

2011 STOCK OPTION PLAN

1. Interpretation

For the purposes of this Plan, the following terms shall have the following meanings:

- (a) “**Affiliate**” has the meaning set forth in the TSX Venture Exchange Corporate Finance Manual, as may be amended from time to time;
- (b) “**Associate**” has the meaning set forth in the TSX Venture Exchange Corporate Finance Manual, as may be amended from time to time;
- (c) “**Board**” or “**Board of Directors**” means the board of Directors of the Corporation as constituted from time to time;
- (d) “**Change of Control**” means:
 - (i) any merger, arrangement, amalgamation, reorganization or consolidation in which voting securities of the Corporation possessing more than fifty percent (50%) of the total combined voting power of the Corporation’s outstanding securities are transferred to a Person or Persons different from the Persons holding those securities immediately prior to such transaction and the composition of the Board of Directors following such transaction is such that the Directors of the Corporation prior to the transaction constitute less than fifty percent (50%) of the Board of Directors’ membership following the transaction,
 - (ii) any acquisition, directly or indirectly, by a Person or Related Group of Persons (other than a Person that is a registered dealer as described in the definition of “Related Group of Persons” and other than the Corporation or a Person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation) of beneficial ownership of voting securities of the Corporation and immediately after the acquisition such Person or Related Group of Persons would possess more than fifty percent (50%) of the total combined voting power of the Corporation’s outstanding securities,
 - (iii) any acquisition, directly or indirectly, by a Person or Related Group of Persons of the right to appoint a majority of the Directors of the Corporation or otherwise directly or indirectly control the management, affairs and business of the Corporation,
 - (iv) the election of a majority of the Directors of the Corporation who are not nominated by management at a general meeting of the shareholders of the Corporation,
 - (v) any sale, transfer or other disposition of all or substantially all of the assets of the Corporation, or
 - (vi) a liquidation or dissolution of the Corporation,

provided however, that a Change of Control shall not be deemed to have occurred if such Change of Control results solely from the issuance, in connection with a bona fide financing or series of financings by the Corporation or any of its Affiliates, of voting securities of the Corporation or any of its Affiliates or any rights to acquire voting securities of the Corporation or any of its Affiliates which are convertible into voting securities;

- (e) **“Corporation”** means North Sea Energy Inc., a corporation continued under the *Business Corporations Act* (Ontario);
- (f) **“Disability”** means a medically determinable physical or mental impairment expected to result in death or to last for a continuous period of not less than 12 months, and which causes an individual to be unable to engage in any substantial gainful activity;
- (g) **“Merger and Acquisition Transaction”** means:
 - (i) any merger,
 - (ii) any acquisition,
 - (iii) any amalgamation,
 - (iv) any offer for securities of the Corporation which if successful would entitle offeror to acquire more than 50% of the voting securities of the Corporation,
 - (v) any arrangement or other scheme of reorganization, or
 - (vi) any consolidationthat results in a Change of Control;
- (h) **“Person”** has the meaning set forth in the TSX Venture Exchange Corporate Finance Manual, as amended from time to time;
- (i) **“Plan”** means this share option plan of the Corporation;
- (j) **“Related Group of Persons”** means:
 - (i) Persons and any one or more of their Associates and Affiliates, and
 - (ii) any two or more Persons who have an agreement, commitment or understanding, whether formal or informal, with respect to:
 - (A) the acquisition of or the intention to acquire, directly or indirectly, beneficial ownership of, or control and direction over, voting securities of the Corporation, or
 - (B) the exercise of voting rights attached to the securities of the Corporation beneficially owned by such Persons, or over which such Persons have

control and direction, on matters regarding the appointment of Directors or control of the management, affairs and business of the Corporation,

(iii) despite the above Section (ii)(A), a registered dealer acting solely in an agency capacity for a Person or Related Group of Persons in connection with the acquisition of beneficial ownership of, or control and direction over, securities of the Corporation, and not executing principal transactions for its own account or performing services beyond customary dealer's functions, shall not be deemed solely by reason of such agency relationship to be a related Person for the purposes of the definition of Related Group of Persons; and

(k) “**Shares**” means common shares in the share capital of the Corporation.

2. Purpose

The purpose of the Plan the Corporation is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation, and of its subsidiaries and affiliates, if any, to acquire Shares, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

3. Administration

The Plan shall be administered by the Board or by a special committee of the directors appointed from time to time by the Board pursuant to rules of procedure fixed by the Board (such committee or, if no such committee is appointed, the Board of Directors of the Corporation, is hereinafter referred to as the “**Board**”). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the directors.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the Participant, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

Each option granted by the Corporation prior to the date of the approval of the Plan by the shareholders of the Corporation, including options granted under previously approved stock option plans of the Corporation, be and are continued under and shall be subject to the terms of the Plan after the Plan has been approved by the shareholders of the Corporation.

4. Stock Exchange Rules

All options granted pursuant to this Plan shall be subject to rules and policies of any stock exchange or exchanges on which the Shares of the Corporation are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the “**Exchange**”).

5. Shares Subject to Plan

Subject to adjustment as provided in Section 17 hereof, the Shares to be offered under the Plan shall consist of Shares of the Corporation's authorized but unissued Shares. The aggregate number of Shares issuable upon the exercise of all options granted under the Plan shall not exceed 11,706,371 Shares. If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

6. Maintenance of Sufficient Capital

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

7. Eligibility and Participation

Directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or company which provides management services to the Corporation or its subsidiaries ("**Management Company Employees**") shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as "**Participants**"). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Shares to be subject to each option. In the case of employees or consultants of the Corporation or Management Company Employees, the option agreements to which they are party must contain a representation of the Corporation that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or its subsidiaries.

A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the Board shall so determine.

8. Withholding Taxes

The Corporation shall have the authority to take steps for the deduction and withholding, or for the advance payment or reimbursement by the Participant to the Corporation, of any taxes or other required source deductions which the Corporation is required by law or regulation of any governmental authority whatsoever to remit in connection with this Plan, or any issuance of Shares. Without limiting the generality of the foregoing, the Corporation may, in its sole discretion:

- (a) deduct and withhold additional amounts from other amounts payable to an Participant;
- (b) require, as a condition of the issuance of Shares to an Participant that the Participant make a cash payment to the Corporation equal to the amount, in the Corporation's opinion, required to be withheld and remitted by the Corporation for the account of the Participant to the appropriate governmental authority and the Corporation, in its

discretion, may withhold the issuance or delivery of Shares until the Participant makes such payment; or

- (c) sell, on behalf of the Participant, all or any portion of Shares otherwise deliverable to the Participant until the net proceeds of sale equal or exceed the amount which, in the Corporation's opinion, would satisfy any and all withholding taxes and other source deductions for the account of the Participant.

9. Exercise Price

- (a) Options may be exercised at a price that shall be fixed by the Board at the time that the option is granted. No option shall be granted with an exercise price at a discount to the market price. The "market price" shall be the closing price of the Shares on the Exchange on the first day preceding the date of grant on which at least one board lot of Shares traded.
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange and the option has been granted, the exercise price of an option may be reduced upon receipt of Board approval, provided that in the case of options held by insiders of the Corporation (as defined in the policies of the Exchange), the exercise price of an option may be reduced only if disinterested shareholder approval is obtained.

10. Number of Optioned Shares

The aggregate number of Shares that may be issued pursuant to the exercise of options awarded under the Plan and all other security based compensation arrangements of the Corporation is 11,706,371 Shares, subject to the following additional limitations:

- (i) the aggregate number of Shares reserved for issuance to any one person under the Plan, together with all other security based compensation arrangements of the Corporation, must not exceed 5% of the then outstanding Shares (on a non-diluted basis);
- (ii) in the aggregate, no more than 10% of the issued and outstanding Shares (on a non-diluted basis) may be reserved at any time for insiders as defined in subsection 1(1) of the *Securities Act* (Ontario) and includes an associate, as defined in subsection 1(1) of the *Securities Act* (Ontario) ("**Insider(s)**") under the Plan, together with all other security based compensation arrangements of the Corporation;
- (iii) the number of securities of the Corporation issued to Insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Shares;
- (iv) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares of the Corporation in any twelve-month period to any one consultant of the Corporation (or any of its subsidiaries);
- (v) options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares of the Corporation in any twelve month period to persons employed to provide investor relations activities. Options granted to

consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than $\frac{1}{4}$ of the options vesting in any 3 month period;

- (vi) The number of Shares subject to an option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an option which exceeds the maximum number permitted by the Exchange.

11. Duration of Option

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and shall be subject to earlier termination as provided in Sections 13 and 14, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange. For greater certainty, if the Corporation is listed on the TSX Venture Exchange Inc., the maximum term may not exceed 10 years. The TSX does not impose a maximum term for the duration of an option.

Should the expiry date of an option fall within a Black Out Period (as hereinafter defined) or within nine business days following the expiration of a Black Out Period, such expiry date of the option shall be automatically extended without any further act or formality to that date which is the tenth business day after the end of the Black Out Period, such tenth business day to be considered the expiry date for such option for all purposes under the Plan. The ten business day period referred to in this paragraph may not be extended by the Board.

“Black Out Period” means the period during which the relevant Participant is prohibited from exercising an option due to trading restrictions imposed by the Corporation pursuant to any policy of the Corporation respecting restrictions on trading that is in effect at that time.

12. Option Period, Consideration and Payment

- (a) The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any option as provided in Sections 13 and 14 covering cessation as a director, officer, consultant, employee or Management Company Employee of the Corporation or its subsidiaries, or death of the Participant.
- (b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.
- (c) Subject to any vesting restrictions imposed by the Board, options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, no options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Corporation.
- (d) Except as set forth in Sections 13 and 14, no option may be exercised unless the Participant is at the time of such exercise a director, officer, consultant, or employee of the Corporation or any of its subsidiaries, or a Management Company Employee of the Corporation or any of its subsidiaries.

- (e) The exercise of any option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares of the Corporation unless and until the certificates for Shares issuable pursuant to options under the Plan are issued to him or them under the terms of the Plan.

13. Ceasing To Be a Director, Officer, Consultant or Employee

If a Participant shall cease to be a director, officer, consultant, employee of the Corporation, or its subsidiaries, or ceases to be a Management Company Employee, for any reason (other than death), such Participant may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, subject to extension at the discretion of the Board, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Corporation, subject to extension at the discretion of the Board.

Nothing contained in the Plan, nor in any option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Corporation or of any of its subsidiaries or affiliates.

14. Death or Disability of Participant

Notwithstanding Section 13:

- (a) in the event of the death of a Participant, the option previously granted to him shall be exercisable only within the one (1) year after such death and then only:
 - (i) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and
 - (ii) if and to the extent that such Participant was entitled to exercise the option at the date of his death; and
- (b) in the event the employment of a Participant is terminated by the Corporation by reason of the Participant's Disability, any option held by such Participant that could have been exercised immediately prior to such termination of service shall be exercisable by such Participant, or by the guardian appointed for the Participant, for a period of one (1) year following the termination of service of such Participant.

15. Rights of Participant

No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such option until certificates representing such Shares shall have been issued and delivered.

16. Proceeds from Sale of Shares

The proceeds from the sale of Shares issued upon the exercise of options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

17. Adjustments

If the outstanding Shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation or another Corporation or entity through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, or any adjustment relating to the Shares optioned or issued on exercise of options, or the exercise price per share as set forth in the respective stock option agreements, shall be adjusted in accordance to the terms of such agreements.

Adjustments under this Section shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Share shall be required to be issued under the Plan on any such adjustment.

18. Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or the extent, if any, permitted by the Exchange. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

19. Amendment and Termination of Plan

The Board may terminate or discontinue the Plan at any time without the consent of the Participants provided that such termination or discontinuance shall not alter or impair any option previously granted under the Plan.

The Board may by resolution amend this Plan and any options granted under it without shareholder approval, however, the Board will not be entitled, in the absence of shareholder and Exchange approval, to:

- (a) reduce the exercise price of an option held by an Insider of the Corporation;
- (b) extend the expiry date of an option held by an Insider of the Corporation (subject to such date being extended by virtue of Section 11 above)
- (c) amend the limitations on the maximum number of Shares reserved or issued to Insiders under subsections 10(a)(ii) and 10(a)(iii) hereof;
- (d) increase the maximum number of Shares issuable pursuant to this Plan; or
- (f) amend the amendment provisions of this Plan under this Section 19.

Where shareholder approval is sought for amendments under subsections (a), (b) and (c) above, the votes attached to Shares held directly or indirectly by Insiders benefiting from the amendments will be excluded.

20. Change of Control

Notwithstanding subsection 12(b), in the event of a Change of Control, as defined below, all outstanding options shall become immediately vested.

21. Merger and Acquisition Transaction

In the event of a Merger and Acquisition Transaction or proposed Merger and Acquisition Transaction:

- (a) Subject to Section 20, the Board may, in a fair and equitable manner, determine the manner in which all unexercised option rights granted under this Plan will be treated including, without limitation, requiring the acceleration of the time for the exercise of such rights by the Participants, the time for the fulfillment of any conditions or restrictions on such exercise, and the time for the expiry of such rights;
- (b) the Board or any corporation which is or would be the successor to the Corporation or which may issue securities in exchange for Shares upon the Merger and Acquisition Transaction becoming effective may offer any Participant the opportunity to obtain a new or replacement option over any securities into which the Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Shares under option and the option price (and otherwise substantially upon the terms of the option being replaced, or upon terms no less favourable to the Participant) including, without limitation, the periods during which the option may be exercised and expiry dates; and in such event, the Participant shall, if he accepts such offer, be deemed to have released his option over the Shares and such option shall be deemed to have lapsed and be cancelled; or
- (c) the Board may exchange for or into any other security or any other property or cash, any option that has not been exercised, upon giving to the Participant to whom such option has been granted at least 30 days written notice of its intention to exchange such option, and during such notice period, the option, to the extent it has not been exercised, may be exercised by the Participant without regard to any vesting conditions attached thereto, and on the expiry of such notice period, the unexercised portion of the option shall lapse and be cancelled.

Subsections (a), (b) and (c) of this Section 21 are intended to be permissive and may be utilized independently of, successively with, or in combination with each other, and nothing therein contained shall be construed as limiting or affecting the ability of the Board to deal with options in any other manner. All determinations by the Board under this Section 21 will be final, binding and conclusive for all purposes.

22. Necessary Approvals

The ability of a Participant to exercise options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any option exercise price paid to the Corporation will be returned to the Participant.

23. Effective Date of Plan

The Plan has been adopted by the Board of the Corporation subject to the approval of the Exchange and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

24. Interpretation

The Plan will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.