

**TRAFALGAR ENERGY LTD.**

**Notice of Annual and Special Meeting of Shareholders  
to be held on Tuesday, May 12, 2009**

The annual and special meeting of the shareholders of Trafalgar Energy Ltd. will be held in the Plaza Room of the Metropolitan Centre, 333 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta on Tuesday, May 12, 2009 at 3:00 p.m. (Calgary time) to:

1. receive and consider our financial statements for the period ended December 31, 2008, together with the report of the auditors;
2. fix the number of directors of Trafalgar Energy Ltd. to be elected at the meeting at 7 members;
3. elect 7 directors of Trafalgar Energy Ltd.;
4. appoint the auditors and to authorize the directors to fix their remuneration as such;
5. consider and, if thought fit, approve an ordinary resolution to approve the grant of unallocated stock options under our stock option plan and certain amendments to our stock option plan; and
6. transact such other business as may properly be brought before the meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the meeting are set forth in the information circular-proxy statement accompanying this notice.

If you are unable to attend the meeting in person, we request that you date and sign the enclosed form of proxy and deposit it with Valiant Trust Company by mail or courier at Suite 310, 606 – 4<sup>th</sup> Street S.W., Calgary, Alberta T2P 1T1 or by fax at (403) 233-2857. In order to be valid and acted upon at the meeting, forms of proxy must be returned to the aforesaid address or fax number not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Only shareholders of record at the close of business on March 31, 2009 will be entitled to vote at the meeting, unless that shareholder has transferred any shares subsequent to that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of such shares and demands that the transferee's name be included on the list of shareholders.

DATED at Calgary, Alberta this 1<sup>st</sup> day of April, 2009.

By order of the Board of Directors of  
Trafalgar Energy Ltd.

(signed) "*Shannon M. Gangl*"  
Corporate Secretary

## TRAFALGAR ENERGY LTD.

### Information Circular – Proxy Statement for the Annual and Special Meeting to be held on May 12, 2009

#### PROXIES

##### Solicitation of Proxies

This information circular – proxy statement is furnished in connection with the solicitation of proxies for use at the annual and special meeting of the shareholders of Trafalgar Energy Ltd. ("**Trafalgar**") to be held at 3:00 p.m. (Calgary time) on Tuesday, May 12, 2009 in the Plaza Room of the Metropolitan Centre, located at 333 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta and at any adjournment thereof. Forms of proxy must be deposited with Valiant Trust Company (by mail or courier at Suite 310, 606 – 4<sup>th</sup> Street S.W., Calgary, Alberta T2P 1T1 or by fax at (403) 233-2857) not less than 48 hours before the time for holding the meeting or any adjournment thereof. Only shareholders of record at the close of business on March 31, 2009 will be entitled to vote at the meeting, unless that shareholder has transferred any shares subsequent to that date and the transferee shareholder, not later than ten days before the meeting, establishes ownership of the shares and demands that the transferee's name be included on the list of shareholders.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

**The persons named in the enclosed form of proxy are officers of Trafalgar. As a shareholder you have the right to appoint a person, who need not be a shareholder, to represent you at the meeting. To exercise this right you should insert the name of the desired representative in the blank space provided on the form of proxy and strike out the other names or submit another appropriate proxy.**

##### Advice to Beneficial Shareholders

The information set forth in this section is of significant importance to you if you do not hold your shares in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of shares can be recognized and acted upon at the meeting. If shares are listed in your account statement provided by your broker, then in almost all cases those shares will not be registered in your name on our records. Such shares will likely be registered under the name of your 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 CDS Clearing and Depository Services Inc., which acts as nominees for many Canadian brokerage firms. Shares held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your shares.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your shares are voted at the meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge mails a scannable voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternately, you can use their website or call their toll-free telephone number to vote your shares. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of shares to be represented at the meeting. **If you receive a voting instruction form from Broadridge or another intermediary it cannot be used as a proxy to vote shares directly at the meeting as the proxy must be returned (or otherwise reported) as provided in the voting instruction form to Broadridge well in advance of the meeting in order to have the shares voted.**

### **Revocability of Proxy**

You may revoke your proxy at any time prior to a vote. If you or the person you give your proxy attends personally at the meeting you or such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation. To be effective the instrument in writing must be deposited either at our head office at any time up to and including the last business day before the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof.

### **Persons Making the Solicitation**

**This solicitation is made on behalf of our management.** We will bear the costs incurred in the preparation and mailing of the form of proxy, notice of annual and special meeting and this information circular – proxy statement. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers and employees who will not be remunerated therefor.

### **Exercise of Discretion Proxy**

The shares represented by proxy in favour of management nominees will be voted on any poll at the meeting. Where you specify a choice with respect to any matter to be acted upon the shares will be voted on any poll in accordance with the specification so made. **If you do not provide instructions, your shares will be voted in favour of the matters to be acted upon as set out herein. The persons appointed under the form of proxy which we have furnished are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual and special meeting and with respect to any other matters which may properly be brought before the meeting or any adjournment thereof. At the time of printing this information circular – proxy statement, we know of no such amendment, variation or other matter.**

## **VOTING SECURITIES AND PRINCIPAL HOLDERS**

We are authorized to issue an unlimited number of common shares ("**Common Shares**") and unlimited number of non-voting shares ("**Non-Voting Shares**") and an unlimited number of preferred shares, issuable in series. As of the date hereof, we have 11,163,590 Common Shares, 2,241,293 Non-Voting Shares and no preferred shares issued and outstanding. The Non-Voting Shares are not entitled to be voted at the meeting. Our share provisions have been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Common Shares**

The holders of our Common Shares are entitled to (a) notice of, to attend and to one vote per share held at any meeting of our shareholders (other than meetings of a class or series of our shares other than the Common Shares as such); (b) receive dividends as and when declared by our board of directors on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes of our shares ranking in priority to the Common Shares in respect of dividends; and (c) subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of our shares ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the holders of any other class of our shares ranking equally with the Common Shares in respect of return of capital on dissolution, in our assets as are available for distribution.

At the meeting, upon a show of hands, every holder of Common Shares present in person or represented by proxy and entitled to vote shall have one vote. On a poll or ballot, every holder of Common Shares present in person or by proxy has one vote for each Common Share of which such shareholder is the registered holder. When any Common Share is held jointly by several persons, any one of them may vote at the meeting in person or by proxy in respect of such Common Share, but if more than one of them are present at the meeting in person or by proxy, and such joint

owners of the proxy so present disagree as to any vote to be cast, the joint owner present or represented whose name appears first in the shareholder register maintained by Valiant Trust Company is entitled to cast such vote.

As at March 31, 2009, our directors and officers and their associates and affiliates, as a group, beneficially owned, controlled or directed, directly or indirectly, approximately 581,355 Common Shares representing approximately 5.2% of our outstanding Common Shares. These directors and officers also hold 1,306,967 Non-Voting Shares and 758,750 options at a weighted average exercise price of \$4.07 per share. To the knowledge of our directors and officers, as at March 31, 2009 no person or company beneficially owned, directly or indirectly, or controlled or directed, Common Shares entitled to more than 10% of the votes which may be cast at the meeting.

### **Non-Voting Shares**

The holders of our Non-Voting Shares are entitled to receive notice of and to attend any meeting of our shareholders but the Non-Voting Shares are non-voting, except as otherwise required by law.

The holders of the Non-Voting Shares are entitled to receive all informational documents and other communications: (a) required to be sent to the holders of Common Shares by applicable law or by any stock exchange on which the Common Shares are listed; or (b) voluntarily sent by us to the holders of Common Shares in connection with any meeting of shareholders.

The holders of Non-Voting Shares are entitled to receive dividends as and when declared by our board of directors, subject to prior satisfaction of all preferential rights to dividends attached to shares of other classes of our shares ranking in priority to the Non-Voting Shares except that no dividend may be declared in respect of, or any other benefit conferred upon the holders of, Common Shares unless concurrently therewith the same dividend in respect of, or the same benefit is conferred upon the holders of the Non-Voting Shares.

The Non-Voting Shares rank equally with the Common Shares in the event of any liquidation, dissolution or winding-up, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to our shares ranking in priority to the Non-Voting Shares.

**If an offer is made to acquire our Common Shares, the holders of Non-Voting Shares do not have an automatic right to participate.**

### **QUORUM FOR MEETING**

At the meeting, a quorum shall consist of two or more persons either present in person or represented by proxy and representing in the aggregate not less than 5 percent of the outstanding Common Shares. If a quorum is not present at the meeting within one half hour after the time fixed for the holding of the meeting, it shall stand adjourned to such day being not less than fourteen (14) days later and to such place and time as may be determined by the Chairman of the meeting. At such meeting, the shareholders present either personally or by proxy shall form a quorum.

### **APPROVAL REQUIREMENTS**

All of the matters to be considered at the meeting are ordinary resolutions requiring approval by more than fifty percent of the votes cast in respect of the resolution by or on behalf of shareholders present.

## MATTERS TO BE ACTED UPON AT THE MEETING

### Election of Directors

At the meeting, shareholders will be asked to fix the number of directors to be elected at the meeting at seven members and to elect seven directors.

Management is soliciting proxies, in the accompanying form of proxy, for an ordinary resolution in favour of fixing our board of directors at seven members and in favour of the election as directors of the seven nominees set forth below:

Murray Nunns	Robert Wollmann
John A. Brussa	Steve Nielsen
Gary Perron	Shannon M. Gangl
Robert M. Shaunessy	

In the event that a vacancy among such nominees occurs because of death or for any reason prior to the meeting, the proxy shall not be voted with respect to such vacancy.

The names and municipalities of residence of the persons nominated for election as directors, their principal occupations, the dates on which they became a director of us and the approximate number of Common Shares and Non-Voting Shares, beneficially owned, or controlled or directed, directly or indirectly, by each of them as of March 31, 2009 were as follows:

Name and Municipality of Residence	Principal Occupation	Director Since	Number of shares beneficially owned directly or indirectly or over which control or direction is exercised <sup>(7)</sup>
Murray Nunns <sup>(1)(2)</sup> Calgary, Alberta	Our Chairman, President and Chief Operating Officer of Penn West Petroleum Ltd. (administrator of Penn West Energy Trust, a public oil and gas royalty trust) and Executive Chairman of Monterey Exploration Ltd. (a public oil and gas company). From 2002 to 2005, Mr. Nunns was President, Chief Executive Officer and Director of Crispin Energy Inc. (a public oil and gas company) and prior thereto held various management positions at Rio Alto Exploration Ltd. (a public oil and gas company) including Chief Operating Officer.	June 2006	10,657 Common Shares 87,065 Non-Voting Shares
Robert Wollmann Calgary, Alberta	Our President, Chief Executive Officer and Director since June 6, 2006. Mr. Wollmann was formerly Vice President, Exploration of Luke Energy Ltd. (a public oil and gas company) from April 2003 until March 2006, and held a variety of positions including Vice President Exploration and, prior to that, Exploration Manager with Rio Alto Exploration Ltd. from 1993 to 2002.	June 2006	37,123 Common Shares 335,821 Non-Voting Shares
Shannon M. Gangl <sup>(3)</sup> Calgary, Alberta	Partner, Burnet, Duckworth & Palmer LLP (barristers and solicitors).	September 2006	4,469 Common Shares
John A. Brussa <sup>(3)(4)</sup> Calgary, Alberta	Partner, Burnet, Duckworth & Palmer LLP (barristers and solicitors).	June 2006	4,975 Common Shares 87,065 Non-Voting Shares

Name and Municipality of Residence	Principal Occupation	Director Since	Number of shares beneficially owned directly or indirectly or over which control or direction is exercised <sup>(7)</sup>
Steve Nielsen <sup>(1)(2)(5)</sup> Calgary, Alberta	Vice President and Chief Financial Officer of Daylight Energy Ltd. (administrator of Daylight Resources Trust, a public oil and gas royalty trust) since December 2004; prior thereto and since April 2004 Mr. Nielsen was the Chief Financial Officer and Treasurer of MFIT Corp. (the general partner of a private income trust). From April 2002 to December 2003, Mr. Nielsen was the Controller at Gauntlet Energy Corporation (a public oil and gas company). From May 1998 to May 2000, Mr. Nielsen was the Treasurer and Corporate Secretary at Ulster Petroleum Ltd. (a public oil and gas company) and prior thereto, Mr. Nielsen was the Financial Controller at Ulster Petroleum Ltd.	September 2006	22,761 Common Shares
Gary Perron <sup>(1)</sup> Calgary, Alberta	Managing Director and Senior Vice President of BMO Nesbitt Burns Inc. (an investment banking firm). Mr. Perron is currently serving as director of Progress Energy Resources Corp. (a public oil and gas company), Yoho Resources Inc. (a public oil and gas company) Parkbridge Lifestyles Communities Inc. (a public real estate company) and Realex Properties Corp. (a public real estate company).	June 2006	289,915 Common Shares 200,000 Non-Voting Shares
Robert M. Shaunessy <sup>(2)(3)</sup> Calgary, Alberta	President of Shaunessy Ranch Ltd (a private oil and gas and real estate investment firm), Director of Rondo Petroleum (a private company), Director Renaissance Wine and Spirits (a private company), President and Director of Tinhorn Creek Vineyards (a private company) and an Advisor of Energy Two Private Equity Fund (a private investment fund).	December 2006	119,700 Common Shares

## Notes:

- (1) Member of our Audit Committee.
- (2) Member of our Reserves Committee.
- (3) Member of our Corporate Governance & Compensation Committee.
- (4) Mr. Brussa was a director of Imperial Metals Limited, a corporation engaged in both oil and gas and mining operations, in the year prior to that corporation implementing a plan of arrangement under the *Company Act* (British Columbia) and under the *Company's Creditor's Arrangement Act* (Canada) which resulted in the separation of its two businesses and the creation of two public corporations: Imperial Metals Corporation and IEI Energy Inc. (which became Rider Resources Ltd.). The plan of arrangement was completed in April of 2002.
- (5) Mr. Nielsen was the Controller of Gauntlet Energy Corporation ("**Gauntlet**"). On June 17, 2003, Gauntlet filed for and was granted an order pursuant to the *Company's Creditor's Arrangement Act* (Canada). The plan of arrangement for Gauntlet received court approval on December 5, 2003. In addition, Gauntlet was the subject of a civil claim which was settled for a monetary amount without admission of liability by the defendants. Mr. Nielsen was not named in that action nor was he a party to the eventual settlement.
- (6) All of our directors will hold office until the next annual general meeting of shareholders or until their successor is duly elected or appointed, unless their office is earlier vacated.
- (7) Does not include 420,500 options to acquire Common Shares held by the nominees.

The information as to voting securities beneficially owned, directly or indirectly, is based upon information furnished to us by the nominees.

To the knowledge of our directors and executive officers, none of our proposed directors is, as of the date hereof, or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including us), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the director was acting in the capacity as director, chief executive officer or chief financial officer or was subject to an Order that was issued after the 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. Except as set forth above, none of our proposed directors is, as of the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets or has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

In addition, none of our proposed directors has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

#### **Appointment of Auditors**

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of KPMG LLP, Chartered Accountants, as our auditors, to hold office until the next annual meeting of our shareholders and to authorize our directors to fix their remuneration as such. KPMG LLP, Chartered Accountants were appointed as our auditors effective April 8, 2008.

#### **Matters Respecting Stock Option Plan**

Shareholders will also be asked at the meeting to consider and, if thought fit, pass an ordinary resolution to approve the grant of unallocated stock options ("**Options**") under our stock option plan (the "**Stock Option Plan**") as well as certain amendments to our Stock Option Plan. The Stock Option Plan was last approved by our shareholders at a meeting held on September 19, 2006. See "*Statement of Executive Compensation – Incentive Plan Awards – Stock Option Plan*" for a description of our Stock Option Plan.

#### ***Approval of Grant of Unallocated Stock Options***

Section 613(a) of the Toronto Stock Exchange Company Manual provides that every three (3) years after the institution of a security based compensation arrangement all unallocated rights, options or other entitlements under such arrangement which does not have a fixed maximum number of securities issuable must be approved by the issuer's directors and by a majority of the issuer's security holders. As our Stock Option Plan is considered to be a security based compensation arrangement and as the maximum number of Common Shares issuable pursuant to our plan is not a fixed number and instead is equal to 10% of our outstanding Common Shares and Non-Voting Shares, approval is being sought at the meeting to approve the grant of unallocated Options under the plan. If approval is obtained at the meeting, we will not be required to seek further approval of the grant of unallocated Options under our Stock Option Plan until May 12, 2012. If approval is not obtained at the meeting, Options which are outstanding as of May 12, 2009 will be unaffected; however, Options which have not been allocated as of May 12, 2009 and Options which are outstanding as of May 12, 2009 and which are subsequently cancelled, terminated or exercised will not be available for a new grant of Options under the Stock Option Plan.

In accordance with the requirements of the Toronto Stock Exchange, the grant of unallocated Options under our Stock Option Plan requires approval of a majority of the votes cast at the meeting.

Accordingly, effective April 1, 2009, our board unanimously approved, subject to regulatory and shareholder approval, the grant of unallocated Stock Options under our Stock Option Plan.

***Approval of Amendments to Stock Option Plan***

On April 1, 2009, our board approved certain other minor amendments to our Stock Option Plan, which do not require shareholder approval. See "*Statement of Executive Compensation – Incentive Plan Awards – Stock Option Plan*" for a description of these amendments. On the same date, our board also unanimously approved the following amendments to our Stock Option Plan, which require regulatory and shareholder approval:

1. an amendment to add a restriction that the value of Options granted to any one non-management director during a calendar year, as calculated at the date of grant, shall not exceed \$100,000; and
2. an amendment to replace the amendment provision of the Stock Option Plan with the following:

**"ARTICLE 10 – AMENDMENT OR DISCONTINUANCE OF PLAN**

This Plan and any Options granted pursuant to the Plan may be amended, modified or terminated by the Board without approval of the shareholders subject to any required approval of the Exchange. Notwithstanding the foregoing, the Plan or any Options granted pursuant to the Plan may not be amended without shareholder approval to: (i) increase the number of Common Shares issuable on exercise of outstanding Options at any time contained to Article 4 hereof except as permitted under Article 4 with respect to the "reloading" of options; (ii) reduce the Option Price of any Option granted pursuant to the Plan or any cancellation and reissue of Options; (iii) extend the expiry date of any outstanding Option unless the extension is pursuant to any Black-Out Extension Term that may be in effect; (iv) amend the limit on grants to non-management directors above the amount contained in Article 4 of the Plan; (v) permit a Participant to transfer or assign Options to a new beneficial holder, other than for estate settlement purposes; (vi) any amendment to increase the number of Common Shares that may be issued to insiders above the restrictions contained in Article 4 of the Plan; or (vii) amend this Article 10 to delete any of (i) through (vi). In addition, no amendment to the Plan or Options granted pursuant to the Plan may be made without the consent of the Participant, if it adversely alters or impairs the rights of any Participant in respect of any Option previously granted to such Participant under the Plan.

A copy of our Stock Option Plan, after giving effect to the amendments described above, is attached to this information circular – proxy statement as Schedule "B".

In accordance with the requirements of the Toronto Stock Exchange, approval of the above amendments to our Stock Option Plan require approval of the majority of the votes cast at the meeting.

***Resolution to be Approved at Meeting***

At the meeting, shareholders will be asked to consider and, if thought fit, pass an ordinary resolution as follows:

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. all unallocated stock options issuable pursuant the stock option plan (the "**Stock Option Plan**") of Trafalgar Energy Ltd. (the "**Corporation**") are approved and authorized until May 12, 2012;
2. the amendments of the Stock Option Plan of the Corporation on the terms described in the information circular – proxy statement of the Corporation dated April 1, 2009, be and the same is hereby approved; and
3. any officer or director of the Corporation be and is hereby authorized for and on behalf of the Corporation (whether under its corporate seal or otherwise) to execute and deliver an amendment to the Stock Option Plan and all other documents and instruments and to take all such other actions as such officer or director may deem necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents and other instruments or the taking of any of such actions."

**It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies in favour of the above resolution.**

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

Our compensation program is administered by the Corporate Governance & Compensation Committee (the "**Committee**") of our board. The Committee, amongst its other responsibilities, reviews and recommends annually to the board the remuneration of our executive officers, employees and directors. The following individuals comprise the Committee: John A. Brussa, Robert M. Shaunessy and Shannon M. Gangl. Each of these directors are independent and are not eligible to participate in any of our compensation benefit programs but are entitled to participate in our Stock Option Plan. Each of the members of the Committee currently hold Options. The Committee last met on May 13, 2008.

Our compensation philosophy includes a "pay-for-performance" element, which supports our commitment to delivering continuous strong performance for our shareholders. In addition, our compensation philosophy is aimed at attracting and retaining quality and experienced people which is critical to our success for the benefit of our shareholders. Employee compensation, including executive officer compensation, is comprised of three elements: base salary, short-term incentive compensation (cash bonuses) and long-term incentive compensation (stock options). The Committee reviews all three components in assessing the compensation of individual executive officers and of our employees as a whole. Salaries and bonuses are intended to provide current compensation and a short-term incentive for employees to meet our goals, as well as to remain competitive with the industry. Options are granted as a long-term incentive and to encourage commitment to us.

Our Chief Executive Officer is responsible for making recommendations to the Committee with respect to compensation for our executive officers including our Chief Executive Officer. In making such recommendations, the Chief Executive Officer analyzes a number of factors including publicly available compensation data for comparable junior oil and gas exploration companies, corporate performance and individual executive officer performance. In assessing corporate performance, we do not have any pre-determined targets, but the following factors are considered: (a) our performance relative to other junior oil and gas exploration companies; (b) growth in production and reserves; (c) cash flow and cash flow per share amounts; (d) total operating costs and total general and administrative costs, as well as operating costs and general and administrative costs per barrel of oil equivalent; and (e) annual finding, development and acquisitions costs. In assessing the performance of individual executive officers, consideration is given to objective factors such as level of responsibility, experience and expertise, as well as subjective factors such as leadership and performance in such executive officer's specific role with us.

Our Chief Executive Officer then makes a recommendation to the Committee with respect to the various elements of compensation to be awarded to each executive officer. The Chief Executive Officer also presents an analysis of corporate performance and individual executive officer performance to the Committee.

Upon the receipt of such recommendation the Committee reviews the evaluation and determines whether to accept the recommendation or make any changes. Recommendations for executive compensation, as well as for us as a whole are then made by the Committee to the full board for approval.

Each element of our executive compensation program is described in more detail below.

### ***Base Salaries***

The Committee recognizes that our size prohibits base salary compensation for executive officers from matching those of larger companies in the oil and gas industry. The Committee does believe, however, that performance-based compensation plans are an important element in the compensation package for our executive officers, and that long-term equity interests, in the form of Options, compensate for lower base salaries. This compensation strategy is similar to the strategies of many other junior oil and gas exploration companies.

In setting base compensation levels of individual executive officers, consideration is given to objective factors such as level of responsibility, experience and expertise as well as subjective factors such as leadership skills. Base salaries paid to our executive officers, including the Chief Executive Officer, are in the low-range of the salaries paid to executive officers in of many other junior oil and gas exploration companies. Salaries of executive officers, including that of the Chief Executive Officer, are reviewed annually.

### ***Bonuses***

We have a discretionary bonus plan and the basis of awarding bonuses was approved by the Committee. The discretionary bonus plan is structured to drive and reward current year results. It is the Committee's philosophy that the total amount of bonuses paid should be tied primarily to our performance, and distributed to individuals by taking into account their contribution to corporate performance, which includes achievements in relation to our performance measures as outlined above. The Committee reviews the factors mentioned above relative to peer companies in order to determine whether a bonus is in fact warranted. The amount of the bonus paid is not set in relation to any formula or specific criteria but is the result of a subjective determination of our performance and is approved by our board based upon the recommendations of the Committee. The amount paid in 2008 was based on the Committee's subjective assessment of our performance for the year and the employee's contribution thereto. A total of \$90,000 in bonuses was paid to our executive officers in 2008.

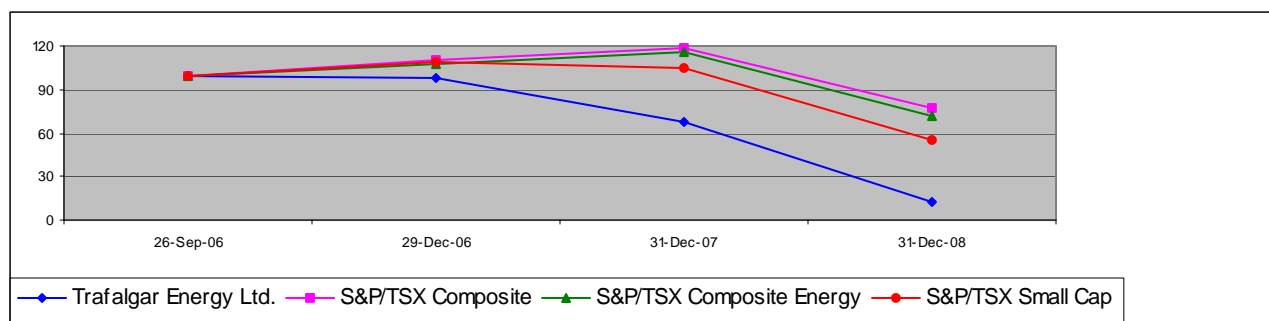
### ***Long-Term Incentive Compensation – Options***

Refer to the section "*Outstanding Share-Based Awards and Option-based Awards*" for a discussion on our approach to issuing Options.

Our compensation policies have allowed us to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. The Committee and our board will continue to review compensation policies to ensure that they are competitive within the oil and natural gas industry and consistent with our performance.

## Performance Graph

We began trading on the Toronto Stock Exchange on September 26, 2006. The following graph illustrates changes from September 26, 2006 to December 31, 2008, and our cumulative shareholder return.



	9/26/2006	12/29/2006	12/31/2007	12/31/2008
Trafalgar Energy Ltd.	100	98	67	12
S&P/TSX Composite	100	111	119	77
S&P/TSX Composite Energy	100	108	116	72
S&P/TSX Small Cap	100	109	105	55

As Options form a significant portion of our compensation, the total compensation for our executive officers is affected by increases and decreases in the price of Common Shares as the value of such options decreases as share prices decrease.

## Compensation of Named Executive Officers

The following table sets forth information concerning the compensation paid to our Chief Executive Officer, Chief Financial Officer and our other two executive officers (each an "NEO" and collectively, the "NEOs") for the periods indicated. We do not have any additional executive officers.

Name and principal position	Year	Salary <sup>(1)</sup> (\$)	Option-based awards <sup>(2)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation <sup>(4)</sup>	Total compensation (\$)
				Annual and special incentive plans <sup>(3)</sup>	Long-term incentive plans			
Robert Wollmann President & Chief Executive Officer	2008	138,748	26,143	30,000	-	-	-	194,891
	2007	125,833	29,025	15,000	-	-	-	169,858
	2006	70,000	178,424	-	-	-	-	248,424
Daniel Belot Vice President Finance & Chief Financial Officer	2008	124,064	19,607	22,500	-	-	-	166,171
	2007	114,375	21,109	11,250	-	-	-	146,734
	2006	64,167	135,427	Nil	-	-	-	199,594
Kevin Lee Vice President Engineering	2008	124,064	19,607	22,500	-	-	-	166,171
	2007	114,375	21,109	11,250	-	-	-	146,734
	2006	64,167	135,427	Nil	-	-	-	199,594
Peter Abercrombie Vice President Land	2008	109,375	13,071	15,000	-	-	-	137,446
	2007	102,917	13,193	7,500	-	-	-	123,610
	2006	54,167	92,430	Nil	-	-	-	146,597

Notes:

- (1) Our officers commenced employment in June, 2006. Amounts have not been annualized.

- (2) Based on the grant date fair value of the applicable awards. The fair value of Options granted to each NEO was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: (i) for the 2006 and 2007 grants, expected volatility of 40 percent, risk-free interest rate of 6 percent, and an expected life of three years; and (ii) for the 2008 grants, expected volatility of 40 percent, risk-free interest rate of 3.2 percent, and an expected life of five years. The Options issued vest equally over a three-year period commencing one year from the date of grant.
- (3) Annual and special incentive plan is comprised of our discretionary cash bonus plan.
- (4) The value of perquisites received by each of the NEO's, including property or other personal benefits provided to the NEO's that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of the NEO's total salary for the financial year.
- (5) We do not have any share based awards outstanding.

## **Incentive Plan Awards**

### ***Stock Option Plan***

Our Stock Option Plan is intended to afford persons who provide services to us, whether as directors, officers, employees or consultants, an opportunity to obtain a proprietary interest in us by permitting them to purchase Common Shares and to aid in attracting as well as retaining and encouraging the continued involvement of such persons with us.

Effective April 1, 2009 our board approved an amendment to our Stock Option Plan without shareholder approval, subject to the approval of the Toronto Stock Exchange, to clarify the wording in our plan to provide that the number of Common Shares together with all of our other previously established or proposed share compensation arrangements issued to "insiders" within any one year period and issuable to "insiders" at any time, will not exceed 10% of our outstanding Common Shares. We also amended our Stock Option Plan to clarify that the price at which we may elect to purchase Options held by a participant under the Stock Option Plan is the closing price of our Common Shares on the last trading day prior to the exercise date the notice is received by us on which at least one board lot traded as reported by the Toronto Stock Exchange. We have obtained approval of the Toronto Stock Exchange for these amendments. The amendments were wording changes or clarifications only and considered "housekeeping" amendments for which shareholder approval is not required. A copy of our Stock Option Plan, after giving effect to these amendments, together with certain amendments for which we are seeking shareholder approval as described above, is attached to this information circular – proxy statement as Schedule "B".

Options may be granted in such numbers and with such vesting provisions as our board may determine but the aggregate number of Common Shares that may be reserved for issuance under our Stock Option Plan, together with any Common Shares reserved for issuance under any other of our share compensation arrangements, must not exceed 10% of the number of Common Shares and Non Voting Shares, on a non diluted basis, outstanding at that time. Our Stock Option Plan is "reloading" in the sense that, in the event of the exercise or cancellation of any Options, we can make a further grant of Options, provided that the 10% maximum is not exceeded.

The aggregate number of Common Shares reserved for issuance pursuant to Options granted to any one person, when combined with any other of our share compensation arrangements, may not exceed 5% of our outstanding Common Shares (on a non-diluted basis). The number of Common Shares, together with all of our other previously established or proposed share compensation arrangements, issuable to "insiders" may not exceed 10% of our outstanding Common Shares and the issuance of Common Shares to any one "insider" and such insider's associates pursuant to the plan, when combined with any other of our share compensation arrangements, within a one year period may not exceed 5% of our outstanding Common Shares (on a non-diluted basis).

The exercise price of Options may not be less than the "market price" of the Common Shares at the date of granting such Option. For purposes of the Stock Option Plan, "market price" means the closing trading price of the Common Shares on the Toronto Stock Exchange on the date prior to the date on which the Option is granted.

The maximum term for Options is five years, subject to extension by us to ten days past the end of any "Black-Out Extension Period" that may be in effect, which is defined in the plan to mean any period of time imposed by us upon certain designated persons, during which such persons cannot trade in any of our securities. Options are not

assignable without the consent of our board and the Toronto Stock Exchange. No financial assistance will be provided by us to participants to exercise Options granted under the Stock Option Plan.

Our Stock Option Plan allows a participant to offer to dispose of his or her vested, unexercised Options or any of them to us for cash in an amount not to exceed the "fair market value" thereof and we have the right, but not the obligation, to accept the participant's offer. For this purpose, the "fair market value" means the closing price of our Common Shares on the last trading day prior to the date the notice is received by us on which at least one board lot traded as reported by the Toronto Stock Exchange.

In the event of the resignation or retirement of a holder of Options, or the termination of the employment of a holder, such Options shall cease and terminate on the thirtieth (30<sup>th</sup>) day following the effective date of such resignation, retirement or termination or the expiry time of such Options, whichever occurs first. Notwithstanding the foregoing, in the event of termination for cause, such Options shall cease and terminate at 4:30 p.m. (Calgary time) on the seventh (7<sup>th</sup>) day following the date of such termination. In the event of the death of a holder of vested Options, such Options may be exercised by the legal personal representatives of the holder at any time up to and including (but not after) the earlier of the date that is six (6) months following the date of death of the holder and the expiry time of such Options.

Appropriate adjustments in the number of Common Shares subject to the Stock Option Plan and, as regards to Options granted or to be granted, in the number of Common Shares optioned and in the option price, may be made by our board to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations or reclassifications of the Common Shares, the payment of stock dividends by us (other than dividends in the ordinary course) or other relevant changes in our authorized or issued capital.

If a "change of control" (as defined in the Stock Option Plan) is contemplated or has occurred, all Options which have not otherwise vested in accordance with their terms shall vest and be exercisable at such time as is determined by our board, notwithstanding the other terms of the Options, for a period of time ending on the earlier of the expiry time of the Option and the thirtieth (30<sup>th</sup>) day following the change of control.

Our directors may amend or discontinue the Stock Option Plan at any time without shareholder approval except that our board is not entitled to amend any Option held by an insider to: (i) lower the option price; (ii) extend the expiry date of stock options granted, unless the extension is pursuant to any Black-Out Extension Period that may be in effect; or (iii) increase the fixed maximum number or percentage of Common Shares issuable pursuant to the plan. We are seeking shareholder approval to amend this section of the Stock Option Plan as described above under "*Matters to be Acted Upon at the Meeting – Matters Respecting Stock Option Plan*".

As at March 31, 2009, we had options to acquire 1,269,250 Common Shares (approximately 9.47% of our currently outstanding Common Shares and Non-Voting Shares) outstanding pursuant to the Stock Option Plan. Since the implementation of our plan in 2006, no Options have been exercised and no Options have been cancelled.

Pursuant to the requirements of the TSX, the grant of unallocated Options pursuant to the Stock Option Plan is required to be approved by shareholders every three years, which approval is being sought at the meeting, see "*Matters to be Acted Upon at the Meeting – Matters Respecting Stock Option Plan*".

### ***Outstanding Option-based Awards***

Individual Options are granted by our board on the recommendation of our Chief Executive Officer, in the case of employees, and by the Committee, in the case of executive officers including the Chief Executive Officer. Options are intended to align employee and shareholder interests by attempting to create a direct link between compensation and shareholder return. In addition, our Stock Option Plan enables executive officers to develop and maintain a significant ownership position in us. Participation in our Stock Option Plan rewards overall corporate performance year over year. As with most junior oil and gas exploration companies, Options form an important part of the total compensation provided to our executive officers as Options help to compensate lower base salaries relative to larger companies in the oil and gas industry.

Options are normally awarded upon the commencement of employment with us based on the level of responsibility. Additional grants may be made periodically to ensure that the number of Options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within us. When determining Options to be allocated to each individual executive officer a number of factors are considered including the number of outstanding Options held by such executive officer, the value of such Options and the total number of Options available for grant.

Although, as mentioned above, Options are an important means of compensating our executive officers and employees and aligning the interests of our executive officers and employees with the interests of our shareholders, in recent years, Options have not been meeting their objective of providing a form of long-term incentive. As with many junior oil and gas exploration companies, due to falling stock prices of companies in the oil and gas industry, outstanding Options have little retention value. This factor is taken into consideration by the Committee when evaluating appropriate total executive compensation.

The following table sets forth for each NEO all option-based awards outstanding at the end of the year ended December 31, 2008.

Name	Number of securities underlying unexercised options (#)	Option-based Awards		Value of unexercised in-the-money options <sup>(2)</sup> (\$)
		Option exercise price (\$)	Option expiration date <sup>(1)</sup>	
Robert Wollmann President and Chief Executive Officer	18,000	3.80	May 23, 2013	Nil
	18,000	4.56	May 15, 2012	Nil
	52,500	4.02	October 25, 2011	Nil
	80,000	4.02	July 4, 2011	Nil
Daniel Belot Vice President Finance and Chief Financial Officer	13,500	3.80	May 23, 2013	Nil
	13,500	4.56	May 15, 2012	Nil
	40,000	4.02	October 25, 2011	Nil
	60,000	4.02	July 4, 2011	Nil
Kevin Lee Vice President Engineering	13,500	3.80	May 23, 2013	Nil
	13,500	4.56	May 15, 2012	Nil
	40,000	4.02	October 25, 2011	Nil
	60,000	4.02	July 4, 2011	Nil
Peter Abercrombie Vice President Land	9,000	3.80	May 23, 2013	Nil
	9,000	4.56	May 15, 2012	Nil
	26,250	4.02	October 25, 2011	Nil
	40,000	4.02	July 4, 2011	Nil

Notes:

- (1) The above Options to acquire shares were granted pursuant to our Stock Option Plan. The first 33.33% of the Options are exercisable one year from the date of grant and the remainder are exercisable at the rate of 33.33% each year thereafter. Options expire five years after their date of grant.
- (2) Calculated based on the difference between the market price of the Common Shares at December 31, 2008 and the exercise price of the Options.
- (3) We did not make any share based awards in the last completed financial year nor are any share based awards outstanding.

***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets forth for each NEO, the value of option-based awards which vested during the year ended December 31, 2008 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2008.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year <sup>(2)</sup> (\$)
Robert Wollmann President and Chief Executive Officer	Nil	30,000
Daniel Belot Vice President Finance and Chief Financial Officer	Nil	22,500
Kevin Lee Vice President Engineering	Nil	22,500
Peter Abercrombie Vice President Land	Nil	15,000

Notes:

- (1) Calculated based on the difference between the market price of the Common Shares on the vesting date and the exercise price of the Options on the vesting date. There were no options exercised by any NEO's in 2008.
- (2) Non-equity incentive plan compensation consists of bonuses awarded under our discretionary bonus plan.
- (3) No share based awards vested or were earned in the last completed fiscal year.

**Pension Plan Benefits**

We do not have a pension plan or similar benefit program.

**Termination and Change of Control Benefits**

We have not entered into executive employment agreements with any of our NEO's.

Vesting of Options may be accelerated at the discretion of our board, in the event of a sale by us of all or substantially all of our property and assets, in the event of a "change of control" of us or in the event of a proposed take-over of us and with our agreement, a holder of Options may sell vested, unexercised Options to us for cash in an amount equal but not to exceed the fair market value thereof. See "*Statement of Executive Compensation – Incentive Plan Awards – Stock Option Plan*".

**Liability Insurance of Directors and Officers**

We maintain directors' and officers' liability insurance coverage for losses to us if we are required to reimburse directors and officers, where permitted, and for direct indemnity of directors and officers where corporate reimbursement is not permitted by law. This insurance protects against liability (including costs), subject to standard policy exclusions, which may be incurred by directors and/or officers acting in such capacity for us. All of our directors and officers are covered by the policy and the amount of insurance applies collectively to all. The cost of this insurance in 2008 was \$24,200.

## Director Compensation

Our directors are not paid any remuneration in their capacities as such. Directors are reimbursed, however, for miscellaneous out-of-pocket expenses in carrying out their duties as directors and have been granted Options pursuant to our Stock Option Plan.

The Committee determines the number of Options awarded to directors. When determining the number of Options to be granted to our directors, consideration is given to the fact that the directors do not receive any other form of compensation. Based on public information available, the number of Options generally falls within the low-range of Options awarded to directors for other junior oil and gas exploration companies with similar compensation policies for directors.

### *Directors' Summary Compensation Table*

The following table sets forth for the year ended December 31, 2008, information concerning the compensation paid to our directors other than directors who are also NEOs.

Name	Fees earned (\$)	Option-based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total <sup>(2) (3)</sup> (\$)
Murray Nunns	Nil	8,714	Nil	Nil	Nil	8,714
John A. Brussa	Nil	8,714	Nil	Nil	Nil	8,714
Shannon M. Gangl	Nil	8,714	Nil	Nil	Nil	8,714
Steve Nielsen	Nil	8,714	Nil	Nil	Nil	8,714
Gary Perron	Nil	8,714	Nil	Nil	Nil	8,714
Robert M. Shaunessy	Nil	8,714	Nil	Nil	Nil	8,714

Notes:

- (1) Based on the grant date fair value of the applicable awards. The fair value of Options granted to each director was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: (i) for the 2006 and 2007 grants, expected volatility of 40 percent, risk-free interest rate of 6 percent, and an expected life of three years; and (ii) for the 2008 grants, expected volatility of 40 percent, risk-free interest rate of 3.2 percent, and an expected life of five years. The Options issued vest equally over a three-year period commencing one year from the date of grant.
- (2) See "Summary Compensation Table" for disclosure of Mr. Wollmann's compensation.
- (3) We did not make any share based awards in the last completed financial year nor are any share based awards outstanding.

**Directors' Outstanding Option-Based Awards**

The following table sets forth for each of our directors other than directors who are also NEO's, all option-based awards outstanding at the end of the year ended December 31, 2008.

Name	Number of securities underlying unexercised options (#)	Option-based Awards		Value of unexercised in-the-money options <sup>(2)</sup> (\$)
		Option exercise price <sup>(1)</sup> (\$)	Option expiration date	
Murray Nunns	27,000	4.02	July 4, 2011	Nil
	9,000	4.56	May 15, 2012	Nil
	6,000	3.80	May 23, 2013	Nil
John A. Brussa	27,000	4.02	July 4, 2011	Nil
	9,000	4.56	May 15, 2012	Nil
	6,000	3.80	May 23, 2013	Nil
Shannon M. Gangl	10,000	4.02	July 4, 2011	Nil
	17,000	4.02	October 25, 2011	Nil
	9,000	4.56	May 15, 2012	Nil
	6,000	3.80	May 23, 2013	Nil
Steve Nielsen	27,000	4.02	October 25, 2011	Nil
	9,000	4.56	May 15, 2012	Nil
	6,000	3.80	May 23, 2013	Nil
Gary Perron	27,000	4.02	October 25, 2011	Nil
	9,000	4.56	May 15, 2012	Nil
	6,000	3.80	May 23, 2013	Nil
Robert M. Shaunessy	27,000	4.02	February 6, 2012	Nil
	9,000	4.56	May 15, 2012	Nil
	6,000	3.80	May 23, 2013	Nil

Notes:

- (1) Calculated based on the difference between the market price of the Common Shares at December 31, 2008 and the exercise price of the Options.
- (2) We did not make any share based awards in the last completed financial year nor are any share based awards outstanding.

**Directors' Incentive Plan Awards – Value Vested or Earned During the Year**

The following table sets forth for each of our directors other than directors who are also NEO's, the value of option-based awards which vested during the year ended December 31, 2008 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2008.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)
Murray Nunns	Nil
John A. Brussa	Nil
Shannon M. Gangl	Nil
Steve Nielsen	Nil
Gary Perron	Nil
Robert M. Shaunessy	Nil

Notes:

- (1) Calculated based on the difference between the market price of the Common Shares on the vesting date and the exercise price of the Options on the vesting date. There were no Options exercised by any director in 2008.
- (2) We did not make any share based awards in the last completed financial year nor are any share based awards outstanding.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under our equity compensation plans as at December 31, 2008.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options (a)</b>	<b>Weighted average exercise price of outstanding options (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by securityholders	1,269,250	\$4.05	71,238
Equity compensation plans not approved by securityholders	-	-	-
<b>Total</b>	<b>1,269,250</b>	<b>\$4.05</b>	<b>71,238</b>

Note:

- (1) Based on the number of outstanding Common Shares as at December 31, 2008 and the number of Options outstanding at December 31, 2008. Pursuant to the Option Plan, the maximum number of Common Shares that may be subject to Options granted and outstanding thereunder at any time shall not exceed 10% of the outstanding Common Shares and Non-Voting Shares.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

### Board of Directors

The majority of our board of directors is independent. Our board has determined that Murray Nunns, John A. Brussa, Gary Perron, Robert M. Shaunessy, Steve Nielsen and Shannon M. Gangl are independent. Robert Wollmann is not considered independent, as Mr. Wollmann is our President and Chief Executive Officer.

Although our independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance, in accordance with the mandate of the board as well as the mandate of each of our Audit Committee, Reserves Committee and Corporate Governance & Compensation Committee, at the end of or during each meeting of our board or committee, as applicable, the members of our management who are present at such meeting leave the meeting in order that the independent directors can discuss any necessary matters without management being present.

Our board has determined that Murray Nunns, our Chairman, is independent. As our Chairman, Mr. Nunns provides overall leadership to our board. Among other things, our Chairman maintains a liaison and communication with all of our directors and the committee chairs to co-ordinate input from directors, and optimize the effectiveness of our board and its committees and a liaison and communication with our President & Chief Executive Officer to ensure that our board receives adequate and regular updates from the Chief Executive Officer on all issues important to our welfare and future. Our Chairman is also responsible for the overall management of the board.

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

<b>Director</b>	<b>Names of Other Issuers</b>
Murray Nunns	Penn West Petroleum Ltd. (Penn West Energy Trust) and Monterey Exploration Ltd.
John A. Brussa	BlackWatch Energy Services Operating Corp., Cirrus Energy Corporation, Crew Energy Inc., Deans Knight Income Corporation, Divestco Inc., Enseco Energy Services Corp., Galleon Energy Inc., Harvest Operations Corp. (Harvest Energy Trust), Highpine Oil & Gas Limited, Monterey Exploration Ltd., North American Energy Partners Inc., Ontario Energy Savings Corp. (Energy Savings Income Fund), Orleans Energy Ltd., Penn West Petroleum Ltd. (Penn West Energy Trust), Progress Energy Resources Corp., Storm Exploration Inc. and Yoho Resources Inc.
Gary Perron	Progress Energy Resources Corp., Parkbridge Lifestyle Communities Inc., Realex Properties Corp., Yoho Resources Inc.
Robert M. Shaunessy	Nil
Robert Wollmann	Nil
Steve Nielsen	Nil
Shannon M. Gangl	Nil

### Meeting Attendance

The following is a summary of attendance of our directors at meetings of our board and its committees for 2008:

<b>Name</b>	<b>Board Meetings Attended</b>	<b>Audit Committee Meetings Attended</b>	<b>Corporate Governance &amp; Compensation Committee Meetings Attended</b>	<b>Reserves Committee Meetings Attended</b>
Murray Nunns	3/4	3/4	-	1/1
John A. Brussa	4/4	-	1/1	-
Gary Perron	4/4	4/4	1/1	-
Robert M. Shaunessy	3/4	-	-	1/1
Robert Wollmann	4/4	-	-	-
Steve Nielsen	4/4	4/4	-	1/1
Shannon M. Gangl	4/4	-	1/1	-

### Board Mandate

The mandate of our board is attached as Schedule "A" hereto.

### Board Committees

Our board has three committees, the Audit Committee, Corporate Governance & Compensation Committee and the Reserves Committee, all members of which are independent directors. Our board has accepted overall responsibility for health, safety and environment and no separate committees have been established to deal with these issues.

### ***Audit Committee***

The members of our Audit Committee are: Mr. Steve Nielsen (Chairman), Mr. Gary Perron and Mr. Murray Nunns. The Audit Committee's mandate includes:

- reviewing the annual audited consolidated financial statements and the Auditors' Report thereon prior to submission to our board for approval;
- reviewing the quarterly consolidated financial statements prior to submission to the board for approval;
- reviewing the scope of external and internal audits;
- reviewing and discussing accounting and reporting policies and changes in accounting principles;
- reviewing our internal control systems and procedures; and
- meeting with the external auditors independently of our management.

### ***Corporate Governance & Compensation Committee***

The members of our Corporate Governance & Compensation Committee are: John A. Brussa (Chairman), Robert M. Shaunessy and Shannon M. Gangl. The Corporate Governance & Compensation Committee mandate is to formulate and make recommendations to our board in respect of compensation issues relating to our directors and employees and among other duties, the committee:

- reviews our compensation and remuneration policy for our employees and recommends to the board changes to improve our ability to recruit, retain and motivate employees;
- reviews and recommends to the board the retainer and fees to be paid to the members of the board (if any);
- reviews and recommends to the board performance objectives and the compensation package for the CEO;
- recommends to the board, on the direction of the CEO, the compensation and benefits package for senior management;
- reviews management's recommendations for proposed stock option or share purchase plans and makes recommendations in respect thereof to the board;
- administers our stock option plan in accordance with its terms including the grant of options in accordance with the terms thereof;
- determines and approves bonuses to be paid to our officers and employees and establishes targets or criteria for the payment of such bonuses, if appropriate; and
- prepares and reviews our annual compensation disclosure required by applicable securities laws.

A compensation consultant or advisor has not, at any time since the beginning of the period ended December 31, 2008, been retained to assist in determining compensation for any of our directors and officers. See also "*Statement of Executive Compensation – Compensation Discussion and Analysis*".

### ***Reserves Committee***

The members of our Reserves Committee are Robert M. Shaunessy (Chairman), Murray Nunns and Steve Nielsen. Our Reserves Committee's mandate includes:

- reviewing our procedures relating to the disclosure of information with respect to our oil and gas activities including reviewing our procedures for complying with disclosure requirements and restrictions set forth under applicable securities requirements;
- reviewing our procedures for providing information to our independent reserves evaluator;
- meeting, as considered necessary, with management and our independent evaluator, to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on our reserves data (as defined in applicable securities legislation) and to review the reserves data and the report thereon of the independent evaluator (if such report is provided);
- reviewing the appointment of the independent evaluator and, in the case of any proposed change to our independent evaluator, determine the reason therefore and whether there have been any disputes with management;
- providing a recommendation to our board as to whether to approve the content and/or filing of the statement of the reserves data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- reviewing our procedures for reporting other information associated with our oil and gas producing activities; and
- generally, reviewing all matters relating to the preparation and public disclosure of estimates of our reserves.

### **Orientation and Continuing Education**

Upon joining our board, a new director will be provided with directors' information binder which will include a copy of all board and committee mandates, corporate policies, relevant position descriptions, organizational structure, the structure of the board and its committees, by-laws as well as agendas and minutes for board and committee meetings for the preceding 12 months. In addition, any new director will receive presentations with respect to our operations. As part of continuing education, our board receives management presentations with respect to the operations and risks of our business at least four times per year, with a more significant presentation provided in conjunction with the annual budgeting process and annual strategic planning meeting with all directors and officers in attendance. In addition, the individual directors identify their continuing education needs through a variety of means, including discussions with management and at board and committee meetings.

### **Ethical Business Conduct**

We have an insider trading policy that all employees, officers and directors must adhere to.

Our board has adopted a code of business conduct and ethics (the "**Code**"), a copy of which is available for review at [www.sedar.com](http://www.sedar.com) or on our website at [www.trafalgarenergy.ca](http://www.trafalgarenergy.ca). Any reports of variance from the Code are reported to the board. There have been no material change reports filed since the beginning of the year ended December 31, 2008, that pertain to any conduct of a director or executive officer that constitutes a departure from our Code.

In accordance with the *Business Corporations Act* (Alberta), directors who are a party to or are a director or an officer of a person who is a party to a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction.

Our board has also adopted a whistleblower policy which provides employees with the ability to report, on a confidential and anonymous basis, any violations within our organization including (but not limited to), criminal

conduct, falsification of financial records or unethical conduct. Our board believes that providing a forum for employees, officers and directors to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness foster a culture of ethical conduct.

### **Nomination of Directors**

Pursuant to the mandate of our board, the board has responsibility for selecting nominees for election to the board. At present, the board does not have a process by which the board identifies new candidates for board nomination but rather the identification of new candidates is done on an informal and *ad hoc* basis.

Our board does not have a nominating committee. The board as a whole is responsible for selecting nominees for election to the board.

### **Board Assessments**

We have not commenced a formal process of assessing the board and its committees or the individual directors. To date our board has satisfied itself that the board, its committees and individual directors are performing effectively through informal discussions.

### **Position Descriptions**

Our board has not developed written position descriptions for the Chairman of the board, the Chairman of each of our Audit Committee, Reserves Committee and Corporate Governance & Compensation Committee or for our CEO.

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

Our management is not aware of any material interests, direct or indirect, of our insiders, proposed nominees for election as directors, or any associate or affiliate of such insiders or nominees since January 1, 2008 in any in any transaction or proposed transaction which has materially affected or would materially affect us except as otherwise disclosed herein or as otherwise publicly disclosed, including as described in Note 12 to our year end 2008 audited financial statements, which is incorporated herein by reference.

## **INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON**

Our management is not aware of any material interest of any director or executive officer or anyone who has held office as such since inception or of any associate or affiliate of any of the foregoing in any matter to be acted on at the meeting, except as is disclosed herein.

### **ADDITIONAL INFORMATION**

Our financial information is provided in our annual audited financial statements for the year ended December 31, 2008 and the related management's discussion and analysis and results of operations. Our Annual Information Form contains disclosure relating to our audit committee and the fees paid to our auditors. Copies of our annual audited financial statements for the year ended December 31, 2008 and the related management's discussion and analysis and results of operations, as well as a copy of our Annual Information Form, subsequent interim financial statements and this information circular – proxy statement may be obtained on request without charge from our Chief Financial Officer at Suite 920, 521 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta T2P 3T3, telephone (403) 216-2705 or toll free 1-877-216-2705. These documents and other information relating to us are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on our web site at [www.trafalgarenergy.ca](http://www.trafalgarenergy.ca).

### **OTHER MATTERS**

Our management knows of no amendment, variation or other matter to come before the meeting other than the matters referred to in the notice of annual and special meeting. However, if any other matter properly comes before the meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person voting the proxy.

Dated: April 1, 2009

## SCHEDULE "A"

### MANDATE AND TERM OF REFERENCE OF THE BOARD OF DIRECTORS

#### **Policy Statement**

The Board of Directors (the "**Board**") of Trafalgar Energy Ltd. ("**Trafalgar**" or the "**Corporation**") is responsible for the stewardship of Trafalgar and has the responsibility to oversee the conduct of the business of Trafalgar and to supervise management who is responsible for the day-to-day conduct of the business. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Trafalgar.

#### **Composition and Organization**

1. *Composition*

The Board is to be constituted of a majority of individuals who qualify as independent directors. An independent director is independent if he or she meets the definition of independence contained in Section 1.4 of Multilateral Instrument 52-110 – Audit Committees.

2. *Appointment*

Except as set out in the By-Laws of Trafalgar, Board members will be elected at the annual meeting of shareholders each year and will serve until their successors are duly elected.

3. *Selection of Directors*

The Board periodically reviews the composition and size of the board, the need for recruitment of new board members and the appropriateness of the experience of nominees. While it is appropriate to confer with management on the selection of candidates to be nominated as members of the Board, the ultimate selection shall be determined by the existing members of the Board.

After seeking input and suggestions, the Board assesses any proposal for a new member prior to the proposal being submitted to shareholders, if applicable.

All new members are briefed on the structure of Trafalgar, its business and administration, its financial affairs, the securities and regulatory environment, reporting requirements and business as a whole.

4. *Membership Criteria*

All board members will have the skills and abilities appropriate to their appointment as directors. It is recognized that the right mix of experiences and competencies will ensure that the Board will carry out its duties and responsibilities in the most effective manner. Nominees selected should be able to commit sufficient time for the business of the board.

5. *Independence*

The Board retains the responsibility for managing its own affairs including planning its composition, selecting its Chair (or acting Chair if the Chair is absent from the meeting), appointing Board Committees and determining directors' compensation. In that the Board must develop and voice objective judgment on corporate affairs, independently of management, practices promoting Board independence will be pursued. This includes constituting the Board with a majority of independent and unrelated directors as well as the appointment of an independent director as the Chairman of the Board. Certain tasks suited to independent judgments will be delegated to specialized Board committees that are comprised of a majority of independent directors wherever possible. The Board will develop broad standards to determine whether directors are unrelated and independent, which standards will comply with National Policy 58-201 Corporate Governance Guidelines as well as any similar legislation as it becomes applicable to Trafalgar. In accordance with these

standards, the Board will make a positive determination with respect to the independence of each director on an annual basis. The Board will disclose both the standards and the annual determinations as required by law.

The Board will ensure that the non-management directors conduct a session without the presence of management at all regularly scheduled Board meetings. The Board will evaluate its own performance in a continuing effort to improve and shall evaluate both overall Board performance and contributions of individual directors on an ongoing an informal basis. The Board shall also examine its size and composition, from time to time, and undertake, where appropriate, a program to reduce or increase the number of directors to a number which facilitates more effective decision making.

Individual directors may engage an outside advisor (including legal counsel), at the expense of Trafalgar, to provide consultation and advice in appropriate circumstances. The engagement of an outside advisor by a director shall be subject to the approval of the Board.

## 6. ***Compensation***

The Board shall from time to time review the adequacy and form of the compensation of the directors and shall ensure that such compensation realistically reflects the responsibilities and risks involved in being a director of Trafalgar.

## **Operation**

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility of managing its own affairs, including selecting its Chair, nominating candidates for election to the Board, constituting committees of the full Board and determining director compensation. Subject to the Articles and By-Laws of Trafalgar and the *Business Corporations Act* (Alberta) (the "**ABCA**"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board and shall do so where it considers appropriate.

## **Meetings**

In order to carry out its mandate, the Board of Directors shall hold regular meetings on a quarterly basis and additional meetings as required to consider particular issues or strategic planning or deal with specific matters between quarterly meetings whenever appropriate.

Subject to applicable law and policy, the Board of Directors is the master of its own policies, procedures, practices and deliberations concerning the business and affairs of Trafalgar.

Distribution of materials, financial and other information that is important to the directors' understanding of agenda items is generally effected in advance of a meeting. The Board will often invite members of management to attend part of board meetings to make presentations so as to allow directors to gain additional understanding and insight into the business of Trafalgar.

## **Responsibilities**

The Board's fundamental objectives are to foster the long-term success of Trafalgar consistent with the Board's fiduciary responsibility to Trafalgar, to enhance and preserve long term value for shareholders and stakeholders, to provide stewardship to ensure that Trafalgar meets its obligations on an ongoing basis and to ensure that Trafalgar operates in a reliable, safe and ethical manner in compliance with the bylaws and regulations of Trafalgar and applicable legislation and regulation. In performing its functions, the Board also considers the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in Trafalgar. In broad terms the stewardship of Trafalgar involves the Board in financial planning and reporting, strategic planning, risk management and mitigation, environmental, health and safety management and mitigation, review of reserves disclosure procedures and practices, acceptance of the content and filing of Trafalgar's reserves data with applicable securities regulatory authorities, senior management determination, communication planning and internal control integrity.

## Specific Duties

### 1. *Legal Requirements*

- (a) The Board has the oversight responsibility for directing management to ensure that Trafalgar meets its legal and regulatory requirements and that documents and records are properly prepared, approved and maintained.
- (b) The Board has the statutory responsibility to:
  - (i) manage the business and affairs of Trafalgar;
  - (ii) act honestly and in good faith with a view to the best interests of Trafalgar;
  - (iii) exercise the care, diligence and skill that responsible, prudent people would exercise in comparable circumstances;
  - (iv) act in accordance with its obligations contained in the ABCA and the regulations thereto, the securities legislation of Canada and other relevant legislation and regulation applicable to Trafalgar and the Articles and By-Laws of Trafalgar; and
  - (v) on the recommendation of the Audit Committee, recommend to the shareholders the appointment of an external auditor, and fix the remuneration of the external auditor if it has not been fixed by the shareholders.
- (c) The Board has the statutory responsibility for considering the following matters (where applicable) as a full Board which in law may not be delegated to management or to a committee of the Board:
  - (i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
  - (ii) the filling of a vacancy among the directors or in the office of auditor;
  - (iii) the issuance of securities;
  - (iv) the declaration of dividends;
  - (v) the purchase, redemption or any other form of acquisition of shares issued by Trafalgar;
  - (vi) the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase shares of Trafalgar from Trafalgar or from any other person, or procuring or agreeing to procure purchasers for any such shares;
  - (vii) the approval of management proxy circulars;
  - (viii) the approval of any take-over bid circular or directors' circular;
  - (ix) the approval of financial statements of Trafalgar; and
  - (x) the adoption, amendment or repeal of By-Laws of Trafalgar.

### 2. *Leadership in Strategy Determination*

3. ***Management of Risk***

- (a) participate with management in the identification of business risks as part of the strategic planning process;
- (b) through the Audit Committee, review Trafalgar's risk management policies and practices and Trafalgar's internal control systems;
- (c) through the Audit Committee, monitor the appropriateness of Trafalgar's capital structure;
- (d) through the Audit Committee, review regularly Trafalgar's information management systems; and
- (e) recommend to the shareholders of Trafalgar a firm of chartered accountants to be appointed as Trafalgar's auditors.

4. ***Oversight of Management***

- (a) appoint, and if necessary, terminate, the Chief Executive Officer (the "CEO");
- (b) to the extent feasible, satisfy itself as to the integrity of the CEO and the other executive officers of Trafalgar and that the CEO and other officers create a culture of integrity;
- (c) monitor and assess CEO performance through in camera discussions at all regularly scheduled Board meetings, and provide advice and counsel to the CEO in the execution of the CEO's duties;
- (d) with the advice and recommendations of the Compensation Committee, determine CEO compensation;
- (e) consider the advice of the CEO and the recommendations of the Compensation Committee in approving the appointment and remuneration of all officers of Trafalgar;
- (f) consider the advice and recommendation of the Compensation Committee to satisfy itself that adequate provision has been made for the training, development and continuing education of management and for the orderly succession of management;
- (g) establish the limits of management's authority and responsibility in conducting Trafalgar's business;
- (h) review and approve all significant acquisitions, dispositions and material contracts to be entered into by Trafalgar;
- (i) approve any proposed significant change in the management organization structure of Trafalgar; and
- (j) generally provide advice and guidance to management.

5. ***Reporting and Communication***

- (a) review annually Trafalgar's communications and disclosure policy to, ensure that management has established a system to monitor compliance with this policy and to verify the timely reporting of any other developments that have a significant and material impact on the value of the securities of Trafalgar;
- (b) review from time to time, Trafalgar's investor relations activities including the relationship between Trafalgar and investment dealers;
- (c) with the assistance of the Audit Committee, review and approve all significant shareholder communications (including financial statements, MD&A, press releases respecting financial and engineering results, the AIF and proxy materials) to ensure that the financial performance of Trafalgar

is adequately reported to shareholders, other security holders, regulators and the general public on a timely and regular basis;

- (d) with the assistance of the Audit Committee, gain reasonable assurances that all financial information made public by Trafalgar (including Trafalgar's annual and quarterly financial statements) is accurate and complete and represents fairly Trafalgar's financial position and performance in accordance with generally accepted accounting principles and standards;
- (e) either directly, or through the Reserves Committee, oversee and review the evaluation and reporting of Trafalgar's oil and gas activities and in executing its responsibilities thereunder, appoint and maintain direct contact with the independent reserves evaluators of the oil and gas assets of Trafalgar, review Trafalgar's procedures for providing information to the independent reserves evaluators; and review and approve all filings and public disclosure relating to Trafalgar's oil and gas activities as prescribed by National Instrument 51-101 in a timely manner to ensure compliance with National Instrument 51-101; and
- (f) report annually to shareholders on its stewardship of the affairs of Trafalgar for the preceding year.

6. ***Integrity of Corporate Control and Management Information Systems***

- (a) oversee Trafalgar's compliance with applicable audit, accounting and reporting requirements;
- (b) establish, review and update periodically a Code of Business Conduct and Ethics (the "**Code**") and ensure that management has established a system to monitor compliance with the Code;
- (c) periodically review management's monitoring of Trafalgar's compliance with the Code;
- (d) monitor Trafalgar's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
- (e) take such action as it determines appropriate when performance falls short of its goals and objectives or when other special circumstances warrant; and
- (f) verify that Trafalgar has implemented adequate internal control and information systems which ensure the effective discharge of its responsibilities.

7. ***Environmental, Health and Safety Matters***

- (a) discussing Trafalgar's safety and environmental policies with management;
- (b) discussing safety and environment standards with management in relation to current regulations;
- (c) reviewing Trafalgar's procedures for identifying, controlling, reporting and responding to safety and environmental incidents;
- (d) monitoring Trafalgar's safety and environmental training and staff evaluation practices;
- (e) reviewing Trafalgar's system of record keeping and obtaining base-line environmental data;
- (f) reviewing Trafalgar's methods of evaluating compliance with Trafalgar's policies and regulatory requirements and discussing the results with management; and
- (g) reviewing Trafalgar's accounting and reporting of environmental costs, liabilities and contingencies.

8. ***Committees of the Board and Independent Directors***

- (a) Corporate Governance & Compensation Committee;

- (b) Audit Committee; and
- (c) Reserves Committee.

9. ***Corporate Governance***

- (a) select nominees for election to the Board;
- (b) appoint a Chairman of the Board who is not a member of management;
- (c) ensure that processes are in place and are utilized to assess the size of the Board, the effectiveness of the Chairman of the Board, the Board as a whole, each committee of the Board and each director,
- (d) provide for an orientation and education to new members to the Board as deemed necessary;
- (e) establish a system to enable any director to engage an outside adviser at the expense of Trafalgar;
- (f) review annually the adequacy and form of the compensation of directors;
- (g) annually review the expectations and responsibilities of directors including the review and preparation of meeting materials and attendance at meetings;
- (h) assess and make recommendations with respect to the methods that securityholders can use to provide feedback to the Board;
- (i) prepare and recommend to the Board annually a statement of corporate governance practices to be included in Trafalgar's annual report or information circular as required by the Toronto Stock Exchange and any other regulatory authority; and
- (j) make recommendations to the Board as to which directors should be classified as "independent directors", "related directors" or "unrelated directors" pursuant to any such report or circular.

10. ***Other Activities***

- (a) The Board shall prepare and distribute the Schedule of Board meetings for each upcoming year.
- (b) The Board may perform any other activities consistent with this mandate, the By-Laws of Trafalgar and any other governing laws as the Board determines necessary or appropriate.
- (c) The Board shall also be responsible for:
  - (i) reviewing and assessing this Charter annually and revising it in accordance with the recommendations of the Compensation Committee; and
  - (ii) performing any other activities consistent with this Charter, Trafalgar's Articles and By-Laws and any other governing law and regulation as the Board deems necessary or appropriate in order to carry out its mandate.

## SCHEDULE "B"

### TRAFALGAR ENERGY LTD.

#### STOCK OPTION PLAN

#### ARTICLE 1 - PURPOSE OF THE PLAN

The purpose of the Plan is to provide certain Eligible Participants with an opportunity to purchase Common Shares and to benefit from the appreciation thereof. This will provide an increased incentive for Eligible Participants to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Common Shares for the benefit of all the shareholders and increasing the ability of the Corporation and its Subsidiaries to attract and retain individuals of exceptional skill.

#### ARTICLE 2 - DEFINED TERMS

Where used herein, the following terms shall have the following meanings:

- (a) **"Black-Out Expiration Term"** means ten (10) business days from the date that any Black-Out Period ends;
- (b) **"Black-Out Period"** means a period of time imposed by the Corporation upon certain designated persons during which those persons may not trade in any securities of the Corporation;
- (c) **"Board"** means the board of directors of the Corporation;
- (d) **"Common Shares"** means the common shares of the Corporation or, in the event of an adjustment contemplated by Article 6 hereof; such other shares to which a Participant may be entitled upon the exercise of an Option as a result of such adjustment;
- (e) **"Change of Control"** means any of the following:
  - (i) the sale by the Corporation of all of the assets of the Corporation or substantially all of the assets of the Corporation;
  - (ii) the acquisition by any Person (whether from the Corporation or from any other Person) of common shares or other securities of the Corporation having rights of purchase, conversion or exchange into common shares of the Corporation which together with securities of the Corporation held by such Person, together with Persons acting jointly or in concert (as those terms are defined by the *Securities Act* (Alberta)) with such Person, exceeds 51% of the issued and outstanding common shares of the Corporation, (assuming, for either test, the purchase, conversion or exchange of such other securities, whether then purchasable, convertible or exchangeable or not, into the highest number of common shares of the Corporation, such Person or Persons would be entitled to);
  - (iii) the amalgamation or merger of the Corporation with or into any one or more other corporations (other than: (a) an amalgamation or merger of the Corporation with or into a subsidiary (as such term is defined in the *Business Corporations Act* (Alberta)) of the Corporation; or (b) an amalgamation or merger of the Corporation unanimously recommended by the Board of Directors provided that the former holders of common shares receive, in the aggregate and in their capacities as such, shares of the amalgamated or merged Corporation having attached thereto not less than 51% of the votes attached to all shares of such amalgamated or merged Corporation);

- (iv) the election at a meeting of the Corporation's shareholders of that number of persons which would represent a majority of the Board of Directors as directors of the Corporation, who are not included in the slate for election as directors proposed to the Corporation's shareholders by management of the Corporation;
  - (v) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (i), (ii), (iii) or (iv) referred to above; or
  - (vi) a determination by the Board of Directors that there has been a change, whether by way of a change in the holding of the common shares of the Corporation, in the ownership of the Corporation's assets or by any other means, as a result of which any person or group of persons acting jointly or in concert is in a position to exercise effective control of the Corporation.
- (f) **"Corporation"** means Trafalgar Energy Ltd. and includes any successor corporation thereof;
  - (g) **"Disinterested Shareholder Approval"** means majority shareholder approval that does not include the votes attached to Common Shares held directly or indirectly by insiders who may benefit from the amendments to the terms of any outstanding Options;
  - (h) **"Eligible Participants"** means the directors, officers, employees and consultants of the Corporation and its Subsidiaries;
  - (i) **"Exchange"** means the Toronto Stock Exchange or, if the Common Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board;
  - (j) **"Market Price per Share"** shall mean the closing trading price of the Common Shares on the Exchange on the date prior to the date on which the Option is granted. In the event that the Common Shares are not listed and posted for trading on any stock exchange in Canada, the Market Price per Share shall be determined by the Board in its sole discretion;
  - (k) **"Non-Voting Shares"** means non-voting shares of the Corporation;
  - (l) **"Option"** means an option to purchase Common Shares granted by the Board to certain Eligible Participants of the Corporation and its Subsidiaries, subject to the provisions contained herein;
  - (m) **"Option Price"** means the price per share at which Common Shares may be purchased under the Option, as the same may be adjusted in accordance with Article 4 and Article 6 hereof;
  - (n) **"Participants"** means certain Eligible Participants to whom Options are granted and which Options or a portion thereof remain unexercised;
  - (o) **"Plan"** means this Stock Option Plan of the Corporation, as the same may be amended or varied from time to time;
  - (p) **"Subsidiaries"** means any corporation that is a subsidiary of the Corporation, as such term is defined under subsection 2(4) of the *Business Corporations Act* (Alberta), as such provision is from time to time amended, varied or re-enacted; and
  - (q) **"Take-over Proposal"** means (i) any proposal or offer by a third person, whether or not subject to a due diligence condition and whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 50% of the Corporation's outstanding voting shares whether by way of arrangement, amalgamation, merger, consolidation or other business combination, including any single or multi-step transaction or series of related transactions that is structured to permit such third person to acquire in any manner, directly or indirectly, more than 50% of its outstanding voting shares, or (ii) any proposal, offer or agreement for a merger, consolidation,

amalgamation, arrangement, recapitalization, liquidation, dissolution, reorganization into a royalty trust or income fund or similar transaction or other business combination involving the Corporation.

### **ARTICLE 3 - ADMINISTRATION OF THE PLAN**

The Plan shall be administered by the Board. The Corporation shall effect the grant of Options under the Plan, in accordance with determinations made by the Board pursuant to the provisions of the Plan as to:

- (a) the Eligible Participants to whom Options will be granted; and
- (b) the number of Common Shares that shall be the subject of each Option;

by the execution and delivery of instruments in writing in the form approved by the Board.

The Board may, from time to time, adopt such rules and regulations for administering the Plan as it may deem proper and in the best interests of the Corporation. The Board may, subject to applicable law, pass a resolution delegating its powers hereunder to administer the Plan to a committee of the Board.

### **ARTICLE 4 - GRANTING OF OPTION**

The Board from time to time may grant Options to certain Eligible Participants. The grant of Options will be subject to the conditions contained herein and may be subject to additional terms and conditions determined by the Board from time to time.

The aggregate number of Common Shares that may be reserved for issuance under the Plan, together with any Common Shares reserved for issuance under any other share compensation arrangement, must not exceed 10% of the aggregate number of Common Shares and Non-Voting Shares, on a non-diluted basis, outstanding from time to time. The "reloading" of Options, as described in the Toronto Stock Exchange Staff Notice #2004-0002 is permitted under the Plan. This prescribed maximum may be subsequently increased to any other specified amount, provided the change is authorized by a vote of the shareholders of the Corporation. If any Options granted under this Plan shall expire, terminate or be cancelled for any reason without having been exercised in full, any unpurchased Common Shares to which such Options relate shall be available for the purposes of the granting of further Options under this Plan. No fractional shares may be purchased or issued hereunder.

In the event that the Common Shares of the Corporation are listed on the Exchange, any grant of Options under the Plan shall be subject to the following restrictions:

- (a) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to any one person, when combined with any other share compensation arrangement, may not exceed 5% of the outstanding Common Shares (on a non-diluted basis);
- (b) the number of Common Shares together with all of the Corporation's other previously established or proposed share compensation arrangements issued to "insiders" within any one year period and issuable to "insiders" at any time, will not exceed 10% of the outstanding Common Shares;
- (c) the issuance of Common Shares to any one "insider" and such insider's associates pursuant to the Plan, when combined with any other share compensation arrangement, within a one year period may not exceed 5% of the outstanding Common Shares (on a non-diluted basis); and
- (d) the value of the Options granted to any one non-management director during a calendar year, as calculated at the date of grant, cannot exceed \$100,000.

The aforementioned limits of Common Shares reserved for issuance may be formulated on a diluted basis with the consent of the Exchange.

The Option Price shall be fixed by the Board but under no circumstances shall any Option Price at the time of the grant be lower than the Market Price per Share.

An Option must be exercised within the later of: (i) a period of five years from the date of the granting of the Option; and (b) a period of five years from the date of the granting of the Option plus any Black-Out Expiration Term. The vesting period or periods within this period during which an Option or a portion thereof may be exercised by a Participant shall be determined by the Board. Further, the Board may, in its sole discretion at any time or in the Option agreement in respect of any Options granted, accelerate or provide for the acceleration of, vesting of Options previously granted.

#### **ARTICLE 5 - EXERCISE OR DISPOSITION OF OPTIONS**

Subject to the provisions of the Plan and the terms of the granting of the Option, an Option or a portion thereof may be exercised from time to time by delivery to the Corporation's principal office in Calgary, Alberta of a notice in writing signed by the Participant or the Participant's legal personal representative and addressed to the Corporation. This notice shall state the intention of the Participant or the Participant's legal personal representative to exercise the said Option or a portion thereof; the number of Common Shares in respect of which the Option is then being exercised and shall be accompanied by payment in full of the Option Price for the Common Shares which are the subject of the exercise. Alternatively, a Participant may offer to dispose of his or her vested, unexercised Options or any of them to the Corporation for cash in an amount not to exceed the "fair market value" thereof and the Corporation has the right, but not the obligation, to accept the Participant's offer. The Participant shall make an offer to dispose of his or her Options by providing a written notice to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, specifying the number of vested and unexercised options the Participant is proposing to dispose of. For purposes of this Article 5, the "fair market value" means the closing price of the Common Shares on the last trading day prior to the date the notice is received by the Corporation on which at least one board lot traded as reported by the Exchange.

#### **ARTICLE 6 - ADJUSTMENTS IN SHARES**

Appropriate adjustments in the number of Common Shares subject to the Plan and, as regards Options granted or to be granted, in the number of Common Shares optioned and in the Option Price, shall be made by the Board to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations or reclassifications of the Common Shares, the payment of stock dividends by the Corporation (other than dividends in the ordinary course) or other relevant changes in the authorized or issued capital of the Corporation, which changes occur subsequent to the approval of the Plan by the Board.

Options granted to Participants hereunder are non-assignable unless the prior written consent of the Corporation and the Exchange has been obtained and, except in the case of the death of a Participant (which is provided for in Article 8), are exercisable only by the Participant to whom the Options have been granted.

#### **ARTICLE 7 - DECISIONS OF THE BOARD**

All decisions and interpretations of the Board respecting the Plan or Options granted thereunder shall be conclusive and binding on the Corporation and the Participants and their respective legal personal representatives and on all Eligible Participants under the provisions of the Plan.

#### **ARTICLE 8 - TERMINATION OF EMPLOYMENT/DEATH**

In the event of the resignation or retirement of a Participant, or the termination of the employment of a Participant, whether with or without cause or reasonable notice, prior to the expiry time of an Option, such Option shall cease and terminate on the thirtieth (30th) day following the effective date of such resignation, retirement or termination or the expiry time of such Option, whichever occurs first, and thereafter shall be of no further force or effect whatsoever as to the Common Shares in respect of which such Option has not previously been exercised. Notwithstanding the foregoing, in the event of termination for cause, such Option shall cease and terminate on the seventh (7th) day following the date of said termination and thereafter shall be of no further force or effect whatsoever as to the Common Shares in respect of which such Option has not previously been exercised.

In the event of the death of a Participant on or prior to the expiry time of an Option, such Option may be exercised as to such of the Common Shares in respect of which such Option has not previously been exercised (and as the Participant would have been entitled to purchase), by the legal personal representatives of the Participant at any time up to and

including (but not after) the earlier of the date that is six (6) months following the date of death of the Participant and the expiry time of such Option.

The Plan does not confer upon a Participant any right with respect to continuation of employment by the Corporation or any of its Subsidiaries, nor does it interfere in any way with the right of the Participant or the Corporation to terminate the Participant's employment at any time.

Options shall not be affected by any change of employment of the Participant where the Participant continues to be employed by the Corporation or any of its Subsidiaries.

#### **ARTICLE 9 - CHANGE OF CONTROL**

In the event of a Change of Control is contemplated or has occurred, all Options which have not otherwise vested in accordance with their terms shall vest and be exercisable at such time as is determined by the Board, notwithstanding the other terms of the Options, for a period of time ending on the earlier of the expiry time of the Option and the thirtieth (30<sup>th</sup>) day following the Change of Control.

If approved by the Board, Options may provide that, whenever the Corporation's shareholders receive a Take-over Proposal, such Option may be exercised as to all or any of the Common Shares in respect of which such Option has not previously been exercised (including in respect of Common Shares not otherwise vested at such time) by the Participant (the "Take-over Acceleration Right"). The Take-over Acceleration Right shall commence at such time as is determined by the Board, provided that, if the Board approves the Take-over Acceleration Right but does not determine commencement and termination dates regarding same, the Take-over Acceleration Right shall commence on the date of the Take-over Proposal and end on the earlier of the expiry time of the Option and the tenth (10<sup>th</sup>) day following the expiry date of the Take-over Proposal. Notwithstanding the foregoing, the Take-over Acceleration Right may be extended for such longer period as the Board may resolve.

#### **ARTICLE 10 - AMENDMENT OR DISCONTINUANCE OF PLAN**

This Plan and any Options granted pursuant to the Plan may be amended, modified or terminated by the Board without approval of the shareholders subject to any required approval of the Exchange. Notwithstanding the foregoing, the Plan or any Options granted pursuant to the Plan may not be amended without shareholder approval to: (i) increase the number of Common Shares issuable on exercise of outstanding Options at any time contained to Article 4 hereof except as permitted under Article 4 with respect to the "reloading" of options; (ii) reduce the Option Price of any Option granted pursuant to the Plan or any cancellation and reissue of Options; (iii) extend the expiry date of any outstanding Option unless the extension is pursuant to any Black-Out Extension Term that may be in effect; (iii) amend the limit on grants to non-management directors above the amount contained in Article 4 of the Plan; (iv) permit a Participant to transfer or assign Options to a new beneficial holder, other than for estate settlement purposes; (v) any amendment to increase the number of Common Shares that may be issued to insiders above the restrictions contained in Article 4 of the Plan; or (vi) amend this Article 10 to delete any of (i) through (v). In addition, no amendment to the Plan or Options granted pursuant to the Plan may be made without the consent of the Participant, if it adversely alters or impairs the rights of any Participant in respect of any Option previously granted to such Participant under the Plan.

#### **ARTICLE 11 - GOVERNMENT REGULATION**

The Corporation's obligation to issue and deliver Common Shares under any Option is subject to:

- (a) the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Common Shares to listing on any stock exchange on which such Common Shares may then be listed; and
- (c) the receipt from the Participant of such representations, warranties, agreements and undertakings as to future dealings in such Common Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection, the Corporation shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Common Shares in compliance with applicable securities laws and for the listing of such Common Shares on any stock exchange on which such Common Shares are then listed.

#### **ARTICLE 12 - PARTICIPANTS' RIGHTS**

A Participant shall not have any rights as a shareholder of the Corporation until the issuance of a certificate for Common Shares-upon the exercise of an Option or a portion thereof; and then only with respect to the Common Shares represented by such certificate or certificates.

#### **ARTICLE 13 – APPROVALS**

The Plan shall be subject to:

- (a) the approval of the shareholders of the Corporation; and
- (b) acceptance 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 such approval and acceptance is given.

#### **ARTICLE 14 – OPTION AGREEMENT**

The Option agreement between the Corporation and each Participant to whom an Option is granted hereunder will be in writing and will set out the number of Common Shares subject to option, the Option Price, the vesting dates, the expiry date and any other terms approved by the Board, all in accordance with the provisions of this Plan. The agreement will be in such form as the Board may from time to time approve or authorize the officers of the Corporation to enter into 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 person to whom the Option is granted may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.