AZABACHE ENERGY INC.
c/o Suite 1600, 333 - 7th Avenue SW
Calgary, Alberta T2P 2Z1

MANAGEMENT INFORMATION CIRCULAR

This management information circular ("**Information Circular**") is furnished in connection with the solicitation by management of Azabache Energy Inc. (the "**Company**" or "**Azabache**") of proxies to be used at the annual and special meeting of shareholders of the Company (the "**Meeting**") to be held at the offices of Burstall Winger Zammit LLP at Suite 1600, 333 – 7th Avenue S.W. Calgary, Alberta, on Friday, March 6, 2015, at 10:00 a.m. (Calgary time) and at any adjournment thereof for the purposes set forth in the enclosed Notice of Meeting. Except where otherwise indicated, the information contained herein is stated as of January 30, 2015.

GENERAL PROXY INFORMATION

Solicitation of Proxies

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

Appointment and Revocation of Proxies

The individuals named in the accompanying form of proxy are officers of the Company. A shareholder has the right to appoint a person (who need not be a shareholder), other than the management designees, to attend and represent the shareholder and act on the shareholder's behalf at the Meeting. Such right may be exercised by inserting in the blank space provided in the accompanying form of proxy the name of the person to be designated or by completing another proper form of proxy and, in either case, depositing the form of proxy with the registrar and transfer agent of the company, Equity Financial Trust Company. A proxy will not be valid unless the completed, dated and signed form of proxy is delivered to Equity Financial Trust Company, by mail at 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1, by fax to (416) 595-9593 or by internet voting at www.voteproxyonline.com not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) preceding the Meeting or an adjournment of the Meeting.

TMX Equity Transfer Services is operating the transfer agency and corporate trust business in the name of Equity Financial Trust Company for a transition period.

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy, prior to the revocation. A shareholder may revoke a proxy by depositing an instrument in writing, executed by the shareholder or by the shareholder's attorney authorized in writing or, if the shareholder is a corporation, by a duly authorized officer or attorney of the company:

1. at the offices of the registrar and transfer agent of the company, Equity Financial Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1, at any time, not less than 48 hours, (excluding Saturdays, Sundays and statutory holidays) preceding the Meeting or an adjournment of the Meeting at which the proxy is to be used; or

2. at the registered office of the Company, Suite 1600, 333 - 7th Avenue SW, Calgary, Alberta T2P 2Z1 at any time up to and including the last business day preceding the day of the Meeting at which the proxy is to be used; or

3. with the chairman of the Meeting on the day of the Meeting or an adjournment of the Meeting.

In addition, a proxy may be revoked by the shareholder executing another form of proxy bearing a later date and depositing the same at the offices of the registrar and transfer agent of the company, Equity Financial Trust Company, within the time period set out under the heading "Voting of Proxies", or by the shareholder personally attending the Meeting and voting its Common Shares, or in any other manner permitted by law.

Voting of Proxies

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

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

Proxies, to be valid, must be deposited at the office of the Company's registrar and transfer agent, Equity Financial Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1, by fax to (416) 595-9593 or at www.voteproxyonline.com not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) preceding the Meeting or an adjournment of the Meeting.

Internet Voting

If you are a registered shareholder of the Company, you are requested to complete, sign, date and return the form of proxy enclosed whether or not you intend to attend the Meeting. To be valid, proxies must be signed and deposited via first class mail with the registrar and transfer agent of the Company, Equity Financial Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1 (Attention: Proxy Department), by fax to (416) 595-9593 (Attention: Proxy Department) or by internet voting at www.voteproxyonline.com (detailed instructions are included with your proxy materials). An undated proxy will be deemed to be dated the date it is mailed by the Company to the Company's shareholder. Proxies may be returned in the enclosed addressed envelope. Proxies must be received prior to 10:00 a.m.

(Calgary time) on March 4, 2015 or, if the Meeting is adjourned or postponed prior to 10:00 a.m. (Calgary time) on the second last business day preceding the date to which the Meeting is adjourned or postponed. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion and the Chairman is under no obligation to accept or reject any particular late proxy.

Advice to Beneficial Holders of Common Shares on Voting their Common Shares

The information set forth in this section is of significant importance to many shareholders of the Company, as a substantial number of shareholders do not hold their Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only shareholders whose names appear on the records of the Company as the registered holders of Common Shares or their proxyholders are permitted to vote at the Meeting. If Common Shares are listed in an account statement provided to a shareholder by a broker, then, in almost all cases, those shares will not be registered in the shareholder's name on the records of the Company. Such shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the nominee of The Canadian Depository for Securities Limited, which acts as depositary for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting shares for the broker's clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.

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

Beneficial Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Company are referred to as non-objecting beneficial owners or "**NOBOs**". Those Beneficial Shareholders who have objected to their intermediary disclosing ownership information about themselves to the Company are referred to as objecting beneficial owners or "**OBOs**".

Pursuant to NI 54-101, the Company has distributed copies of the proxy-related materials in connection with this Meeting (including this Information Circular) indirectly to all NOBO's. The Company is not relying on the notice-and-access delivery procedures outlined in NI 54-101 to distribute copies of the proxy related materials in connection with the Meeting.

The Company will bear the costs for intermediaries to deliver to OBOs (who have not otherwise waived their right to receive proxy-related materials) copies of the proxy-related materials and related documents.

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

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

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue an unlimited number of Common Shares, without nominal or par value. As at the Record Date (as defined herein), 187,117,399 Common Shares are issued and outstanding. The Common Shares are entitled to be voted at the Meeting on the basis of one (1) vote for each Common Share held. Other than the Common Shares, the Company does not have any other class of voting securities.

The holders of Common Shares of record at the close of business on the record date, set by the board of directors of the Company (the "**Board**") to be January 30, 2015 (the "**Record Date**"), are entitled to vote such Common Shares at the Meeting, except to the extent that: (i) such person transfers ownership of any of its Common Shares after the Record Date; (ii) the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes its ownership to the Common Shares; and (iii) the transferee makes a demand to the registrar and transfer agent of the company, Equity Financial Trust Company, not later than ten (10) days before the Meeting, that its name be included on the shareholders list, in which case the transferee shall be entitled to vote its Common Shares at the Meeting.

To the knowledge of the directors and executive officers of the Company, as of the date hereof, no person or company beneficially owns or controls or directs, directly or indirectly, ten percent (10%) or more of the voting rights attached to any class of voting securities of the Company.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person who has been a director or an executive officer of the Company at any time since the beginning of its last completed financial year, each proposed director or any associate of any such director or officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors and the appointment of auditors.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Board, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting relating to: (i) receipt of the financial statements of the Company for the financial year ended June 30, 2014; (ii) fixing the number of directors to be elected at the Meeting; (iii) the election of directors until the next annual meeting of shareholders; (iv) the appointment of the Company's auditors; and (v) the approval of the incentive stock option plan of the Company.

I. RECEIPT OF FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the financial year ended June 30, 2014 and the auditors' report thereon will be presented at the Meeting.

II. ELECTION OF DIRECTORS

The Board currently consists of five (5) directors, all of whom were elected annually. The term of office for each of the present directors of the Company expires at the Meeting. It is proposed that the number of directors to be elected at the Meeting, for the ensuing year, be fixed at five (5). At the Meeting, the shareholders will be asked to consider and, if thought fit, approve an ordinary resolution fixing the number of directors to be elected at the Meeting, at five (5). **The management designees, if named as proxy, intend to vote the Common Shares represented by any such proxy to vote FOR an ordinary resolution fixing the number of directors to be elected at the Meeting at five (5) members.**

The Board has adopted an individual voting standard for the election of directors at the Meeting. Under the individual voting standard, the Board has adopted a policy which requires that any nominee for director who receives a greater number of votes "withheld" than votes "for" his or her election as a director shall submit his or her resignation to the Board for consideration promptly following the meeting. This policy applies only to uncontested elections, meaning elections where the number of nominees for directors is equal to the number of directors to be elected. The Board will consider the resignation and determine whether to accept it within ninety (90) days of the applicable meeting and a news release will be issued by the Company announcing the Board's determination. A director who tenders his or her resignation will not participate in any meetings to consider whether the resignation shall be accepted. The Board may fill any vacancy created by any such resignation or determine to leave the resulting vacancy unfilled.

Each director elected at the Meeting will hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Company, unless his office is earlier vacated in accordance with the provisions of the *Canada Business Corporations Act* (the "**CBCA**") or the Company's by-laws. **The management designees, if named as proxy, intend to vote the Common Shares represented by any such proxy FOR the election of the following nominees to the Board, unless the shareholder has specified in the shareholder's proxy that the shareholder's shares are to be withheld from voting in the election of one or more of the directors**.

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

The following table states the names of the persons nominated by management for election as directors, any offices with the Company currently held by them, their principal occupations or employments, the period or periods of service as directors of the Company and the number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised as of the date hereof. The term of office of each director will be from the date of the meeting at which he is elected until the next annual meeting, or until his successor is elected or appointed.

Name and Municipality of Residence	Principal Occupation	Director Since	Position with the Company	Number of Common Shares Beneficially Owned[1]
Claudio Larotonda[4] Buenos Aires, Argentina	President and Chief Executive Officer of the Company since September 2005.	September 21, 2005	President, Chief Executive Officer and Director	928,580
Glenn Van Doorne[2][3][4] Calgary, Alberta	Director of the Company from August 5, 2009 to present.	August 5, 2009	Director and Chairman	18,663,752
Luis Miguel Morelli[2][3][4] Bogotá, Colombia	Interim Country Manager of the Company's Colombian branch, Azabache Energy Inc., Sucursal Colombia. Director, PetroMagdalena Energy Corp. from July 2009 to July, 2012; Consultant to the oil and gas and mining industries in Colombia since 2008; Director, Solana Resources Ltd. from April 2008 to December 2008; Governor of the Department of Norte de Santander (Colombia) from January 2004 to January 2008.	January 13, 2010	Director	344,271
Dominic Dacosta[2][3] Bogotá, Colombia	Partner with the law firm Dacosta Ordonez Abogados since June 2011.	December 27, 2013	Director	5,000[5]
Rodger Gray[2][3] Toronto, Ontario	Vice President with Altus Securities Inc., an IIROC-member firm since August 2014. Prior thereto, President and Chief Executive Officer of Toll Cross Securities Inc. from 2003 to July 2014.	January 16, 2014	Director	2,029,695

Notes:

1. The information as to voting securities beneficially owned, controlled or directed not being within the knowledge of the Company, has been furnished by the respective nominees individually.
2. Member of the Audit Committee, of which Mr. Van Doorne is the Chairman.
3. Member of the Compensation Committee, of which Mr. Dacosta is the Chairman.
4. Member of the Reserves Committee, of which Mr. Van Doorne is the Chairman.
5. Held through Medallion Energy Ltd., a company controlled by Mr. Dacosta.

As at the date of this Information Circular, the proposed directors of the Company as a group, directly or indirectly, beneficially own or exercise control or direction over 21,971,298 Common Shares, representing approximately 11.7% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies and Penalties or Sanctions

Other than as disclosed in this Information Circular, none of the proposed directors of the Company are, as at the date of this Information Circular, or was within ten (10) years before the date of this Information Circular, a director or chief executive officer or chief financial officer of any company (including Azabache) that:

(a) was the subject of an order (as defined in Form 51-102F5 - Information Circular) that was issued while the director was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer, or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer, or chief financial officer.

On November 5, 2010, a cease trade order was issued against the Company by the Alberta Securities Commission (the "**ASC**") for failing to file its audited annual financial statements, management discussion and analysis and certification of annual filings for the year ended June 30, 2010 (the "**Annual Filings**") by the reporting deadline of October 28, 2010. Cease trade orders were also issued by the British Columbia Securities Commission (the "**BCSC**") and the Ontario Securities Commission (the "**OSC**") on November 5, 2010 and November 22, 2010, respectively. Upon the filing of the Annual Filings on November 29, 2010, the Company made applications to have the cease trade orders revoked by the respective securities commissions. The cease trade orders of the ASC, the BCSC and the OSC were revoked on December 16, 2010, December 17, 2010 and December 24, 2010, respectively.

None of the proposed directors of the Company:

(a) is at the date hereof, or has been within ten (10) years before the date of this Information Circular, a director or executive officer of any company (including Azabache), that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the ten (10) years before this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No proposed director of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

III. APPOINTMENT OF AUDITORS

BDO Canada LLP was appointed as auditors of the Company on June 24, 2010. The Company is proposing to appoint BDO Canada LLP as auditors of the Company for the ensuing year.

It is the intention of the management designees, if named as proxy, to vote FOR the re-appointment of BDO Canada LLP, as the auditors of the Company until the next annual meeting of shareholders and to authorize the Board to fix their remuneration, unless the shareholder has specified in its proxy that its Common Shares are to be withheld from voting on this resolution. If elected, BDO Canada LLP will hold office as auditors of the Company until the next annual meeting of shareholders or until their successor is duly elected or appointed pursuant to the by-laws of the Company unless their position is earlier vacated in accordance with the provisions of the CBCA or the Company's by-laws.

IV. STOCK OPTION PLAN

The policies of the TSX Venture Exchange ("**TSXV**") require all listed companies with a 10% rolling stock option plan to obtain shareholder approval of such plan on an annual basis. Shareholders will be asked at the Meeting to vote on a resolution to approve, for the ensuing year, the stock option plan of the Company (the "**Stock Option Plan**"). The Company's Stock Option Plan was previously approved by shareholders on January 16, 2014. The Stock Option Plan is described below. The full text of the Stock Option Plan is set out and attached hereto as Schedule "A".

The Stock Option Plan provides that the Board may from time to time, in its discretion, grant options to purchase Common Shares ("**Options**") to directors, officers, employees, and consultants of the Company and its subsidiaries or affiliates of the Company. The Stock Option Plan provides the number of authorized but unissued Common Shares that may be issued upon the exercise of Options at any time plus the number of Common Shares reserved for issuance under outstanding incentive Options otherwise granted by the Company shall not exceed 10% of the aggregate number of Common Shares and no one optionee is permitted to hold Options entitling such optionee to purchase more than 5% of the aggregate number of Common Shares issued and outstanding. As at the date hereof, this represents 18,711,739 Common Shares available under the Stock Option Plan. As of the date hereof, there are 8,975,000 outstanding Options issued to directors, officers, employees and consultants of the Company under the Stock Option Plan, all of which have a five (5) year term.

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

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

Plan shall be as determined by the Board when such Option is granted and shall be an amount at least equal to the Discounted Market Price (as such term is defined in the Stock Option Plan) of the Common Shares. The exercise price must be paid in full on any exercise of Options.

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

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

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

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

"BE IT RESOLVED THAT:

(a) the incentive stock option plan of the Company, as described in and attached as Schedule "A" to the Information Circular of the Company dated January 30, 2015, be and is hereby ratified and approved;

(b) any one (1) director or officer of the Company be authorized to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under the corporate seal of the Company or otherwise, as may be considered necessary or advisable to give full force and effect to the foregoing; and

(c) the directors of the Company may revoke this resolution before it is acted upon without further approval of the shareholders."

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

EXECUTIVE COMPENSATION

Named Executive Officers

For the purpose of this section, a "CEO" or "CFO" means each individual who served as Chief Executive Officer or Chief Financial Officer, respectively, of the Company or acted in a similar capacity during the most recently completed financial year. A "Named Executive Officer" ("**NEO**") means each CEO; each CFO; each of the Company's (including its subsidiary) three (3) most highly compensated executive officers, or the three (3) most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year of the Company and whose total compensation was, individually, more than $150,000 for the financial year; and each individual who would be an NEO but for the fact that the individual was neither an executive officer of the Company (or any of its subsidiaries) nor acting in a similar capacity at the end of the most recently completed financial year end.

During the year ended June 30, 2014, the Company had the following five (5) NEOs: Claudio Larotonda, President and Chief Executive Officer, Marc Bouchard, Chief Financial Officer, Daniel Gordon, Vice-President, Corporate Development, Mark Hopkins, former Chief Financial Officer and Luis Miguel Morelli, Interim Colombia Country Head.

Compensation Governance

The Company's executive compensation program is administered by the Board and the Company's Compensation Committee. The Compensation Committee is currently comprised of Luis Miguel Morelli, Dominic Dacosta**,** Glenn Van Doorne and Rodger Gray. Messrs. Dacosta, Van Doorne and Gray are considered "independent" within the meaning of National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). Mr. Morelli is not considered independent as he receives consulting fees for his services in running the day to day operations of the Company's Colombian branch. The Compensation Committee's mandate includes reviewing compensation matters relating to the executive officers, employees and directors, including the "Named Executive Officers" who are identified in the "Summary Compensation Table" below, and approving option grants to such personnel and making recommendations to the Board in respect of the remuneration (salary and bonuses) of such personnel.

Among other things, the Compensation Committee was established to assist the Board in carrying out its responsibilities by reviewing compensation issues in support of the achievement of the Company's business strategy and making recommendations to the Board as appropriate. In particular, the Compensation Committee is responsible for reviewing and approving corporate goals and objectives and reviewing and evaluating succession and leadership plans for the Company's other senior officers. The Compensation Committee meets at least once annually to fulfill its mandate.

All of the current members of the Compensation Committee have direct experience that is relevant to their responsibilities regarding the executive compensation of the Company. Luis Miguel Morelli has extensive experience in public and private oil and gas companies at the management and executive levels. Rodger Gray has over 30 years of investment banking experience in the junior resource sector, and has also held several executive management positions in registered investment dealers. Dominic Dacosta has been a partner of Dacosta Ordonez Abogados since June 2011, and is the registered legal representative in Colombia of Petrolera Monterrico S.A. Mr. Dacosta serves on a number of boards of publicly-traded oil and gas companies. Glenn Van Doorne has over 30 years of experience in the global oil and gas industry including being responsible for global oil and gas opportunities in his capacity as an executive officer of large oil and gas companies.

In making compensation recommendations, the Compensation Committee considers each executive's performance and other relevant factors, including the scope of each executive's position and responsibilities, the achievement of corporate goals, the current business environment and anticipated changes, and executive retention and recruitment considerations. In fulfilling this mandate, the Compensation Committee:

- Periodically reviews the assessment of the performance of executive officers as provided to the committee by the Chief Executive Officer.
- Establishes an overall compensation policy for executive officers of the Company and monitors its implementation.
- Reviews and makes recommendations to the Board regarding the Company's remuneration to the Chief Executive Officer and other executive officers and compensation policies, including the administration of the Stock Option Plan and the granting of Options thereunder.
- Reviews and recommends compensation of directors.

As part of its review of the Company's compensation policies and practices, the Compensation Committee considers the implications of risks associated with the Company's compensation policies and practices. The Compensation Committee keeps itself apprised of the current compensation policies of other oil and gas exploration and production companies and also draws upon the Compensation Committee members' backgrounds as executives of other issuers to help identify and mitigate compensation policies and practices that could encourage a Named Executive Officer or individual at a principal business unit or division to take inappropriate or excessive risks. As of the date hereof, the Compensation Committee is not aware of any material risks arising from the Company's current compensation policies or practices that would be reasonably likely to have a material adverse effect on the Company.

The Company does not currently have any policies in place that would prevent Named Executive Officers or directors from purchasing financial instruments that might be designed to hedge or offset a decrease in market value of equity securities granted as compensation or held by Named Executive Officers or directors.

Compensation Discussion and Analysis

The following is a general discussion of the significant elements of compensation of the NEOs for the most recently completed financial year. As tabulated below, the normal compensation elements consist of a base salary, Options and bonuses, if applicable.

Aligning the Interests of the NEOs with the Interests of the Company's Shareholders

Azabache's compensation policies are founded on the principle that executive and employee compensation should be consistent with shareholder interests and Azabache's compensation plans are therefore intended to attract talented employees and encourage decisions and actions that will result in achievement of the Company's broader objectives and in the creation of long term shareholder value. These corporate objectives are focused on the successful development of the Company's properties.

Prior to setting compensation levels, the Board and the Compensation Committee review market conditions for the management group and, in particular, the specific responsibilities of the respective NEOs. To carry out this review, the Board relies on personal knowledge and, from time to time, may use compensation consultants.

Compensation Components

A combination of fixed and variable compensation is used to motivate executives to achieve overall corporate goals. For the 2014 financial year, the three basic components of the executive officer compensation program were:

- fixed salary;
- annual incentives (cash bonus); and
- option based compensation.

Fixed salary comprises a portion of the total cash-based compensation; however, annual incentives and option based compensation represent compensation that is "at risk" and thus may or may not be granted to the executive officer depending on: (i) in the case of the CFO, whether the executive officer is able to meet or exceed his or her applicable performance targets; and (ii) in the case of the CEO, whether the market performance of the Company's Common Shares exceeds the average of the market performance of a group of the Company's peers. In the case of the CFO's performance, no specific formulae have been developed to assign a specific weighting to each target. Instead, the Board considers each performance target and the Company's performance and assigns compensation based on this assessment and the recommendations of management.

Base Salary

Base salary provides employees and NEOs with a fixed level of competitive pay that is consistent with market practices and reflects the individual's primary duties and responsibilities. The Board approves the salary ranges for the NEOs. The base salary review for each NEO is based on an assessment of factors such as current competitive market conditions, compensation levels within companies in the oil and gas industry operating in South America and particular skills, such as leadership ability, management effectiveness, experience, responsibility and proven or expected performance of the particular individual. Comparative data for the Company's peer group is also accumulated from a number of external sources including independent consultants. The Company's policy for determining salary for executive officers is consistent with the administration of salaries for all other employees.

Annual Incentives

The Company did not award any annual incentives by way of cash bonuses in the financial year ended June 30, 2014. However, the Company, in its discretion, may award such incentives in order attract highly qualified employees and to obtain from each employee, the best possible performance in order to achieve the Company's short-term corporate goals. The Compensation Committee and the Board approve annual incentives which are based on performance and determined on both targeted individual and corporate performance.

Long Term Compensation

As at and for the year ended June 30, 2014, the Company's only long-term incentive plan was the Stock Option Plan, which was last approved by the Shareholders at the Annual and Special Meeting of Shareholders held on January 16, 2014. Azabache's Stock Option Plan is intended to encourage Common

Share ownership and to motivate NEOs, and other eligible recipients, to focus on behaviour that will result in improving Azabache's financial results and lead to increases in the market value of the Common Shares. Option grants are determined by the Compensation Committee. The amount of Options previously granted is taken into consideration when considering new grants of Options.

For additional details of the Stock Option Plan, see "Particulars to Be Acted Upon – Stock Option Plan" and for Option features, see "Equity Compensation Plans."

Compensation Summary

The table below sets forth information concerning the compensation paid, awarded or earned by each of the NEOs for services rendered in all capacities to the Company during the financial years ended June 30, 2014, 2013 and 2012.

Summary Compensation Table

NEO Name and Principal Position	Year Ended June 30	Salary ($)	Option-Based Awards[5] ($)	All Other Compensation ($)	Total Compensation ($)
Claudio Larotonda[1][2] President and Chief Executive Officer	2014	145,068	154,477	61,977	361,522
	2013	163,937	Nil	43,961	207,898
	2012	142,423	406,500	19,742	568,665
Marc Bouchard[3] Chief Financial Officer	2014	Nil	67,944	22,500	90,444
	2013	N/A	N/A	N/A	N/A
	2012	N/A	N/A	N/A	N/A
Daniel Gordon[4] Vice-President, Corporate Development	2014	144,331	49,413	38,050	231,794
	2013	162,891	Nil	18,559	181,450
	2012	138,633	169,375	Nil	308,008
Mark Hopkins[6]	2014	Nil	49,413	58,500	107,913
	2013	Nil	Nil	78,000	78,000
	2012	Nil	67,750	60,000	127,750

NEO Name and Principal Position	Year Ended June 30	Salary ($)	Option-Based Awards(5) ($)	All Other Compensation ($)	Total Compensation ($)
Luis Miguel Morelli Interim Colombia Country Head	2014	104,451	185,301	83,280	373,032
	2013	108,656	Nil	Nil	108,656
	2012	40,707	271,000	Nil	311,707

Notes:

1. Mr. Larotonda has two contracts, one with Argenta Energia S.A. which deals with his duties in Argentina and one with the Company that deals with his duties outside Argentina. The combined remuneration is US$151,200 per annum, the majority of which is paid through the Company's subsidiary, Argenta Energia SA. During the year ended June 30, 2014 Mr. Larotonda was paid employment income in Argentina at an average rate of 87,750 Argentine pesos a month.
2. Mr. Larotonda is not compensated for his role as a director of the Company.
3. Mr. Bouchard was appointed as Chief Financial Officer of the Company on April 1, 2014. Mr. Bouchard has no contract that entitles him to any additional compensation. He is paid monthly in Canadian dollars as a consultant.
4. Mr. Gordon has two contracts, one with Argenta Energia S.A. which deals with his duties in Argentina and one with the Company that deals with his duties outside Argentina. The combined remuneration is US$129,600 per annum, the majority of which is paid through the Company's subsidiary, Argenta Energia SA. During the year ended June 30, 2014, Mr. Gordon was paid employment income in Argentina at an average rate of 86,667 Argentine pesos a month.
5. Grant date fair value calculations are based on the Black-Scholes Option Pricing Model with the following weighted average assumptions for each of the following financial years:
    - 2014 - risk free interest rate of 1.0%; dividend yield of 0%; volatility factor of the market price of the Common Shares of 174 and remaining average contractual life of the Options of five years;
    - 2012 - risk free interest rate of 1%; dividend yield of 0%; volatility factor of the market price of the Common Shares of 250 and remaining average contractual life of the Options of five years..

    Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's Common Shares and option-based awards. Mr. Larotonda is not compensated for his role as a director of the Company.
6. Mr. Hopkins resigned as Chief Financial Officer of the Company on April 1, 2014. Mr. Hopkins continues to provide consulting services to the Company.

Currencies

Unless otherwise noted, all monetary amounts disclosed under the heading "Statement of Executive Compensation" are in Canadian dollars, which is the same currency that is used by the Company in its annual financial statements.

Incentive Plan Awards

Outstanding Share-Based and Option-Based Awards

As at June 30, 2014, there were no share-based awards made to the NEOs. The following table sets out, for each NEO, option-based awards outstanding as at June 30, 2014. The closing price of the Company's Common Shares on the TSXV on June 27, 2014, being the last day the Company's Common Shares traded on the TSXV in its last financial year, was $0.09.

	Option-based Awards			
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)[1]**
Claudio Larotonda	1,250,000[3] 600,000[2]	0.13 0.68	June 30, 2019 December 12, 2014	Nil Nil Nil
Mark Hopkins[4]	300,000[3] 400,000[3] 100,000[3]	0.33 0.13 0.68	January 17, 2016 June 30, 2019 December 12, 2014	Nil Nil Nil
Daniel Gordon	400,000[3] 250,000[2]	0.13 0.68	June 30, 2019 December 12, 2014	Nil Nil
Marc Bouchard[5]	550,000[3]	0.13	June 30, 2019	Nil
Luis Miguel Morelli	1,500,000[3] 400,000[2]	0.13 0.68	June 30, 2019 December 12, 2014	Nil Nil

Notes:

1. Calculated using the closing price of the Common Shares on the TSXV on June 27, 2014 of $0.09 and subtracting the exercise price of in-the-money Options. These Options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.
2. Representing "A" Options. See "Equity Compensation Plans." None of the "A" Options vested during the year ended June 30, 2014.
3. Representing "B" Options. See "Equity Compensation Plans."
4. Mr. Hopkins resigned as Chief Financial Officer of the Company on April 1, 2014. Mr. Hopkins continues to provide consulting services to the Company.
5. Mr. Bouchard was appointed as Chief Financial Officer of the Company on April 1, 2014.

Incentive Plan Awards - Value Vested or Earned During the Year

During the year ended June 30, 2014, there were no share based awards issued to NEOs. The following table sets forth, for each NEO, the value of all incentive plan awards issued during the financial year ended June 30, 2014:

Name	**Option-based awards-Value vested during the year[1] ($)**	**Non-equity incentive plan compensation- Value earned during the year ($)**
Claudio Larotonda[2]	Nil	Nil
Mark Hopkins[3][4]	Nil	Nil
Daniel Gordon[2]	Nil	Nil
Marc Bouchard[5]	Nil	Nil

Notes:

1. Summarizes for each of the NEOs the aggregate value that would have been realized if the Options had been exercised on the vesting date during the financial year ended June 30, 2014. As these Options were not necessarily exercised, or exercised on such vesting date, by the NEOs, these amounts do not necessarily reflect amounts realized by the NEOs during the year ended June 30, 2014.
2. Granted "A" Options. None of the "A" Options vested during the year ended June 30, 2014. See "Equity Compensation Plans."
3. Granted "B" Options. See "Equity Compensation Plans."
4. Mr. Hopkins resigned as Chief Financial Officer of the Company on April 1, 2014. Mr. Hopkins continues to provide consulting services to the Company.
5. Mr. Bouchard was appointed as Chief Financial Officer of the Company on April 1, 2014.

Pension Plan Benefits

There are no pension plan benefits in place for the NEOs.

Termination and Change of Control Benefits

Larotonda Agreement

Pursuant to a consulting services agreement effective December 1, 2011 (the "**Larotonda Agreement**") between the Company and Claudio Larotonda, in conjunction with the employment agreement between Mr. Larotonda and Argenta Energia S.A. (the Company's subsidiary in Argentina) dated December 1, 2011, Mr. Larotonda provides full time services to the Company as the President and Chief Executive Officer of the Company for a combined annual consulting fee and employment income of US$151,200 per year, payable, as well as reimbursement for any out-of-pocket expenses.

In the event that either: (i) a change of control of the Company occurs and Mr. Larotonda's consulting services agreement with the Company is subsequently or contemporaneously terminated by the Company within 18 months from the effective date of the change of control, or (ii) Mr. Larotonda's position, role or duties are amended so as to deprive him of a material part of the benefits under the Larotonda Agreement, then Mr. Larotonda may terminate the Larotonda Agreement summarily and the Company after the above amendment, must thereafter pay to Mr. Larotonda a termination payment equal to an aggregate of US$302,400 which represents 24 months of the total annual remuneration payable to Mr. Larotonda pursuant to the Larotonda Agreement which termination payment is to be made within seven (7) calendar days of the termination date.

Gordon Agreement

Pursuant to a consulting services agreement effective December 1, 2011 (the "**Gordon Agreement**") between the Company and Daniel Gordon, in conjunction with the employment agreement between Mr. Gordon and Argenta Energia S.A. (the Company's subsidiary in Argentina) dated December 1, 2011, Mr. Gordon provides full time services to the Company as the Vice-president, Corporate Development of the Company for a combined annual consulting fee and employment income of US$129,600 per year, payable, as well as reimbursement for any out-of-pocket expenses.

In the event that either: (i) a change of control of the Company occurs and Mr. Gordon's consulting services agreement with the Company is subsequently or contemporaneously terminated by the Company within 18 months from the effective date of the change of control, or (ii) Mr. Gordon's position, role or duties are amended so as to deprive him of a material part of the benefits under the Gordon Agreement, then Mr. Gordon may terminate the Gordon Agreement summarily and the Company after the above amendment, must thereafter pay to Mr. Gordon a termination payment equal to an aggregate of US$259,200 which represents 24 months of the total annual remuneration payable to Mr. Gordon pursuant to the Gordon Agreement which termination payment is to be made within seven (7) calendar days of the termination date.

The Company has not provided compensation (other than as set forth above), monetary or otherwise, during the preceding financial year, to any person who now acts or has previously acted as a NEO of the Company, in connection with or related to the retirement, termination or resignation of such person and the Company has provided no compensation to such persons as a result of a change of control of the Company, its subsidiaries or affiliates. The Company is a party to consulting agreements that do provide for change of control payments as indicated in the table below.

The estimated total termination and change of control benefits for each of the NEOs that would be payable if a termination without cause or a change of control occurred on June 30, 2014, are as follows:

Name	Termination or Change of Control Benefit ($)[3]
Claudio Larotonda[1]	$322,661
Marc Bouchard	Nil
Daniel Gordon[2]	$276,566

Notes:

1. Pursuant to his consulting services agreement with the Company, Mr. Larotonda would be entitled to a change of control payment of USD$302,400 (converted at the year-end exchange rate of US$1.0670 = CDN$322,661).
2. Pursuant to his consulting services agreement with the Company, Mr. Gordon would be entitled to a change of control payment of USD$259,200 (converted at the year-end exchange rate of US$1.0670 = CDN$276,566).
3. No additional benefits are payable upon any termination or a change of control.

Director Compensation

The following table sets forth the value of all compensation provided to directors, not including those directors who are also NEOs, for the financial year ended June 30, 2014.

Director Name[1][2]	Fees earned ($)	Option-Based Awards ($)	All Other Compensation ($)	Total Compensation ($)
Glenn Van Doorne	Nil	123,534	Nil	123,534
Rodger Gray	Nil	92,650	Nil	92,650
Dominic Dacosta	Nil	92,650	Nil	92,650
William Wheeler[3]	Nil	Nil	Nil	Nil

Notes:

1. This table does not include any amount paid as reimbursement for expenses.
2. Compensation paid to the NEOs who served as directors of the Company is disclosed in the Summary Compensation Table. See "Executive Compensation".
3. Mr. Wheeler resigned as a director of the Company on January 16, 2014.

Outstanding Share-Based and Option-based Awards

As at June 30, 2014, there were no share-based awards made to the directors of the Company. The following table sets out for each director the incentive option-based awards outstanding as of June 30, 2014. These options will vest three (3) years from the date of their grant based the Company achieving market performance targets. See "Equity Compensation Plans". The closing price of the Company's Common Shares on the TSXV on June 27, 2014, being the last day the Company's Common Shares traded on the TSXV in its last financial year, was $0.09.

	Option-based Awards			
Name	**Number of securities underlying unexercised options (#)[(2)]**	**Option exercise price ($)**	**Option expiration date ($)**	**Value of unexercised in-the-money options[(1)]**
Glenn Van Doorne	600,000[(2)] 1,000,000[(3)]	0.68 0.13	December 12, 2014 June 30, 2019	Nil Nil
Rodger Gray	750,000[(3)]	0.13	June 30, 2019	Nil
Dominic Dacosta	750,000[(3)]	0.13	June 30, 2019	Nil
William Wheeler[(4)]	Nil	N/A	N/A	N/A

Notes:

1. Calculated using the closing price of the Common Shares on the TSXV on June 27, 2014 of $0.09 and subtracting the exercise price of in-the-money Options. These Options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.
2. Representing "A" Options. See "Equity Compensation Plans".
3. Representing "B" Options. See "Equity Compensation Plans".
4. Mr. Wheeler resigned as a director of the Corporation on January 16, 2014.

Incentive Plan Awards - Value Vested or Earned During the Year

During the financial year ended June 30, 2014, there were no share-based awards made to the directors of the Company. Options granted to the independent directors of the Company vest after three (3) years based on the performance of the Company's Common Shares against the performance of a selected peer group of companies. "See Equity Compensation Plans". The following table sets forth, for each director, the value of all incentive plan awards issued during the financial year ended June 30, 2014:

Name	Option-based awards-Value vested during the year[1] ($)	Non-equity incentive plan compensation- Value earned during the year ($)
Glenn Van Doorne[2][3]	Nil	Nil
Rodger Gray[3]	Nil	Nil
Dominic Dacosta[3]	Nil	Nil
William Wheeler[4]	Nil	Nil

Notes:

1. Summarizes for each of the directors the aggregate value that would have been realized if the Options had been exercised on the vesting date during the financial year ended June 30, 2014. As these Options were not necessarily exercised, or exercised on such vesting date, by the directors, these amounts do not necessarily reflect amounts realized by the directors during the year ended June 30, 2014.
2. Granted "A" Options. None of the "A" Options vested during the year ended June 30, 2014. See "Equity Compensation Plans."
3. Granted "B" Options. See "Equity Compensation Plans."
4. Mr. Wheeler resigned as a director of the Company on January 16, 2014.

EQUITY COMPENSATION PLANS

Other than the Company's Stock Option Plan (if approved at the Meeting), the Company does not have any compensation plans under which equity securities of the Company (being Common Shares) are authorized for issue. The following table sets forth information regarding the Company's equity compensation plans as at June 30, 2014.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issue under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	10,625,000	$0.27	6,934,858
Equity compensation plans not approved by securityholders.	N/A	N/A	N/A
Total	10,625,000		6,934,858

Note:

1. The maximum number of Common Shares issuable upon the exercise of Options granted under the Stock Option Plan is 10% of the issued and outstanding Common Shares.

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

The Company has issued certain time and performance vesting options (the "**Time and Performance Options**") under the Stock Option Plan in tranches to allow for different vesting criteria. "A" Options vest on the third anniversary of the date of the grant subject to performance vesting criteria based upon the trading price of the Common Shares to a group of eight (8) peers (the "**Peer Group**") as determined by the Compensation Committee of the Company at the commencement of each year. The Chief Financial Officer will prepare a report to the Compensation Committee with the trading information with respect to the Common Shares and the shares of the Peer Group. The Compensation Committee will then determine if the Options should vest under these performance criteria on the anniversary date. If the share price of the Company's publicly listed Common Shares out performs those of the Peer Group, then the options shall vest. If the share price of the Company's publically listed Common Shares does not out perform those of the Peer Group, then the Options shall not vest and shall expire. These Options expire five (5) years from the date of issuance. "Out-perform" shall mean the circumstance where the percentage change in the Company's stock price between the grant date and the date three (3) years hence is greater than the average of the same percentage change calculation for each of the Peer Group.

"B" Options vest as to one-third immediately and one-third on each of the first and second year anniversaries of the date of grant. The Options to vest on the first and second anniversary shall be subject to performance vesting criteria established by the Compensation Committee and approved by the Board each year. The performance vesting criteria shall be based on the Optionee's professional performance during the 365 days prior to each anniversary date as measured against the individual management objectives agreed to by each optionee and the President at the beginning of each year. These Options shall expire five (5) years from the date of issuance.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of the date hereof and during the financial period ended June 30, 2014, there was no indebtedness owing to the Company in connection with the purchase of securities or other indebtedness by any current or former executive officers, directors, employees of the Company.

The Company loaned US$55,177 to Claudio Larotonda, President, to capitalize the Company's subsidiary Argenta Energia SA as required by the laws of Argentina. Mr. Larotonda holds the common shares of Argenta Energia SA in trust on behalf of the Company. This loan is not considered to be a debt owed by Mr. Larotonda to the Company pursuant to its accounting policies.

Other than as described herein no other director, executive officer, proposed nominee for election as a director of the Company, and each associate of any such director, executive officer or proposed nominee was indebted to the Company or any subsidiary or whose indebtedness to another entity is, or at any time during the beginning of the financial year ended June 30, 2014, been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any subsidiary.

CORPORATE GOVERNANCE

Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company. The Board has confirmed the strategic objective of the Company is to seek out, explore and develop oil and gas reserves.

The Company has reviewed its own corporate governance practices in light of Canadian securities legislation and the TSXV guidelines for effective corporate governance, including National Policy 58-201 – *Corporate Governance Guidelines* ("**NP 58-201**") which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In certain cases, the Company's practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been wholly adopted. The Company will continue to review and implement corporate governance guidelines as the business of the Company progresses and becomes more active in operations.

Board of Directors

The Board is currently composed of five (5) directors. Form 58-101F1 – *Disclosure of Corporate Governance Practices* suggests that the board of directors of every listed company should be constituted with a majority of individuals who qualify as "independent" directors under NI 52-110, which provides that a director is independent if he or she has no direct or indirect "material relationship" with the company. "Material relationship" is defined as a relationship which could, in the view of a company's board of directors, be reasonably expected to interfere with the exercise of a director's independent judgment. Of the current directors, Claudio Larotonda is not considered independent within the meaning of NI 52-110 as he has a material relationship with the Company as the President and Chief Executive Officer of the Company. Luis Miguel Morelli is not considered independent as he is remunerated for his services in running the day to day operations of the Company's Colombian branch. The remaining three (3) directors are considered by the Board to be independent within the meaning of NI 52-110.

Directorships

The following table sets forth the current and proposed directors of the Company who currently hold directorships with other reporting issuers:

Name of Director	**Reporting Issuer**
Rodger Gray	Happy Creek Minerals Ltd.

Orientation and Continuing Education

The Board does not have a formal orientation or education program for its members. The Board's continuing education is typically derived from correspondence with the Company's legal counsel to remain up to date with developments in relevant corporate and securities' law matters. Further, it is the Company's practice to nominate persons for the Board who are familiar with the Company and the nature of its business.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors of the Company also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the CBCA (as well as the relevant securities regulatory instruments) in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest.

Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

Nomination of Directors

The recruitment of new directors has generally resulted from recommendations made by directors and shareholders. The assessment of the contributions of individual directors has principally been the responsibility of the Board. Prior to standing for election, new nominees to the Board are reviewed by the entire Board.

Compensation Committee

Compensation has historically been reviewed and recommended by the independent directors. The independent directors review compensation paid to directors and Chief Executive Officers of companies of similar size and stage of development. The independent directors then determine an appropriate level of compensation that reflects the need to provide incentive and to reward the time and effort expended by the directors and senior management, while taking into account the financial and other resources of the Company. The Company formed a Compensation Committee in the financial year 2009 to be responsible for reviewing and making recommendations to the Board on compensation matters. The Compensation Committee is responsible for making recommendations to the Board for compensation of officers, directors and consultants of the Company and assisting the Chief Executive Officer in setting appropriate levels of compensation for staff of the Company and its subsidiaries. In fulfilling this mandate the Committee analyzes compensation levels in industry peers as well as monitors the performance of employees, officers and consultants. The Committee also makes recommendations to the Board to assist in the administering the Company's Stock Option Plan. The current members of the Compensation Committee include Glenn Van Doorne, Dominic Dacosta (Chairman), Rodger Gray and Luis Miguel Morelli. See "Compensation Discussion and Analysis".

Other Board Committees

Other than the Audit Committee and the Compensation Committee, at the present time, the only other committee of the Board is the Reserves Committee. As most of the directors are actively involved in the operations of the Company and the size of the Company's operation does not warrant a larger board of directors, the Board has determined that additional committees are not necessary at this stage of the Company's development. As the Company grows, and its operations and management structure become more complex, the Board expects it will constitute additional formal standing committees, and will ensure that such committees are governed by written charters and are composed of at least a majority of independent directors.

Reserves Committee

The Board has established a mandate for the Reserves Committee, which includes periodic review and updating of the Company's internal reserves data, meeting with the Company's independent reserves evaluators, independent of management and reviewing and approving the way the Company's reserves information is evaluated and presented. The Reserves Committee is currently comprised of Glenn Van Doorne (Chairman), Claudio Larotonda, and Luis Miguel Morelli all of whom have significant experience and expertise in the oil and gas exploration and development industry.

Assessments

Currently the Board takes responsibility for monitoring and assessing its effectiveness and the performance of individual directors, its committees, including reviewing the Board's decision-making processes and the quality of information provided by management, and among other things:

- overseeing strategic planning;
- monitoring the performance of the Company's assets;
- evaluating the principal risks and opportunities associated with the Company's business and overseeing the implementation of appropriate systems to manage these risks;
- approving specific acquisitions and divestitures;
- evaluating senior management; and
- overseeing the Company's internal control and management information systems.

Audit Committee Charter

The Audit Committee has been structured to comply with the requirements of NI 52-110 as it relates to TSXV listed issuers. The full text of the charter of the Company's Audit Committee is attached hereto as Schedule "B".

Composition of the Audit Committee

The current Audit Committee members are Glenn Van Doorne (Chairman), Rodger Gray, Dominic Dacosta, and Luis Miguel Morelli, all of whom are financially literate. Messrs. Van Doorne, Gray and Dacosta are independent in accordance with NI 52-110.

Relevant Education and Experience

The relevant education and/or experience of each current member of the Audit Committee are as follows:

- ***Glenn Van Doorne* -** Mr. Van Doorne has more than 30 years of international experience in the oil and gas industry. Prior to joining the Company, Mr. Van Doorne held the position of Chief Operating Officer of Solana Resources, an E&P company with over 7 million boes of net reserves and 5,000 bopd of production and prior thereto he was the Vice President, Exploration and Production for Hurricane Hydrocarbons which changed its name to PetroKazakhstan which company grew from 50 bopd to 70,000 bopd during the time of Mr. Van Doorne's involvement. Mr. Van Doorne obtained his Bachelors degree and a Masters degree in Geological and Mineralogical Sciences from the Universities of Brussels and Gent in Belgium.

- ***Rodger Gray* -** Mr. Gray is a Vice President with Altus Securities Inc., a full service investment management firm. Mr. Gray has over 20 years of experience as a stockbroker and officer of an

IDA member firm. Mr. Gray was previously the President and Chief Executive Officer of Toll Cross Securities Inc., a Toronto based, full service broker-dealer specializing in the junior resource sector. Prior thereto, Mr. Gray acted as a Director and Vice-President, Investment Banking - Institutional Equities with First Associates Investments Inc. and as President of St. James Securities Inc. Mr. Gray is a graduate of Laurentian University.

- ***Dominic Dacosta*** **-** Mr. Dacosta has been a partner with the law firm Dacosta Ordoñez Abogados in Colombia since 2011. Mr. Dacosta is a Director of Petroleos del Mar, Latco Drilling S.A., Gasoducto Movil de Colombia S.A. E.S.P, Integral de Servicios Tecnicos S.A. and Geoespectro S.A.S. He is also the registered legal representative in Colombia of Petrolera Monterrico S.A. Mr. Dacosta holds a degree in law, studies in international law at Pontificia Universitá S. Tommaso D'Aquino and a postgraduate degree in business law from Universidad Externado de Colombia.

- ***Luis Miguel Morelli*** **-** Mr. Morelli has more than 20 years of experience in the oil industry. Before joining the Company, Luis Miguel worked for Ecopetrol and for Occidental de Colombia Inc. (Oxy). He also held the position of Former Director of Solana Resources Limited, and is currently Director of PetroMagdalena Energy Corp. Mr. Morelli obtained his Bachelors degree at Universidad Externado de Colombia, and MCJ at New York University (NYU).

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Company's Board.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter, attached hereto as Schedule "B".

Audit Fees

The following table provides detail in respect of audit, audit related, tax and other fees incurred by the Company in respect of external auditor professional services:

Year Ended	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
June 30, 2014	181,147	21,028	14,208	Nil
June 30, 2013	125,531	31,000	13,900	Nil

Audit Fees – Audit fees were paid for professional services rendered by the auditor for the audit of the Company's annual financial statements as well as services provided in connection with statutory and regulatory filings. In fiscal 2012, audit fees included fees related to the audit of the opening balance sheet under IFRS.

Audit-Related Fees – Audit-related fees were paid for professional services rendered by the auditor and consisted primarily of fees for the review of quarterly financial statements and related documents and consulting advice with respect to the adoption of IFRS and other accounting matters.

Tax Fees – Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services included reviewing tax returns and assisting in responses to government tax authorities.

All Other Fees – No other fees were billed by the auditor of the Company.

Reliance on Certain Exemptions

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

INTEREST OF INFORMED PERSON IN MATERIAL TRANSACTIONS

No "informed person" (as such term is defined under applicable securities laws), proposed nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed nominee has or had a material interest, direct or indirect, in any transaction since the beginning of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

Management of the Company knows of no matters to come before the Meeting other than as set forth in the Notice of Meeting. **However, if other matters which are not known to the management should properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the persons voting the proxy.**

ADDITIONAL INFORMATION

Financial information is provided in the Company's audited financial statements and accompanying management's discussion and analysis ("**MD&A**") for the year ended June 30, 2014.

Under NI 51-102 - *Continuous Disclosure Obligations*, any person or company who wishes to receive annual and/or interim financial statements from the Company may deliver a written request for such material to the Company or the Company's agent, together with a signed statement that the person or company is the owner of securities of the Company. Shareholders who wish to receive annual and/or interim financial statements are encouraged to send the enclosed mail card, together with the completed form of proxy, in the addressed envelope provided, to the Company's transfer agent, Equity Financial Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1. The Company will maintain a supplemental mailing list of persons or companies wishing to receive annual and/or interim financial statements.

Additional information relating to the Company, including the Company's financial statements and management's discussion and analysis, is available under the Company's profile on the SEDAR website at www.sedar.com.

GENERAL

The contents and the sending of the Notice of Meeting and this Information Circular to each shareholder of the Company entitled thereto, each director of the Company, the auditors of the Company and, where required, all applicable securities regulatory authorities have been approved by the Board. Unless otherwise stated, the Information contained herein is given as of the 30th day of January, 2015.

SCHEDULE "A"

AZABACHE ENERGY INC.
STOCK OPTION PLAN

1. Purpose

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

2. Definitions and Interpretation

When used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

(a) **"Board of Directors"** means the Board of Directors of the Corporation;

(b) **"Common Shares"** means common shares in the capital of the Corporation and any shares or securities of the Corporation into which such common shares are changed, converted, subdivided, consolidated or reclassified;

(c) **"Corporation"** means Azabache Energy Inc. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;

(d) **"Discounted Market Price"** means the last per share closing price for the Common Shares on the Exchange before the date of grant of an Option, less any applicable discount under Exchange Policies;

(e) **"Exchange"** means the TSX Venture Exchange Inc. or any other stock exchange on which the Common Shares are listed;

(f) **"Exchange Policies"** means the policies of the Exchange, including those set forth in the Corporate Finance Manual of the Exchange;

(g) **"Insider"** has the meaning ascribed thereto in Exchange Policies;

(h) **"Option"** means an option granted by the Corporation to an Optionee entitling such Optionee to acquire a designated number of Common Shares from treasury at a price determined by the Board of Directors;

(i) **"Option Period"** means the period determined by the Board of Directors during which an Optionee may exercise an Option, not to exceed the maximum period permitted by the Exchange, which maximum period is ten (10) years from the date the Option is granted;

(j) **"Optionee"** means a person who is a director, officer, employee, consultant or other personnel of the Corporation or a subsidiary of the Corporation; a corporation wholly-owned by such persons; or any other individual or body corporate who may be granted an option pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan; and

(k) **"Plan"** shall mean the Corporation's incentive stock option plan as embodied herein and as from time to time amended.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policy, including without limitation "Consultant", "Employee", "Director", "Insider", "Investor Relations Activities", "Management Corporation Employee", "Tier 1 Issuer" and "Tier 2 Issuer".

Wherever the singular or masculine is used in this Plan, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context or the parties so require.

3. Administration

The Plan shall be administered by the Board of Directors. The Board of Directors shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board of Directors shall be binding and conclusive upon the Corporation and on all persons eligible to participate in the Plan, subject to shareholder approval if required by the Exchange. Notwithstanding the foregoing or any other provision contained herein, the Board of Directors shall have the right to delegate the administration and operation of the Plan to a special committee of directors appointed from time to time by the Board of Directors, in which case all references herein to the Board of Directors shall be deemed to refer to such committee.

4. Eligibility

The Board of Directors may at any time and from time to time designate those Optionees who are to be granted an Option pursuant to the Plan and grant an Option to such Optionee. Subject to Exchange Policies and the limitations contained herein, the Board of Directors is authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as it shall determine. No Option shall be granted to any person except upon recommendation of the Board of Directors. A person who has been granted an Option may, if he is otherwise eligible and if permitted by Exchange Policies, be granted an additional Option or Options if the Board of Directors shall so determine. Subject to Exchange Policies, the Corporation shall represent that the Optionee is a bona fide Employee, Consultant or Management Corporation Employee (as such terms are defined in Exchange Policies) in respect of Options granted to such Optionees.

5. Participation

Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Optionee's relationship or employment with the Corporation.

Notwithstanding any express or implied term of this Plan or any Option to the contrary, the granting of an Option pursuant to the Plan shall in no way be construed as conferring on any

Optionee any right with respect to continuance as a director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation.

Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director or officer of or a consultant to the Corporation or any of its subsidiaries, where the Optionee at the same time becomes or continues to be a director, officer or full-time employee of or a consultant to the Corporation or any of its subsidiaries.

No Optionee shall have any of the rights of a shareholder of the Corporation in respect to Common Shares issuable on exercise of an Option until such Common Shares shall have been paid for in full and issued by the Corporation on exercise of the Option, pursuant to this Plan.

6. Common Shares Subject to Options

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive Options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis at any time, and such aggregate number of Common Shares shall automatically increase or decrease as the number of issued and outstanding Common Shares changes. The Options granted under the Plan together with all of the Corporation's other previously established stock option plans or grants, shall not result at any time in:

(a) the number of Common Shares reserved for issuance pursuant to Options granted to Insiders exceeding 10% of the issued and outstanding Common Shares;

(b) the grant to Insiders within a 12 month period, of a number of Options exceeding 10% of the outstanding Common Shares; or

(c) the grant to all Optionees performing investor relations services, whether Consultants or Employees, of a number of Options exceeding 2% of the issued and outstanding Common Shares.

Unless disinterested shareholder approval is obtained, the aggregate number of Common Shares reserved for issuance to any one (1) Optionee under Options granted in any 12 month period shall not exceed 5% of the issued and outstanding Common Shares determined at the date of grant. The aggregate number of Common Shares reserved for issuance to an Optionee who is a Consultant shall not exceed 2% of the issued and outstanding Common Shares determined at the date of grant.

Appropriate adjustments shall be made as set forth in Section 14 hereof, in both the number of Common Shares covered by individual grants and the total number of Common Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Corporation.

If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased Common Shares subject thereto shall again be available for the purpose of the Plan.

7. Option Agreement

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to option, the exercise price and any other terms and conditions approved by the Board of Directors, all in accordance with the provisions of this Plan (herein referred to as the "Stock Option Agreement"). The Stock Option Agreement will be in such form as the Board of Directors may from time to time approve, and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the Optionee may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.

8. Option Period and Exercise Price

Each Option and all rights thereunder shall be expressed to expire on the date set out in the respective Stock Option Agreement, which shall be the date of the expiry of the Option Period (the "**Expiry Date**"), subject to earlier termination as provided in Sections 10 and 11 hereof.

Subject to Exchange Policies and any limitations imposed by any relevant regulatory authority, the exercise price of an Option granted under the Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the Discounted Market Price of the Common Shares.

9. Exercise of Options

An Optionee shall be entitled to exercise an Option granted to it at any time prior to the expiry of the Option Period, subject to Sections 10 and 11 hereof and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

The exercise of any Option will be conditional upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Common Shares in respect of which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the Option is being exercised.

Common Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Common Shares pursuant thereto shall comply with all relevant provisions of applicable securities law, including, without limitation, the 1933 Act, the *United States Securities and Exchange Act of 1934, as amended*, applicable U.S. state laws, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or consolidated stock price reporting system on which prices for the Common Shares are quoted at any given time. As a condition to the exercise of an Option, the Corporation may require the person exercising such Option to represent and warrant at the time of any such exercise that the Common Shares are being purchased only for investment and without any present intention to sell or distribute such Common Shares if, in the opinion of counsel for the Corporation, such a representation is required by law.

10. Ceasing to be a Director, Officer, Employee or Consultant

Unless otherwise determined by the Board of Directors, and subject to the rules and policies of the Exchange, if an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, the Optionee may, but only within a reasonable period, to be set out in the applicable Stock Option Agreement at the time of the grant, following the Optionee's ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation. For greater certainty, any Optionee who is deemed to be an employee of the Corporation pursuant to any medical or disability plan of the Corporation shall be deemed to be an employee for the purposes of the Plan.

11. Death of Optionee

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier, and then only:

(a) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and

(b) to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death.

12. Optionee's Rights Not Transferable

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except by bequeath or the laws of descent and distribution, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

Subject to the foregoing, the terms of the Plan shall bind the Corporation and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

13. Takeover or Change of Control

The Corporation shall have the power, in the event of:

(a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or

(b) any change in control of the Corporation,

to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including without limitation, to amend any Stock Option Agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction. If the Corporation shall exercise such power, the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Corporation prior to the completion of such transaction.

14. Anti-Dilution of the Option

In the event of:

(a) any subdivision, redivision or change of the Common Shares at any time during the term of the Option into a greater number of Common Shares, the Corporation shall deliver, at the time of any exercise thereafter of the Option, such number of Common Shares as would have resulted from such subdivision, redivision or change if the exercise of the Option had been made prior to the date of such subdivision, redivision or change;

(b) any consolidation or change of the Common Shares at any time during the term of the Option into a lesser number of Common Shares, the number of Common Shares deliverable by the Corporation on any exercise thereafter of the Option shall be reduced to such number of Common Shares as would have resulted from such consolidation or change if the exercise of the Option had been made prior to the date of such consolidation or change;

(c) any reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares, or in case of the consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in a reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation, at any time during the term of the Option, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which he was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such reclassification, change, consolidation, amalgamation, merger or transfer if, on the effective date thereof, he had been the holder of the number of Common Shares to which he was entitled upon exercise of the Option.

Adjustments shall be made successively whenever any event referred to in this section shall occur. For greater certainty, the Optionee shall pay for the number of shares, other securities or property as aforesaid, the amount the Optionee would have paid if the Optionee had exercised the Option prior to the effective date of such subdivision, redivision, consolidation or change of the Common Shares or such reclassification, consolidation, amalgamation, merger or transfer, as the case may be.

15. Costs

The Corporation shall pay all costs of administering the Plan.

16. Termination and Amendment

(a) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the Exchange or any relevant regulatory authority, whether or not such amendment or termination would affect any accrued rights, subject to the approval of the Exchange or such regulatory authority.

(b) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder for any reason other than the reasons set forth in Section 16(a) hereof, subject to the approval of the Exchange or any relevant regulatory authority and the approval of the shareholders of the Corporation if required by the Exchange or such regulatory authority. Subject to Exchange Policies, disinterested shareholder approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment. No such amendment or termination will, without the consent of an Optionee, alter or impair any rights which have accrued to him prior to the effective date thereof.

(c) The Plan, and any amendments thereto, shall be subject to acceptance and approval by the Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance are given.

17. Applicable Law

This Plan shall be governed by, administered and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

18. Prior Plans

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

(a) the Plan shall entirely replace and supersede prior stock option plans, if any, enacted by the Corporation; and

(b) all outstanding options shall be deemed to be granted pursuant to the Plan.

19. Effective Date

This plan shall become effective as of and from, and the effective date of the plan shall be December 8, 2011, upon receipt of all necessary shareholder and regulatory approvals.

SCHEDULE "B"

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The purpose of the Audit Committee of the Board of Directors (the "**Board**") of Azabache Energy Inc. (the "**Company**") is to assist the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, auditing, and reporting practices of the Company, and such other duties as directed by the Board. The Audit Committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders, on the Company's processes to manage business and financial risk, and on compliance with significant applicable legal, ethical and regulatory requirements.

1. MEMBERSHIP

The membership of the Audit Committee shall consist of at least three directors who are generally knowledgeable in financial and auditing matters, including at least one member with accounting or related financial management expertise. Each member of the Audit Committee must be financially literate, that is having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The Chair of the Audit Committee shall be appointed by the full Board.

2. COMMUNICATION AND REPORTING

The Audit Committee is expected to maintain free and open communication with the external auditors, the internal accounting staff, and the Company's management. This communication shall include private executive sessions, at least annually, with each of these parties. The Audit Committee chairperson shall report on Audit Committee activities to the full Board.

3. AUTHORITY

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention, with full power to retain outside counsel or other advisors and experts for this purpose. The Audit Committee shall be empowered to set and pay the compensation for any such advisors employed by the Audit Committee. The Audit Committee shall have the authority to communicate directly with the internal and external auditors of the Company.

RESPONSIBILITIES

Oversight

The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management of the Company and the external auditor regarding financial reporting.

Recommend Auditor

The Audit Committee must recommend to the Board the external auditor to be nominated (subject to shareholder approval) for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company and the compensation of the external auditor.

Pre-Approve Non-Audit Services

The Audit Committee must pre-approve all non-audit services to be provided to the Company (or any of its subsidiary entities) by the Company's external auditor.

Review Financial Disclosure

The Audit Committee must review the Company's financial statements, management's discussion and analysis (MD&A) and annual and interim financial press releases, if any, before the Company publicly discloses this information.

The Audit Committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and must periodically assess the adequacy of those procedures.

Whistle Blower Procedures

The Audit Committee must establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Reliance on Management and Auditors

The Audit Committee relies on the expertise and knowledge of management, the internal auditors, and the external auditor in carrying out its oversight responsibilities. Management of the Company is responsible for determining that the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. The external auditor is responsible for auditing the Company's financial statements. The Audit Committee should assure itself that the Company's internal policies, procedures and controls are adequate and are being implemented and followed.

Relationship with Auditors

The Audit Committee is also responsible for ensuring that the Company's external auditors submit on a periodic basis to the Committee a formal written statement delineating all relationships between the external auditors and the Company and actively engaging in a dialogue with the external auditors with respect to any disclosure relationships or services that may impact the objectivity and independence of the external auditors and for taking appropriate action to ensure the independence of the external auditors within the meaning of applicable Canadian law.

The Audit Committee must review and approve the Company's hiring policy regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

Guidelines for Audit Committee

With respect to the exercise of its duties and responsibilities, the Audit Committee should, among other things:

(1) report regularly to the Board on its activities, as appropriate;
(2) exercise reasonable diligence in gathering and considering all material information;
(3) remain flexible, so that it may be in a position to best react or respond to changing circumstances or conditions;
(4) understand and weigh alternative courses of conduct that may be available;
(5) focus on weighing the benefit versus harm to the Company and its shareholders when considering alternative recommendations or courses of action;
(6) if the Audit Committee deems it appropriate, secure independent expert advice and understand the expert's findings and the basis for such findings, including retaining independent counsel, accountants or others to assist the Audit Committee in fulfilling its duties and responsibilities; and
(7) provide management and the Company's independent auditors with appropriate opportunities to meet privately with the Audit Committee.

MEETINGS

The Audit Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities. As part of its purpose to foster open communications, the Audit Committee shall meet at least annually with management and the Company's external auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups or persons believe should be discussed privately. In addition, the Audit Committee should meet or confer with the external auditors and management to review the Company's interim consolidated financial statements and related filings prior to their filing with the Ontario Securities Commission, or any other regulatory body. The Chairman should work with the Chief Financial Officer and management to establish the agendas for Audit Committee meetings. The Audit Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Audit Committee shall maintain minutes of its meetings and records relating to those meetings and the Audit Committee's activities and provide copies of such minutes to the Board to be included in the minute books of the Company.