

PINECREST ENERGY INC.

**Notice of
Annual and Special Meeting of Shareholders
to be held on Wednesday, June 8, 2011**

The annual and special meeting of the shareholders of Pinecrest Energy Inc. will be held in the Angus/Northcote Room at the Bow Valley Square Conference Centre – 300, 255 – 5th Avenue SW, Calgary, Alberta on Wednesday, June 8, 2011 at 10:00 a.m. (Calgary time) to:

1. receive and consider our financial statements for the year ended December 31, 2010, together with the report of the auditors and the report of our Board of Directors;
2. fix the number of directors to be elected at the meeting at six (6) members;
3. elect six (6) directors;
4. appoint the auditors and to authorize the directors to fix their remuneration as such;
5. consider and, if thought fit, to pass a resolution of the shareholders re-approving our stock option plan;
6. consider and, if thought fit, to pass a resolution of the shareholders approving a consolidation of our common shares on a basis of 10 to 1; and
7. 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 mail it to or deposit it with our Corporate Secretary, c/o Olympia Trust Company, Suite 2300, 125 – 9th Avenue S.E. Calgary, Alberta, T2G 0P6. In order to be valid and acted upon at the meeting, forms of proxy must be returned to the aforesaid address not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Only shareholders of record at the close of business on May 4, 2011, 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 the shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the meeting.

DATED at Calgary, Alberta this 4th day of May, 2011.

By order of the Board of Directors

"Wade Becker"

Wade Becker
President and Chief Executive Officer

PINECREST ENERGY INC.

Information Circular - Proxy Statement
for the Annual and Special Meeting to be held on Wednesday, June 8, 2011

PROXIES

Solicitation Of Proxies

This information circular - proxy statement is furnished in connection with the solicitation of proxies for use at the special meeting of the shareholders of Pinecrest Energy Inc. will be held in the Angus/Northcote Room at the Bow Valley Square Conference Centre – 300, 255 – 5th Avenue SW, Calgary, Alberta on Wednesday, June 8, 2011 at 10:00 a.m. (Calgary time) and at any adjournment thereof. Forms of proxy must be addressed to and reach our Corporate Secretary, c/o Olympia Trust Company, Suite 2300, 125 – 9th Avenue S.E. Calgary, Alberta, T2G 0P6, 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 May 4, 2011, 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 the shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the meeting.

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 our officers. 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 Holders Of Common Shares

The information set forth in this section is of significant importance to you if you do not hold your common shares in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of common shares can be recognized and acted upon at the meeting. If common shares are listed in your account statement provided by your broker, then in almost all cases those common shares will not be registered in your name on our records. Such common 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. Common 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 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 call their toll-free telephone number or visit their website 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 it cannot be used as a proxy to vote shares directly at the meeting as the proxy must be returned 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 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 By Proxy

The common 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 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 SHARES AND PRINCIPAL HOLDERS THEREOF

We are authorized to issue an unlimited number of common shares without nominal or par value. As at May 4, 2011, there were 170,453,364 common shares issued and outstanding. As a holder of common shares you are entitled to one vote for each share you own. We are also authorized to issue an unlimited number of preferred shares without nominal or par value. As at May 4, 2011, there were no preferred shares issued and outstanding. Based on information supplied to our directors and officers, and to the knowledge of such directors and officers, as at May 4, 2011, no person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of our common shares.

As at May 4, 2011, our directors and officers, as a group, beneficially owned, controlled or directed, directly or indirectly, 26,897,923 common shares or approximately 15.8% of our issued and outstanding common shares.

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 six members and to elect six directors.

Management is soliciting proxies, in the accompanying form of proxy, for an ordinary resolution in favour of fixing the board of directors (the "**Board**") at six members, and in favour of the election as directors of the six nominees set forth below:

Wade Becker
David Fitzpatrick

John Brussa
David Johnson

Robert Zakresky

Korby Zimmerman

Each director will hold office until the next annual meeting of our shareholders or his successor is duly elected or appointed, unless his office is earlier vacated.

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 following information relating to the nominees is based partly on our records and partly on information received by us from the nominees, and sets forth the names, ages and cities of residence of the nominees, their committee memberships, the year each became a director of us (or a predecessor of us), the present occupations and brief biographies of such persons, and the number of our securities beneficially owned, or controlled or directed, directly or indirectly by each and the number of stock options held as at as at December 31, 2010.

Nominee for Election as Director	Director Since	Common Shares Owned, Controlled or Directed		Stock Options		Transaction Warrants	
		2010	2009	2010	2009	2010	2009
Wade Becker Calgary, Alberta	May 2010	4,167,849	Nil	500,000	N/A	710,000	N/A
<p>Wade Becker is currently our President and Chief Executive Officer. Mr. Becker has extensive experience in leadership roles at public oil and gas companies. Mr. Becker was President, Chief Executive Officer and Director at Peerless Energy Inc. ("Peerless"). Previously Mr. Becker was Vice President, Land and co-founder of both Crescent Point Energy Trust and its predecessor Crescent Point Energy Ltd. Mr. Becker has over 18 years experience in the oil and gas industry.</p>							

Nominee for Election as Director	Director Since	Common Shares Owned, Controlled or Directed		Stock Options		Transaction Warrants	
		2010	2009	2010	2009	2010	2009
John Brussa Calgary, Alberta	May 2010	1,150,000	Nil	125,000	N/A	200,000	N/A
Member of: - Corporate Governance, Compensation and Nominating Committee - Reserves Committee	<p>Mr. Brussa is a partner of Burnet, Duckworth & Palmer LLP since 1987 and is presently the head of its Tax Department. Mr. Brussa currently serves as a director of a number of publicly listed resource corporations and several non-profit or charitable organizations.</p>						

Nominee for Election as Director	Director Since	Common Shares Owned, Controlled or Directed		Stock Options		Transaction Warrants	
		2010	2009	2010	2009	2010	2009
David Fitzpatrick Calgary, Alberta	May 2010	1,200,000	Nil	125,000	N/A	200,000	N/A
Member of: - Audit Committee - Corporate Governance, Compensation and Nominating Committee - Reserves Committee	<p>Mr. Fitzpatrick is currently an independent businessman. From 1996 to 2007 Mr. Fitzpatrick was the President, CEO and Director of Shiningbank Energy Ltd. (acquired by PrimeWest Energy Trust ("PrimeWest"), an oil and gas Royalty Trust). Mr. Fitzpatrick is currently the chairman of the board of directors of Eagle Energy Trust and serves or has served as a Director of Compton Petroleum Corporation, PrimeWest, Shiningbank Energy Income Fund Inc., Platform Energy and Twin Butte Energy Ltd., each of which is or was an oil and gas company or trust.</p>						

Nominee for Election as Director	Director Since	Common Shares Owned, Controlled or Directed		Stock Options		Transaction Warrants	
		2010	2009	2010	2009	2010	2009
David Johnson Calgary, Alberta	May 2010	1,261,400	Nil	125,000	N/A	200,000	N/A
Member of: - Audit Committee - Reserves Committee	Mr. David D. Johnson is currently the Chairman of Progress Energy Resources Corp. which was formed in 2009. From 2004 to 2009, Mr. Johnson served as the Chairman of Progress Energy Trust. Mr. Johnson was the President and Chief Executive Officer of Pro-Ex from July 2004 to January 2009. Mr. Johnson was the President and Chief Executive Officer of Progress Energy Ltd. from November 2001 to July 2004 and the President and Chief Executive Officer of Encal Energy Ltd. from July 1994 to April 2001. Mr. Johnson has over 30 years of diverse experience in the oil and gas industry including a background in production, reservoir evaluation and operations. He has a B.Sc. in Petroleum Engineering, is a member of the Association of Engineers, Geologists and Geophysics of Alberta and has served twice as a governor of the Canadian Association of Petroleum Producers.						

Nominee for Election as Director	Director Since	Common Shares Owned, Controlled or Directed		Stock Options		Transaction Warrants	
		2010	2009	2010	2009	2010	2009
Robert Zakresky Calgary, Alberta	May 2010	850,000	Nil	125,000	N/A	200,000	N/A
Member of: - Audit Committee - Corporate Governance, Compensation and Nominating Committee	Mr. Zakresky has held the position of President and Chief Executive Officer of Crocotta Energy Inc. since November 2006. From 1993 to October 2006, Mr. Zakresky has sequentially held the position of President, Chief Executive Officer and a director of Bellator Exploration Inc., Viracocha Energy Inc., Chamaelo Energy Inc. and Chamaelo Exploration Ltd. Mr. Zakresky was a director of Peerless.						

Nominee for Election as Director	Director Since	Common Shares Owned, Controlled or Directed		Stock Options		Transaction Warrants	
		2010	2009	2010	2009	2010	2009
Korby Zimmerman Calgary, Alberta	May 2010	4,207,848	Nil	500,000	N/A	710,000	N/A
	Korby Zimmerman is currently our Vice President, Business Development and Land and brings over 18 years oil and gas experience specializing in land and acquisition negotiations. Previously Mr. Zimmerman was Group Leader at EnCana Corporation. Prior to that he was Vice President, Land and Business Development at Ketch Energy Trust.						

Additional Disclosure Relating to Proposed Directors

Except as otherwise disclosed herein, none of our directors (nor any personal holding company of any of such persons) 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 otherwise disclosed herein, none of our directors (nor any personal holding company of any of such persons) 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, other than Mr. Brussa who was a director of Imperial Metals Limited, a corporation engaged in oil and natural gas and mining operations, during the year prior to that corporation implementing a plan of arrangement under the Company Act (British Columbia) and under the Companies' Creditors' Arrangement Act (Canada) which resulted in the separation of its two businesses. The reorganization resulted in the creation of two public corporations, Imperial Metals Corporation, engaged in the mining business, and IEI Energy Inc. (subsequently renamed Rider Resources Ltd.), engaged in the oil and gas business. The plan of arrangement was completed in April, 2002.

None of our directors (nor any personal holding company of any of such persons) 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 PricewaterhouseCoopers LLP, Chartered Accountants, as our auditors, to hold office until the next annual meeting of our shareholders and to authorize the directors to fix their remuneration as such. PricewaterhouseCoopers LLP were appointed as our auditors on November 8, 2010, prior thereto our auditors were Buchanan Barry LLP. See "*Audit Committee Information*" in our annual information form for the year ended December 31, 2010, for additional information including a description of fees we paid to our auditors during the past two years.

Re-approval of our Stock Option Plan

The policies of the TSX Venture Exchange require all incentive stock option grants to be made pursuant to a stock option plan approved by the our shareholders annually. At the present time we have a "rolling" stock option plan which was last approved by our shareholders at our previous annual and special meeting of our shareholders held on July 21, 2010. Pursuant to the policies of the TSX Venture Exchange such "rolling" plans must receive annual shareholder approval.

Accordingly, our shareholders are being asked to re-approve the current "rolling" stock option plan in accordance with Policy 4.4 of the TSX Venture Exchange. For more information on our stock option see "*Executive Compensation – Compensation Discussion and Analysis – Components of Compensation – Stock Option Plan*" later in this circular. A copy of the stock option plan can be obtained from us upon request.

At the meeting, our shareholders will be asked to consider, and if though appropriate, pass the following resolution:

"BE IT RESOLVED, as an ordinary resolution of the shareholders of Pinecrest Energy Inc. (the "**Corporation**") that:

1. the stock option plan of the Corporation is hereby authorized and approved; and
2. any director or officer of the Corporation be and is hereby authorized and directed to do such things and to execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions, and to complete all transactions in connection therewith."

In order to be passed, the foregoing resolution must be approved by the affirmative vote of a simple majority of the votes cast by the shareholders who vote in person or by proxy at the meeting. Our Board recommends that shareholders vote **FOR** the above resolution. The management designees intend to vote **FOR** the above resolution, unless the shareholder specifies otherwise in the proxy.

Consolidation of our Common Shares

At our previous annual general and special meeting held on July 21, 2010, our shareholders passed a resolution approving the consolidation of our shares on a basis of up to 10 to 1. The resolution provided that the consolidation could be implemented at the discretion of our Board. Although the resolution was passed, our Board has not yet effected the consolidation and as such we are requesting that our shareholders consider and re-approve the resolution at the upcoming meeting.

At the meeting, our shareholders will be asked to approve a special resolution authorizing an amendment to the our articles of incorporation pursuant to subsection 173(1)(f) of the *Business Corporations Act* (Alberta) to consolidate our common shares on an up to 10 to 1 basis (the "**Consolidation**").

We currently have approximately 170,453,364 common shares issued and outstanding. We may wish to reduce the outstanding share amount to a level more in keeping with our industry peers. We believe that the Consolidation, if implemented, will promote reduced volatility in the trading of our common shares.

If approved and implemented, the Consolidation will occur simultaneously for all of our issued and outstanding common shares and the consolidation ratio will be same for all such common shares. The Consolidation will affect all holders of our common shares uniformly and will not affect any of our shareholders' percentage ownership interest, except to the extent that the Consolidation would otherwise result in a shareholder owning a fractional common share. No fractional post-Consolidation common shares will be issued and no cash will be paid in lieu of fractional post-Consolidation common shares. Any fractional common shares resulting from the Consolidation will be rounded to the nearest whole common share.

We currently have an unlimited number of common shares available for issuance and the Consolidation will not have any effect on the number of common shares that remain available for future issuance. The exercise or conversion price and the number of common shares issuable under any of our convertible securities will be proportionately adjusted upon Consolidation.

The Consolidation is subject to receipt of all required regulatory approvals and to the approval of the Consolidation by our shareholders at the meeting. If these approvals are received, the Consolidation will occur at a time determined by our Board and announced by a press release. Notwithstanding approvals being received, our Board may determine not to proceed with the Consolidation at its discretion. **We do not intend to implement the Consolidation presently but wish to have the ability to consolidate our common shares if our Board determines a Consolidation to be in the best interests of the Corporation.**

Accordingly, to be adopted, the special resolution must be approved by not less than 66 $\frac{2}{3}$ % of the votes cast at the meeting by our shareholders in person or represented by proxy. At the meeting, our shareholders will be asked to consider, and if though appropriate, pass the following resolution:

"BE IT RESOLVED as a special resolution of the holders of common shares (the "**Shareholders**") of Pinecrest Energy Inc. (the "**Corporation**") that:

1. the Articles of Incorporation of the Corporation be amended to provide that the authorized share capital of the Corporation be altered by consolidating all of the issued and outstanding common shares of the Corporation (the "**Consolidation**") on an up to ten (10) to one (1) basis;
2. notwithstanding the foregoing, the directors of the Corporation be and are hereby authorized and empowered to revoke this special resolution at any time

prior to the filing of the Articles of Amendment to effect the Consolidation without further approval of shareholders; and

3. the board of directors of the Corporation be and is hereby authorized to set the effective date of such Consolidation and such effective date shall be the date shown in the certificate of amendment issued by the Registrar appointed under the *Business Corporations Act* (Alberta) or such other date indicated in the Articles of Amendment provided that, in any event, such date shall be prior to the next annual general meeting of shareholders of the Corporation."

Our Board recommends that shareholders vote **FOR** the above resolution. The management designees intend to vote **FOR** the above resolution, unless a shareholder specifies otherwise in the proxy.

DIRECTORS' COMPENSATION

Director Compensation

Our Board, through the Corporate Governance, Compensation and Nominating Committee, is responsible for the development and implementation of a compensation plan for our directors who are not also officers. We do not pay any compensation to officers for acting as a director.

The main objectives of our compensation plan for directors are to attract and retain the services of the most qualified individuals and to compensate the directors in a manner that is commensurate with the risks and responsibilities assumed in Board and committee membership and at a level that is similar to the compensation paid to directors of a peer group of oil and gas companies.

We currently do not pay our outside directors annual retainers and meeting fees for their roles on our Board, however Board committees and outside directors are reimbursed for their out-of-pocket expenses incurred in carrying out their duties as directors. We grant stock options to our directors. During the year ended December 31, 2010 a total of 500,000 options were issued to our non-executive directors.

As at December 31, 2010, our outside directors held an aggregate of 500,000 options, which represented 0.29% of our issued and outstanding common shares as at such date. For information regarding the outstanding options held by the independent directors, see "*Directors' Outstanding Option-Based Awards*" and "*Incentive Plan Awards – Value Vested or Earned during the Year*" below.

Transaction Warrants

In conjunction with the Capitalization Agreement (as hereinafter defined), all of our directors and officers were granted transaction warrants. Each transaction warrant entitles the holder to acquire one common share at a price of \$0.50 until May 21, 2015 subject to certain common share performance criteria. The transaction warrants were issued as a one-time grant in connection with the Capitalization Agreement and will not form part of our continuing director or executive compensation. All of the transaction warrants are subject to the terms of an escrow agreement we entered into with, among others, all of our directors and officers and Olympia Trust Company on May 21, 2010. The escrow agreement provides that the transaction warrants shall be held in escrow and released in four equal instalments every six months following date of the escrow agreement. The last release will occur on May 21, 2012.

Directors' Summary Compensation Table

The following table sets forth for the year ended December 31, 2010, information concerning the compensation paid to our directors.

Name ⁽¹⁾	Fees earned ⁽³⁾ (\$)	Share-based awards ⁽⁴⁾ (\$)	Option-based awards ⁽⁵⁾ (\$)	Non-equity incentive plan compensation ⁽⁶⁾ (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
John A. Brussa ⁽²⁾	-	170,000	4,583	-	N/A	-	174,583
Robert Zakresky	-	170,000	4,583	-	N/A	-	174,583
David Fitzpatrick	-	170,000	4,583	-	N/A	-	174,583
David Johnson	-	170,000	4,583	-	N/A	-	174,583

Note:

- (1) All of our directors were appointed on May 7, 2010, the compensation presented reflects compensation earned and awarded to our directors from May 7, 2010 to December 31, 2010. Prior to May 7, 2010 our directors were Mr. Gus B. Coolidge, Mr. Wilbur V. Watkins and Mr. Ronald A. Parsons. None of our previous directors earned any fees or were issued stock options or other compensation during the period of January 1, 2010 to May 7, 2010. For compensation information regarding Mr. Becker and Mr. Zimmerman see disclosure under the heading "Executive Compensation" herein.
- (2) Mr. Brussa is a partner at the law firm of Burnet, Duckworth & Palmer LLP, which receives fees for the provision of legal services to us.
- (3) We do not pay annual retainers or meeting fees to our outside directors. See "Director Compensation" above.
- (4) Represents the grant date fair value of transaction warrants on the date of grant granted in connection with the transactions contemplated pursuant to the Capitalization Agreement. The fair value of each transaction warrant granted is determined on the date of grant using the Black-Scholes option pricing model. In the pricing model, the risk free interest rate was 2.29% during 2010; volatility 50% during 2010; an average expected life of 5 years; an estimated forfeiture rate of 0%; and dividends of nil. **These amounts are not necessarily reflective of actual amounts that may be realized on exercise.** See "Director Compensation – Transaction Warrants" above and "Directors' Outstanding Option Based Awards and Transaction Warrants".
- (5) Based on the grant date fair value of the applicable Options on the date of grant. The fair value of each Option granted is determined on the date of grant using the Black-Scholes option pricing model. In the pricing model, the risk free interest rate was 2% during 2010; volatility ranged was 55% during 2010; an average expected life of 5 years; an estimated forfeiture rate of 0%; and dividends of nil. **These amounts are not necessarily reflective of actual amounts that may be realized on exercise.** See "Directors' Outstanding Option and Share-based Awards" which reflect the value at December 31, 2010.
- (6) During the year ended December 31, 2010 we did not award compensation relating to defined benefit or contribution plans to our directors.

Directors' Outstanding Option Based Award and Transaction Warrants

The following table sets forth all option-based awards and transaction warrants outstanding at the end of the year ended December 31, 2010 for each of our directors.

Name ⁽¹⁾	Option-based Awards			Transaction Warrants		
	Number of securities underlying unexercised options ⁽²⁾ (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽³⁾ (\$)	Number of Transaction Warrants not exercised ⁽⁴⁾ (#)	Market or payout value of Transaction Warrants not exercised ⁽⁵⁾ (\$)
John A. Brussa	125,000	1.52	October 8, 2015	160,000	200,000	460,000
Robert Zakresky	125,000	1.52	October 8, 2015	160,000	200,000	460,000
David Fitzpatrick	125,000	1.52	October 8, 2015	160,000	200,000	460,000
David Johnson	125,000	1.52	October 8, 2015	160,000	200,000	460,000

Notes:

- (1) All of our directors were appointed on May 7, 2010, the compensation presented reflects compensation earned and awarded to our directors from May 7, 2010 to December 31, 2010. For compensation information regarding Mr. Becker and Mr. Zimmerman see disclosure under the heading "*Executive Compensation*" below.
- (2) Options vest in increments of one third over two years and expire within five years from the date of grant.
- (3) Calculated based on the difference between the market price of our common shares at December 31, 2010 (\$2.80) and the exercise price of the options multiplied by the number of options outstanding.
- (4) Represents transaction warrants granted in connection with the transactions contemplated pursuant to the Capitalization Agreement. See "*Director Compensation – Transaction Warrants*" above.
- (5) Calculated based on the difference between the market price of our common shares at December 31, 2010 (\$2.80) and the exercise price of the transaction warrants multiplied by the number of transaction warrants outstanding.

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

The following table sets forth for each of our directors, the value of option-based awards which vested during the year ended December 31, 2010, and the value of non-equity incentive plan compensation earned during the year ended December 31, 2010.

Name ⁽¹⁾	Option-based awards – Value vested during the year ⁽²⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year ⁽³⁾ (\$)
John A. Brussa	Nil	66,667
Robert Zakresky	Nil	66,667
David Fitzpatrick	Nil	66,667
David Johnson	Nil	66,667

Note:

- (1) All of our directors were appointed on May 7, 2010, the compensation presented reflects compensation earned and awarded to our directors from May 7, 2010 to December 31, 2010.
- (2) Calculated based on the difference between the market price of our common shares on each vesting date and the exercise price of the options. All the options held by our independent directors vested on the date of grant.
- (3) Calculated based on the difference between the market price of our common shares on each vesting date and the exercise price of the transaction warrants. The transaction warrants vested in three tranches of 1/3 upon the market price of our common shares achieving certain prices. All of the transaction warrants vested on June 10, 2010.

Meeting Attendances

The following is a summary of attendance of our directors at meetings of our Board and its committees for 2010.

Name	Board Meetings Attended	Audit Committee Meetings Attended	Reserves Committee Meetings Attended	Corporate Governance, Compensation and Nominating Committee Meetings Attended
Wade Becker	4/4	N/A	1/1 ⁽¹⁾	N/A
Korby Zimmerman	4/4	N/A	N/A	N/A
John A. Brussa	4/4	N/A	1/1	1/1
Robert Zakresky	3/4	4/4	N/A	1/1
David Fitzpatrick	4/4	4/4	1/1	1/1
David Johnson	4/4	4/4	N/A	1/1

Note:

- (1) Attendance by non-committee member.

EXECUTIVE COMPENSATION

Note Regarding Our Executive Compensation Disclosure

On April 25, 2010, we entered into a definitive capitalization and investment agreement (the "**Capitalization Agreement**") with an investor group including Wade Becker, Dan Toews, Bill Turko, and Korby Zimmerman which provided for the non-brokered private placement of up to an aggregate of approximately \$20 million and the appointment of a new management team and new board of directors. The transactions under the Capitalization Agreement closed in successive closings on May 7, 2010 and May 14, 2010, respectively. On May 7, 2010, our previous management team resigned and our new management team was appointed. This new management team comprises our named executive officers ("**NEOs**") for the purposes of our executive compensation disclosure for the year ended December 31, 2010. The current NEOs are Wade Becker, President and Chief Executive Officer, Dan Toews, Vice President, Finance and Chief Financial Officer, Bill Turko, Vice President, Engineering, Korby Zimmerman, Vice President, Business Development and Land, Brent Gough Vice President, Operations and Joe Sobochan, Vice President, Geology. Mr. Sobochan was appointed as our Vice President, Geology on October 5, 2010.

Prior to May 7, 2010 when our Board and management were replaced pursuant to the Capitalization Agreement, the NEOs were Gus B. Coolidge as President and Chief Executive Officer and Gregory J. Leia as Vice President, Finance and Chief Financial Officer. Messrs. Coolidge and Leia resigned effective May 7, 2010 and did not receive any salary or bonus and were not granted any incentive stock options or any other form of compensation during the period between January 1, 2010 and May 7, 2010. Since we had a completely new board and new management team after May 7, 2010, the previous approach to executive compensation was replaced in its entirety with our current approach as follows:

Compensation Discussion and Analysis

Objectives to Executive Compensation

Our executive compensation program is comprised of base salary, perquisites and benefits, short-term incentives in the form of annual bonus and long-term equity incentives in the form of stock options and stock purchase plan. Our executive compensation program is intended to attract, motivate and retain the management talent needed to achieve our business objectives and create long-term value for our shareholders. Moreover, our overall executive compensation program is intended to encourage high quality behaviour and performance among our executive officers and reward them at a market competitive level relative to individual contributions and actual corporate results achieved.

Since May 2010 we have been developing an executive compensation strategy built on offering a competitive compensation package, which is oriented toward developing a culture of ownership by providing long-term equity-based incentives. As a result, the awarding of stock options is a significant component of our executive compensation. This approach is based on the assumption that our common share price performance over the long-term is an important indicator of long-term performance.

Compensation Decision-Making Process

The purpose of our Corporate Governance, Compensation and Nominating Committee is to assist our Board in fulfilling its responsibilities by monitoring our compensation plans and practices and ensuring their congruence with our objectives and goals by assessing and making recommendations regarding compensation, benefits, short and long-term incentive programs and employee retention. Our Corporate Governance, Compensation and Nominating Committee is currently composed of three non-management directors, Mr. Brussa (Chair), Mr. Fitzpatrick and Mr. Zakresky. All members of the Corporate Governance, Compensation and Nominating Committee are independent directors.

The Corporate Governance, Compensation and Nominating Committee oversaw our compensation program during the period between May 7 and December 31, 2010 and presented recommendations to our Board for their approval

respecting the compensation of each of the NEO's as well as the compensation program and aggregate awards for our other employees. We note that our current management and Board were appointed on May 7, 2010 and the Corporate Governance, Compensation and Nominating Committee has not yet had a full financial year to fully implement or execute our executive compensation plans and practices. It is currently anticipated that our executive compensation will be deliberated on an annual basis, primarily involving a review of: (i) corporate performance during the relevant fiscal year; and (ii) compensation data from a compensation peer group.

Our Board reviews all recommendations of the Corporate Governance, Compensation and Nominating Committee before final approval. Any director who is also an officer is excused from the directors' meeting during any discussion of their compensation. The Corporate Governance, Compensation and Nominating Committee engages in active discussions with our Chief Executive Officer concerning our absolute and relative performance and the performance and contributions from the executive management who directly report to our Chief Executive Officer. Our Chief Executive Officer recommends to the Corporate Governance, Compensation and Nominating Committee the annual base salaries and both short-term and long-term incentives for each executive officer as well as the overall base salary and short term and long term incentives recommendations for our other employees. The Corporate Governance, Compensation and Nominating Committee takes the recommendations of our Chief Executive Officer into consideration and has full discretion to adopt or reject his recommendations, if deemed appropriate. The Corporate Governance, Compensation and Nominating Committee then presents its recommendations to our Board for their approval.

For executive compensation, the Corporate Governance, Compensation and Nominating Committee endeavours to find an appropriate balance between fixed variable compensation and cash versus equity incentive compensation. Cash compensation (base salary, benefits and perquisites and a discretionary annual bonus) primarily reward recent performance and equity incentive rewards (stock options) encourage our executive management team to continue to deliver favourable results over a longer period of time and serve as an employment retention mechanism.

Our Corporate Governance, Compensation and Nominating Committee does not use formulas in determining the amount and mix or weighting of executive compensation. Our Corporate Governance, Compensation and Nominating Committee believes that solely using annual quantitative performance measures does not create the appropriate balance of incentive to build long-term shareholder value and may lead to unintended consequences for compensation purposes. Thus, our Corporate Governance, Compensation and Nominating Committee considers a broad range of both quantitative and qualitative performance factors including, but not limited to, the financial and operational results, efficient execution of our annual capital expenditures program, crude oil and natural gas reserves growth, staff development, corporate governance, environmental health and safety and our vision and growth strategy. Our Chief Executive Officer's evaluation of an executive officer's contributions and performance against his respective suite of responsibilities plays the key role in determining the discretionary annual cash bonus and also contributes to a determination of overall compensation. For annual long-term incentive awards, the Corporate Governance, Compensation and Nominating Committee primarily considers an executive officer's potential for future high-quality performance and leadership as part of the executive management team, taking into account past performances as a key indicator.

For the 2011 fiscal year, in order to assist both the Chief Executive Officer and our Corporate Governance, Compensation and Nominating Committee in determining the appropriate level of executive compensation and to assess the competitiveness of our executive compensation programs, it is anticipated that our Corporate Governance, Compensation and Nominating Committee will consider the compensation of peer organizations and competitive market data as contained in an analysis developed by management. The peer organizations to be used in such analysis and benchmarked against us shall operate in similar business environments and shall be entities of approximately similar size, scope and complexity to us. We will use Companies that have executive management positions similar ours that reflect the scope of responsibilities required at the executive level and reflect the market in which we compete for executive talent. The Corporate Governance, Compensation and Nominating Committee has not yet determined the peer group of companies.

Additionally, when establishing compensation levels for executive officers, we may participate in annual industry surveys. These industry surveys include executive compensation information for select executive officers' positions. The surveys are conducted by independent consultants and they provide information on salaries and other incentive programs in effect at comparative oil and gas companies in Canada.

Components of Compensation Plan

Our executive compensation for the period between May 7, 2010 and December 31, 2010 was comprised of a base salary, bonus, stock options, stock savings plan and certain perquisites and benefits. Our approach regarding the base salary and benefits package is to generally align this compensation package with the industry median and prevailing standards for peer group companies. The Corporation's stock option plan (the "**Option Plan**") was developed to retain its executive officers and employees, encourage long-term growth and planning, and align long-term compensation of executive management with the interests of our shareholders.

Base Salary

Base salary is the fixed portion of executive compensation and is designed to provide income certainty and to attract and retain executive management. Executive officers' base salaries will be reviewed annually and shall be established taking into consideration individual salaries as compared to those paid to executives of other companies in the peer group, as discussed under the heading "*Compensation Decision Making Process*". The salaries paid to our executives are typically intended to be aligned with the median of peer organizations' compensation in the junior oil and gas industry. During the period between May 7, 2010 and December 31, 2010, each of our NEOs received the same base salary.

Short-term Incentives – Cash Bonus

We have a discretionary bonus program administered by our Corporate Governance, Compensation and Nominating Committee. The annual, discretionary cash bonus is a short-term incentive that is intended to reward each executive officer for their yearly individual contribution and performance within the context of overall annual corporate performance. Target payout values are not pre-established by the Corporate Governance, Compensation and Nominating Committee, but it is anticipated that consideration will be given to peer compensation information when determining the bonus amount. The annual cash bonus is designed to motivate executive officers to achieve their individual performance expectations, to be accountable for their relative contribution to the Corporation's performance, as well as to attract and retain executives. During the period between May 7, 2010 and December 31, 2010 no cash bonuses were awarded to our NEOs.

Long-term Incentives – Stock Option Plan and Employee Stock Purchase Plan

Stock Option Plan

A component of our long-term incentive compensation consists of the granting of stock options. Stock options are an integral component of our overall compensation program, focusing on our performance and the importance of creating long-term shareholder value. As contributors to our financial and operational success, it is important that our employees, including executive management, have a stake in sharing in that success. This long-term incentive arrangement is designed to motivate employees and executive management to achieve longer-term sustainable business results, provide them with an opportunity to acquire an ownership interest in us, align their interests with those of our shareholders and to attract and retain employees and executives.

Participants of our stock option plan ("**Option Plan**") benefit only to the extent that additional shareholder value is created over time, specifically only if the market value of the our common shares at the time of stock option exercise is greater than the exercise price of the stock options at the time of grant.

Generally, stock option grants are determined as part of the annual deliberation regarding executive compensation. Our Chief Executive Officer makes recommendations to our Corporate Governance, Compensation and Nominating Committee regarding individual stock option grants for all recipients. The Corporate Governance, Compensation and Nominating Committee reviews the appropriateness of the stock option grant recommendations from our Chief Executive Officer for all our eligible employees and executive management and accepts or adjusts these recommendations.

Our Corporate Governance, Compensation and Nominating Committee is responsible for recommending to our Board for their approval of all individual annual stock option grants, including any annual stock option grants for our Chief Executive Officer. Occasionally grants are awarded outside the annual compensation deliberation process for promotions or new hires and are subject to the approval of our Board.

Stock options are intended to be market competitive and forward-looking; they are not granted to reflect or reward the prior year's performance. As such, previous option-based awards are not taken into account when considering new grants. Options generally vest in increments of one third (1/3) over two (2) years and expire within five (5) years of issuance.

Our Option Plan provides for the "rolling" grant of options up to ten percent (10%) of our issued and outstanding common shares. The Option Plan provides for the granting of stock options to our officers, directors, employees and consultants.

Below are some of the key features of our Option Plan:

1. the total number of common shares reserved for issuance on exercise of all stock options ("**Options**") issued under the Option Plan at any given time shall not exceed 10% of our issued and outstanding common shares at such time;
2. the number of common shares reserved for issuance, within a one-year period, to any one optionee shall not exceed 5% of our issued and outstanding common shares;
3. the aggregate number of common shares reserved for issuance to any one consultant in a 12 month period shall not exceed 2% of our issued and outstanding common shares;
4. unless the approval of our disinterested shareholders is obtained, the maximum number of common shares reserved for issuance pursuant to Options granted to insiders at any time may not exceed 10% of our issued and outstanding common shares;
5. unless the approval of our disinterested shareholders is obtained, the maximum number of common shares which may be issued to insiders within a one year period may not exceed 10% of our issued outstanding common shares; and
6. the exercise price of any Option subject to the stock option plan shall not be less than the "Discounted Market Price" (which means the closing trading price per common shares on the TSX Venture Exchange) preceding the date of grant (or as otherwise determined under the rules of the TSX Venture Exchange) less the applicable discount.

As at May 4, 2011, a total of 4,975,000 Options were outstanding under the stock option plan at a weighted average exercise price of approximately \$1.52 per Option.

Procedures on Grant of Options

In order to ensure that issues do not arise in connection with the granting of Options, the Board considers, among other things, the following when granting Options:

1. there should be no material information in respect of us that has not been generally disclosed to the public at the time of grant;
2. all pricing information used in pricing of Options must be in respect of periods outside of the dissemination period for any material information and outside of any blackout period prescribed by our trading or blackout policies;
3. the grant of Options should be done either:

- (a) at a Board meeting prior to or on the date of grant specifying all material information in respect of the Option grant, including the grantee, Option price or period for calculation, as the case may be, and any other information required to be specified under the terms of the Option Plan (and if the Board meeting is prior to the date of grant, the resolution should be specific as to the actual date of grant and the exercise price of options granted reflecting that the market price will be calculated in accordance with the Option Plan as at the date of grant); or
 - (b) by "round robin" resolution that is signed by all directors on or prior to the date of grant which "round robin" resolution will include all information including the grantee, Option price or period for calculation, as the case may be, and any other information required to be specified under the terms of the Option Plan.
4. in certain circumstances it may not be possible or desirable to convene Board meetings or have round robin resolutions executed with respect to each grant of Options in accordance with paragraph 3 above, and therefore, if permitted under the terms of the Option Plan, it may be desirable to delegate the authority to grant options in accordance with the Option Plan to an appropriate committee of the Board comprised of one or more directors as permitted by the Option Plan. This delegation may, for example, allow for the grant of options by such committee or individuals in respect of new hires, with limitations on the authority that they are not directors or officers and may contain other desired limitations such as a limit on the individual or maximum numbers of options that could be granted under the authority, although this may not be required; and
5. if the authority to grant any Options is delegated to a committee of the Board in accordance with the Option Plan, the exercise of the discretion of the committee to grant options should be documented on or prior to the date of grant to evidence the grant including all details thereof.

Employee Stock Purchase Plan

A second component of long-term compensation is our employee stock purchase plan ("ESPP") pursuant to which all of our full-time employees, including executive management, may contribute up to ten percent (10%) of their gross annual salary to the ESPP, with us matching the contribution on a 1:1 basis. We use the contributions to acquire our common shares on behalf of the employees through open market purchases at the current market price on the TSX Venture Exchange. Our employees are entitled to withdraw or sell any portion of the common shares that have been purchased through the ESPP using the employee's contributions only once in any six (6) month period and once in any twelve (12) month period for our matching contributions. For the year ended December 31, 2010, our share of the total contribution is recorded as general and administrative expense and amounted to \$57,651, where \$37,500 of this total was contributed by us to match the contributions of the NEOs. Our NEOs are eligible to participate in the ESPP on the same basis as all other full-time employees of the Corporation.

Other Compensation – Perquisites and Benefits

In order to attract and retain high quality executive talent and offer competitive levels of compensation, we provide certain perquisites and benefits to executive management, which are not generally available to all of our employees. While perquisites generally comprise a relatively small percentage of overall executive compensation, it is a prevalent practice among our peer group to maintain some level of perquisites. The elements described below are reviewed periodically to ensure an appropriate benefit level is maintained.

Our executive officers are eligible for company-paid benefits, including life insurance, accidental death and dismemberment, short-term disability, long-term disability, supplementary medical and dental. Executive management are eligible for a company-paid reserved parking stall which in 2010 aggregated to \$22,260 for the NEOs.

Summary Compensation of NEO's

The following table sets forth for the year ended December 31, 2010, information concerning the actual compensation paid to our NEOs. The NEOs were all appointed on May 7, 2010, with the exception of Joe Sobochan, our Vice President, Geology, who was appointed on October 5, 2010. The following information provides the compensation paid to our NEOs from May 7, 2010 to December 31, 2010.

Name and principal position	Year ⁽¹⁾	Salary (\$)	Share-based awards ⁽²⁾ (\$)	Option-based awards ⁽³⁾ (\$)	Non-equity incentive plan compensation		Pension value (\$)	All other compensation ⁽⁵⁾ (\$)	Total cash compensation ⁽⁶⁾ (\$)	Total compensation (\$)
					Annual incentive plans ⁽⁴⁾ (\$)	Long-term incentive plans (\$)				
Wade Becker President and Chief Executive Officer	2010	100,000	603,500	18,333	-	N/A	N/A	-	100,000	721,833
Brent Gough Vice President, Operations	2010	100,000	603,500	18,333	-	N/A	N/A	-	100,000	721,833
Joe Sobochan Vice President, Geology	2010	100,000	204,000	18,333	-	N/A	N/A	-	100,000	322,333
Dan Toews Vice President, Finance and Chief Financial Officer	2010	100,000	603,500	18,333	-	N/A	N/A	-	100,000	721,833
Bill Turko Vice President, Engineering	2010	100,000	603,500	18,333	-	N/A	N/A	-	100,000	721,833
Korby Zimmerman Vice President, Business Development and Land	2010	100,000	603,500	18,333	-	N/A	N/A	-	100,000	721,833

Notes:

- (1) The above table shows compensation paid to the NEOs during the period between May 7, 2010 and December 31, 2010. Prior to May 7, 2010 when our Board and management were replaced pursuant to the Capitalization Agreement, the NEOs were Gus B. Coolidge as our President and Chief Executive Officer and Gregory J. Leia as our Vice President, Finance and Chief Financial Officer. Messrs. Coolidge and Leia resigned effective May 7, 2010 and did not receive any salary or bonus and were not granted any incentive stock options or any other form of compensation during the period between January 1, 2010 and May 7, 2010.
- (2) Represents the grant date fair value of transaction warrants on the date of grant, granted in connection with the transactions contemplated pursuant to the Capitalization Agreement. The fair value of each transaction warrant granted is determined on the date of grant using the Black-Scholes option pricing model. In the pricing model, the risk free interest rate was 2.29% during 2010; volatility 50% during 2010; an average expected life of 5 years; an estimated forfeiture rate of 0%; and dividends of nil. **These amounts are not necessarily reflective of actual amounts that may be realized on exercise.** See the discussion under the heading "*Directors' Compensation – Transaction Warrants*" above and "*Outstanding Option-based Awards and Transaction Warrants*" which reflect the value at December 31, 2010.
- (3) Based on the grant date fair value of the applicable Options on the date of grant. The fair value of each Option granted is determined on the date of grant using the Black-Scholes option pricing model. In the pricing model, the risk free interest rate was 2% during 2010; volatility of 55% during 2010; an average expected life of 5 years; an estimated forfeiture rate of 0%; and dividends of nil. **These amounts are not necessarily reflective of actual amounts that may be realized on exercise.** See "*Outstanding Option-based Awards and Transaction Warrants*" which reflect the value at December 31, 2010.

- (4) This represents cash bonuses paid to our NEOs.
(5) The value of perquisites awarded to each NEO does not exceed 10% of the NEO's salary.
(6) This represents the total of salary, annual incentive plans and all other compensation.

Outstanding Option-Based Awards and Transaction Warrants

The following table sets forth for each NEO, all option-based awards outstanding at the end of the year ended December 31, 2010.

Name ⁽¹⁾	Option-based Awards			Transaction Warrants		
	Number of securities underlying unexercised options ⁽²⁾ (#)	Option exercise price (\$) ⁽³⁾	Option expiration date	Value of unexercised in-the-money options ⁽³⁾ (\$)	Number of Transaction Warrants not exercised ⁽⁴⁾ (#)	Market or payout value of Transaction Warrants not exercised ⁽⁵⁾ (\$)
Wade Becker	500,000	1.52	October 8, 2015	640,000	710,000	1,633,000
Brent Gough	500,000	1.52	October 8, 2015	640,000	710,000	1,633,000
Joe Sobochan	500,000	1.52	October 8, 2015	640,000	240,000	552,000
Dan Toews	500,000	1.52	October 8, 2015	640,000	710,000	1,633,000
Bill Turko	500,000	1.52	October 8, 2015	640,000	710,000	1,633,000
Korby Zimmerman	500,000	1.52	October 8, 2015	640,000	710,000	1,633,000

Notes:

- (1) All of our officers were appointed on May 7, 2010 with the exception of Mr. Sobochan who was appointed on October 5, 2010, the compensation presented reflects compensation earned and awarded to our directors from May 7, 2010 to December 31, 2010.
(2) Options vest in increments of one third over two years and expire within five years from the date of grant.
(3) Calculated based on the difference between the market price of our common shares at December 31, 2010 (\$2.80) and the exercise price of the options multiplied by the number of options outstanding.
(4) Represents transaction warrants granted in connection with the transactions contemplated pursuant to the Capitalization Agreement. See "*Director Compensation*" above. All of the transaction warrants vested on June 10, 2011.
(5) Calculated based on the difference between the market price of our common shares at December 31, 2010 (\$2.80) and the exercise price of the transaction warrants multiplied by the number of transaction warrants 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, 2010, and the value of non-equity incentive plan compensation earned during the year ended December 31, 2010.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year ⁽²⁾ (\$)
Wade Becker	Nil	236,667
Brent Gough	Nil	236,667
Joe Sobochan	Nil	80,000
Dan Toews	Nil	236,667
Bill Turko	Nil	236,667
Korby Zimmerman	Nil	236,667

Notes:

- (1) Calculated based on the difference between the market price of our common shares on the vesting date and the exercise price of the options on the vesting date.

- (2) Calculated based on the difference between the market price of our common shares on each vesting date and the exercise price of the transaction warrants. The transaction warrants vested in three tranches of $\frac{1}{3}$ upon the market price of our common shares achieving certain prices. All of the transaction warrants vested on June 10, 2010. See "*Director's Compensation – Transaction Warrants*" above.

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, 2010.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders ⁽¹⁾	4,975,000	\$1.52	7,158,892
Equity compensation plans not approved by securityholders ⁽²⁾	4,830,000	\$0.50	N/A
Total	9,805,000	\$1.02	7,158,892

Note:

- (1) A floating number of common shares issuable pursuant to Options equal to 10% of the aggregate number of common shares outstanding has been approved by our shareholders.
- (2) Represents transaction warrants we granted in connection with the transactions contemplated by the Capitalization Agreement. The transaction warrants are not subject to any equity compensation plan and were a one-time issuance. The common shares issuable pursuant to the exercise of the transaction warrants are included in the 10% maximum common shares issuable under our Option Plan.

Pension Plan Benefits

We do not have any pension plans for our employees. We have established a savings plan to assist employees in meeting their savings goals. See "*Compensation Discussion and Analysis – Employee Stock Savings Plan*".

Employment Agreements

We have entered into employment agreements with each of our NEO's pursuant to which we have agreed to make certain payments to the executive in the event of termination without cause, a "change of control" without termination and a "change of control" with termination.

For the purpose of the employment agreements a "change of control" is deemed to occur upon the effective date of the earlier of any of the following events:

- (a) the purchase or acquisition of any of our common shares or securities convertible into our common shares by any person or group of persons acting in concert (a "**Holder**"), which results in the Holder beneficially owning, or exercising control or direction over, common shares or securities convertible into common shares such that the Holder would beneficially own, or exercise control or direction over, common shares carrying the right to cast more than 50% of the votes attaching to all our common shares;
- (b) approval by our shareholders of our amalgamation, arrangement, merger or other consolidation or combination with another corporation which requires the approval of our shareholders pursuant to our statute of incorporation and pursuant to which our shareholders immediately thereafter do not own shares of the successor or continuing corporation, which would entitle them to cast more than

50% of the votes attaching to all shares in the capital of the successor or continuing corporation, which may be cast to elect directors of that corporation;

- (c) election at a meeting of our shareholders of that number of persons which would represent a majority of our Board, as our directors who are not included in the slate for election as directors proposed to us by our shareholders;
- (d) approval of our shareholders of our liquidation, dissolution or winding up;
- (e) approval of our shareholders of the sale, lease or other disposition of all or substantially all of our assets;
- (f) the completion of any transaction or the first in a series of transaction which would have the same effect as any transaction or series of transactions referred to in subsections (a) to (e) referred to above; or
- (g) a determination of our Board that there has been a change, whether by way of change in the holding of our common shares, in the ownership of our assets or by any other means, as a result of which any Holder is in a position to exercise effective control over us.

The following is a description of payments or the nature of the vesting of long-term incentives due to NEO's departure upon resignation, termination without cause, normal retirement, change of control without termination and a change of control with termination. For the purpose of the employment agreements, termination includes constructive dismissal.

Resignation

- Retiring allowance – none.
- Stock options – within 90 days of ceasing to be an employee, the NEO can exercise all stock options vested on date the NEO ceased to be an employee.

Termination without Cause

- Retiring allowance to be paid within five business days of termination consisting of 18 months of the NEO's current base salary and an amount equal to the average cash bonus (or declared but not yet paid) to the NEO (if any) in the two full calendar years immediately preceding the termination date.
- Stock options – within 90 days of ceasing to be an employee, the NEO can exercise all stock options vested on date the NEO ceased to be an employee.

Change of Control without Termination

- Retiring allowance – none.
- Stock options – all stock options outstanding vest prior to the change of control in accordance with the stock option agreement.

Change of Control with Termination

- Retiring allowance to be paid within five business days of termination consisting of 18 months of the NEO's current base salary and an amount equal to the average cash bonus (or declared but not yet paid) to the NEO (if any) in the two full calendar years immediately preceding the termination date.

- Stock options – all stock options outstanding vest prior to the change of control in accordance with the stock option agreement.

Other key terms of the employment agreements:

- We are entitled to terminate an NEO's employment for just cause at any time without notice and without any payment to the NEO whatsoever, save and except only for payment of the pro-rata salary earned for services rendered up to and including the termination date, plus any outstanding vacation pay and expenses.
- The NEO may resign by providing us with two months advance written notice of the resignation date.
- Should there be a change of control and an event that constitutes constructive dismissal within six months of the change of control, the NEO has the right, for a period of 90 days following the event or events that constituted the change of control, to elect to terminate his employment upon providing us with one week advance written notice.
- In the event of a change of control and the NEO elects to terminate his employment, the NEO will be required, at our option, to continue his employment with us for a period of up to one month at the NEO's then existing compensation package, to assist us in an orderly transition of management.

The following table summarizes the estimated cash payments to the NEOs as if the employment events listed above had occurred on December 31, 2010.

	Resignation \$	Termination (without cause)⁽¹⁾ \$	Change of Control without Termination \$	Change of Control with Termination⁽¹⁾ \$
Wade Becker	-	225,000	-	225,000
Brent Gough	-	225,000	-	225,000
Joe Sobochan	-	225,000	-	225,000
Dan Toews	-	225,000	-	225,000
Bill Turko	-	225,000	-	225,000
Korby Zimmerman	-	225,000	-	225,000

Note:

- (1) No cash bonuses were paid to the NEOs during the year ended December 31, 2010.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Board of Directors

The majority of our Board of directors are independent. Our Board has determined that Messrs. Brussa, Zakresky, Fitzpatrick and Johnson are independent. Messrs. Becker and Zimmerman are not considered independent as they are executive officers.

Our independent members of our Board hold regularly scheduled meetings at which non-independent Directors and members of management are not in attendance, typically in conjunction with each regularly scheduled meeting of our Board of directors.

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

Director	Names of Other Issuers
Wade Becker	Spartan Exploration Ltd.
John Brussa	Baytex Energy Ltd., Calmena Energy Services Inc., Chinook Energy Inc., Cirrus Energy Corporation, Crew Energy Inc., Deans Knight Income Corporation, Enseco Energy Services Corp., Equal Energy Ltd., Galleon Energy Inc., Just Energy Corp., Midway Energy Ltd., North American Energy Partners Inc., Orleans Energy Ltd., Penn West Petroleum Ltd., Progress Energy Resources Corp., Storm Exploration Inc., Westfire Energy Ltd. And Yoho Resources Inc.
David Fitzpatrick	Compton Petroleum Corporation, Twin Butte Energy Ltd. and Eagle Energy Trust
David Johnson	Progress Energy Resources Corp. and Secure Energy Services Inc.
Robert Zakresky	Crocotta Energy Inc., and Emerge Oil & Gas Inc.
Korby Zimmerman	TriOil Resources Ltd.

Board Mandate

Our Board, either directly or through its committees, is responsible for the supervision of management and our business and affairs with the objective of enhancing shareholder value. The following is a summary of our Board's written mandate:

The Board is responsible for our stewardship. In discharging this responsibility, the Board is required to 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 our best interests. In general terms, the Board will:

- define our principal objective(s) based upon the recommendations of our chief executive officer of and others deemed appropriate for such purpose;
- monitor the management of our business and affairs with the goal of achieving our principal objective(s) as defined by the Board;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, our Board is also required to perform the following duties:

Strategic Direction and Capital and Financial Plans

- require our Chief Executive Officer to present annually to our Board, a longer range strategic plan and a shorter range business plan for our business, which plans must:
 - be designed to achieve our principal objectives;
 - identify our principal strategic and operational opportunities and risks of our business; and
 - be approved by the Board as a pre-condition to the implementation of such plans;

- review progress towards the achievement of the goals established in the strategic, operating and capital plans;
- identify the principal risks of our business and take all reasonable steps to ensure the implementation of the appropriate systems to manage these risks;
- approve the annual operating and capital plans;
- approve acquisitions and dispositions in excess of which require approval pursuant to expenditure limits established by our Board;
- approve the establishment of credit facilities.
- approve issuances of common shares or other instruments to the public.

Monitoring and Acting

- monitor progress towards achieving its goals, and to revise and alter its direction through management in light of changing circumstances;
- monitor our overall human resources policies and procedures, including compensation and succession planning;
- appoint our Chief Executive Officer and determine the terms of our Chief Executive Officer's employment with us;
- ensure systems are in place for the implementation and integrity of our internal control and management information systems;
- monitor our "good corporate citizenship", including our compliance with all applicable environmental laws;
- in consultation with our Chief Executive Officer, establish the ethical standards to be observed by all our officers and employees and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;
- in consultation with our Chief Executive Officer, appoint our officers and approve the terms of our officer's employment;
- require that our Chief Executive Officer institute and monitor processes and systems designed to ensure our compliance with applicable laws and the compliance by our officers and employees; and
- approve all matters relating to a takeover bid for our securities.

Compliance Reporting and Corporate Communications

- review the procedures implemented by our management and Board which are designed to ensure that our financial performance is properly reported to shareholders, other security holders and regulators on a timely and regular basis;
- recommend to our shareholders a firm of chartered accountants to be appointed as our auditors;
- review the procedures designed and implemented by our management and the independent auditors to ensure that our financial results are reported fairly and in accordance with generally accepted accounting principles;
- review the procedures implemented by our management and Board which are designed to ensure the timely reporting of any other developments that have a significant and material impact on our value;
- review, consider and where required, approve, the reports required under National Instrument 51-101 of the Canadian Securities Administrators;
- report annually to our shareholders on the Board's stewardship for the preceding year; and

- where required, approve any policy designed to enable us to communicate effectively with our shareholders and the public generally.

Governance

- in consultation with our Chairman of the Board, develop a position description for the Chairman;
- facilitate the continuity, effectiveness and independence of our Board by, among other things,
 - selecting nominees for election to our Board,
 - appointing a Chairman who is not a member of management;
 - appointing from among the directors an audit committee and such other committees of the Board as our Board deems appropriate,
 - defining the mandate or terms of reference of each committee of the Board,
 - ensuring that processes are in place and are utilized to assess the effectiveness of the Chairman of the Board, the Board as a whole, each committee of the Board and each director, and
 - establishing a system to enable any director to engage an outside adviser at our expense; and
- review annually the adequacy and form of our compensation of directors.

Delegation

- Our Board may delegate its duties to and receive reports and recommendations from any committee of the Board.

Composition

- A majority of our Board members should be "independent" directors as such term is defined in Multilateral Instrument 52-110 – Audit Committees and as defined in Section 303A.02 of the Corporate Governance Rules of the New York Stock Exchange.
- On at least an annual basis, our Board shall conduct an analysis and make a positive affirmation as to the "independence" of a majority of its members.
- Members of our Board should have or obtain sufficient knowledge of us and the oil and gas business to assist in providing advice and counsel on relevant issues.

Meetings

- Our Board shall meet at least four times per year and/or as deemed appropriate by the Chairman.
- Minutes of each meeting shall be prepared by our Secretary to the Board.
- The Chief Executive Officer or his designate(s) may be present at all meetings of our Board.
- Vice-Presidents and such other staff as appropriate to provide information to our Board shall attend meetings at the invitation of the Board.

Reporting / Authority

- Following each meeting, our Secretary will promptly report to our Board by way of providing draft copies of the minutes of the meetings.
- Supporting schedules and information reviewed by our Board at any meeting shall be available for examination by any director upon request to our Chief Executive Officer.

- Our Board shall have the authority to review any corporate report or material and to investigate activity of the Corporation and to request any employees to cooperate as requested by our Board.
- Our Board may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at our expense.

Position Descriptions

Our Board has developed position descriptions for each of the Chairman, the Chief Executive Officer and the chairman of each committee of our Board.

Orientation and Continuing Education

Upon joining our Board, a new director will be provided with a director's 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 the Board and committee meetings for the past 12 months.

No formal continuing education program currently exists for our directors; however, we encourage our directors to attend, enrol in or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and have agreed to pay the costs of such courses and seminars. Each of our directors has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director.

Ethical Business Conduct

Our Board has adopted a Code of Business Conducts and Ethics, a copy of which is available for review at www.sedar.com or through a link on our website at www.pinecrestenergy.com. Each employee, officer and director will confirm annually his or her understanding, acceptance and compliance of the code. Any reports of variance from the code will be reported to our Board.

Our Board has also adopted a whistleblower policy which provides employees with the ability to have procedures in place to address the confidential, anonymous submission by employees of concerns regarding accounting, internal accounting controls or auditing matters, or to address the receipt, retention and treatment of concerns regarding accounting, internal accounting controls or auditing matters. Our Board believes that providing a forum for employees 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

Our Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting our shareholders, taking into account the number required to carry out its duties effectively and to maintain a diversity of views and experience.

The Corporate Governance, Compensation and Nominating Committee acts as the nominating committee of our Board and reviews the size and composition of our Board and nominating functions are then performed by our Board as a whole. This policy will be reviewed annually. The Corporate Governance, Compensation and Nominating Committee, which is responsible for nominating directors, is comprised of a majority of independent directors.

Board Committees

Our Board has three committees: an Audit Committee, a Corporate Governance, Compensation and Nominating Committee and a Reserves Committee, all members of which are independent directors. For information concerning our Audit Committee, please see the disclosure in under the heading "Audit Committee Information" in our annual information form for the year ended December 31, 2010 filed on SEDAR at www.sedar.com.

Corporate Governance, Compensation and Nomination Committee

This committee makes recommendations to our Board which determines compensation for the directors and Chief Executive Officer. The committee has the responsibility to annually review our directors' compensation program and indemnification and insurance programs and make any recommendations to the Board for approval. The members of this Committee are: Mr. Brussa (Chair), Mr. Fitzpatrick and Mr. Zakresky. This committee has overall responsibility for recommending levels of executive compensation that are competitive and motivating.

Subject to the powers and duties of the Board, the Committee is required under its proposed charter to perform the following duties:

Corporate Governance Matters

- to develop and monitor our overall approach to corporate governance issues and, subject to approval by our Board, to implement and administer a system of corporate governance which reflects superior standards of corporate governance practices;
- to report annually to our shareholders, through our annual management information circular to shareholders in accordance with National Instrument 58-101, *Disclosure of Corporate Governance Practices*, on our system of corporate governance and the operation of its system of governance, having reference to the Corporate Governance Guidelines set forth in National Policy 58-201, *Corporate Governance Guidelines* and such other laws, rules, regulations, policies and instruments as may affect our corporate governance from time to time;
- to analyze our relationship with each of our directors and report to our Board on our significant shareholders as to whether such director is an independent director;
- to advise our Board or any of the committees of our Board of any corporate governance issues which the Committee determines ought to be considered by our Board or any such committee;
- to review with our Board, the role of our Board, the terms of reference of each of the committees of our Board and the methods and processes by which our Board fulfills its duties and responsibilities, including without limitation:
 - the number and content of meetings;
 - the annual schedule of issues to be presented to our Board at its meetings or those of its committees;
 - material which is to be provided to the directors generally and with respect to meetings of our Board or its committees;
 - resources available to our directors; and
 - the communication process between our Board and management;
- to propose to our Board, when required, the assignment of members to the committees of our Board and the chair for each committee;
- to recommend to our Board a system which enables a committee or an individual director to engage separate independent counsel and advisors at our expense in appropriate circumstances and, upon the approval by our Board of such a process, to be responsible for the management and administration thereof;
- whenever our Chairman is also our Chief Executive Officer, to establish practices and procedures to permit the Board in appropriate circumstances to act independently;

- to assist our Board in developing position descriptions for and, as appropriate, assessing the performance of our Chairman and our Chief Executive Officer;
- review periodically our approach to governance issues;
- review annually the mandate for the Board and the position description for our Chairman;
- evaluate regularly the effectiveness and contribution of our Board, our Chairman and the chair of each committee and the effectiveness and contribution of our individual directors, having regard for the mandate of the Board and position descriptions, the results of surveys of our directors, attendance at Board committee meetings, overall contribution and, in the case of individual directors, the competencies and skills the individual director is expected to bring to our Board; and
- recommend policies regarding succession in the event of an emergency or the retirement of our Chairman.

Selection, Nomination, Orientation, Education, and Remuneration of Directors

- in consultation with our Board, to consider the appropriate size of the Board, with a view to facilitating effective decision-making;
- in consultation with our Board, to establish criteria for Board membership, considering the competencies and skills that the Board, as a whole, should possess; assess the competencies and skills of each of our existing directors and any new nominees; and, recommend Board composition;
- in conjunction with our Chairman, to propose to our Board, annually, the members proposed for re-election to our Board and identify and, where appropriate, recommend new nominees for our Board;
- to ensure that there is available an education and comprehensive orientation program for new members of our Board and a continuing education program for all our directors; and
- to periodically review the adequacy and form of the compensation of our directors and to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director, and to report and make recommendations to our Board accordingly.

Review and Assessment of the Effectiveness of the Board and its Committees

- to establish and administer a process (including a review by the full Board and discussion with management) for assessing the effectiveness of our Board as a whole and the committees of the Board;
- assess the needs of the Board in terms of the frequency and location of Board and committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings and make recommendations to our Board as required; and
- review our structures and procedures to ensure our Board is able to, and in fact does, function independently of management.

Compensation Matters

- to recommend to our Board compensation policies and guidelines concerning executive compensation and benefits;
- to endeavour to ensure that we have programs in place to attract and develop high calibre management and a process to provide for the orderly succession of management;

- to review and approve corporate goals and objectives relevant to compensation of our Chief Executive Officer, and evaluate our Chief Executive Officer's performance in light of such corporate goals and objectives;
- to make recommendations to our Board with respect to the annual salary, bonus and other benefits, direct and indirect, of our Chief Executive Officer having consideration to the committee's evaluation of our Chief Executive Officer's performance and to approve compensation for all our other designated officers after considering the recommendations of our Chief Executive Officer, all within the compensation policies and general human resources policies and guidelines concerning employee compensation and benefits, such compensation to realistically reflect the responsibilities and risks of such positions;
- to implement and administer compensation policies and guidelines concerning executive compensation and benefits concerning the following:
 - executive compensation, contracts, stock plans or other incentive plans; and
 - proposed personnel changes involving officers reporting to our Chief Executive Officer;
- from time to time, to review our broad policies and programs in relation to benefits;
- to annually receive from our Chief Executive Officer recommendations concerning annual compensation policies;
- from time to time, to review with our Chief Executive Officer our broad policies on compensation;
- review and endorse major changes in the organizational structure of management as proposed by our Chief Executive Officer;
- review and recommend to our Board for approval, the compensation committee report and statement of executive compensation for inclusion in the public disclosure documents;
- review with our Chief Executive Officer any significant outside commitments our Chief Executive Officer is considering before the commitment is made. This includes commitments to act as a director or trustee of for-profit and not-for-profit organizations;
- review annually our director compensation and recommend compensation terms that adequately reflect the responsibilities being assumed by our directors, our Chairman and committee chairs and members;
- annually review and recommend changes to the committee's mandate; and
- to report regularly to our Board on our committee's activities and findings during that year.

Reserves Committee

Our Board has delegated to the Reserves Committee responsibility for matters set forth in respect of the responsibilities of our Board in relation to National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. The members of the Reserves Committee are: Mr. Johnson (Chair), Mr. Brussa and Mr. Fitzpatrick. These responsibilities include, but are not limited to:

- reviewing our procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements;
- reviewing our procedures for providing information to the independent evaluator;

- meeting, as considered necessary, with our management and our independent evaluator to determine whether any restrictions placed by our management affect the ability of the evaluator to report without reservation on the Reserves Data (as defined in NI 51-101) (the "**Reserves Data**") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- reviewing the appointment of our independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- providing a recommendation to our Board as to whether to approve the content 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 oil and gas producing activities; and
- generally reviewing all matters relating to the preparation and public disclosure of estimates of our reserves.

Assessments

The Corporate Governance, Compensation and Nomination Committee is responsible for assessing the effectiveness of our Board as a whole, the committees of the Board, the appointments to those committees and the mandates thereof. While no formal evaluation has been conducted to date, the committee has relied on informal evaluation of the effectiveness through both formal and informal communications with Board members and through participation with other Board members on committees and matters relating to our Board. This methodology has been both responsive and practical given the size of our Board.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere herein and pursuant to the "Capitalization Agreement", none of our directors, officers, principal shareholders, or informed persons (as defined in National Instrument 51-102), and no associate or affiliate of any of them, has or has had any material interest in any transaction since the commencement of our most recently completed financial year or in any proposed transactions which have materially affected or would materially affect us.

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 the beginning of our last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the meeting, save as is disclosed herein.

ADDITIONAL INFORMATION

Financial information is provided in the our comparative audited consolidated financial statements and related management's discussion and analysis for the year ended December 31, 2010. To receive a copy of the our financial statements and related management's discussion and analysis please contact us at Suite 500, 255 – 5th Avenue SW, Calgary, Alberta, T2P 3G6. If you wish, this information and additional information relating to us, may also be accessed on our website at www.pinecrestenergy.com or on SEDAR at www.sedar.com. \

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 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.

The contents and the sending of this information circular - proxy statement have been approved by our directors.

Dated: May 4, 2011