

# **SURE ENERGY INC.**



**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON**

**May 25, 2011**

**MANAGEMENT INFORMATION CIRCULAR**

**April 25, 2011**

## **SURE ENERGY INC.**

1100, 606 – 4<sup>th</sup> Street S.W.  
Calgary, AB T2P 1T1

### **NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN THAT an annual and special meeting (the “**Meeting**”) of holders of common shares (“**Common Shares**”) of Sure Energy Inc. (the “**Corporation**”) will be held in the Cardium Room at the Calgary Petroleum Club, 319-5<sup>th</sup> Avenue S.W., Calgary, Alberta on the 25<sup>th</sup> day of May, 2010 at 10:00 am. (Calgary time), for the following purposes:

1. To receive the audited financial statements of the Corporation for the fiscal year ended December 31, 2010 and the report of the auditors thereon;
2. To elect the board of directors of the Corporation for the ensuing year;
3. To appoint Deloitte & Touche LLP, Chartered Accountants, of Calgary, Alberta, as auditors of the Corporation, at a remuneration to be fixed by the board of directors;
4. To approve, with or without modification, an ordinary resolution in respect of the extension of the term of 3,073,334 stock options which are held by directors, officers, employees and consultants of the Corporation; and
5. To transact such other business as may be properly brought before the Meeting or any adjournment or adjournments thereof.

The details of all matters proposed to be put before shareholders at the Meeting are set forth in the Management Information Circular accompanying this Notice of Meeting. At the Meeting, shareholders will be asked to approve each of the foregoing items.

Only shareholders of record at the close of business on April 25, 2011 are entitled to notice of and to attend the Meeting or any adjournment or adjournments thereof and to vote thereat.

**DATED** at the City of Calgary, in the Province of Alberta this 25<sup>th</sup> day of April, 2011.

#### **BY ORDER OF THE BOARD OF DIRECTORS**

*“Jeffrey S. Boyce”*

Jeffrey S. Boyce

Chairman and Chief Executive Officer and Director

#### **IMPORTANT**

It is desirable that as many Common Shares as possible be represented at the Meeting. If you do not expect to attend and would like your Common Shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. In accordance with the by-laws of the Corporation, all proxies, to be valid, must be deposited at the office of the Registrar and Transfer Agent of the Corporation, Valiant Trust Company, 600 750 - Cambie Street, Vancouver, BC V6B 0A2, no later than 3:00 p.m. (Calgary time) on May 23, 2011 or the second last business day (excluding Saturdays and holidays) preceding any adjournment of the Meeting.

**SURE ENERGY INC.**  
**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON MAY 25, 2011**

**MANAGEMENT INFORMATION CIRCULAR**

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of Sure Energy Inc. (the “**Corporation**”) for use at an annual and special meeting of the holders of common shares (the “**Common Shares**”) of the Corporation to be held on the 25<sup>th</sup> day of May, 2011 at 10:00 a.m. (Calgary time or at any adjournment thereof, ) (the “**Meeting**”), for the purposes set forth in the Notice of Meeting. The information contained herein is given as of the 25<sup>th</sup> day of April, 2011 except where otherwise indicated. There is enclosed herewith a form of proxy for use at the Meeting, together with a copy of the financial statements of the Corporation for the fiscal year ended December 31, 2010, to be presented at the Meeting. Each shareholder who is entitled to attend at meetings of shareholders is encouraged to participate in the Meeting and shareholders are urged to vote in person or by proxy on matters to be considered.

**APPOINTMENT AND REVOCATION OF PROXIES**

Those shareholders desiring to be represented by proxy must deposit their respective forms of proxy with Valiant Trust Company (“**Valiant**”) at Suite 600 – 750 Cambie Street, Vancouver, BC V6B 0A2, by no later than 10:00 a.m. (Calgary time) on May 23, 2011 or on the second last business day (excluding Saturdays and holidays) preceding any adjournment of the Meeting. A proxy must be executed by the shareholder or by his attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized. A proxy is valid only at the Meeting in respect of which it is given or any adjournment of the Meeting.

**Each shareholder submitting a proxy has the right to appoint a person to represent him or it at the Meeting other than the persons designated in the form of proxy furnished by the Corporation.** The shareholder may exercise this right by striking out the names of the persons so designated and inserting the name of the desired representative in the blank space provided, or by completing another form of proxy and in either case depositing the proxy with Valiant at the place and within the time specified above for the deposit of proxies.

**An instrument of proxy may be revoked by the person giving it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person by depositing an instrument in writing executed by the shareholder or its attorney authorized in writing with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.** In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or its attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized, and deposited with Valiant at the place specified above for the deposit of proxies and at any time up to and including the last business day preceding the Meeting, or any adjournment thereof. The close of business on April 25, 2011 is the record date for the determination of shareholders who are entitled to notice of, and to attend and vote at, the Meeting (the “**Record Date**”).

Shareholders who do not hold their Common Shares in their own name (referred to herein as “**beneficial shareholders**”) are advised that only proxies from shareholders of record can be recognized and voted upon at the Meeting. If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder’s name on the records of the Corporation. Such Common Shares will more likely be

registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the beneficial shareholder. Without specific instructions, brokers/nominees are prohibited from voting Common Shares for their clients. The directors and officers of the Corporation do not know for whose benefit the Common Shares registered in the name of CDS & Co. are held, and directors and officers of the Corporation do not necessarily know for whose benefit the Common Shares registered in the name of any broker or agent are held. Beneficial shareholders who complete and return a form of proxy must indicate thereon the person (usually a brokerage house) who holds their Common Shares as a registered shareholder. Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from beneficial shareholders in advance of shareholders' meetings. Every intermediary (broker) has its own mailing procedure, and provides its own return instructions, which should be carefully followed. The form of proxy supplied to beneficial shareholders contains identical information to that provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on behalf of the beneficial shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically applies a special sticker to the proxy forms, mails those forms to the beneficial shareholders and asks beneficial shareholders to return the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A beneficial shareholder receiving a proxy with a Broadridge sticker on it cannot use that proxy to vote Common Shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.**

All references to shareholders in this Management Information Circular and the accompanying instrument of proxy and Notice of Meeting are to shareholders of record, unless specifically stated otherwise.

#### **EXERCISE OF DISCRETION**

The Common Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder. **The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. If any such matters should come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with their best judgment unless the shareholder has specified to the contrary or that Common Shares are to be withheld from voting. At the time of printing this Management Information Circular the management of the Corporation is not aware of any such amendment, variation or other matter.**

Unless otherwise specified, proxies in the accompanying form will be voted (i) in favour of the election of the nominees, hereinafter set forth, as directors of the Corporation (provided that in the event that a vacancy among such nominees occurs because of death or for any other reason prior to the Meeting, proxies shall not be voted with respect to such vacancy); (ii) in favour of the appointment of Deloitte & Touche LLP, Chartered Accountants, as auditors of the Corporation; and (iii) in favour of the approval and adoption of the ordinary resolution approving the extension of the term of 3,073,334 stock options of the Corporation.

## PERSONS MAKING THE SOLICITATION

This solicitation is made on behalf of the management of the Corporation. The cost incurred in the preparation and mailing of both the proxy and this Management Information Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of the Corporation who will not be directly compensated therefor.

In accordance with National Instrument 54-101 - *Communications with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at March 31, 2011 the Corporation had 48,528,630 Common Shares outstanding. Each Common Share confers upon the holder thereof the right to one vote. Only those shareholders of record on the Record Date are entitled to notice of, and to attend and vote at the Meeting. Any transferee or person acquiring Common Shares after the Record Date may, on proof of ownership of Common Shares, demand of Valiant not later than 10 days before the Meeting that his name be included in the list of persons entitled to attend and vote at the Meeting.

Two or more holders of five percent (5%) percent of the Common Shares present in person or represented by proxy constitutes a quorum for the Meeting.

To the knowledge of the directors and executive officers of the Corporation, as of the date hereof no person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of the voting rights attached to all of the outstanding Common Shares other than as set forth below:

<u>Name</u>	<u>Number of Common Shares</u>	<u>Percentage of Common Shares</u>
Jeffrey S. Boyce	9,118,379	18.79%
Deans Knight Capital Management Ltd.	6,444,873	13.28%

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Objectives*

The Corporation has a Governance and Human Resources Committee (the “**Committee**”), whose mandate includes reviewing and recommending the compensation philosophy, guidelines and plans for the Corporation’s employees and executives. In consultation with the Chief Executive Officer, it also approves the Corporation’s compensation plans, including stock options, incentives, bonuses and benefit plans, for the executive officers including the Chief Executive Officer.

In arriving at its compensation decisions, the Committee considers the long term interest of the Corporation and its stakeholders, and its historical and current stage of development. Based on these considerations, compensation is designed, reviewed and adjusted using performance enhancement as the

major goal. The Committee makes specific recommendations to the board of directors with respect to compensation paid to its executive officers.

#### *Compensation Process*

The Chief Executive Officer recommends to the Committee the individual annual base salaries and bonuses for each executive officer. The Committee takes these recommendations into consideration when making final decisions on compensation for those executive officers. Compensation decisions regarding the Chief Executive Officer are made entirely by the Committee.

The Committee strives to find a balance among current versus long-term compensation and cash versus equity incentive compensation. Cash payments primarily reward recent performance and equity incentive rewards encourage executive officers to continue to deliver results over a longer period of time and serve as a retention tool.

The Committee does not use formulas in determining the amount and mix of compensation. The Committee believes that solely using annual quantitative performance measures does not create the appropriate balance of incentive to build long-term shareholder value. Thus, the Committee evaluates a broad range of both quantitative and qualitative factors including reliability in delivering financial and growth targets, a track record of integrity, good judgment, the vision and ability to create further growth and the ability to lead others. The evaluation of an executive officer's performance against his stated objectives plays an important role in awarding the discretionary annual cash bonus and also contributes to a determination of overall compensation. For annual long-term incentive awards, the Committee primarily considers an executive officer's potential for future successful performance and leadership as part of the executive management team, taking into account past performances as a key indicator.

The compensation of the Chief Executive Officer, executive officers and management of competitors was considered, to the extent publicly available, in determining compensation and the Committee has the power to engage a compensation consultant or advisor to assist in determining appropriate compensation.

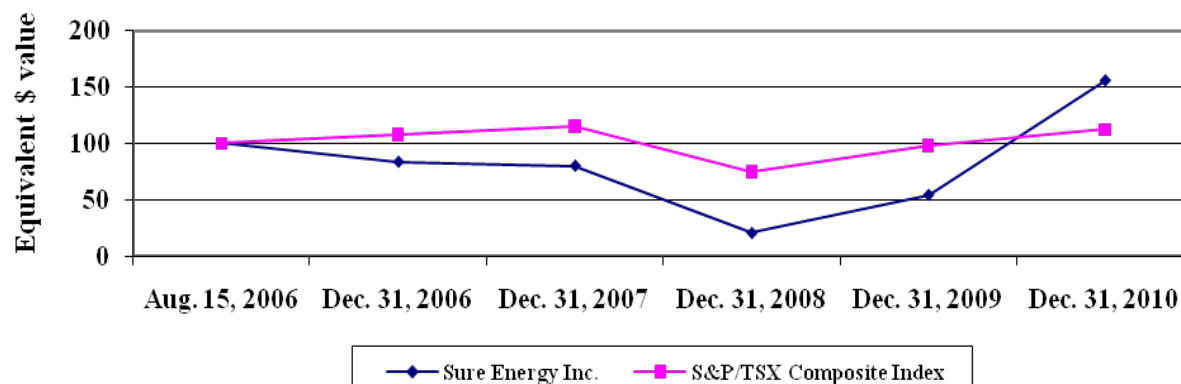
#### *Components of Compensation*

The annual compensation of each executive officer is determined having regard to such factors as the officer's current responsibilities, individual performance during the year, corporate performance during the year, years of service and the assessment by the Committee of other factors which may be presented by management. The Corporation's compensation policy has three basic components: (i) base salary and benefits; (ii) short term incentives in the form of bonuses; and (iii) long term incentives in the form of stock options and performance incentive rights. The elements of the Corporation's compensation policy are designed to attract and retain highly qualified people and to align their interest with those of the shareholders of the Corporation. The maximization of shareholder value is encouraged by making long term equity incentives a major component of the compensation regime, particularly for the Chief Executive Officer. The Corporation has a stock option plan and a performance incentive rights plan in place under which awards have been made to executive officers and other key employees in relation to their position, performance and dedication.

## Performance Graph

The following performance graph compares the Corporation's cumulative total shareholder return on its Common Shares over the period August 15, 2006 (the first day of trading of the Corporation's Common Shares on the Toronto Stock Exchange (the "TSX") to December 31, 2010 on the TSX, assuming a \$100 initial investment with the cumulative total shareholder return on the S&P/TSX Composite Index.

### Cumulative Value of a \$100 Investment



	August 15, 2006	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010
Sure Energy Inc.	100	83.93	80.36	20.54	54.46	156.25
S&P/TSX Composite Index	100	107.78	115.50	75.04	98.07	112.24

The Corporation's executive officers receive long term incentives as part of their compensation. The actual value received from long-term incentives by individual executive officers is proportional to any increase (or decrease) in the Common Share price. In reviewing individual executive officer compensation reported in the Summary Compensation Table there is a general correlation between Common Share price performance and the total compensation received by the executive officers for the three year period disclosed in the Summary Compensation Table.

## Option Based Awards

The process that the Corporation uses to grant option-based awards to executive officers, including the Named Executive Officers, and the factors that are taken into account when considering new grants under the Plan (as defined herein), are based upon a number of criteria, including the performance of the executive officers, the number of stock options available for grant under the Plan, the number of stock options anticipated to be required to meet the future needs of the Corporation, as well as the number of stock options previously granted to each of the executive officers. The Committee determines the need for any amendments to the Plan and determines the number of stock option grants to be made under the Plan, in consultation with the President and the Chief Executive Officer. Other than as set out in this Management Information Circular, the grant of option-based awards is not determined based on benchmarks, performance goals or a specific formula.

## Summary Compensation Table

The following table and related narrative below provide compensation information for the financial years of the Corporation ended December 31, 2010, 2009 and 2008 for the Chief Executive Officer, the Chief Financial Officer, the President and each of the other four executive officers of the Corporation (collectively, the “**Named Executive Officers**”).

Name and principal position	Year	Salary \$	Share-based awards (\$)	Option-based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation (\$)			All other compensation (\$) <sup>(3)</sup>	Total Compensation (\$) <sup>(4)</sup>
					Annual incentive plans <sup>(2)</sup>	Long-term incentive plans	Pension value (\$)		
Jeffrey S. Boyce Chairman and Chief Executive Officer	2010	61,200	-	-	30,000	-	-	-	91,200
	2009	60,000	-	-	-	-	-	-	60,000
	2008	60,000	-	-	-	-	-	-	60,000
Lance L. Wirth Vice President, Finance and Chief Financial Officer	2010	137,700	-	96,300	67,500	-	-	-	301,500
	2009	135,000	-	-	-	-	-	-	135,000
	2008	135,000	-	28,900	-	-	-	-	163,900
Christopher M. Baker President, Chief Operating Officer and Vice President, Exploration	2010	137,700	-	96,300	67,500	-	-	-	301,500
	2009	135,000	-	-	-	-	-	-	135,000
	2008	135,000	-	28,900	-	-	-	-	163,900
C. Tom Banks Vice President, Engineering	2010	137,700	-	96,300	67,500	-	-	-	301,500
	2009	135,000	-	-	-	-	-	-	135,000
	2008	135,000	-	28,900	-	-	-	-	163,900
Robert J. Sheedy Vice President, Land	2010	137,700	-	96,300	67,500	-	-	-	301,500
	2009	135,000	-	-	-	-	-	-	135,000
	2008	135,000	-	28,900	-	-	-	-	163,900
Don Almond <sup>(5)</sup> Vice President, Production	2010	12,500	-	329,300	3,500	-	-	-	345,300

### Notes:

- (1) The Corporation calculated the grant date fair value of the options granted to Named Executive Officers in 2008 and 2010 using the Black-Scholes-Merton model. The Corporation chose this methodology because it is recognized as the most common methodology used for valuing options and doing value comparisons. The Black-Scholes-Merton assumptions used by the Corporation were (i) an initial expected useful life of 5 years; (ii) a forfeiture rate of 0% (iii) volatility of 68% (2008) and 80% (2010); and (iv) risk-free interest rate of 3.5% (2008) and 2.5% (2010).
- (2) The 2010 bonuses were paid March 15, 2011.
- (3) The value of perquisites received by each of the Named Executive Officers did not exceed \$50,000 or 10% of the Named Executive Officers total salary.
- (4) Represents the aggregate of Salary, Option-based awards, Annual incentive plans and All other compensation.
- (5) Mr. Almond was appointed Vice President, Production on December 1, 2010. Mr. Almond’s 2010 annualized salary was \$150,000.

## Stock Option Plan

The Corporation created a Stock Option Plan on August 14, 2006 (the “**Plan**”). The purpose of the Plan is to provide an incentive to the officers, employees, directors and certain consultants of the Corporation or any of its subsidiaries to achieve the longer term objective of the Corporation, to give

suitable recognition of the ability and industry of such persons who contribute materially to the success of the Corporation and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. Stock options are usually provided upon commencement of employment with the Corporation. Additional grants are made periodically to recognize exemplary performance of, or special contributions by, eligible participants.

The Plan permits the granting of options to purchase Common Shares to officers, directors, employees and certain consultants of the Corporation and its subsidiaries. The maximum number of Common Shares issuable on exercise of options outstanding at any time shall be limited to 10% of the issued and outstanding Common Shares from time to time.

Options granted pursuant to the Plan have a term not to exceed ten years and vest in such manner as determined by the board of directors of the Corporation at the time of the grant and may not be granted having an exercise price less than the closing price of the Common Share on the TSX (or other stock exchange on which the Common Shares may be listed) on the trading day immediately preceding the date of grant. Options granted under the Plan are generally not assignable except to certain permitted assigns listed in the Plan. The number of Common Shares issuable pursuant to options granted under the Plan or any other stock compensation arrangements of the Corporation: (i) which may be issued to insiders may not exceed 10% of the outstanding Common Shares; and (ii) which may be issued to insiders within a one year period may not exceed 10% of the outstanding Common Shares. The Plan also provides that no options shall be granted to any director of the Corporation who is not also an officer of the Corporation if such grant could result, at any time, in the total number of Common Shares issuable to all directors of the Corporation who are not also officers of the Corporation pursuant to options exceeding 1% of the issued and outstanding Common Shares.

In case of death of an optionholder, the right to exercise an option shall extend to the earlier of: (i) one year after the date of death; or (ii) the expiry date of the option to the extent that such option was exercisable by the optionholder on the date of death of the optionholder. In the case of termination or cessation of employment of an optionholder (who is not a consultant) for any reason (other than death) or, in the case of a consultant, upon cessation of the services agreement, the right to exercise an option shall be limited to and shall expire on the earlier of sixty (60) days after the date of termination or cessation (in the case of an optionholders who is not a consultant) and from the last date from which a consultant provides services to the Corporation (in the case of an option holder who is a consultant), or the expiry date of the option, to the extent such option was exercisable by the optionholder on the date of termination of such employment or the date of final services by a consultant, as the case may be.

In the event of the disposition of substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of Sure with or into any other corporation or change of control or takeover, the board of directors of the Corporation may amend any outstanding options to permit the exercise of any or all vested and unvested outstanding options prior to the completion of any such transaction.

The Plan contains standard anti-dilution adjustment provisions in respect of the exercise price and the number of Common Shares for which outstanding options are exercisable in the event of certain capital reorganizations and distributions of securities or assets. In addition, the board of directors of the Corporation may, at any time amend, suspend, terminate or discontinue the Plan and may amend the terms and conditions of options granted pursuant to the Plan, subject to any required approval of any regulatory authority or stock exchange. Without limiting the generality of the foregoing, the board of directors of the Corporation may alter, amend or vary the Plan without the approval of shareholders of the Corporation if the alteration, amendment or variance

- (a) is for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
- (b) is necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares are listed;
- (c) is an amendment to the Plan respecting administration and eligibility for participation under the Plan;
- (d) changes the terms and conditions on which options may be granted pursuant to the Plan including the provisions relating to exercise price, vesting provisions and the term of the options (which cannot be later than ten (10) years after the grant of the option);
- (e) changes the termination provisions of a option to the Plan which does not entail an extension beyond the original expiry date; or
- (f) is an amendment to the Plan of a “housekeeping nature”;

provided that in the case of any alteration, amendment or variance referred to in paragraph (a) or (b), the alteration, amendment or variance does not;

- (a) amend the number of Common Shares issuable under the Plan;
- (b) add any form of financial assistance by the Corporation for the exercise of any option;
- (c) result in a material or unreasonable dilution in the number of outstanding Common Shares or any material benefit to an optionholder; or
- (d) change the class of eligible participants to the Plan which would have the potential of broadening or increasing participation by insiders of the Corporation.

Without limiting the generality of the foregoing, but subject to any required regulatory approval or any regulatory authority or stock exchange, the board of directors of the Corporation may amend the exercise price, the term of an option (which in no event shall exceed ten (10) years from the date of grant) and the termination provisions of options granted pursuant the Plan, without shareholder approval, provided that if the board of directors of the Corporation proposes to reduce the exercise price or extend the term of options granted to insiders of the Corporation, such amendments will require shareholder approval.

At the Meeting shareholders will be asked to approve a resolution to extend the term of 3,073,334 stock options which are held by directors, officers, employees and consultants of the Corporation, to increase the term of such options from five years to seven years. See “*Particulars of Matters to be Acted Upon – Approval of Extension of Stock Option Term*”.

The policies of the TSX require that all unallocated option entitlements under the Plan be approved every three years by the holders of the Common Shares. Unallocated options entitlements were approved by the shareholders on May 26, 2009.

### **Performance Incentive Rights**

In conjunction with a private placement that closed on August 14, 2006, 5,000,000 units of the Corporation were issued at an issue price of \$1.00 per unit, each unit consisting of one (1) Sure Preferred A Share (which were ultimately exchanged for a Common Share pursuant to the plan of arrangement involving the Corporation and completed on August 14, 2006) and one (1) performance incentive right

(“PIR”) to proposed or acting directors, officers, employees and service providers of the Corporation and Sound Energy Trust. Each PIR entitles the holder to purchase an additional Common Share at a price of \$1.00 per share. The PIRs have a seven year term and are exercisable by the holder during the period that the holder is a director, officer, employee or service provider of the Corporation. Should a holder cease to be a director, officer, employee or service provider to the Corporation prior to exercise of the PIRs, all of such holders’ PIRs will terminate. In August 2007, 50% of the PIRs vested and the balance vested in October 2010, when the 20 day weighted average trading price of the Common Shares on the TSX was \$1.50.

### Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information in respect of incentive plan awards outstanding at the end of the financial year ended December 31, 2010 held by the Named Executive Officers. The Named Executive Officers do not receive share-based awards.

Name	Number of securities underlying unexercised options		Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup> (\$)
	Vested options (#)	Non-Vested options (#)			
Jeffrey S. Boyce <sup>(1)</sup>	-	-	-	-	-
Christopher M. Baker	250,000	-	1.28	8/21/2011 <sup>(3)</sup>	117,500
	475,000 (PIRs)	-	1.00	8/13/2013	356,300
	-	41,667	0.39	11/6/2013 <sup>(3)</sup>	-
	-	150,000	0.98	5/13/2015 <sup>(3)</sup>	-
Lance L. Wirth	175,000 (PIRs)	-	1.00	8/13/2013	131,300
		41,667	0.39	11/6/2013 <sup>(3)</sup>	-
	37,500	-	0.95	10/9/2014	30,000
	37,500	-	0.92	12/18/2014	31,100
		150,000	0.98	5/13/2015 <sup>(3)</sup>	-
C. Tom Banks	250,000	-	1.28	8/21/2011 <sup>(3)</sup>	117,500
	450,000 (PIRs)	-	1.00	8/13/2013	337,500
	8,333	41,667	0.39	11/6/2013 <sup>(3)</sup>	11,300
	75,000	-	0.95	10/9/2014	60,000
	-	150,000	0.98	5/13/2015 <sup>(3)</sup>	-
Robert J. Sheedy	250,000	-	1.28	8/21/2011 <sup>(3)</sup>	117,500
	575,000 (PIRs)	-	1.00	8/13/2013	431,300
	83,333	41,667	0.39	11/6/2013 <sup>(3)</sup>	113,300
	75,000	-	0.95	10/9/2014	60,000
	-	150,000	0.98	5/13/2015 <sup>(3)</sup>	-
Don Almond	-	250,000	1.76	11/30/2017	-

**Notes:**

- (1) In November 2008 Mr. Boyce transferred all of his PIRs to the other executive officers and directors of the Corporation and agreed to the cancellation of all of his outstanding options.

- (2) Based on the closing price of the Common Shares on December 31, 2010 of \$1.75.
- (3) At the Meeting shareholders will be asked to approve a resolution to extend the term of these stock options from five years to seven years. In the event that the resolution is passed at the Meeting, the Option Expiration date for the stock options will be extended by two years. See “*Particulars of Matters to be Acted Upon – Approval of Extension of Stock Option Term*”.

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

The following table sets forth information in respect of the value of incentive plan awards held by the Named Executive Officers that vested during the Corporation’s most recently completed financial year. The Named Executive Officers do not receive share-based awards.

Name	Date Vested	Option-based awards		Non-equity incentive plan compensation – Value earned during the year (\$)
		# Vested	Value vested during the year (\$) <sup>(2)</sup>	
Jeffrey S. Boyce <sup>(1)</sup>	-	-	-	-
Christopher M. Baker	10/9/2010	25,000	13,800	-
	10/27/2010	237,500 (PIRs)	149,600	-
	11/6/2010	41,667	63,800	-
Lance L. Wirth	10/9/2010	12,500	6,900	-
	10/27/2010	137,500(PIRs)	86,600	-
	11/6/2010	41,667	63,800	-
	12/18/2010	12,500	10,800	-
C. Tom Banks	10/9/2010	25,000	13,800	-
	10/27/2010	225,000 (PIRs)	141,800	-
	11/6/2010	41,667	63,800	-
Robert J. Sheedy	10/9/2010	25,000	13,800	-
	10/27/2010	287,500 (PIRs)	181,800	-
	11/6/2010	41,667	63,800	-
Don Almond	-	-	-	-

**Notes:**

- (1) In November 2008 Mr. Boyce transferred all of his PIRs to the other executive officers and directors of the Corporation and agreed to the cancellation of all of his outstanding options.
- (2) Represents the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date based on the difference between the closing market price of the Corporation’s Common Shares on the vesting date and the exercise price of the options held.

### Termination and Change of Control Benefits

The Corporation has entered into employment agreements with the Named Executive Officers, other than Jeffrey S. Boyce, the Corporation’s Chairman and Chief Executive Officer who does not have an employment agreement with the Corporation. The employment agreements provide that upon termination without cause or upon a change of control that the Named Executive Officers will be paid severance in an amount equal to 12 months salary. A change of control is defined to occur if a person becomes a control person of the Corporation by acquiring a sufficient number of voting rights attached to all outstanding securities to affect materially the control of the Corporation or by acquiring more than 20% of the voting rights attached to the outstanding voting securities of the Corporation. In addition,

pursuant to the Plan the Board of Directors has the authority to accelerate the vesting of all outstanding options held by the Named Executive Officers. The total amount payable under the employment agreements as at December 31, 2010 if terminated without cause or upon a change of control, assuming no accrued and unpaid vacation pay and no acceleration of the vesting of outstanding options (and assuming the payment of severance in lieu of notice) is set out in the following table. There are no conditions or obligations in the employment agreements to receiving payment of the severance.

Name	Salary Related (\$)	Benefits Related (\$)	Total (\$)
Christopher M. Baker	151,200	-	151,200
Lance L. Wirth	151,200	-	151,200
C. Tom Banks	151,200	-	151,200
Robert J. Sheedy	151,200	-	151,200
Don Almond	150,000	-	150,000

### Compensation of Directors

For the financial year ended December 31, 2010 the directors of the Corporation did not receive a fee for serving on the board of directors of the Corporation and were reimbursed for their expenses for attending meetings of the board of directors and any committees thereof.

#### *Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth information in respect of incentive plan awards outstanding at the end of the financial year ended December 31, 2010 held by the directors. Information with respect to option-based awards for Jeffrey S. Boyce is included under “Outstanding Share-Based Awards and Option-Based Awards” for Named Executive Officers. The directors do not receive share-based awards.

Name	Number of securities underlying unexercised options		Option-based Awards		
	Vested options (#)	Non-Vested options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in- the-money options <sup>(1)</sup> (\$)
Larry J. Macdonald	50,000		1.28	8/21/2011 <sup>(2)</sup>	23,500
	275,000 (PIRs)	-	1.00	8/13/2013	206,300
	14,000	7,000	0.39	11/6/2013 <sup>(2)</sup>	19,000
	21,000	-	0.95	10/9/2014	16,800
	-	60,000	0.98	5/13/2015 <sup>(2)</sup>	-
W. Peter Comber	50,000	-	1.28	8/21/2011 <sup>(2)</sup>	23,500
	75,000 (PIRs)	-	1.00	8/13/2013	56,300
	14,000	7,000	0.39	11/6/2013 <sup>(2)</sup>	19,000
	21,000	-	0.95	10/9/2014	16,800
	-	60,000	0.98	5/13/2015 <sup>(2)</sup>	-
Thomas P. Stan	175,000 (PIRs)	-	1.00	8/13/2013	131,300
	-	7,000	0.39	11/6/2013 <sup>(2)</sup>	-
	21,000	-	0.95	10/9/2014	16,800
	-	60,000	0.98	5/13/2015 <sup>(2)</sup>	-

**Notes:**

- (1) Based on the closing price of the Common Shares on December 31, 2010 of \$1.75.
- (2) At the Meeting, shareholders will be asked to approve a resolution to extend the term of these stock options from five years to seven years. In the event that the resolution is passed at the Meeting, the Option Expiration date for the stock options will be extended by two years. See “*Particulars of Matters to be Acted Upon – Approval of Extension of Stock Option Term*”.

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

The following table sets forth information in respect of the value of incentive plan awards held by the directors that vested during the Corporation’s most recently completed financial year. Information with respect to vested option-based awards for Jeffrey S. Boyce is included under “Incentive Plan Awards – Value Vested or Earned During the Year” for Named Executive Officers. The directors do not receive share-based awards.

Name	Date Vested	# Vested	Option-based awards	
			Value vested during the year <sup>(1)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Larry J. Macdonald	10/9/2010	7,000	3,900	-
	10/27/2010	137,500 (PIRs)	86,600	-
	11/6/2010	7,000	10,700	-
W. Peter Comber	10/9/2010	7,000	3,900	-
	10/27/2010	37,500 (PIRs)	23,600	-
	11/6/2010	7,000	10,700	-
Thomas P. Stan	10/9/2010	7,000	3,900	-
	10/27/2010	87,500 (PIRs)	55,100	-
	11/6/2010	7,000	10,700	-

**Note:**

- (1) Represents the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date based on the difference between the closing market price of the Corporation’s Common Shares on the vesting date and the exercise price of the options held.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table sets forth information as at December 31, 2010 with respect to the Corporation’s compensation plans under which equity securities of the Corporation are authorized for issuance.

*Equity Compensation Plan Information*

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)</b>
Equity compensation plans approved by securityholders	Options: 3,793,334 PIRs: 2,880,000	\$1.07 \$1.00	1,049,779 -
Equity compensation plans not approved by securityholders	-	-	-
<b>Total</b>	Options: 3,793,334 PIRs: 2,880,000	\$1.07 \$1.00	1,049,779 -

**MATTERS TO BE CONSIDERED AT THE MEETING**

**Election of Directors**

At the Meeting, it is proposed that 4 directors be elected until the next annual meeting of shareholders or until their successors are elected or appointed. There are currently 4 directors of the Corporation. Pursuant to the *Business Corporations Act* (Alberta), the current directors of the Corporation cease to hold office at the close of the Meeting.

The following table sets forth, in respect of each nominee, all positions currently held with the Corporation, principal occupation and the approximate number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, as of March 31, 2011. The information contained herein is based upon information furnished by the respective nominees.

<b>Name and Province and Country of Residence</b>	<b>Date Since Served as a Director</b>	<b>Office or Position</b>	<b>Present Principal Occupation</b>	<b>Number of Common Shares Beneficially Owned or Controlled</b>
Jeffrey S. Boyce Alberta, Canada	June 7, 2006	Chief Executive Officer and Director	Chief Executive Officer of the Corporation	9,118,379
Larry J. Macdonald Alberta, Canada	June 7, 2006	Director	Chief Executive Officer, Point Energy Ltd.	310,992
W. Peter Comber Ontario, Canada	July 11, 2006	Director	Managing Director, Barrantagh Investment Management Inc.	250,104
Thomas P. Stan Alberta, Canada	July 11, 2006	Director	Managing Director, Desjardins Securities	217,063

The board of directors has an Audit Committee consisting of Messrs. Comber (Chair), Macdonald and Stan. The Corporation also has (i) a Governance and Human Resources Committee consisting of Messrs. Comber and Macdonald; (ii) an Independent Reserves Committee consisting of Messrs. Macdonald and Comber; and (iii) an Environment, Health and Safety Committee consisting of Messrs. Macdonald and Comber. Mr. Macdonald is the Lead Director of the board of directors.

### *Audit Committee*

Information in respect of the composition of the Corporation’s Audit Committee, the education and experience of each of the members of the Audit Committee, the Audit Committee’s Terms of Reference, the Audit Committee’s policies and procedures for the engagement of non-audit services and the fees paid by the Corporation for external auditor services in 2010 is set out under the heading “*Audit Committee Matters*” in the Corporation’s Annual Information Form dated March 8, 2011.

### **Appointment of Auditors**

The persons named in the enclosed form of proxy intend to have nominated and to vote for the appointment of Deloitte & Touche LLP, Chartered Accountants, as auditors of the Corporation at a remuneration to be fixed by the board of directors and to hold such office until the next annual meeting of the Corporation. Deloitte & Touche LLP have served as auditors of the Corporation since incorporation.

### **Approval of Extension of Term of Stock Options**

It is the intention of the Corporation to place before shareholders at the Meeting a resolution to increase the term of certain options from five years to seven years. The options in question are 1,385,000 stock options granted on August 22, 2006 at an exercise price of \$1.28, 530,334 stock options granted on November 7, 2008 at an exercise price of \$0.39 and 1,158,000 stock options granted on May 14, 2010 at an exercise price of \$0.98 (collectively, the “**Subject Options**”). Of the Subject Options, 1,973,334 are held by directors and officers of the Corporation and 1,100,000 are held by employees or consultants of the Corporation. Based on the current market price of the Common Shares as at April 21, 2011 of \$1.90, all of the Subject Options are currently in-the-money. Further particulars regarding the Subject Options are set forth below:

<b>Name and Title</b>	<b>Grant Date</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Options Vested</b>	<b>Expiry Date</b>	<b>Proposed New Expiry Date</b>
Chris Baker President, Chief Operating Officer and Vice President, Exploration	08/22/2006	250,000	1.28	250,000	8/21/2011	8/21/2013
	11/7/2008	41,667	0.39	-	11/6/2013	11/6/2015
	5/14/2010	150,000	0.98	-	5/13/2015	5/13/2017
Lance Wirth Vice President, Finance and Chief Financial Officer	11/7/2008	41,667	0.39	-	11/6/2013	11/6/2015
	5/14/2010	150,000	0.98	-	5/13/2015	5/13/2017
Tom Banks Vice President, Engineering	08/22/2006	250,000	1.28	250,000	8/21/2011	8/21/2013
	11/7/2008	50,000	0.39	8,333	11/6/2013	11/6/2015
	5/14/2010	150,000	0.98	-	5/13/2015	5/13/2017
Rob Sheedy Vice President, Land	08/22/2006	250,000	1.28	250,000	8/21/2011	8/21/2013
	11/7/2008	125,000	0.39	83,333	11/6/2013	11/6/2015
	5/14/2010	150,000	0.98	-	5/13/2015	5/13/2017
Dan Kolibar Corporate Secretary	11/7/2008	15,000	0.39	10,000	11/6/2013	11/6/2015
	5/14/2010	21,000	0.98	-	5/13/2015	5/13/2017
Larry Macdonald Director	08/22/2006	50,000	1.28	50,000	8/21/2011	8/21/2013
	11/7/2008	21,000	0.39	14,000	11/6/2013	11/6/2015
	5/14/2010	60,000	0.98	-	5/13/2015	5/13/2017

Peter Comber Director	08/22/2006	50,000	1.28	50,000	8/21/2011	8/21/2013
	11/7/2008	21,000	0.39	14,000	11/6/2013	11/6/2015
	5/14/2010	60,000	0.98	-	5/13/2015	5/13/2017
Tom Stan Director	11/7/2008	7,000	0.39	-	11/6/2013	11/6/2015
	5/14/2010	60,000	0.98	-	5/13/2015	5/13/2017
Employees (6)	8/22/2006	535,000	1.28	535,000	8/21/2011	8/21/2015
	11/7/2008	208,000	0.39	108,000	11/6/2013	11/6/2015
	5/14/2010	357,000	0.98	-	5/13/2015	5/13/2017

The Corporation wishes to extend the term of the Subject Options for the following reasons:

- (i) so as to not force those holders of options expiring on August 22, 2006 to exercise those options at this stage of the development of the Corporation;
- (ii) to correct an administrative error in respect of those options granted on November 7, 2008 and May 14, 2010 which have an expiry date of five years from the date of grant after the options granted on October 9, 2007 were granted with an expiry date of seven years from the date of grant; and
- (iii) so that all of the Corporation's outstanding options have a term of seven years which is then expected to continue to provide incentive to key employees, consultants, officers and directors of the Corporation.

Under the TSX rules and the provisions of the Plan, approval by the shareholders of the Corporation is required in order to extend the term of the Subject Options. Common Shares held directly or indirectly by insiders of the Corporation who will benefit, directly or indirectly, ("**Excluded Parties**") from the extension must be excluded from voting in respect of the resolution approving the extension. In order for the resolution approving the extension of the term of the Subject Options to be effective, it must be approved by the affirmative vote of a majority of the votes cast in respect thereof by shareholders, excluding the Excluded Parties, present in person or by proxy at the Meeting. For greater certainty, insiders who hold any of the Subject Options, and their associates and affiliates, may not vote on this resolution. In the absence of contrary directions, the persons named in the enclosed form of proxy intend to vote in favour of this ordinary resolution.

The text of the ordinary resolution which management intends to place before the Meeting for the extension of the term of the Subject Options is as follows:

**"BE IT HEREBY RESOLVED** as an ordinary resolution of the Corporation that:

1. the term of the 1,385,000 stock options granted on August 22, 2006 at an exercise price of \$1.28, 530,334 stock options granted on November 8, 2007 at an exercise price of \$0.39 and the 1,158,000 stock options granted on May 14, 2010 at an exercise price of \$0.98, be extended from five years from the date of grant to seven years from the date of grant;
2. the shareholders of the Corporation hereby expressly authorize the board of directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
3. any director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, delivery and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution."

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

None of the Corporation's directors or executive officers or companies or persons that beneficially own or control or direct, directly or indirectly, or a combination of both, more than 10 percent of the Corporation's Common Shares, proposed nominees for election as directors of the Corporation or any of their respective associates and affiliates, has any material interest in any transaction with the Corporation since the commencement of the Corporation's last financial year or in any proposed transaction which has materially affected or would materially affect the Corporation which has not been previously disclosed.

There are potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in other business opportunities on their own behalf and on behalf of other corporations, and situations may arise where such directors and officers will be in competition with the Corporation. Individuals concerned shall be governed in any conflicts or potential conflicts by applicable law and internal policies of the Corporation.

## **INTEREST OF DIRECTORS AND OFFICERS IN MATTERS TO BE ACTED UPON**

No person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, nor any proposed nominee for election as a director of the Corporation, or any associate or affiliate of any one of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting, other than the approval of the extension of the term of certain stock options held by such persons from five years to seven years.

## **OTHER MATTERS TO BE ACTED UPON**

Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, the accompanying proxy will be voted on such matters in the best judgment of the person or persons voting the proxy.

## **ADDITIONAL INFORMATION**

Additional financial information is provided in the Corporation's comparative consolidated financial statements and management's discussion and analysis for the most recently completed fiscal year ended December 31, 2010.

Any request for these documents can be made by contacting the Vice President Finance and Chief Financial Officer of Sure Energy Inc. at 1100, 606 – 4<sup>th</sup> Street S.W., Calgary, Alberta, T2P 1T1 and/or fax (403) 410-3111. Information relating to the Corporation can also be obtained through the Corporation's website at [www.sureenergyinc.com](http://www.sureenergyinc.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## SCHEDULE “A”

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

#### General

The board of directors of the Corporation (the “Board”) recognizes that good corporate governance is of fundamental importance to the success of the Corporation. The Corporation’s governance practices are the responsibility of the Board and the Board has delegated some of its responsibilities to develop and monitor the Corporation’s governance practices to the Governance and Human Resources Committee.

On June 30, 2005, the Canadian Securities Administrators (“CSA”) adopted rules regarding corporate governance best practices and amendments to the rules relating to audit committees, through the implementation of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”), National Policy 58-201 – *Corporate Governance Guidelines* (“NP 58-201”) and amendments to National Instrument 52-110 – *Audit Committees* (“NI 52-110”).

This Statement of Corporate Governance Practices sets out the Board’s assessment of the Corporation’s governance practices in accordance with NI 58-101 and NP 58-201. The Corporation’s governance practices are generally consistent with the practices and guidelines set out in NI 58-101 and NP 58-201.

#### Board of Directors

An “independent director” generally is one who has no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgement. The definition of independence in NI 58-101 is the same as the definition set out in NI 52-110.

The Board, with the assistance of the Governance and Human Resources Committee and counsel to the Corporation, is responsible for determining whether or not each director is “independent” or “not independent”. To carry out this determination, all relationships with the Corporation, its subsidiaries and affiliates are reviewed. To assist the Board in its determination, all directors provide disclosure of any material interest and business relationships with the Corporation, its subsidiaries and affiliates, and his shareholdings in the Corporation.

The Board is comprised of four (4) directors, the majority (3) of whom are “independent” under NI 58-101: Larry J. Macdonald, W. Peter Comber and Thomas P. Stan. Jeffrey S. Boyce is “not independent” within the meaning of NI 58-101 because he is the Chairman and Chief Executive Officer of the Corporation. Mr. Macdonald is the Lead Director of the Board.

#### *Other Directorships*

The other directorships which the Corporation’s directors hold in other reporting issuers, or the equivalent in foreign jurisdictions, is set out below.

<b>Director</b>	<b>Other Reporting Issuers</b>
Jeffrey S. Boyce	ArPetrol Inc. Creststreet Mutual Funds Limited Northern Shield Resources Inc. PetroAmerica Oil Corp.
Larry J. Macdonald	Vermilion Energy Trust
W. Peter Comber	NuVista Energy Ltd.

### *Board and Committee Meetings*

The following table summarizes the meetings of the Board and its committees held during 2010 and the attendance of the individual directors of the Corporation at such meetings. During 2010 there were five Board meetings, four Audit Committee meetings, four Environmental, Health and Safety Committee Meetings, one Reserves Committee meeting and one Governance and Human Resources Meeting.

<b>Director</b>	<b>Meetings of the Board and Committees</b>				
	Board	Audit	Reserves	Environment, Health and Safety	Governance and Human Resources
Jeffrey S. Boyce	6	-	-	-	-
Larry J. Macdonald	6	4	1	4	1
W. Peter Comber	5	4	1	4	1
Thomas P. Stan	6	4	1	-	1

During 2010 a portion of each Board meeting was held without the non-independent director or other members of management present.

### **Board Mandate**

The stewardship of the Corporation is the responsibility of the Board. In carrying out this mandate, the Board meets regularly and a broad range of matters are discussed and reviewed for approval. These matters include overall corporate plans and strategies, budgets, internal controls and management information systems, risk management as well as interim and annual financial and operating results. The Board also approves all major transactions, including equity issuances and the Corporation's debt and borrowing policies. The Board meets several times annually to review in depth the Corporation's strategic plan and it reviews the Corporation's resources which are required to carry out the Corporation's growth strategy and to achieve its objectives.

The Terms of Reference for the Board and the Board Operating Guidelines, setting out the Board's duties and responsibilities, are attached to Schedule "A" of this Management Information Circular as Appendix "1".

The Terms of Reference of each Board Committee provide that the Chair is responsible for ensuring that the written mandate of the Committee for which he serves as Chair is adhered to and for making periodic reports to the Board on matters relative to the function of the Committee.

The Board appoints the Chief Executive Officer of the Corporation, who is a member of the Board. The Board has adopted Terms of Reference for the Chief Executive Officer, under which the primary focus of the Chief Executive Officer is to:

- (i) provide overall leadership and vision in developing, in concert with the Board, the Corporation's strategic direction; and
- (ii) provide overall leadership and vision in developing the tactics and business plans necessary to realize corporate objectives, and managing the overall business to ensure strategic and business plans are effectively implemented, the results are monitored and reported to the Board, and financial and operational objectives are attained.

The Board believes management is responsible for the effective, efficient and prudent management of the Corporation's day-to-day operation subject to the Board's stewardship. The Chief Executive Officer is responsible to lead and manage the Corporation within parameters established by the Board and relevant committees. The Chief Executive Officer also develops and recommends strategic plans to the Board and involves the Board in the early stages of developing strategy. Additionally, the Chief Executive Officer is expected to successfully implement capital and operating plans, report regularly to the Board on the overall progress and results against the operating and financial objectives and initiate courses of action for improvement and develop and maintain a sound, effective organizational structure, and ensure progressive employee training and development programs.

The corporate objectives for which the Chief Executive Officer is responsible are approved by the Board.

### **Orientation and Continuing Education**

All directors receive a Board Manual containing, among other things, the Terms of Reference for the Board and Board Operating Guidelines, the articles and by-laws of the Corporation, an organization chart of the Corporation, corporate fact sheets, strategic plan, list of Committees and Committee Charters and various corporate policies, as well as copies of documents from recent Board meetings.

New directors will be provided with written information about the business and operations of the Corporation and opportunities for meetings and discussion with senior management and other directors. The details of the orientation of each new director are expected to be tailored to that director's individual needs and areas of interests.

Information sessions for all directors are planned from time to time on topics relating to significant aspects of the Corporation's business and operations, including the legal, regulatory and industry requirements and environment in which the Corporation operates. In addition, to foster the Board's continuing familiarity with corporate matters on an ongoing basis, senior officers of the Corporation attend portions of Board meetings from time to time to report on their respective business activities.

### **Ethical Business Conduct**

The Board's responsibilities are governed by the *Business Corporations Act* (Alberta), the Corporation's articles and by-laws, the Terms of Reference for the Board, Board Operating Guidelines, the Corporation's Code of Business Conduct and Ethics (the "Code"), the Terms of Reference of each of the Board Committees, and other corporate policies and applicable laws.

The Code applies to the Corporation's directors, officers and employees each of whom is expected to ensure that his or her behaviour accords with the letter and the spirit of the Code. The Code also encourages directors, officers and employees to report any apparent and all actual breaches by the Corporation's directors, officers and employees of the Code to the Chief Financial Officer. Corporation personnel who have concerns such as accounting discrepancies, fraud, accounting misrepresentations,

auditing matters, accounting omissions, ethics violations or any other financially related concerns should report the matter directly to the Chief Financial Officer or to the Chair of the Audit Committee. Reports of violations are investigated under the supervision of the Chair of the Audit Committee. The Code prohibits retaliation by the Corporation, its directors or executive officers against complainants who raise concerns in good faith and requires the Corporation to maintain the confidentiality of complainants to the greatest extent practicable. A copy of the Code can be obtained through the Corporation's website at [www.sureenergyinc.com](http://www.sureenergyinc.com).

In addition to the Code, the Corporation has Audit Committee Terms of Reference regarding the collection and dissemination of accounting information, and a Whistleblower Policy with respect to reporting accounting and auditing irregularities.

#### *Exercise of Independent Judgment*

The Board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Code and are expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere.

The provisions of the Code may be waived for directors or executive officers only by a resolution of the Corporation's independent directors. The provisions of the Code may be waived for employees who are not directors or executive officers by the Corporation's Chief Executive Officer. Any waiver of this Code granted to a director or executive officer will be publicly disclosed as required by applicable securities commission and stock exchange rules.

#### *Conflicts of Interest*

The Code requires that directors and officers notify the Chairman of the Corporation's Audit Committee, and employees who are not directors and officers notify the Chief Financial officer, of the existence of any actual or potential conflict of interest. The Corporation's directors and officers abide by the disclosure of conflict of interest provisions contained in the *Business Corporations Act* (Alberta) which are incorporated in the Code by reference. By taking these steps the Board strives to ensure that directors at Board meetings exercise independent judgement, unclouded by the relationships of the directors and officers to each other and the Corporation, in considering transactions and agreements in respect of which directors and executive officers have an interest.

Any transactions or agreements in respect of which a director or an officer has a material interest are specifically mandated to be dealt with by the Board.

#### **Nomination of Directors**

The Board has constituted a Governance and Human Resources Committee which is responsible for periodically reviewing the composition and the criteria regarding the composition of the Board and its Committees. All of the members of the Governance and Human Resources Committee are independent directors. Responsibility for identifying new candidates to join the Board belongs to the Governance and Human Resources Committee. The Governance and Human Resources Committee is responsible for identifying qualified candidates, recommending nominees for election as directors, and appointing directors to Committees. The Governance and Human Resources Committee is required to consider candidates' independence, experience, skills and available time to devote to the duties of the Board in making their recommendations for nomination. The Governance and Human Resources Committee reviews the composition and size of the Board and tenure of directors in advance of annual meetings

when directors are most commonly elected by the Corporation's shareholders, as well as when individual directors indicate that their terms may end or that their status may change.

### **Compensation**

The Governance and Human Resources Committee annually recommends the compensation to be received by the Corporation's Chief Executive Officer, and evaluates the proposed compensation to be received by the executive officers and management. The Governance and Human Resources Committee is comprised entirely of independent directors. Compensation is determined in the context of the Corporation's goals, shareholder returns and other achievements, and considered in the context of position descriptions, goals and the performance of each individual officer. The compensation of the Chief Executive Officer, executive officers and management of competitors are considered, to the extent publicly available, in determining compensation and the Governance and Human Resources Committee has the power to engage a compensation consultant or advisor to assist in determining appropriate compensation.

The Governance and Human Resources Committee reviews and reports to the Board on directors' compensation issues. For the financial year ended December 31, 2010 the directors of the Corporation did not receive a fee for serving on the Board and were reimbursed for their expenses for attending meetings of the Board and any committees thereof.

### **Board Committees**

The Board has four committees. The committees are: Audit, Governance and Human Resources, Environment, Health & Safety and Reserves. Each committee consists of independent directors. The Board has also established a Disclosure Committee comprised of all of the Corporation's executive officers. This committee reports to the Governance and Human Resources Committee.

#### *Audit Committee*

Chair: W. Peter Comber

Members: Larry J. Macdonald and Thomas P. Stan

The Audit Committee reviews the Corporation's interim unaudited financial statements and annual audited financial statements and certain corporate disclosure documents including the annual information form, management's discussion and analysis, annual and interim earnings press releases, offering documents including all prospectuses and other offering memoranda before they are approved by the Board. The Committee reviews and makes a recommendation to the Board in respect of the appointment and compensation of the external auditor and it monitors accounting, financial reporting, risk management, controls and audit functions. The Committee meets to discuss and review the audit plans of external auditors and it is directly responsible for overseeing the work of the external auditor with respect to the preparing or issuing of the auditor's report or the performance of other audit, review or attest services, including the resolution of disagreements between management and the external auditor regarding financial reporting. The Committee questions the external auditor independently of management and reviews a written statement of its independence based on the criteria found in the recommendations of the Canadian Institute of Chartered Accountants. The Committee must pre-approve any non-audit services to be provided to the Corporation by the external auditor. In addition, it reviews the Corporation's risk management controls and policies and reviews the internal control procedures to determine their effectiveness and to ensure compliance with the Corporation's policies. The Committee has established procedures for dealing with complaints or confidential submissions which come to its attention with respect to accounting, internal accounting controls or auditing matters.

*Governance and Human Resources Committee*

Members: Larry J. Macdonald, W. Peter Comber and Thomas P. Stan

The Governance and Human Resources Committee's mandate is to annually assess the performance of the Board as a whole, Board committees and individual directors, in accordance with the standards established by the Board. The Governance and Human Resources Committee also assesses the Corporation's approach to corporate governance and monitors the Corporation's structures and procedures to ensure that the Board is able to, and in fact does, function independently of management. In consultation with the Chief Executive Officer, the Committee is responsible for recommending candidates to the Board for nomination as directors and for the composition of various Board committees.

The Committee also reviews succession plans for key management positions within the Corporation, human resource policies and plans and the performance and development of the Chief Executive Officer. The Committee reviews and recommends the compensation philosophy, guidelines and plans for the Corporation's employees and executives. In consultation with the Chief Executive Officer, it also approves the Corporation's compensation plans, including stock options, incentives, bonuses and benefit plans, for the executive team including the Chief Executive Officer. See "Executive Compensation – Compensation Discussion and Analysis".

*Environment, Health And Safety Committee*

Members: Larry J. Macdonald and W. Peter Comber

The Environment, Health and Safety Committee's mandate is to assist the Board in carrying out its responsibilities related to the health, safety and environmental practices and procedures of the Corporation for compliance with applicable legislation, conformity with industry standards and prevention or mitigation of losses. It reviews annually the Corporation's Environment, Health & Safety Policy Statement and Policies and, if appropriate makes recommendations to the Board on proposed changes. The Committee reports and, when appropriate, makes recommendations to the Board on matters related to health, safety and the environment.

*Independent Reserves Committee*

Members: Larry J. Macdonald, W. Peter Comber and Thomas P. Stan

The Independent Reserves Committee is to provide the Board with a mechanism to review oil and gas reserves. The Independent Reserves Committee's mandate also includes reviewing the independent reserves evaluation of the Corporation and any public disclosure of reserves and other oil and gas information and reviewing and approving the selection and qualifications of the independent evaluating engineers. The Independent Reserves Committee engaged Sproule Associates Limited to evaluate the reserves of the Corporation and communicates regularly with management to ensure that all reserves evaluations and reports have been properly handled and reported. The Committee reviews the evaluator's independence and ensures the standards of National Instrument 51-101 are complied with.

*Disclosure Committee*

The Disclosure Committee is responsible for (i) the identification and disclosure of material information and (ii) the accuracy, completeness and timeliness of disclosure of material information. The Committee is comprised of the Corporation's Chief Executive Officer, Vice President, Finance and Chief Financial Officer, Vice President, Engineering and Operations, President, Chief Operating Officer and Vice President, Exploration and Vice President, Land. The activities of the Disclosure Committee are

subject to the oversight of the Governance and Human Resources Committee. The tasks and responsibilities of the Disclosure Committee include but are not limited to:

- (a) Determining when events, developments or changes constitute material information or a material change in the business of the Corporation. Further assessment will be made by the Committee on the impact of such changes and events on the financial statements, operations, corporate strategy and market value of the Corporation's outstanding securities;
- (b) Reviewing and revising disclosure controls and procedures to ensure that information required by securities regulators and stock exchanges to be disclosed to the public is reported on a timely and accurate basis;
- (c) Reviewing the preparation of all public releases of corporate information including but not limited to, press releases, the Corporation's Annual Information Form, financial statements, Management Information Circular, corporate presentations and any other regulatory filings and the continual review of information posted on the Corporation's website; and
- (d) Reviewing risk factors, underlying assumptions and forward looking statements for all written and oral communications.

### **Assessments**

The Board, its committees and individual directors are assessed periodically by the Board as a whole. The number of directors and their respective expertise are reviewed and discussed relative to the size of the Corporation and the complexity of its operations.

## APPENDIX 1

### TERMS OF REFERENCE FOR THE BOARD

#### I. INTRODUCTION

- A. The Board's primary responsibility is to foster the long-term success of the Corporation consistent with the Board's responsibility to the shareholders to maximize shareholder value.
- B. The Board of Directors has broad power. Any responsibility not delegated to management or a committee of the Board remains with the Board.
- C. These terms of reference are prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

#### II. COMPOSITION AND BOARD ORGANIZATION

- A. Nominees for directors are initially considered and recommended by the Governance and Human Resources Committee of the Board, approved by the entire Board and elected annually by the shareholders of the Corporation.
- B. A majority of directors comprising the Board must qualify as independent directors (i.e., a director who does not have a direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment).
- C. Certain of the responsibilities of the Board referred to herein may be delegated to committees of the Board. The responsibilities of those committees will be as set forth in their terms of reference, as amended from time to time.

#### III. DUTIES AND RESPONSIBILITIES

##### A. Managing the Affairs of the Board

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The legal obligations of the Board are described in detail in Section IV. Subject to these legal obligations and to the Articles and By-laws of the Corporation, the Board retains the responsibility for managing its own affairs, including:

- (i) planning its composition and size;
- (ii) selecting and setting the terms of reference for the Lead Director;
- (iii) nominating candidates for election to the Board;
- (iv) appointing committees;
- (v) determining director compensation; and

- (vi) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

## **B. Management and Human Resources**

The Board has the responsibility for:

- (i) the appointment and succession of the Chief Executive Officer (the “CEO”) and monitoring CEO performance, approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO’s duties;
- (ii) approving terms of reference for the CEO;
- (iii) reviewing CEO performance at least annually, against agreed upon written objectives;
- (iv) approving decisions relating to senior management, including the:
  - a) appointment and discharge of officers;
  - b) compensation and benefits for executive officers;
  - c) CEO’s acceptance of public service commitments or outside directorships; and
  - d) employment contracts, termination and other special arrangements with executive officers, or other employee groups.
- (v) ensuring succession planning programs are in place, including programs to train and develop management; and
- (vi) approving certain matters relating to all employees, including:
  - a) the annual salary policy/program for employees;
  - b) new benefit programs or material changes to existing programs; and
  - c) pension fund investment guidelines, and the appointment of pension fund managers.

## **C. Strategy and Plans**

The Board has the responsibility to:

- (i) participate with management, in the development of, and ultimately approve, the Corporation’s strategic plan;
- (ii) approve the annual business plans that enable the Corporation to realize its objectives;
- (iii) approve annual capital and operating budgets which support the Corporation’s ability to meet its strategic objectives;

- (iv) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Corporation;
- (v) approve material divestitures and acquisitions; and
- (vi) monitor the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

**D. Financial and Corporate Issues**

The Board has the responsibility to:

- (i) take reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems;
- (ii) review operating and financial performance relative to budgets or objectives;
- (iii) approve annual and quarterly financial statements and approve release thereof by management;
- (iv) approve the Management Information Circular, Annual Information Form and documents incorporated by reference therein;
- (v) declare dividends;
- (vi) approve financings, changes in authorized capital, issue and repurchase of shares, issue of debt securities, listing of shares and other securities, issue of commercial paper, and related prospectuses and trust indentures;
- (vii) recommend appointment of external auditors and approve auditors' fees; and
- (viii) approve the commencement or settlement of litigation that may have a material impact on the Corporation.

**E. Business and Risk Management**

The Board has the responsibility to:

- (i) ensure management identifies the principal risks of the Corporation's business and implements appropriate systems to manage these risks;
- (ii) assess and monitor management control systems:
  - a) evaluate and assess information provided by management and others (e.g., internal and external auditors) about the effectiveness of management control systems; and
  - b) understand principal risks and determine whether the Corporation achieves a proper balance between risk and returns.

**F. Policies and Procedures**

The Board has the responsibility to:

- (i) approve and monitor compliance with all significant policies and procedures by which the Corporation is operated;
- (ii) direct management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and
- (iii) review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment).

**G. Compliance Reporting and Corporate Communications**

The Board has the responsibility to:

- (i) ensure the Corporation has in place effective communication processes with shareholders and other stakeholders and financial, regulatory and other recipients;
- (ii) approve interaction with shareholders on all items requiring shareholder response or approval;
- (iii) ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- (iv) ensure the financial results are reported fairly and in accordance with generally accepted accounting principles;
- (v) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation; and
- (vi) report annually to shareholders on the Board's stewardship for the preceding year (the Annual Report).

**IV. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS**

**A.** The Board is responsible for:

- (i) directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained; and
- (ii) approving changes in the By-laws and Articles of incorporation, matters requiring shareholder approval, and agendas for shareholder meetings.

**B.** Alberta law identifies the following as legal requirements for the Board:

- (i) to manage the business and affairs of the Corporation (BCA S. 102(1));
- (ii) to act honestly and in good faith with a view to the best interests of the Corporation (BCA S. 122(1)(a));

- (iii) to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances (BCA S. 122(1)(b));
- (iv) to act in accordance with its obligations contained in the Business Corporations Act (Alberta), the Securities Act of each province and territory of Canada, other relevant legislation, regulations and policies, and the Corporation's Articles and By-laws;
- (v) in particular, it should be noted that the following matters must be considered by the Board as a whole (See BCA S. 115(3)):
  - a) submit to the shareholders any question or matter requiring the approval of the shareholders;
  - b) fill a vacancy among the directors or in the office of auditor;
  - c) issue securities;
  - d) declare dividends;
  - e) purchase, redeem or otherwise acquire shares issued by the Corporation;
  - f) the payment of a commission;
  - g) approve a management information circular;
  - h) approve any financial statements; or
  - i) adopt, amend or repeal By-laws of the Corporation.

## BOARD OPERATING GUIDELINES

### I. INTRODUCTION

- (a) Sure Energy Inc.'s (the "Corporation") Board of Directors (the "Board") believes that the principal objective of the Corporation is to generate economic returns to its owners. The Board believes that good corporate governance practices provide an important framework for a timely response by the Board to situations that may directly affect shareholder value.
- (b) The Board wishes to emphasize that the substance of good corporate governance is more important than its form; adoption of a set of guidelines or principles or any particular practice or policy is not a substitute for, and does not itself assure, good corporate governance.

### II. BOARD OPERATING GUIDELINES

The Terms of Reference for the Board define the role of the Board. The following outlines the key guidelines governing how the Board will operate to carry out its duties of stewardship and accountability.

#### 1. The Board-Management Relationship

- i) While the Board is called upon to "manage" the business by law, this is done by proxy through the Chief Executive Officer (the "CEO"), who is charged with the day-to-day leadership and management of the Corporation.
- ii) The CEO's prime responsibility is to lead the Corporation. The CEO formulates company policies and proposed actions and presents them to the Board for approval. The Board approves the goals of the business, the objectives and policies within which it is managed, and then steps back and evaluates management performance. Reciprocally, the CEO keeps the Board fully informed of the Corporation's progress towards the achievement of its goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.
- iii) Once the Board has approved the goals, strategies and policies it acts in a unified and cohesive manner in supporting and guiding the CEO subject to its duty to act in the best interests of the Corporation.

#### 2. Terms of Reference

The Governance and Human Resources Committee annually reviews and proposes changes to the Board for approval of the terms of reference for the Board, the Lead Director, Board Committees, and the Chief Executive Officer.

#### 3. The Lead Director

- i) While the CEO chairs Board meetings, the Lead Director has the responsibility to ensure the Board operates effectively and has the ability to act independently of management when necessary.

- ii) The Board, has considered this division of responsibilities and is confident that this is the appropriate structure for the Corporation at this time.

#### **4. Board Independence**

The Board must have the capacity, independently of management, to fulfil the Board's responsibilities. Independence is based upon the absence of material relationships with the Corporation that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgement. The Board must be able to make an objective assessment of management and assess the merits of management initiatives. Therefore, the Corporation is committed to the following practices:

- i) the appointment of a Lead Director;
- ii) the recruitment of strong, independent directors;
- iii) a majority of independent directors;
- iv) the Governance and Human Resources Committee leads the director selection/evaluation process and the CEO evaluation process;
- v) all Committees are constituted with only independent directors; and
- vi) the independent directors meet at the end of every Board meeting under the leadership of the Lead Director.

#### **5. Corporate Strategy**

Management is responsible for the development of an overall corporate strategy to be presented to the Board. The Board's role is to ensure there is a strategic planning process, and then review, question, validate, and ultimately approve the strategy and monitor its implementation.

#### **6. Business Risks**

The Board should have a continuing understanding of the principal risks associated with the business. It is the responsibility of management to ensure the Board and its committees are kept well informed of changing risks. The principal mechanisms through which the Board reviews risks are:

- i) on-going reports by the CEO;
- ii) the strategic planning process; and
- iii) the Audit Committee.

#### **7. Succession Planning**

The Board considers succession planning and management development to be an ongoing process, including annual reports to the Board by the CEO. The CEO's views as to a successor in the event of unexpected incapacity should be discussed regularly with the Governance and Human Resources Committee.

## **8. Board Communications Policy**

- i) The Board approves the content of the Corporation's major communications to shareholders and the investing public, including the Quarterly and Annual Report, the Management Information Circular, the Annual Information Form and any prospectuses that may be issued.
- ii) However, the Board believes that it is the function of management to speak for the Corporation in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. It is understood that, individual directors may, from time to time, be requested by management to assist with such communications.
- iii) It is expected that when communications from stakeholders are made to individual directors, management will be informed and consulted to determine any appropriate response to be made by management.

## **9. Evaluation of the Chief Executive Officer**

The CEO performance is assessed annually by the Governance and Human Resources Committee.

## **10. Board Size and Composition**

- i) The Board is committed to reviewing its size regularly and currently considers five directors to be an appropriate number for the size of the Corporation and sufficient to provide an appropriate mix of backgrounds and skills for the stewardship of the Corporation. In general, the Board believes smaller boards are more cohesive and work more effectively than larger Boards.
- ii) Any director who is an independent and whose circumstances change such that he or she might be considered not to be an independent director shall promptly advise the Board of the change in circumstances.

## **11. Criteria for Board Membership**

- i) The Governance and Human Resources Committee will annually review the general and specific criteria applicable to candidates to be considered for nomination to the Board and appointment to Board committees.
- ii) The objective of this review will be to maintain the composition of the Board in a way that provides the best mix of skills and experience to guide the long term strategy and ongoing business operations of the Corporation.
- iii) This review will take into account the desirability of maintaining a reasonable diversity of background skills and experience and personal characteristics among the directors, along with the key common characteristics required for effective Board participation.

## **12. Selection of New Directors**

- i) The Board is responsible for identifying suitable candidates to be recommended for election to the Board by the shareholders.

- ii) The Governance and Human Resources Committee has the responsibility of gathering the names of potential nominees, screening their qualifications against the current skill and experience needs of the Board and making recommendations to the full Board.
- iii) All directors are encouraged to identify potential candidates.
- iv) The CEO provides additional direct input to the process.
- v) An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the CEO.

**13. Directors Who Change Their Present Job Responsibilities**

- i) A director, including any non-independent director serving on the Board, who has a major change in principal occupation shall offer his or her resignation to the Board for consideration. It is not intended that directors who retire or whose professional positions change should necessarily leave the Board.
- ii) The sense of the Board is that there should be an opportunity for the Board to review, through the Governance and Human Resources Committee, the continued appropriateness of Board membership under such circumstances.

**14. Director Retirement Age.**

There is no retirement policy for directors.

**15. Board Meetings and Agendas**

- i) The Board meets a minimum of four times per year, usually every quarter.
- ii) The CEO, in consultation with the Lead Director, develops the agenda for each Board meeting.
- iii) Under normal circumstances, the agenda and the material will be distributed to directors not less than two business days before the meeting. All directors are free to suggest additions to the agenda.

**16. Meetings of Independent Directors**

- i) At the end or the beginning of each Board meeting, the independent directors shall meet briefly under the leadership of the Lead Director.
- ii) The purpose of the meeting will be to provide an opportunity for the independent directors to raise issues that they did not wish to discuss with management present.
- iii) The Lead Director will meet with the CEO to discuss the results of the meeting.

## **17. Board Information**

- i) Material distributed to the directors in advance of Board meetings shall be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered.
- ii) Reports may be presented during Board meetings by directors, management or staff, or by invited outside advisors. Presentations on specific subjects at Board meetings shall briefly summarize the material sent to directors, so as to maximize the time available for discussion on questions regarding the material.
- iii) It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance.

## **18. Non-Directors at Board Meetings**

- i) The Board appreciates the value of having certain members of senior management attend each Board meeting to provide information and opinion to assist the directors in their deliberations.
- ii) The CEO in consultation with the Lead Director will determine who shall attend Board meetings and for which agenda items.

## **19. Committees**

- i) Committees analyze in depth, policies and strategies developed by management, which are consistent with their terms of reference. They examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so.
- ii) Each committee operates according to a Board approved written mandate outlining its duties and responsibilities.
- iii) The committee structure may be subject to change as the Board considers from time-to-time which of its responsibilities can best be fulfilled through more detailed review of matters in committee.
- iv) The current committee structure includes
  - a) Audit Committee;
  - b) Governance and Human Resources Committee;
  - c) Environment, Health and Safety Committee; and
  - d) Independent Reserves Committee.
- v) The Board favours a periodic rotation in Committee leadership and membership in a way that recognizes and balances the needs for new ideas, continuity and maintenance of functional expertise.

- vi) The Governance and Human Resources Committee is responsible to the Board for proposing the leadership and membership of each committee on an annual basis. In preparing its recommendations, the Governance and Human Resources Committee will consult with the CEO, and take into account the preferences of the individual directors.

## **20. Board Contact with Senior Management**

- i) All of the directors have open access to the Corporation's senior management. It is expected that directors will exercise judgment to ensure that their contacts will not distract from the Corporation's business operations.
- ii) Written communications from directors to members of management will be copied to the CEO.
- iii) The Board also encourages individual directors to make themselves available for consultation with management outside Board meetings in order to provide specific advice and counsel on subjects where such directors have special knowledge and experience.

## **21. New Director Orientation**

New directors will be provided with an orientation and education program which will include written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other directors. The details of the orientation of each new director will be tailored to that director's individual needs and areas of interest.

## **22. Assessing the Board's Performance**

- i) The Governance and Human Resources Committee is responsible for developing an annual assessment of the overall performance of the Board, its committees, individual directors and the Lead Director.
- ii) The objective of this review will be to contribute to a process of continuous improvement in the Board's execution of its responsibilities.
- iii) It is expected that the results of such reviews will be to identify any areas where the directors and/or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation in such a way as to add shareholder value.

## **23. Director Compensation**

The Governance and Human Resources Committee will review the compensation of the directors each year. The committee will make recommendations to the Board for consideration when it believes changes in compensation are warranted.

**24. Limits to Management Authority**

From time to time, the Board establishes limits on management's authority depending on the nature and size of proposed transactions. These limits permit some flexibility within approved budgets but otherwise must not be exceeded without Board approval.

**25. Outside Advisors for Individual Directors**

Occasionally individual directors may need the services of an advisor to assist on matters involving their responsibilities as a Board member. The Board has determined that any director who wishes to engage an outside advisor at the expense of the Corporation, obtain the authorization of the Lead Director, in consultation with the CEO.

**26. Board Guideline Review**

The Governance and Human Resources Committee shall review these Guidelines periodically and any recommended changes will be submitted to the Board for approval.