price or extend the option period of options granted to Insiders of

the Corporation, the Corporation or a subsidiary pursuant to the Plan, such amendments will require shareholder approval.

3.9 No Representation or Warranty

Neither the Corporation, the Corporation nor any Subsidiary makes any representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

3.10 Governing Law

Except as otherwise set forth herein, the Plan shall be governed by the laws of the Province of Alberta excluding any conflicts of law, rule or principle which might refer such construction to the laws of another jurisdiction.

3.11 Interpretation

Words used herein importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders.

3.12 Compliance with Applicable Law, etc.

If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of the Exchange or any regulatory body having authority over the Corporation or the Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

Approved by the Directors of the Corporation: April 21, 2009

Approved by the Shareholders: ●, 2009

SCHEDULE “B”

INTERNATIONAL SOVEREIGN ENERGY CORP.

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

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PART ONE - BOARD

II. INTRODUCTION

- A. The primary responsibility of the Board of Directors (the “**Board**”) is to foster the long-term success of International Sovereign Energy Corp. (the “**Corporation**”) consistent with the Board’s responsibility to the shareholders to maximize shareholder value.
- B. The Board is responsible for stewardship of the Corporation; supervising the management of the business and affairs of the Corporation; and providing leadership to the Corporation by practicing responsible, sustainable and ethical decision making.
- C. The Board has plenary or complete power. Any responsibility not delegated to management or a committee of the Board (a “**Committee**”) remains with the Board.
- D. These Terms of Reference are prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

II. BOARD COMPOSITION

- A. At least half of the members of the Board will, at all times, be independent directors as defined in then current laws applicable to the Corporation.
- B. To be considered for nomination and election to the Board, directors must demonstrate integrity and high ethical standards in their business dealings, their personal affairs and in the discharge of their duties to and on behalf of the Corporation.

III. BOARD LEADERSHIP

A. Chairman

A Chairman will be appointed, serve and be removed at the pleasure of the Board, and in addition to fulfilling his or her duties as an individual director, the duties of the Chairman are to:

- 1. serve as the Board’s role model for responsible, ethical and effective decision making;

2. provide leadership to the Board;
3. manage the affairs of the Board to ensure that the Board is organized properly and functions effectively;
4. take reasonable steps to ensure that the members of Board execute their duties pursuant to their Terms of Reference;
5. preside at, call and schedule each meeting of the Board;
6. coordinate with management to ensure that:
 - (a) documents are delivered to directors in sufficient time in advance of Board meetings for a thorough review;
 - (b) matters are properly presented for the Board's consideration at meetings;
 - (c) the Board has an appropriate opportunity to discuss issues at each meeting; and
 - (d) the Board has an appropriate opportunity to question executive officers, management, employees, external auditors, experts and advisors regarding any and all matters of importance to the Board and the Corporation;
7. communicate with each Board member to ensure that:
 - (a) each director has the opportunity to be heard and participate in decision making; and
 - (b) each director is accountable to the Board and to each Committee on which he or she serves;
8. arrange with the secretary of the meetings for the preparation, accuracy and distribution of all minutes of the Board;
9. ensure that each Committee of the Board, following their meetings:
 - (a) reports to the Board regarding their activities, findings and recommendations; and
 - (b) makes Committee information available to any director upon request;
10. assist in maintaining effective working relationships between Board members, the Chief Executive Officer (the "CEO"), executive officers, management and external auditors, experts and advisors; and
11. facilitate the meeting of independent directors as required.

B. Lead Director

In the event the Chairman is not an independent director, the Board is responsible to annually select an independent member of the Board to serve as Lead Director of the

Board to provide leadership to the independent directors and in addition to fulfilling his or her duties as an individual director, the duties of the Lead Director are to:

1. serve as the Board's role model for responsible, ethical and effective decision making;
2. provide leadership to the independent directors by organizing the Board to function independently of an meet without management and non-independent directors present;
3. manage the affairs of the independent members of the Board to ensure that the independent members of the Board are organized properly and function effectively;
4. communicate with each Board member to ensure that:
 - (a) each director has the opportunity to be heard and participate in decision making; and
 - (b) each director is accountable to the Board to each Committee on which he or she serves; and
5. assist in maintaining effective working relationships between Board members, the CEO, executive officers, management, and external auditors, experts and advisors.

IV. DUTIES AND RESPONSIBILITIES

A. Managing the Affairs of the Board

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The legal obligations of the Board are described in detail in Section V. Subject to these legal obligations and to the articles and bylaws of the Corporation, the Board retains the responsibility for managing its own affairs, including

1. planning its composition and size;
2. nominating candidates for election to the Board;
3. appointing Committees;
4. determining director compensation; and
5. assessing the effectiveness of the Board, Committees and directors in fulfilling their responsibilities.

B. Management and Human Resources

The Board has the responsibility, with the assistance of the Corporate Governance and Environmental Committee if applicable, for:

1. the appointment and succession of the CEO and monitoring CEO performance, approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO's duties;
2. approving a position description for the CEO;
3. reviewing CEO performance at least annually, against agreed upon written objectives;
4. approving decisions relating to senior management, including the:
 - (a) appointment and discharge of officers;
 - (b) compensation and benefits for executive officers; and
 - (c) employment contracts, termination and other special arrangements with executive officers;
5. ensuring succession planning programs are in place, including programs to train and develop management; and
6. approving certain matters relating to all employees, including:
 - (a) the annual salary policy/program for employees;
 - (b) new benefit programs or material changes to existing programs; and
 - (c) pension fund investment guidelines, and the appointment of pension fund managers.

C. Strategy and Plans

The Board has the responsibility to:

1. participate with management. in the development of, and ultimately approve, the Corporation's strategic plan;
2. approve the annual business plans that enable the Corporation to realize its objectives;
3. approve annual capital and operating budgets which support the Corporation's ability to meet its strategic objectives;
4. approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Corporation;
5. approve material divestitures and acquisitions; and
6. monitor the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

D. Financial and Corporate Issues

The Board has the responsibility, with the assistance of the Audit Committee, to:

1. take reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems;
2. review operating and financial performance relative to budgets or objectives;
3. approve annual and quarterly financial statements and approve release thereof by management;
4. approve the Management Information Circular, Annual Information Form and documents incorporated by reference therein;
5. declare dividends;
6. approve financings, changes in authorized capital, issue and repurchase of shares, issue of debt securities, listing of shares and other securities, issue of commercial paper, and related prospectuses and trust indentures;
7. recommend appointment of external auditors and approve auditors' fees; and
8. approve the commencement or settlement of litigation that may have a material impact on the Corporation.

E. Business and Risk Management

The Board has the responsibility to:

1. ensure management identifies the principal risks of the Corporation's business and implements appropriate systems to manage these risks; and
2. assess and monitor management control systems and:
 - (a) evaluate and assess information provided by management and others (e.g., internal and external auditors) about the effectiveness of management control systems; and
 - (b) understand principal risks and determine whether the Corporation achieves a proper balance between risk and returns.

F. Governance

The Board has the responsibility, with the assistance of the Corporate Governance and Environmental Committee if applicable, to:

1. annually review, and either approve or require revisions to the Terms of Reference of the Board and each Committee, position descriptions, the Code of Business (the "**Code**") and all other policies of the Corporation (collectively the "**Governance Documents**");
2. take reasonable steps to satisfy itself that each director, the CEO and the executive officers are:
 - (a) performing their duties ethically;

- (b) conducting business on behalf of the Corporation in accordance with the requirements and the spirit of the Governance Documents; and
 - (c) acting with integrity and fostering a culture of integrity throughout the Corporation;
- 3. arrange for the Governance Documents to be publicly disclosed as required by applicable laws;
- 4. approve and monitor compliance with the Code all significant policies and procedures by which the Corporation is operated;
- 5. direct management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- 6. review significant new corporate policies or material amendments to the Code or existing policies;
- 7. review departures from the Code;
- 8. provide or deny waivers from the Code; and
- 9. file required material change reports for material departures from the Code containing:
 - (a) the date of the departure;
 - (b) the parties involved;
 - (c) the reason why the Board has or has not sanctioned the departure; and
 - (d) any measures taken to address or remedy the departure.

G. Compliance Reporting and Corporate Communications

The Board has the responsibility, with the assistance of the management of the Corporation and the Audit Committee and Reserves Committee if applicable, to:

- 1. ensure the Corporation has in place effective communication processes with shareholders and other stakeholders and financial, regulatory and other recipients and implement a disclosure policy which provides for disclosure and communications practices governing the Corporation;
- 2. approve and maintain a process for the Corporation's stakeholders to contact the independent directors directly with concerns and questions regarding the Corporation;
- 3. approve interaction with shareholders on all items requiring shareholder response or approval;
- 4. ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;

5. ensure the financial results are reported fairly and in accordance with generally accepted accounting principles;
6. ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation; and
7. report annually to shareholders on the Board's stewardship.

V. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

A. The Board is responsible for:

1. directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained; and
2. approving changes in the by-laws and articles of incorporation, matters requiring shareholder approval, and agendas for shareholder meetings.

B. Alberta law identifies the following as legal requirements for the Board:

1. to act in accordance with its obligations contained in the *Business Corporations Act* (Alberta) ("BCA"), the *Securities Act* of each province and territory of Canada, where applicable, other relevant legislation, regulations and policies, and the Corporation's articles and by-laws;
2. to manage the business and affairs of the Corporation (BCA s.101(1));
3. to act honestly and in good faith with a view to the best interests of the Corporation (BCA s. 122(l)(a));
4. to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances (BCA s.122(1)(b));
5. in particular, it should be noted that the following matters must be considered by the Board as a whole (BCA s.115(3)):
 - (a) submit to the shareholders any question or matter requiring the approval of the shareholders;
 - (b) fill a vacancy among the directors or in the office of auditor;
 - (c) appoint additional directors;
 - (d) issue securities except in the manner and on the terms authorized by the directors;
 - (e) declare dividends;
 - (f) purchase, redeem or otherwise acquire shares issued by the Corporation, except in the manner and on the terms authorized by the directors;
 - (g) the payment of a commission;

- (h) approve a management proxy circular;
- (i) approve any financial statements; or
- (j) adopt, amend or repeal by-laws of the Corporation.

PART TWO - INDIVIDUAL DIRECTORS

The Board has established the following standards for directors.

I. GENERAL

As a member of the Board, each director will:

- A. fulfill the legal requirements and obligations of a director, which includes an understanding of the statutory and fiduciary roles;
- B. always ensure the best overall interests of the Corporation are paramount.

BOARD OF DIRECTORS ACTIVITY

- A. As a member of the Board, each director will:
- B. act with integrity;
- C. respect confidentiality;
- D. use his or her ability, experience and influence constructively;
- E. be available as a resource to management and the Board;
- F. advise the CEO in advance of introducing significant and previously unknown information at a Board meeting;
- G. as necessary and appropriate, communicate with the CEO between meetings; and
- H. demonstrate a willingness and availability for individual consultation with the CEO.

PREPARATION AND ATTENDANCE

To enhance the effectiveness of Board and Committee meetings, each director will:

- A. prepare for each Board and Committee meeting by reading the reports and background materials provided for the meeting; and
- B. maintain an excellent Board and Committee meeting attendance record.

COMMUNICATION

Communication is fundamental to Board effectiveness and therefore each director will:

- A. participate fully and frankly in the deliberations and discussions of the Board;

- B. encourage free and open discussion of Corporation's affairs by the Board;
- C. establish an effective, independent and respected presence and a collegial relationship with other directors;
- D. focus inquiries on issues related to strategy, policy, and results rather than issues relating to the day-to-day management of Corporation; and
- E. respect the fact that the CEO is the chief spokesperson for Corporation and individual directors are only involved in external communications at the request of, and/or with the approval of, and in coordination with, the CEO.

COMMITTEE WORK

In order to assist Committees in being effective and productive each director will:

- A. participate on Committees and become knowledgeable about the purpose and goals of each Committee; and
- B. understand the process of Committee work, and the role of management and staff supporting the Committee.

INDUSTRY AND CORPORATE KNOWLEDGE

Recognizing that decisions can only be made by well-informed directors, each director will:

- A. become generally knowledgeable about Corporation's business and its industry;
- B. participate in director orientation and development programs developed by Corporation from time to time;
- C. maintain an understanding of the regulatory, legislative, business, social and political environments within which Corporation operates; and
- D. become acquainted with Corporation's senior managers.

PART THREE - BOARD OPERATING GUIDELINES

INTRODUCTION

- A. The directors of the Corporation believe that the principal objective of the Corporation is to generate economic returns to its owners. The Board believes that good corporate governance practices provide an important framework for a timely response by the Board to situations that may directly affect shareholder value.
- B. The Board wishes to emphasize that the substance of good corporate governance is more important than its form; adoption of a set of guidelines or principles or any particular practice or policy is not a substitute for, and does not itself assure, good corporate governance.

II. BOARD OPERATING GUIDELINES

“Part One - Board” of these Terms of Reference defines the role of the Board. The following outlines the key guidelines governing how the Board will operate to carry out its duties of stewardship and accountability.

A. The Board-Management Relationship

1. While the Board is called upon to “manage” the business by law, this is done by proxy through the CEO, who is charged with the day-to-day leadership and management of the Corporation.
2. The CEO’s prime responsibility is to lead the Corporation. The CEO formulates Corporation policies and proposed actions and presents them to the Board for approval. The Board approves the goals of the business, the objectives and policies within which it is managed, and then steps back and evaluates management performance. Reciprocally, the CEO keeps the Board fully informed of the Corporation’s progress towards the achievement of its goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.
3. Once the Board has approved the goals, strategies and policies it acts in a unified and cohesive manner in supporting and guiding the CEO subject to its duty to act in the best interests of the Corporation.

B. Board Independence

The Board must have the capacity, independently of management, to fulfill the Board’s responsibilities. Independence is based upon the absence of relationships and interests that could compromise the ability of a director to exercise judgment with a view to the best interests of the Corporation. The Board must be able to make an objective assessment of management and assess the merits of management initiatives. Therefore, Corporation is committed to the following practices:

1. the recruitment of strong, independent¹ directors;
2. a majority of independent directors; and
3. meetings of independent directors without management and non-independent directors present upon the request of an individual director to provide an opportunity for the independent directors to raise issues that they did not wish to discuss with management present.

C. Corporate Strategy

Management is responsible for the development of an overall corporate strategy to be presented to the Board. The Board’s role is to ensure there is a strategic planning process,

¹ Independent shall have the meaning of then applicable securities laws. As at the time of approval of the terms of reference, a director is “independent” if he or she has no direct or indirect material relationship with the issuer where a “material relationship” is a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgement.

and then review, question, validate, and ultimately approve the strategy and monitor its implementation.

D. Business Risks

The Board should have a continuing understanding of the principal risks associated with the business; and it is the responsibility of management to ensure the Board and its Committees are kept well informed of changing risks. The principal mechanisms through which the Board reviews risks are:

1. on-going reports by the CEO;
2. the strategic planning process; and
3. the Audit Committee.

E. Succession Planning

The Board considers succession planning and management development to be an ongoing process, including annual reports to the Board by the CEO. The CEO's views as to a successor in the event of unexpected incapacity should be discussed regularly with the Board, or Corporate Governance and Environmental Committee if applicable.

F. Board Communications Policy

1. The Board approves the content of the Corporation's major communications to shareholders and the investing public, including the quarterly and annual reports or financials, management information circulars, annual information forms and any prospectuses or other offering documents that may be issued.
2. However, the Board believes that it is the function of management to speak for the Corporation in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. It is understood that individual directors may, from time to time, be requested by management to assist with such communications.
3. It is expected that when communications from stakeholders are made to individual directors, management will be informed and consulted to determine any appropriate response to be made by management.

G. Evaluation of the Chief Executive Officer

The CEO's performance is assessed annually by the Board, or Corporate Governance and Nominating Committee if applicable.

H. Board Size and Composition

1. The Board is committed to reviewing its size regularly and believes its current size is sufficient to provide an appropriate mix of backgrounds and skills for the stewardship of the Corporation. In general, the Board believes smaller boards are more cohesive and work more effectively than larger boards.
2. In the Board's view, being designated a non-independent director is not to be construed to imply that a non-independent director makes less of a contribution

to the Corporation than an independent director or that a non-independent director cannot or does not act with independence or in the best interests of the Corporation.

3. Any director who is an independent director whose circumstances change such that he or she might be considered to be a non-independent director shall promptly advise the Board of the change in circumstances.
4. At its meeting to approve the Management Information Circular for the Annual Meeting of the shareholders of the Corporation, the Board shall consider and determine whether a director or nominee to be a director is independent as such term is defined under Multilateral Instrument 52-110 or then current securities law.

I. Nomination of New Directors

1. The Board will annually review the general and specific criteria applicable to candidates to be considered for nomination to the Board.
2. The objective of this review will be to maintain the composition of the Board in a way that provides the best mix of skills and experience to guide the long term strategy and ongoing business operations of the Corporation. This review will take into account the desirability of maintaining a reasonable diversity of background skills and experience among the directors, along with the key common characteristics required for effective Board participation.
3. Following the review, the Board, or Corporate Governance and Environmental Committee or other committee if applicable, will identify qualified candidates, taking into account candidates' independence, financial acumen, skills and time available to devote to the duties of the Board and will. All directors are encouraged to identify potential candidates. The CEO is invited to provide additional direct input to the process.
4. The Board, or Corporate Governance and Environmental Committee or other Committee if applicable, will assess the competencies and skills each director possesses, the Board as a whole possesses, the nominees will bring to the Board if elected and the Board as a whole should possess.
5. The Board will assess the appropriate size of the Board with a view to facilitating effective decision making.
6. The Board, or Corporate Governance and Environmental Committee or other Committee if applicable, will recommend nominees for election as directors and appointment as members and the Chairmen of Committees together with the reasons for their recommendation. An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the CEO.

J. Directors Who Change Their Present Job Responsibilities

1. A director, including any non-independent director serving on the Board, who has a major change in principal occupation shall offer his or her resignation to the

Board for consideration. It is not intended that directors who retire or whose professional positions change should necessarily leave the Board.

2. The intention of the Board is that there should be an opportunity for the Board to review, through the Corporate Governance and Environmental Committee if applicable, the continued appropriateness of Board membership under such circumstances.

K. Director Retirement Age

There is no retirement policy for directors.

L. Board Meetings and Agendas

1. The Board meets a minimum of four times per year, usually every quarter.
2. The CEO develops the agenda for each Board meeting.
3. Under normal circumstances, the agenda and the material will be distributed to directors not less than two business days before the meeting. All directors are free to suggest additions to the agenda.

M. Board Information

1. Material distributed to the directors in advance of Board meetings shall be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered.
2. Reports may be presented during Board meetings by directors, management or staff, or by invited outside advisors. Presentations on specific subjects at Board meetings shall briefly summarize the material sent to directors, so as to maximize the time available for discussion on questions regarding the material.
3. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance.

N. Board Contact with Senior Management

1. The Board appreciates the value of having certain members of senior management attend each Board meeting to provide information and opinion to assist the directors in their deliberations and the Chairman of the Board will determine who shall attend Board meetings and for which agenda items.
2. All of the directors have open access to the Corporation's senior management. It is expected that directors will exercise judgment to ensure that their contacts will not distract from the Corporation's business operations.
3. The Board also encourages individual directors to make themselves available for consultation with Management outside Board meetings in order to provide specific advice and counsel on subjects where such directors have special knowledge and experience.

O. New Director Orientation

New directors will be provided with an orientation and education program which will include written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other directors. The details of the orientation of each new director will be tailored to that director's individual needs and areas of interest.

P. Assessing the Board's Performance

1. The Board, or Corporate Governance and Environmental Committee if applicable, is responsible for developing an annual assessment of the overall performance of the Board and its Committees, such process to be led by the Chairman of the Board in the absence of a Corporate Governance and Environmental Committee.
2. The objective of this review will be to contribute to a process of continuous improvement in the Board's execution of its responsibilities.
3. It is expected that the results of such reviews will be to identify any areas where the directors and/or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation in such a way as to add shareholder value.

Q. Director Compensation

The Corporation Governance and Environmental Committee, or other Committee as applicable, will review the compensation of the directors each year. The Corporation Governance and Environmental Committee, or other Committee as applicable, will make recommendations to the Board for consideration when it believes changes in compensation are warranted.

R. Limits to Management Authority

From time to time, the Board establishes limits on management's authority depending on the nature and size of proposed transactions. These limits permit some flexibility within approved budgets but otherwise must not be exceeded without Board approval.

S. Outside Advisors for Individual Directors

Occasionally individual directors may need the services of an advisor to assist on matters involving their responsibilities as a Board member. The Board has determined that any director who wishes to engage an outside advisor at the expense of the Corporation, shall obtain the authorization of the CEO.

T. Board Guideline Review

The Board, or Corporate Governance and Environmental Committee if applicable, shall review these Terms of Reference periodically and any recommended changes will be submitted to the Board for approval.

PART FOUR - COMMITTEES

I. FORMATION AND FUNCTION OF COMMITTEES

- A. The Board is responsible to:
1. establish such Committees of the Board as are required by applicable law and as are necessary to effectively discharge the duties of the Board;
 2. appoint directors, and other persons if applicable, to serve as members of each Committee;
 3. appoint a Chairman of each Committee to:
 - (a) provide leadership to the Committee;
 - (b) manage the affairs of the Committee; and
 - (c) ensure that the Committee functions effectively in fulfilling its duties to the Board and the Corporation.
- B. The Board is responsible to regularly receive and consider reports and recommendations of each Committee, in particular:
1. Audit Committee reports and recommendations, particularly with respect to the Corporation's annual audit;
 2. Corporate Governance and Environmental Committee recommendations regarding corporate goals and objectives, CEO assessment and compensation, corporate governance matters and environmental matters;
 3. Reserves Committee reports and recommendations regarding reserves disclosure and related matters; and
 4. Other Committee reports and recommendations as other Committees are formed and as are applicable.

II. CHAIRING COMMITTEES

- A. A Chairman will be appointed, serve and be removed at the pleasure of the Board for each Committee of the Board.
- B. In addition to fulfilling his or her duties as an individual director, the duties of a Committee Chairman are to:
- (a) serve as the Committee's role model for responsible, ethical and effective decision making;
 - (b) lead the Committee in discharging all duties set out in the Committee Terms of Reference or policies and as are delegated to the authority of that Committee by the Board;
 - (c) take reasonable steps to ensure that the Committee members execute their duties pursuant to their Terms of Reference or policies;

- (d) manage the affairs of the Committee to ensure that the Committee is organized properly and functions effectively;
- (e) preside at, and together with the members of the Committee, management, advisors and external auditors, as appropriate, call, schedule and prepare the agenda for each meeting of the Committee;
- (f) coordinate with the management and advisors and external auditors as appropriate, to ensure that:
 - (i) documents are delivered to members in sufficient time in advance of Committee meetings for a thorough review;
 - (ii) matters are properly presented for the member's consideration at meetings;
 - (iii) the members have an appropriate opportunity to discuss issues at each meeting and have an appropriate opportunity to question management and others as applicable matters of importance to the Committee; and
 - (iv) the members work constructively towards their recommendations to the Board;
- (g) communicate with each Committee member to ensure that:
 - (i) each member has the opportunity to be heard and participate in decision making;
 - (ii) each member is accountable to the Committee;
- (h) arrange for the preparation, accuracy and distribution of all minutes of the Committee to:
 - (i) members of the Committee;
 - (ii) each member of the Board;
 - (iii) the external auditor if applicable; and
 the CEO and Chief Financial Officer;
- (i) assist in maintaining effective working relationships between Committee members, the Board, executive officers and management and external auditors and advisors as applicable.