



**ANNUAL GENERAL AND SPECIAL MEETING
OF SHAREHOLDERS**

TO BE HELD ON TUESDAY, JUNE 23, 2015

**NOTICE OF MEETING
AND MANAGEMENT PROXY AND INFORMATION CIRCULAR**

THIS NOTICE OF MEETING AND MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF QUESTFIRE ENERGY CORP. OF PROXIES TO BE VOTED AT THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF QUESTFIRE ENERGY CORP. TO BE HELD ON TUESDAY, JUNE 23, 2015 .

TO BE HELD AT:

**Livingston Place Conference Centre
+15 Level, Livingston Place,
250 - 2nd Street SW
Calgary, Alberta**

At 10:00 a.m.

Dated: May 25, 2015



NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT AN ANNUAL GENERAL AND SPECIAL MEETING (the “**Meeting**”) of holders of Class A Shares and Class B Shares of Questfire Energy Corp. (the “**Corporation**”) will be held at the Livingston Place Conference Centre, +15 Level, Livingston Place, 250 2nd Street S.W., Calgary, AB, on Tuesday, June 23, 2015 at 10:00 a.m. for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the financial year ended December 31, 2014 and the report of the auditor thereon;
2. to fix the number of directors of the Corporation to be elected at the Meeting at four (4);
3. to elect the Board of Directors of the Corporation for the ensuing year;
4. to appoint the auditor of the Corporation for the ensuing year and to authorize the Board of Directors to fix the auditor’s remuneration;
5. to consider, and if thought fit, approve, adopt and ratify, with or without modification, the ordinary resolution, as more particularly set forth in the accompanying Management Information Circular prepared for the purpose of the Meeting relating to the approval of the 2015 stock option plan of the Corporation; and
6. to transact such other business as may be properly brought before the meeting or any adjournment thereof.

DATED this 25th day of May, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

signed “Richard H. Dahl”

Richard H. Dahl

President, Chief Executive Officer and Director

Note:

It is desirable that as many shares as possible be represented at the Meeting. If you do not expect to attend the Meeting and would like your shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. You may also use the internet site at www.investorvote.com to either appoint a proxy holder to attend and vote on your behalf or to transmit your voting instructions. All proxies, to be valid, must be received by Computershare Limited, 600, 530 - 8th Avenue SW, Calgary, Alberta T2P 3S8, at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. 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.



MANAGEMENT INFORMATION CIRCULAR

THIS MANAGEMENT INFORMATION CIRCULAR (“MANAGEMENT INFORMATION CIRCULAR”) IS PROVIDED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF QUESTFIRE ENERGY CORP. (THE “CORPORATION”) of proxies from the holders of the class A shares (the “**Class A Shares**”) and class B shares (the “**Class B Shares**”) of the Corporation (collectively, the “**Shares**”) for the annual general and special meeting of the shareholders of the Corporation (the “**Meeting**”) to be held on Tuesday, June 23, 2015 at 10:00 a.m. at the Livingston Place Conference Centre, +15 Level, Livingston Place, 250 2nd Street S.W., Calgary, AB, or at any adjournment thereof for the purposes set out in the accompanying notice of meeting (“**Notice of Meeting**”).

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other proxy solicitation services. In accordance with National Instrument 54-101, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

Unless otherwise stated, the information contained in this Management Information Circular is as of May 25, 2015.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named (the “Management Designees”) in the enclosed instrument of proxy (“Instrument of Proxy”) have been selected by the directors of the Corporation and have indicated their willingness to represent as proxy for the shareholder who appoints them. A shareholder has the right to designate a person (whom need not be a shareholder) other than the Management Designees to represent him or her at the Meeting. Such right may be exercised by inserting in the space provided for that purpose on the Instrument of Proxy the name of the person to be designated and by deleting therefrom the names of the Management Designees, or by completing another proper form of proxy and delivering the same to the transfer agent of the Corporation. Such shareholder should notify the nominee of the appointment, obtain the nominee’s consent to act as proxy and should provide instructions on how the shareholder’s Shares are to be voted. The nominee should bring personal identification with them to the Meeting. In any case, the form of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form). In addition, a proxy may be revoked by a shareholder personally attending at the Meeting and voting their Shares.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered to the Corporation’s transfer agent, Computershare Limited, 600, 530 - 8th Avenue SW, Calgary, Alberta T2P 3S8, at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the

Chairman of the Meeting at his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

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. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the shareholder or by their authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, either at the registered office of the Corporation or with Computershare Limited, 600, 530 - 8th Avenue SW, Calgary, Alberta T2P 3S8, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof at which the proxy is to be used, or by depositing the instrument in writing with the Chairman of such Meeting on the day of the Meeting, or at any adjournment thereof. In addition, a proxy may be revoked by the shareholder personally attending the Meeting and voting their Shares.

VOTING BY INTERNET

Registered shareholders may use the internet site at www.investorvote.com to transmit their voting instructions. Alternatively, registered shareholders may vote by telephone using the number provided on the front of the proxy. Shareholders should have the form of proxy in hand when they access the web site or vote by telephone. Shareholders will be prompted to enter their Web Voting ID Number, which is located on the form of proxy. If Shareholders vote by internet or by phone, their vote must be received at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. The website may be used to appoint a proxy holder to attend and vote on a shareholder's behalf at the Meeting and to convey a shareholder's voting instructions.

If a shareholder appoints a proxy holder and submits their voting instructions and subsequently wishes to change their appointment, a shareholder may resubmit their proxy and/or voting direction, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.

ADVICE TO BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Shares in their own name. Shareholders who hold their Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Shares in their own name (referred to in this Management Information Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation’s registrar and transfer agent as registered holders of Shares will be recognized and acted upon at the Meeting. If Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Shares will, in all likelihood, not be registered in the shareholder’s name. 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 registration name for The Canadian Depositary for Securities, which acts as nominee for many Canadian brokerage firms). Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from

voting shares for the broker's clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

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

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

All references to shareholders in this Management Information Circular and the accompanying Instrument of Proxy and Notice of Meeting are to registered shareholders, unless specifically stated otherwise.

VOTING OF PROXIES

Each shareholder may instruct their proxy how to vote their Shares by completing the blanks on the Instrument of Proxy. All Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the Shares represented by the proxy will be voted in accordance with such specification. **In the absence of any such specification as to voting on the Instrument of Proxy, the Management Designees, if named as proxy, will vote in favour of the matters set out therein. In the absence of any specification as to voting on any other form of proxy, the Shares represented by such form of proxy will be voted in favour of the matters set out therein.**

The enclosed Instrument of Proxy confers discretionary authority upon the Management Designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. As of the date hereof, the Corporation is not aware of any amendments to, variations of or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the Management Designees intend to vote in accordance with the judgment of management of the Corporation.

QUORUM

The by-laws of the Corporation provide that a quorum of shareholders is present at a meeting of shareholders of the Corporation if at least two holders of not less than five percent (5%) of the outstanding shares of the Corporation entitled to vote at the Meeting are present in person or by proxy.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Class A Shares, an unlimited number of Class B Shares and an unlimited number of preferred shares. As at May 25, 2015, the effective date of this Information Circular (the “**Effective Date**”), 17,318,001 Class A Shares, 550,440 Class B Shares and nil preferred shares are issued and outstanding. No other shares of any other class are issued or outstanding. Class A Share and Class B Shares are each entitled to vote at the Meeting on the basis of one (1) vote for each Share held.

Holders of Shares of record at the close of business on May 19, 2015 (the “**Record Date**”) are entitled to vote such Shares at the Meeting except to the extent that, (a) the holder has transferred the ownership of any of their Shares after the Record Date, and (b) the transferee of those Shares produces properly endorsed share certificates, or otherwise establishes that he owns the Shares, and demands not later than ten (10) days before the day of the Meeting that their name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote their Shares at the Meeting.

Except as follows, to the knowledge of the directors and the executive officers of the Corporation, as at the Effective Date, no person or company beneficially owns, directly or indirectly, or controls or directs, voting securities carrying ten percent (10%) or more of the voting rights attached to any class of voting securities of the Corporation:

<u>Name and Principal Position</u>	<u>Number and Class of Securities</u>	<u>Percentage</u>
Richard H. Dahl President and Chief Executive Officer	Class A Shares - 1,790,501	10.3%

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The compensation program of the Corporation is designed to attract, motivate, reward and retain knowledgeable and skilled executives required to achieve the Corporation’s corporate objectives and increase shareholder value. The main objective of the compensation program is to recognize the contribution of the executive officers to the overall success and strategic growth of the Corporation. The

compensation program is designed to reward management performance by aligning a component of the compensation with the Corporation's business performance and share value. The philosophy of the Corporation is to pay the management a total compensation amount that is competitive with other Canadian junior resource companies and is consistent with the experience and responsibility level of the management. The purpose of executive compensation is to reward the executives for their contributions to the achievements of the Corporation on both an annual and long term basis.

The compensation program provides incentives to its management and directors to achieve long term objectives through grants of stock options under the Corporation's stock option plan. Increasing the value of the Shares increases the value of the stock options. This incentive closely links the interests of the Named Executive Officers (as defined below) and directors to shareholders of the Corporation.

The Board of Directors of the Corporation (the "**Board**") is satisfied that there were not any identified risks arising from the Corporation's compensation plans or policies that would have had any negative or material impact on the Corporation. The Corporation does not have any policy in place to permit an executive officer or director to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the executive officer or director.

Option-based Awards

The Board granted an aggregate of 320,000 stock options to directors, officers and consultants during the financial year ended December 31, 2014. The Corporation took into account the number of outstanding options in determining the grant of options in 2014.

When granted, the allocation of the number of options granted among the directors and Named Executive Officers (as defined below) of the Corporation is determined by the entire Board. See "*Incentive Plan Awards*" below and "*DIRECTOR COMPENSATION - Incentive Plan Awards*" below.

Compensation Governance

The following are the members of the Compensation Committee, as at the date hereof:

John Ramescu	Not independent
Neil I. Dell	Independent
Roger O. MacLeod	Independent

All members of the Compensation Committee are knowledgeable about the Corporation's compensation programs and possess an understanding of compensation theory and practice, personnel management and development, succession planning and executive development. In addition, all members are "financially literate" within the meaning of National Instrument 52-110 and have accounting or related financial management experience or expertise.

The responsibilities of the Compensation Committee in respect of compensation matters include reviewing and recommending to the Board the compensation policies and guidelines for supervisory management and personnel, corporate benefits, bonuses and other incentives, reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation; non-CEO officer and director compensation; the review of executive compensation disclosure; succession plans for officers

and for key employees; and material changes and trends in human resources policy, procedure, compensation and benefits.

The Compensation Committee has unrestricted access to the Corporation's personnel and documents and is provided with the resources necessary, including, as required, the engagement and compensation of outside advisors, to carry out its responsibilities.

Summary Compensation Table

The following table sets forth all annual and long term compensation for the three most recently completed financial years for services in all capacities to the Corporation and its subsidiaries, if any, in respect of individual(s) who were acting as, or were acting in a capacity similar to, a chief executive officer or chief financial officer and the three most highly compensated executive officers whose total compensation exceeded \$150,000 per annum (the "Named Executive Officers").

The Corporation has disclosed information regarding an additional four executive officers, other than the chief executive officer and chief financial officer, rather than an additional three executive officers because the additional four executive officers disclosed receive identical compensation.

Name and Principal Position	Year Ended December 31	Consulting Fees/Salary (\$)	Share-Based Awards (\$) ⁽¹⁾	Option-Based Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$) ⁽¹⁾	All Other Compensation (\$) ⁽⁴⁾	Total Compensation (\$) ⁽⁵⁾
					Annual Incentive Plans ⁽³⁾	Long-Term Incentive Plans ⁽¹⁾			
Richard H. Dahl President and Chief Executive Officer	2014	225,000	-	53,499	50,000	-	-	-	328,499
	2013	175,000	-	-	50,000	-	-	-	225,000
	2012	125,000	-	-	-	-	-	-	125,000
Darren Kisser V.P., Engineering and Operations	2014	225,000	-	53,499	50,000	-	-	-	328,499
	2013	175,000	-	-	50,000	-	-	-	225,000
	2012	125,000	-	-	-	-	-	-	125,000
Alfred J. (Fred) Laudel V.P., Exploration	2014	225,000	-	53,499	50,000	-	-	-	328,499
	2013	175,000	-	-	50,000	-	-	-	225,000
	2012	125,000	-	-	-	-	-	-	125,000
John Ramescu V.P., Land	2014	225,000	-	53,499	50,000	-	-	-	328,499
	2013	175,000	-	-	50,000	-	-	-	225,000
	2012	125,000	-	-	-	-	-	-	125,000
Bruce K. Shepard V.P., Exploitation	2014	225,000	-	53,499	50,000	-	-	-	328,499
	2013	175,000	-	-	50,000	-	-	-	225,000
	2012	125,000	-	-	-	-	-	-	125,000
Ronald A. Williams V.P., Finance and Chief Financial Officer	2014	225,000	-	53,499	50,000	-	-	-	328,499
	2013	175,000	-	-	50,000	-	-	-	225,000
	2012	125,000	-	-	-	-	-	-	125,000

Notes:

- (1) "Share-Based Award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, Shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, Share equivalent units and stock.

- (2) **“Option-Based Award”** means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features. This does not represent cash paid to the NEO. This figure is based on the grant date fair value of such options. The grant date fair value was determined in accordance with International Accounting Standard 19 as issued by the *International Accounting Standards Board*. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since the Black-Scholes option pricing model is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term, risk-free interest rate, dividend yield of stock and volatility of stock return. The options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, all of the options granted during the year ended December 31, 2011 had vested as at December 31, 2014. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple “in-the-money” value calculation. In fact, stock options that are well out-of-the-money can still have a significant “grant date fair value” based on a Black-Scholes option pricing model, especially where, as in the case of the Corporation, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.
- (3) The annual incentive plan amounts include the annual performance bonus awards earned by the NEOs in the noted year.
- (4) The value of the perquisites received by each of the NEOs, including other personal benefits provided to the NEOs that are not generally available to all employees, were not in the aggregate greater than \$50,000, or 10 percent of the NEO’s total salary for the financial year.
- (5) Mr. Dahl and Mr. Ramescu did not receive any additional compensation for serving as directors of the Corporation.
- (6) The Corporation did not award any Share-based awards, non-equity long-term incentive plan compensation, and does not have a pension.

Narrative Discussion

Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple “in-the-money” value calculation. In fact, stock options that are well out-of-the-money can still have a significant “grant date fair value” based on a Black-Scholes option pricing model, especially where, as in the case of the Corporation, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

Incentive Plan Awards - NEOs

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of all awards outstanding for each Named Executive Officer of the Corporation as of the most recent financial year end, including awards granted before the most recently completed financial year.

Name and Title	Option-Based Awards			
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options ⁽²⁾ (\$)
Richard H. Dahl President and Chief Executive Officer	150,000 40,000	0.20 2.05	October 18, 2021 April 11, 2024	234,000 -
Darren Kisser V.P., Engineering and Operations	150,000 40,000	0.20 2.05	October 18, 2021 April 11, 2024	234,000 -
Alfred J. (Fred) Laudel V.P., Exploration	150,000 40,000	0.20 2.05	October 18, 2021 April 11, 2024	234,000 -
John Ramescu V.P., Land	150,000 40,000	0.20 2.05	October 18, 2021 April 11, 2024	234,000 -
Bruce K. Shepard V.P., Exploitation	150,000 40,000	0.20 2.05	October 18, 2021 April 11, 2024	234,000 -
Ronald A. Williams V.P., Finance and Chief Financial Officer	150,000 40,000	0.20 2.05	October 18, 2021 April 11, 2024	234,000 -

Notes:

- (1) The Corporation has not awarded any Share-based awards to date.
- (2) The value shown is the product of the number of Class A Shares underlying the option multiplied by the excess of the amount by which the exercise price exceeds the Class A TSXV closing price on December 31, 2014 of \$1.76.

None of the awards disclosed in the table above have been transferred at other than fair market value.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for each Named Executive Officer.

Name and Title	Option-Based Awards - Value vested during the year (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation - Value earned during the year (\$) ⁽²⁾
Richard H. Dahl President and Chief Executive Officer	98,000	50,000
Darren Kisser V.P., Engineering and Operations	98,000	50,000
Alfred J. (Fred) Laudel V.P., Exploration	98,000	50,000
John Ramescu V.P., Land	98,000	50,000
Bruce K. Shepard V.P., Exploitation	98,000	50,000
Ronald A. Williams V.P., Finance and Chief Financial Officer	98,000	50,000

Note:

- (1) The value shown is the product of the number of Class A Shares underlying the options that vested multiplied by the excess of the Class A Share TSXV closing price and the exercise price, on their respective vesting dates.
- (2) The value shown is the corporate bonus earned by the NEOs during the year ended December 31, 2014.

Stock Option Plan and Stock Options

The Corporation has in place a fixed stock option plan (“**2014 Plan**”) which was approved by shareholders on July 3, 2014 at the 2014 annual general and special meeting of shareholders of the Corporation and by the TSX Venture Exchange. The 2014 Plan was established to provide incentive to qualified parties to increase their proprietary interest in the Corporation and thereby encourage their continuing association with the Corporation. The 2014 Plan is administered by the Board of the Corporation with assistance from the Compensation Committee. The 2014 Plan remains in effect pending approval of the new stock option plan.

Pursuant to the 2014 Plan, the Board may, from time to time, grant options to acquire Class A Shares to certain directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or Corporation that provides management services to the Corporation or its subsidiaries. The 2014 Plan is a “fixed plan”, being that the maximum aggregate number of Class A Shares that may be issued pursuant to the exercise of options awarded under the 2014 Plan is set at a maximum of 3,568,688 shares, being twenty percent (20%) of the aggregate number of issued and outstanding Shares, on a non-diluted basis, at the time the 2014 Plan was implemented.

The number of Class A Shares subject to an option to a participant shall be determined by the Board, but no participant shall be granted an option which exceeds the maximum number of shares permitted by any stock exchange on which the Shares are then listed, or other regulatory body having jurisdiction and no one participant is permitted to hold options entitling such participant to purchase more than five percent (5%) of the issued and outstanding Class A Shares. The exercise price of the Shares covered by each option shall be determined by the Board, provided however, that the exercise price shall not be less than the price permitted by any stock exchange on which the Shares are then listed, or other regulatory body having jurisdiction. The maximum length of any option shall be ten (10) years from the date the option is granted, provided that participant's options expire ninety (90) days after a participant ceases to act for the Corporation, subject to extension at the discretion of the Board, except upon the death of a participant, in which case the participant's estate shall have twelve (12) months in which to exercise the outstanding options. The 2014 Plan includes a provision that should an option expiration date fall within a blackout period or immediately following a blackout period, the expiration date will automatically be extended for ten (10) business days following the end of the blackout period. The Board has the absolute discretion to amend or terminate the 2014 Plan.

The Corporation issued 875,000 Options during the year ended December 31, 2014.

At the Meeting, shareholders will be asked to approve a new stock option plan for the Corporation. See *"PARTICULARS OF MATTERS TO BE ACTED UPON - Approval of New Stock Option Plan"*.

Pension Plan Benefits

The Corporation does not have in place any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.

Termination and Change of Control Benefits

On January 1, 2014, the Corporation entered into employment agreements with each of the Named Executive Officers which provides for compensation in an amount equal to eighteen (18) months salary and bonus, plus compensation in the amount of \$30,000 in lieu of other benefits, in the event of a termination of the contract (i) by the Corporation without cause or (ii) by the officer as a result of Change of Control of the Corporation.

"Change of Control" for this purpose means

- (i) the acquisition, by a person or persons, acting jointly or in concert, and their affiliate(s) or associate(s) of twenty percent (20%) or more of the issued and outstanding voting shares of the Corporation or the acquisition of instruments convertible or exercisable, alone or in conjunction with existing share holdings, such that the person, their affiliate(s) and associate(s) are able to acquire twenty percent (20%) or more than the then issued and outstanding shares of the Corporation, which acquisition results in a change in the members of the board of directors of the Corporation;
- (ii) the sale, lease or exchange of all or substantially all of the property of the Corporation other than in the ordinary course of business of the Corporation; or
- (iii) approval by the shareholders of the Corporation of an amalgamation arrangement, merger or other consolidation, or combination of the Corporation with another

corporation, or a liquidation, dissolution or winding up of the Corporation, which results in a change of more than fifty (50%) percent of the members of the board of directors of the Corporation.

For the year ended December 31, 2014, the Named Executive Officers would have each been entitled to receive a payment of \$442,500 upon a Change of Control.

DIRECTOR COMPENSATION

The Corporation currently has four (4) directors, two (2) of which (Richard H. Dahl and John Ramescu) are also Named Executive Officers. For a description of the compensation paid to the Named Executive Officers of the Corporation who also act as directors of the Corporation, see “EXECUTIVE COMPENSATION”.

Director Compensation Table

The following table sets forth all compensation provided to directors who are not also Named Executive Officers (“**Outside Directors**”) of the Corporation for the most recently completed financial year.

Name	Fees Earned (\$)	Share- Based Awards (\$) ⁽¹⁾	Option- Based Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Roger O. MacLeod	25,000	-	26,750	10,000	-	-	61,750
Neil I. Dell	25,000	-	26,750	10,000	-	-	61,750
Stephen Balog ⁽³⁾	15,000	-	26,750	-	-	-	41,750
Kelly Drader ⁽⁴⁾	-	-	-	-	-	-	-

Notes:

- (1) “**Share-Based Award**” means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, Shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, Share equivalent units and stock.
- (2) “**Option-Based Award**” means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features. This does not represent cash paid to the Outside Directors. This figure is based on the grant date fair value of such options. The grant date fair value was determined in accordance with International Accounting Standard 19 as issued by the *International Accounting Standards Board*. This methodology was chosen in order to be consistent with the accounting fair value used by the Corporation in its financial statements and since the Black-Scholes option pricing model is a commonly used methodology for valuing options which provides an objective and reasonable estimate of fair value. The key assumptions of this valuation include current market price of the stock, exercise price of the option, option term, risk-free interest rate, dividend yield of stock and volatility of stock return. The options vest in thirds, on the first, second and third year anniversary of the grant date. Accordingly, all of the options granted during the year ended December 31, 2011 had vested as at December 31, 2014. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple “in-the-money” value calculation. In fact, stock options that are well out-of-the-money can still have a significant “grant date fair value” based on a Black-Scholes option pricing model, especially where, as in the case of the Corporation, the price of

the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

- (3) Stephen Balog did not stand for re-election at the 2014 annual shareholders' meeting and resigned effective June 30, 2014.
- (4) Kelly Drader passed away on February 22, 2014. At the time of his passing, none of the Options awarded to Mr. Drader had vested and were cancelled in accordance with the Option Plan.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of all awards outstanding for each Outside Director of the Corporation as of the most recent financial year end, including awards granted before the most recently completed financial year.

Name and Title	Option-Based Awards			
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options ⁽²⁾ (\$)
Roger O. MacLeod	75,000	0.20	October 18, 2021	117,000
	20,000	2.05	April 11, 2024	-
Neil I. Dell	75,000	0.20	October 18, 2021	117,000
	20,000	2.05	April 11, 2024	-

Notes:

- (1) The Corporation has not awarded any Share-based awards to date.
- (2) The value shown is the product of the number of Class A Shares underlying the option multiplied by the excess of the amount by which the exercise price exceeds the Class A TSXV closing price on December 31, 2014 of \$1.76.

None of the awards disclosed in the table above have been transferred at other than fair market value.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for Outside Directors of the Corporation.

Name and Title	Option-Based Awards - Value vested during the year (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation - Value earned during the year (\$) ⁽²⁾
Roger O. MacLeod	49,000	10,000
Neil I. Dell	49,000	10,000
Stephen Balog ⁽³⁾	41,750	N/A

Notes:

- (1) The value shown is the product of the number of Class A Shares underlying the options that vested multiplied by the excess of the Class A Share TSXV closing price and the exercise price, on their respective vesting dates.

- (2) The value shown is the corporate bonus earned by the Outside Directors during the year ended December 31, 2014.
- (3) Stephen Balog did not stand for re-election at the 2014 annual shareholders' meeting and resigned effective June 30, 2014.

Stock Option Plan and Stock Options

The Corporation issued 875,000 Options during the year ended December 31, 2014. See disclosure above under *"EXECUTIVE COMPENSATION - Stock Option Plan and Stock Options"* for details on the 2014 Plan.

At the Meeting, shareholders will be asked to approve a new stock option plan for the Corporation. See *"PARTICULARS OF MATTERS TO BE ACTED UPON - Approval of New Stock Option Plan"*.

Long-Term Incentive Plans - Awards in Most Recently Completed Fiscal Year

The Corporation has not had and does not currently have any long term incentive plans, other than stock options granted from time to time by the Board under the provisions of the Corporation's stock option plan. See *"Stock Option Plan and Stock Options"*.

Stock Option and SAR Re-Pricing

The Corporation did not make any downward re-pricing of stock options or stock appreciation rights during the fiscal year ended December 31, 2014.

Defined Benefit or Actuarial Plan Disclosure

The Corporation has no defined benefit or actuarial plans.

Pension and Retirement Plans and Payments Made Upon Termination of Employment

The Corporation does not have any pension or retirement plan which is applicable to the Named Executive Officers. The Corporation has not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person who now or previously has acted as a Named Executive Officer of the Corporation, in connection with or related to the retirement, termination or resignation of such person and the Corporation has provided no compensation to such persons as a result of change of control of the Corporation, its subsidiaries or affiliates.

Employment Contracts

See above under *"Termination and Change of Control Benefits"*.

Other Compensation

Other than as set forth herein, the Corporation did not pay any other compensation to the Named Executive Officers or Outside Directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed financial year other than benefits and perquisites which did not amount to \$10,000 or greater per individual.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth securities of the Corporation that are authorized for issuance under equity compensation plans as at the end of the Corporation's most recently completed financial year.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding outstanding securities reflected in Column 1)
Equity compensation plans approved by securityholders	2,676,000 Class A Shares	\$0.48 per Share	897,688 Class A Shares
Equity compensation plans not approved by securityholders	-	-	-
Total	2,676,000 Class A Shares	\$0.48 per Share	897,688 Class A Shares

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date hereof, no director, executive officer, employee or former director, executive officer or employee of the Corporation nor any of their associates or affiliates, is indebted to the Corporation nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth herein, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer, proposed nominee for election as a director or any shareholder holding more than ten percent (10%) of the voting rights attached to the Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation.

MANAGEMENT CONTRACTS

Other than as set forth herein, during the most recently completed financial year, no management functions of the Corporation were to any substantial degree performed by a person or company other than the directors or executive officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than the election of directors, the approval of the new option plan and as otherwise set out herein, no director or executive officer of the Corporation or any proposed nominee of management of the Corporation for election as a director of the Corporation, nor any associate or affiliate of the

foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting.

AUDIT COMMITTEE

Audit Committee Terms of Reference

1. Role and Objective

The audit committee (the “**Committee**”) is a committee of the Board to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management’s reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board of Director approval, the audited financial reports and other mandatory disclosure releases containing financial information. The objectives of the Committee, with respect to the Corporation and its subsidiaries, are as follows:

- (a) To assist Directors to meet their responsibilities in respect of the preparation and disclosure of the financial reports of the Corporation and related matters.
- (b) Provide an open avenue of communication among the Corporation’s auditors, financial and senior management and the Board.
- (c) To ensure the external auditors’ independence and review and appraise their performance.
- (d) To increase the credibility and objectivity of financial reports.
- (e) To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

2. Composition

The Committee shall be comprised of three directors as determined by the Board, the majority of whom shall be independent directors, pursuant to the policies of the Exchange.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of these Terms of Reference, the definition of “financially literate” is the ability to read and understand a set of financial reports 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 presumably be expected to be raised by the Corporation’s financial reports.

The members of the Committee shall be elected by the Board at its first meeting following the annual shareholders’ meeting. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

3. Meetings

The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions.

Agendas, with input from management, shall be circulated to Committee members and relevant management personnel along with background information on a timely basis prior to the Committee meetings.

The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Committee members with copies to the Board, the Chief Financial Officer or such other officer acting in that capacity, and the external auditor.

The Chief Executive Officer and the Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon the invitation of the Committee.

The Controller, Treasurer and/or such other staff as appropriate to provide information to the Committee shall attend meetings upon invitation by the Committee.

4. Mandate and Responsibilities

To fulfill its responsibilities and duties, the Committee shall:

- (a) undertake annually a review of this mandate and make recommendations to the Corporate Governance Committee and Compensation Committee as to proposed changes;
- (b) satisfy itself on behalf of the Board with respect to the Corporation's internal control systems, including, where applicable, relating to derivative instruments:
 - (i) identifying, monitoring and mitigating business risks; and
 - (ii) ensuring compliance with legal and regulatory requirements;
- (c) review the Corporation's financial reports, management discussion and analysis ("MD&A"), any annual earnings, interim earnings and press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial reports), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors; the process should include but not be limited to:
 - (i) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial reports;
 - (ii) reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;

- (iii) reviewing accounting treatment of unusual or non-recurring transactions;
 - (iv) ascertaining compliance with covenants under loan agreements;
 - (v) reviewing financial reporting relating to asset retirement obligations;
 - (vi) reviewing disclosure requirements for commitments and contingencies;
 - (vii) reviewing adjustments raised by the external auditors, whether or not included in the financial reports;
 - (viii) reviewing unresolved differences between management and the external auditors;
 - (ix) obtain explanations of significant variances with comparative reporting periods; and
 - (x) determine through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed;
- (d) review the financial reports and related information included in prospectuses, MD&A, information circular-proxy statements and annual information forms, prior to Board approval;
- (e) with respect to the appointment of external auditors by the Board:
- (i) require the external auditors to report directly to the Committee;
 - (ii) review annually the performance of the external auditors who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Corporation;
 - (iii) obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation;
 - (iv) review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;
 - (v) be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors' report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;
 - (vi) review management's recommendation for the appointment of external auditors and recommend to the Board appointment of external auditors and the compensation of the external auditors;

- (vii) review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors' fees;
 - (viii) when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
 - (ix) take, or recommend that the full Board take, appropriate action to oversee the independence of the external auditors;
 - (x) at each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial reports;
- (f) review all public disclosure containing audited or unaudited financial information before release;
 - (g) review financial reporting relating to risk exposure;
 - (h) satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information from the Corporation's financial reports and periodically assess the adequacy of those procedures;
 - (i) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;
 - (j) review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial reports of the Corporation and its subsidiaries;
 - (k) review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors and consider the impact on the independence of the auditors; The pre-approval requirement is waived with respect to the provision of non-audit services if:
 - (i) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent (5%) of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;
 - (ii) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
 - (iii) such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of

the Board to whom authority to grant such approvals has been delegated by the Committee;

provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee;

- (l) review any other matters that the Audit Committee feels are important to its mandate or that the Board chooses to delegate to it;
- (m) with respect to the financial reporting process:
 - (i) in consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external;
 - (ii) consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting;
 - (iii) consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management;
 - (iv) review significant judgments made by management in the preparation of the financial reports and the view of the external auditors as to appropriateness of such judgments;
 - (v) following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
 - (vi) review any significant disagreement among management and the external auditors regarding financial reporting;
 - (vii) review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented;
 - (viii) review the certification process;
 - (ix) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - (x) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

5. Authority

Following each meeting, in addition to a verbal report, the Committee will report to the Board by way of providing copies of the minutes of such Committee meeting at the next Board meeting after a meeting is held (these may still be in draft form).

Supporting schedules and information reviewed by the Committee shall be available for examination by any director.

The Committee shall have the authority to investigate any financial activity of the Corporation and to communicate directly with the internal and external auditors. All employees are to cooperate as requested by the Committee.

The Committee may retain, and set and pay the compensation for, persons having special expertise and/or obtain independent professional advice to assist in fulfilling its duties and responsibilities at the expense of the Corporation.

Audit Committee Composition

The following are the members of the Audit Committee, as at the date hereof:

Richard H. Dahl	Not Independent ⁽¹⁾	Financially literate ⁽¹⁾
Roger O. MacLeod	Not Independent ^{(1) (2)}	Financially literate ⁽¹⁾
Neil I. Dell	Independent ⁽¹⁾	Financially literate ⁽¹⁾

Notes:

- (1) As defined by National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).
- (2) Chairman of the Audit Committee.

All of the members of the Audit Committee are financially literate, within the meaning set out in NI 52-110. Only Neil I. Dell is considered independent under NI 52-110 as Richard H. Dahl is an executive officer and Roger O. MacLeod received fees for services as a partner with the law firm DLA Piper (Canada) LLP.

Relevant Education and Experience

Mr. Dahl is a professional engineer with over 27 years of experience in all aspects of oil and gas engineering, production and operations throughout Western Canada. Mr. Dahl was founder, President, Chief Executive Officer and director of Stonefire Energy Corp., a public oil and gas company listed on TSX Venture Exchange, from July 2005 to January 2010. Prior thereto, Mr. Dahl was a founder and Vice-President, Engineering and Operations of Tempest Energy Corp., a public oil and gas company listed on the TSX, from October 2000 until December 2004. Prior thereto Mr. Dahl held the position of Vice-President, Engineering and Operations with Tier One Energy Corp., a public oil and gas company listed on the Alberta Stock Exchange, from August 1997 until Tier One was sold in November 1999. From 1987 to 1997, he worked as an Engineer in the Alberta oil and gas industry with Dome Petroleum Ltd., Amoco Canada Petroleum Company, Ltd., HCO Energy Ltd. and Grad & Walker Energy Corporation in progressively senior roles. Mr. Dahl graduated with a Bachelor of Science degree in Civil Engineering from the University of Calgary in 1987. He is a member of the Board of Governors of the Explorers and Producers Association of Canada (EPAC), a member of APEGA and The Society of Petroleum Engineers.

Mr. MacLeod is Chairman of the audit committee. He is a partner with the law firm DLA Piper (Canada) LLP where his focus is on corporate and securities law. He graduated from the University of Calgary in 1984 with a B.A. Economics and from the University of Western Ontario with his Bachelor of Laws degree in 1987. Mr. MacLeod was a director of Stonefire Energy Corp. from July 2005 to January 2010. Mr. MacLeod was a director and audit committee member of Nevarro Energy Ltd., from 1996 to 2006. Nevarro was a publicly traded oil and gas company listed on the TSXV until being sold in 2006. Mr. MacLeod has also been Corporate Secretary of Tier One Energy Corp., a publicly traded oil and gas companies listed on the TSXV and Tempest Energy Corp., a publicly traded oil and gas companies listed on the TSX.

Mr. Dell spent 31 years, from October 1979 until September 2010, at GLJ Petroleum Consultants Ltd. in increasing positions of responsibility, and as Vice President of Small Business Services from 1993 until 2010. Mr. Dell has been a director of Glenogle Energy Inc., a private oil and gas company, since October 2010. Mr. Dell holds a Degree in Civil Engineering from the University of Saskatchewan, and is a member of the Association of Professional Engineers and Geologists of Alberta (APEGA) and the Society of Petroleum Engineers (SPE).

All of the members of the Audit Committee have been either directly or indirectly involved in the preparation of the financial statements, filing of quarterly and annual financial statements, dealing with auditors, or as a member of the Audit Committee. All members of the Audit Committee have the ability to read, analyze and understand the complexities surrounding the issuance of financial statements.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-Audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (securities regulatory authority exemption).

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "Audit Committee Terms of Reference".

External Auditor Service Fees

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit and other fees are as follows:

<u>Financial Year Ending</u>	<u>Audit Fees (\$)⁽¹⁾</u>	<u>Audit Related Fees (\$)⁽²⁾</u>	<u>Tax Fees (\$)⁽³⁾</u>	<u>All Other Fees (\$)⁽⁴⁾</u>
2014	178,900 ⁽⁵⁾	-	8,100	-
2013	127,047 ⁽⁶⁾	8,400	5,200	-

Notes:

- (1) **“Audit Fees”** include the fees paid to perform the annual audit and quarterly reviews of the Corporation’s financial statements. Audit fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consent, review of security filings and statutory audits.
- (2) **“Audit Related Fees”** include services that traditionally performed by the auditor. These include due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) **“Tax Fees”** include the fees for all tax services other than those included in Audit Fees and Audit Related Fees. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audit and appeals, tax advice related to mergers and acquisition, and requests for rulings or technical advice from tax authorities.
- (4) **“All Other Fees”** include fees for assurance procedures in connection with filings statements and information circulars and services related to underwriter’s due diligence.
- (5) Includes \$57,700 for quarterly reviews.
- (6) Includes \$47,000 for quarterly reviews.

Exemption

The Corporation is relying upon the exemption in section 6.1 of NI 52-110, the exemption for Venture issuers in relation to the requirements of part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*).

CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Corporation. The Board is committed to sound corporate governance practices which are both in the interest of its shareholders and contribute to effective and efficient decision making. To achieve this goal, the Corporation has implemented an Audit Committee Terms of Reference, a Whistle Blower Policy, a Corporate Governance Terms of Reference, a Compensation Committee Terms of Reference, an Insider Trading and Reporting Policy, and a Disclosure and Confidentiality Policy.

Pursuant to National Instrument 58-101 Disclosure of Corporate Governance Practices (**“NI 58-101”**), the Corporation is required to disclose its corporate governance practices as summarized below.

Board of Directors

The Board is currently comprised of four directors, Richard H. Dahl, John Ramescu, Roger O. MacLeod and Neil I. Dell. All of these individuals are nominated for re-election at the Meeting. The size and composition of the Board reflects a breadth of backgrounds and experience that is important for effective governance of a Corporation in the oil and natural gas exploration industry.

Two of the current directors, Neil Dell and Roger O. MacLeod, are independent as defined in National Policy 58-201 – Corporate Governance Guidelines (**“NP 58-201”**). Mr. Dahl and Mr. Ramescu are not independent by virtue of being executive officers of the Corporation.

NI 58-101 suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who has no direct or indirect material relationship with the Corporation. A material relationship is a relationship which could, in the view of the board of directors, reasonably interfere with the exercise of a director’s independent judgment. As disclosed above, the Board is comprised of 50 percent independent and 50 percent non-independent directors. The independent judgment of the Board in carrying out its responsibilities is the responsibility of all directors. The Board facilitates independent supervision of management through meetings of the Board and through frequent informal discussions among independent members of the Board and management. In addition, the Board has free access to the Corporation’s external auditors, legal counsel and to any of the Corporation’s officers.

Directorships

None of the directors of the Corporation are presently directors of other issuers that are reporting issuers (or the equivalent) in any jurisdiction including foreign jurisdictions.

Orientation and Continuing Education

Each new director is given an outline of the nature of the Corporation’s business, its corporate strategy and current issues with the Corporation. New directors are also expected to meet with management of the Corporation to discuss and better understand the Corporation’s business and are advised by counsel to the Corporation of their legal obligations as directors of the Corporation. New directors are also given copies of the Corporation’s policies.

The introduction and education process will be reviewed on an annual basis by the Board and will be revised as necessary.

Ethical Business Conduct

The Board has adopted a code of business conduct and ethics (the “**Code**”), which sets out the standards of professional and ethical conduct for our directors, officers and employees. The Code reflects our commitment to a culture of honesty, integrity and accountability and outlines the basic principles and policies with which all employees are expected to comply.

The Board has established a Whistle Blower Policy, which establishes the complaint procedure for concerns about any aspect of the Corporation’s activities and operations. The Corporation has also adopted an Insider Trading and Reporting Policy which establishes procedures for when insiders may trade securities of the Corporation. The Corporation has also adopted a Disclosure and Confidentiality Policy which establishes procedures for ensuring adequate disclosure and compliance with disclosure requirements as well as procedures for maintaining confidentiality.

The Board has found that the fiduciary duties placed on individual directors by the Corporation’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 Corporation.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent

person would exercise in comparable circumstances. In addition, as the directors of the Corporation 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 Business Corporations Act (Alberta), 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 Board has not appointed a nominating committee. The Board determines new nominees to the Board although no formal process has been adopted. The nominees are generally the result of recruitment efforts by the members of the Board including both formal and informal discussions among the members of the Board and officers.

Compensation

The Corporation has a Compensation Committee. See “*EXECUTIVE COMPENSATION - Compensation Governance*” above.

Other Board of Directors Committees

In addition to the Audit Committee and the Compensation Committee, the Board has formally appointed a Corporate Governance Committee and a Reserves Committee and has no other committees in place at this time.

Corporate Governance Committee

The Corporate Governance Committee was created to review and, where applicable, provide recommendations to the Board on the following matters:

- Preparing the Corporation’s response to applicable securities laws or stock exchange rules when required, and explaining as required any differences between the Corporation’s governance system and policies and the recommended governance standards by securities regulators;
- Developing and monitoring the Corporation’s general approach to corporate governance issues as they may arise;
- Proposing changes as necessary from time to time to respond to particular governance recommendations or guidelines from regulatory authorities and ensuring that all appropriate or necessary governance systems remain in place and are periodically reviewed for effectiveness;
- Ensuring that all members of the Board have been informed of and are aware of their duties and responsibilities as a director of the Corporation;
- Ensuring that the Corporation has in effect adequate policies and procedures to allow the Corporation to meet all of its continuous disclosure requirements;

- Ensuring that the Corporation has in effect adequate policies and procedures to identify and manage the principal risks of the Corporation’s business;
- Developing and monitoring the Corporation’s policies relating to trading in securities of the Corporation by insiders as well as communication and confidentiality;
- Annually reviewing areas of potential personal liability of directors and ensuring reasonable protective measures are in place;
- Causing the Board to annually review its definition of an “independent” director;
- Developing written corporate governance guidelines and mandate for the Board in which it explicitly acknowledges responsibility for the stewardship of the Corporation and considers (i) measures for receiving feedback from stakeholders and (ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials;
- Developing clear position descriptions for the Chairman of the Board and the Chair of each Board Committee, and together with the CEO, developing a clear position description for the CEO, which includes delineating management’s responsibilities and developing the corporate goals and objectives that the CEO is responsible for meeting;
- Assessment of the Board, its committees and each individual director in respect of effectiveness and contribution;
- Developing a comprehensive orientation and continuing education program for all directors;
- Developing a written code of business conduct and ethics that is applicable to all directors, officers and employees of the Corporation;
- Developing and monitoring the Corporation’s policies related to the prospective recruitment and recommendation of new member to fill Board vacancies as required; and
- Periodically considering the need for special policies of the Corporation, initiated by the Board, in unique or emerging policy areas such as corporate ethics, gender equality and sexual harassment.

Reserves Committee

The Reserves Committee is responsible:

- To review, with reasonable frequency, the procedures relating to the disclosure of information with respect to oil and gas activities including its procedures for complying with the disclosure requirements and restrictions of NI 51-101;
- To review the appointment of the Independent Evaluator under NI 51-101 and in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed Independent Evaluator and management;

- To review, with reasonable frequency, the Corporation's procedures for providing information to the Independent Evaluator who report on reserves data (as defined in NI 51-101 and hereinafter referred to as "Reserves Data") for the purposes of NI 51-101;
- Before approving the filing of the Reserves Data and the annual filings required by NI 51-101, meet with management and the Independent Evaluator in order to (i) determine whether any restrictions affect the ability of the Independent Evaluator to report on the Reserves Data without reservation; and (ii) review the Reserves Data and the report of the Independent Evaluator thereon;
- To review the annual filings required by NI 51-101 and recommend approval of the contents and the filing of the Annual Filings to the Board;
- To review all disclosure made by or on behalf of the Corporation, that the Corporation knows or ought reasonably to know, is or will become available to the public and any document filed with a securities regulatory authority to ensure compliance with NI 51-101;
- In order to preserve the independence of the Independent Evaluator the Committee will:
 - (a) recommend to the Board the Independent Evaluator to be engaged; and
 - (b) recommend to the Board the compensation of the Independent Evaluator.

Assessments

The Board have not implemented a formal process for assessing its effectiveness or the effectiveness of its individual members or its committees. As a result of the Corporation's size and the limited number of individuals on the Board, the Board consider a formal assessment process to be unnecessary at this time. The Board plans to continue evaluating its own effectiveness on an ad hoc basis.

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.

1. Report and Financial Statements

The Board has approved all of the information in the audited financial statements of the Corporation for the year ended December 31, 2014 and the report of the auditor thereon, copies of which are delivered herewith.

2. Fix Number of Directors to be Elected at the Meeting

Shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution fixing the number of directors to be elected at the Meeting. In order to be effective, an ordinary resolution requires the approval of a majority of the votes cast by shareholders who vote in respect of the resolution.

At the Meeting, it will be proposed that four (4) directors be elected to hold office until the next annual general meeting or until their successors are elected or appointed. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the ordinary resolution fixing the number of directors to be elected at the Meeting at four (4).**

3. Election of Directors

The Corporation currently has four (4) directors all of whom are being nominated for re-election. The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Corporation presently held by such nominee, the nominee's municipality of residence, principal occupation at the present and during the preceding five years, the period during which the nominee has served as a director, and the number and percentage of Shares of the Corporation that the nominee has advised are beneficially owned by the nominee, directly or indirectly, or over which control or direction is exercised, as of the Effective Date.

Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote for the election of the persons named in the following table to the Board. Management does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, **proxies held by Management Designees will be voted for another nominee in their discretion unless the shareholder has specified in their form of proxy that their Shares are to be withheld from voting in the election of directors.** Each director elected will hold office until the next annual general meeting of shareholders or until their successor is duly elected, unless their office is earlier vacated in accordance with the by-laws of the Corporation or the provisions of the Business Corporations Act to which the Corporation is subject.

Name, Municipality of Residence, Office, and Date Became a Director	Present Occupation and Positions Held During the Last Five Years	Number and Percentage of Class A Shares Held or Controlled as at the Date of this Management Information Circular ⁽⁵⁾	Number and Percentage of Class B Shares Held or Controlled as at the Date of this Management Information Circular ⁽⁵⁾
Richard H. Dahl ⁽¹⁾⁽²⁾⁽³⁾ Calgary, AB President, Chief Executive Officer Director since January 15, 2010	President, Chief Executive Officer and director of Questfire Energy Corp. since January 2010; prior thereto, founder, President, Chief Executive Officer and director of Stonefire Energy Corp., a public oil and gas company listed on TSX Venture Exchange, from July 2005 to January 2010.	1,790,501 (10.3%)	9,700 (1.8%)
John Ramescu ⁽³⁾⁽⁴⁾ Calgary, AB V.P., Land Director since November 25, 2010	V.P., Land and director of Questfire Energy Corp. since January 2010; prior thereto, founder, V.P., Land and director of Stonefire Energy Corp., a public oil and gas company listed on TSX Venture Exchange, from July 2005 to January 2010.	780,000 (4.5%)	900 (0.2%)
Roger O. MacLeod ⁽¹⁾⁽²⁾⁽⁴⁾ Calgary, AB Director since November 25, 2010	Partner with the law firm DLA Piper (Canada) LLP and its predecessor firms since November 2008; Prior thereto he was a partner at Burstall Winger LLP since May 1996.	925,000 (5.3%)	- (Nil%)

Name, Municipality of Residence, Office, and Date Became a Director	Present Occupation and Positions Held During the Last Five Years	Number and Percentage of Class A Shares Held or Controlled as at the Date of this Management Information Circular ⁽⁵⁾	Number and Percentage of Class B Shares Held or Controlled as at the Date of this Management Information Circular ⁽⁵⁾
Neil I. Dell ⁽¹⁾⁽³⁾⁽⁴⁾ Calgary, AB Director since July 19, 2011	Technical Advisor with Camcor Partners Inc. since March 2011; Increasing positions of responsibility with GLJ Petroleum Consultants Ltd., from October 1979 until September 2010 and as V.P., Small Business Services from 1993 until 2010.	250,000 (1.4%)	- (Nil%)

Notes:

- (1) Member of the Corporation’s Audit Committee.
- (2) Member of the Corporation’s Corporate Governance Committee.
- (3) Member of the Reserve Committee. Mr. Dell is the chair of the Reserve Committee.
- (4) Member of the Corporation’s Compensation Committee.
- (5) The information as to Shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective directors.

Cease Trade Orders

No proposed director, within 10 years before the date of this Management Information Circular, has been a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to:
 - (i) a cease trade order;
 - (ii) an order similar to a cease trade order; or
 - (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “Order”) that was issued while the proposed 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 director, chief executive officer or chief financial officer.

Bankruptcies

No proposed director, within 10 years before the date of this Management Information Circular, has been a director or executive officer of any company that, while the proposed director was acting in that capacity, or within a year of the proposed director 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.

Personal Bankruptcies

No proposed director has, within 10 years before the date of this Management 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 such proposed director.

Penalties and Sanctions

No proposed director has been subject to:

- (a) 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
- (b) 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,

other than a settlement agreement entered into before December 31, 2000 that would likely not be important to a reasonable securityholder in deciding whether to vote for a proposed director.

4. Appointment of Auditor

The shareholders of the Corporation will be asked to vote for the re-appointment of Collins Barrow Calgary LLP (“**Collins Barrow**”), as auditor of the Corporation. **Unless directed otherwise by a proxy holder, or such authority is withheld, the Management Designees, if named as proxy, intend to vote the Shares represented by any such proxy in favour of a resolution appointing Collins Barrow, as auditor of the Corporation for the next ensuing year,** to hold office until the close of the next annual general meeting of shareholders or until Collins Barrow is removed from office or resigns as provided by the Corporation’s by-laws, and the Management Designees also intend to vote the Shares represented by any such proxy in favour of a resolution authorizing the Board to fix the compensation of the auditor. Collins Barrow has been the Corporation’s auditor since the Corporation was incorporated on January 15, 2010.

5. Approval of New Option Plan

The Corporation has in place the 2014 Plan, which was approved by the Board and ratified by the shareholders of the Corporation at the annual meeting held on July 3, 2014. On April 7, 2015, the Board approved the adoption of a new option plan of the Corporation (the “**2015 Plan**”), subject to the approval of the TSX Venture Exchange and the shareholders of the Corporation. As a result and assuming such approvals are obtained, the 2014 Plan will be of no further force and effect and all options and stock option agreements issued under the 2014 Plan will continue under and be governed by the 2015 Plan. If shareholder approval of the 2015 Plan is not obtained at the Meeting, the 2015 Plan will be of no effect and the 2014 Plan will continue as the stock option plan of the Corporation.

The 2015 Plan is similar to the 2014 Plan. A copy of the 2015 Plan is attached as Exhibit A to this Management Information Circular. The 2015 Plan is a “fixed plan”, being that the maximum aggregate number of Class A Shares that may be issued pursuant to the exercise of options awarded under the 2015 Plan may not exceed twenty percent (20%) of the aggregate number of issued and outstanding Shares, on a non-diluted basis, at the time the 2015 Plan is approved by Shareholders. This is anticipated to be 3,573,688.

Pursuant to the 2015 Plan, the Board may, from time to time, grant options to acquire Class A Shares to certain directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or Corporation that provides management services to the Corporation or its subsidiaries.

The purpose of the 2015 Plan is to provide the directors, officers, employees and consultants of the Corporation or any of its subsidiaries or affiliates with the opportunity to acquire shares in the Corporation, thereby increasing their proprietary interests in the Corporation, encouraging them to remain with the Corporation or its subsidiaries or affiliates and providing them with additional incentive in the conduct of their affairs for and on behalf of the Corporation, its subsidiaries and affiliates.

The number of Class A Shares subject to an option to a participant shall be determined by the Board, but no participant shall be granted an option which exceeds the maximum number of shares permitted by any stock exchange on which the Shares are then listed, or other regulatory body having jurisdiction and no one participant is permitted to hold options entitling such participant to purchase more than five percent (5%) of the issued and outstanding Class A Shares. The exercise price of the Shares covered by each option shall be determined by the Board, provided however, that the exercise price shall not be less than the price permitted by any stock exchange on which the Shares are then listed, or other regulatory body having jurisdiction. The maximum length any option shall be ten (10) years from the date the option is granted, provided that participant’s options expire ninety (90) days after a participant ceases to act for the Corporation, subject to extension at the discretion of the Board, except upon the death of a participant, in which case the participant’s estate shall have twelve (12) months in which to exercise the outstanding options. The 2015 Plan includes a provision that should an option expiration date fall within a blackout period or immediately following a blackout period, the expiration date will automatically be extended for ten (10) business days following the end of the blackout period. The Board has the absolute discretion to amend or terminate the 2015 Plan.

Section 3.9 of Policy 4.4 of the TSX Venture Exchange requires that a stock option plan exceeding ten percent (10%) of the Corporation’s issued shares must receive shareholder approval. In accordance with Policy 4.4, shareholders will be asked to consider and if thought fit, approve an ordinary resolution approving and adopting the 2015 Plan as the Corporation’s stock option plan and the termination of the 2014 Plan. In order for the resolution approving and adopting the 2015 Plan to be effective, it must be approved by the affirmative vote of a majority of the votes cast in respect thereof by shareholders present in person or by proxy at the Meeting.

The text of the ordinary resolution to be considered at the Meeting approving the Plan will be substantially as follows:

“BE IT RESOLVED, AS AN ORDINARY RESOLUTION OF THE MAJORITY OF THE SHAREHOLDERS OF THE CORPORATION, WITH OR WITHOUT AMENDMENT, THAT:

1. the Corporation's 2015 stock option plan (the "2015 Plan") in substantially the form attached as Exhibit 1 to the Management Information Circular of the Corporation prepared for the purpose of the Meeting be and is hereby approved and adopted as the stock option plan of the Corporation;
2. the form of the Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation;
3. the termination of the 2014 stock option plan (the "Prior Plan") of the Corporation is hereby approved and ratified;
4. all issued and outstanding stock options previously granted under the Prior Plan are hereby continued under and governed by the 2015 Plan;
5. any officer or director of the Corporation be and is hereby authorized to execute all such deeds, documents and other writings and perform such acts as may be necessary in order to give effect to the 2015 Plan as herein contemplated and the Board of Directors from time to time is authorized to grant options in the capital stock of the Corporation pursuant to and in accordance with the 2015 Plan; and
6. the Corporation is authorized to reserve and issue Class A Shares in the capital of the Corporation for issuance upon exercise of stock options granted pursuant to the 2015 Plan."

Unless otherwise directed, it is the intention of the Management Designees to vote proxies in favour of the resolution approving the 2015 Plan. In order to be effective, an ordinary resolution requires approval of a majority of the votes cast by shareholders who vote in respect to the resolution.

OTHER BUSINESS

While there is no other business other than that business mentioned in the Notice of Meeting to be presented for action by the shareholders at the Meeting, **it is intended that the proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.**

GENERAL

Unless otherwise directed, it is management's intention to vote proxies in favour of the resolutions set forth herein. All special resolutions to be brought before the Meeting require, for the passing of the same, a two-thirds majority of the votes cast at the Meeting by the holders of Shares. All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the holders of Shares. All approvals by disinterested shareholders require the approval of the shareholders not affected by, or interested in, the matter to be approved.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information of the Corporation's most recently completed financial year is provided, or will be provided,

in the Corporation's comparative financial statements and management discussion and analysis available on SEDAR. A shareholder may contact the Corporation at:

Questfire Energy Corp.
1100, 350 – 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Attention: President

to obtain a copy of the Corporation's most recent financial statements and management discussion and analysis.

BOARD APPROVAL

The contents and the sending of this Management Information Circular have been approved by the Board.

EXHIBIT 1

QUESTFIRE ENERGY CORP. (the "Corporation")

STOCK OPTION PLAN

1. Purpose

The purpose of the Plan is to provide an incentive to the directors, officers, employees and consultants 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 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 Class A Shares in the capital of the Corporation and any shares or securities of the Corporation into which such shares are changed, converted, subdivided, consolidated or reclassified;
- (c) **"Corporation"** means Questfire Energy Corp. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;
- (d) **"Exchange"** means the TSX Venture Exchange Inc. or any other stock exchange on which the Common Shares are listed;
- (e) **"Exchange Policies"** means, collectively, Policy 4.4 of the Exchange entitled "Incentive Stock Options", Policy 1.1 of the Exchange entitled "Interpretation" and any other policies set forth in the Corporate Finance Manual of the Exchange applicable to incentive stock options;
- (f) **"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;
- (g) **"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;

- (h) **“Optionee”** means a person who is a director, officer, employee or consultant 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
- (i) **“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 Policies, including without limitation “Consultant”, “Discounted Market Price”, “Employee”, “Insider”, “Investor Relations Activities”, “Management Company Employee”, “Tier I 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 the approval of the Exchange (including 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 the approval 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. Pursuant to Exchange Policies, the Corporation shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee in respect of Options granted to such Optionee.

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 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 of Common Shares issuable on exercise of an Option until such Common Shares shall have been paid for in full and issued by the Corporation on exercise of the Option, pursuant to this Plan.

6. Common Shares Subject to Options

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 3,573,688 Common Shares.

Subject to Exchange Policies, the aggregate number of Common Shares reserved for issuance to Insiders under Options granted under this Policy shall not exceed ten percent (10%) of the issued and outstanding Common Shares and Class B Shares. The aggregate number of Common Shares reserved for issuance to any Insiders under Options granted in any 12 month period shall not exceed ten percent (10%) of the issued and outstanding Common Shares and Class B Shares determined at the date of grant. 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 five percent (5%) of the issued and outstanding Common Shares and Class B Shares determined at the date of grant, or two percent (2%) of the issued and outstanding Common Shares and Class B Shares determined at the date of grant in the case of an Optionee who is a Consultant. In addition, no more than an aggregate of two percent (2%) of the issued and outstanding Common Shares and Class B Shares determined at the date of grant may be granted to Employees conducting Investor Relations Activities.

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 unexercised 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 the Exchange or any other 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 date shall be no later than the expiry of the Option Period (the “**Expiry Date**”), subject to earlier termination as provided in Sections 10, 11 and 16 hereof.

Subject to Exchange Policies and any limitations imposed by any other regulatory authority having jurisdiction over the Corporation, 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. In the event that the Corporation proposes to reduce the exercise price of Options granted to an Optionee who is an Insider of the Corporation at the time of the proposed amendment, such amendment shall not be effective until disinterested shareholder approval has been obtained in respect of the reduction of the exercise price, if required by the rules and policies of the Exchange then in effect.

9. Exercise of Options

- (a) An Optionee shall be entitled to exercise an Option granted to him at any time prior to the Expiry Date, subject to Sections 10, 11 and 16 hereof and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted as set out in the Stock Option Agreement. 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.
- (b) 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.

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

If an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, any Options granted to such Optionee must expire within a reasonable period following the Optionee’s ceasing to be a director, officer, employee or consultant, as the case may be, and in all cases must expire no later than the Expiry Date; however, such Options may be exercised by an Optionee who has ceased to be a director, officer, employee or consultant only if the Optionee was entitled to exercise the Options at the date of such cessation pursuant to the terms of the Optionee’s Stock Option Agreement.

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 Date, 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 pursuant to the terms of the Optionee's Stock Option Agreement.

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 pursuant to Section 11 hereof, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

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 thereon 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 other regulatory authority having jurisdiction over the Corporation, whether or not such amendment or termination would affect any accrued rights, subject to the approval of the Exchange or such other 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 other regulatory authority having jurisdiction over the Corporation, and the approval of the shareholders of the Corporation if required by the Exchange or such other 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 Alberta and the laws of Canada applicable therein.

18. Prior Plans

On the effective date (as defined 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, the date of shareholder approval for the Plan, if such approval is required by the Exchange, subject to final Exchange approval for the Plan, or the date of final Exchange approval for the Plan if the Exchange does not require shareholder approval for the Plan.

20. Withholding Taxes

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

- (a) deduct and withhold additional amounts from other amounts payable to an Optionee;
- (b) require, as a condition of the issuance of Optioned Shares to an Optionee that the Optionee make a cash payment to the Corporation equal to the amount, in the Corporation's opinion, required to be withheld and remitted by the Corporation for the account of the Optionee to the appropriate governmental authority and the Corporation, in its discretion, may withhold the issuance or delivery of Optioned Shares until the Optionee makes such payment; or
- (c) sell, on behalf of the Optionee, all or any portion of Optioned Shares otherwise deliverable to the Optionee until the net proceeds of sale equal or exceed the amount which, in the Corporation's opinion, would satisfy any and all withholding taxes and other source deductions for the account of the Optionee.

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