

**GALLEON ENERGY INC.****Notice of Annual and Special Meeting of the Shareholders****TO: THE SHAREHOLDERS OF GALLEON ENERGY INC.**

TAKE NOTICE that the Annual and Special Meeting (the "Meeting") of the shareholders of Galleon Energy Inc. (the "Corporation") will be held in the Hamilton Room at the Bow Valley Square Conference Centre, (third floor of Bow Valley Square), 300, 205 – 5th Avenue S.W., Calgary, Alberta on 5th day of May, 2004 at 10:00 a.m. (Calgary time) for the following purposes:

- (1) To receive and consider the consolidated financial statements of the Corporation for the year ended December 31, 2003, the auditors' report thereon and the report of the Board of Directors;
- (2) To fix the number of directors to be elected at the Meeting at six;
- (3) To elect directors;
- (4) To appoint auditors and to authorize the directors to fix their remuneration as such;
- (5) To approve the Corporation's share option plan; and
- (6) To transact such other business as may properly be brought before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular which accompanies and forms part of this Notice.

**Shareholders of the Corporation who are unable to attend the Meeting in person are requested to date and sign the enclosed Instrument of Proxy and to mail it to or deposit it with the Secretary of the Corporation, c/o Valiant Trust Company, Stock Transfer Department, Suite 510, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2. In order to be valid and acted upon at the Meeting, forms of proxy must be received at the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof.**

**Shareholders are cautioned that the use of the mails to transmit proxies is at each shareholder's risk.**

The Board of Directors of the Corporation has fixed the record date for the Meeting at the close of business on March 30, 2004 (the "Record Date"). Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise establishes that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

DATED at Calgary, Alberta, this 30th day of March, 2004.

BY ORDER OF THE BOARD OF DIRECTORS

Glenn R. Carley  
Chairman and Chief Executive Officer

**GALLEON ENERGY INC.**

Information Circular - Proxy Statement

for the Annual and Special Meeting  
to be held on May 5, 2004**SOLICITATION OF PROXIES**

**This Information Circular - Proxy Statement is furnished in connection with the solicitation of proxies by the management of GALLEON ENERGY INC.** (the "Corporation") for use at the Annual and Special Meeting of the shareholders of the Corporation (the "Meeting") to be held on the 5th day of May, 2004 at 10:00 a.m. (Calgary time) in the Hamilton Room at the Bow Valley Conference Centre (third floor of Bow Valley Square), 300, 205 – 5th Avenue S.W., Calgary, Alberta, and at any adjournment thereof, for the purposes set forth in the Notice of Annual and Special Meeting. Instruments of Proxy must be received by the Secretary of the Corporation, c/o Valiant Trust Company, Stock Transfer Department, Suite 510, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding of the Meeting or any adjournment thereof. The board of directors of the Corporation (the "Board") has fixed the record date for the Meeting at the close of business on March 30, 2004 (the "Record Date"). Shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established that he or she owns such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

**The persons named in the enclosed form of proxy are directors and/or officers of the Corporation. Each shareholder has the right to appoint a proxyholder other than the persons designated above, who need not be a shareholder, to attend and to act for the shareholder at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder's appointee should be legibly printed in the blank space provided.**

**BENEFICIAL HOLDERS OF SHARES**

The information set forth in this section is provided to beneficial holders of Class A Shares or Class B Shares (collectively, "Common Shares") of the Corporation who do not hold their Common Shares in their own name ("Beneficial Shareholders"). Beneficial Shareholders should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Beneficial Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). 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, the broker/nominees are prohibited from voting shares for their clients. The Corporation does not know for whose benefit the shares registered in the name of CDS & Co. are held.

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 procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). ADP typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to ADP. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction request or a proxy with an ADP sticker on it cannot use that instruction request or proxy to vote Common Shares directly at the Meeting as the proxy must be returned as directed by ADP well in advance of the Meeting in order to have the shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by ADP well in advance of the Meeting.**

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

### **REVOCABILITY OF PROXY**

A shareholder who has submitted a proxy may revoke 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. 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 the shareholder's attorney authorized in writing deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

### **PERSONS MAKING THE SOLICITATION**

**The solicitation is made on behalf of the management of the Corporation.** The costs incurred in the preparation and mailing of the Instrument of Proxy, Notice of Annual and Special Meeting and this Information Circular - Proxy Statement will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of the Corporation, who will not be specifically remunerated therefor.

## EXERCISE OF DISCRETION BY PROXY

The shares represented by proxy in favour of management nominees shall be voted on any ballot at the Meeting and, where the shareholder specifies a choice with respect to any matter to be acted upon, the shares shall be voted on any ballot in accordance with the specification so made.

**In the absence of such specification, the shares will be voted in favour of the matters to be acted upon. The persons appointed under the Instrument of Proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the instrument of proxy and Notice of Annual and Special Meeting. At the time of printing this Information Circular - Proxy Statement, management of the Corporation knows of no such amendment, variation or other matter.**

## MATTERS TO BE ACTED UPON AT MEETING

### Election of Directors

At the Meeting, shareholders will be asked to fix the number of directors to be elected at the Meeting at six members and to elect six directors to hold office until the next annual meeting or until their successors are elected or appointed. There are currently six directors of the Corporation, each of whom retire from office at the Meeting.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of an ordinary resolution fixing the number of directors to be elected at the Meeting at six members and in favour of the election as directors of the six nominees hereinafter set forth:

Glenn R. Carley	Steve Sugianto
John A. Brussa	Fred C. Coles
William L. Cooke	Brad R. Munro

The names and municipalities of residence of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which each exercises control or direction, the offices held by each in the Corporation, the period served as director and the principal occupation of each are set forth below. The information as to shares beneficially owned, directly or indirectly or over which control or direction is exercised, is based upon information furnished to the Corporation by the nominees as of March 30, 2004.

<b>Name and Position with the Corporation</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Number of Common Shares Owned Directly or Indirectly or Controlled</b>
Glenn R. Carley <sup>(2)</sup> Calgary, Alberta Chairman, Chief Executive Officer and Director	Chairman and Chief Executive Officer of the Corporation	March 27, 2003	1,087,542 Class A Shares 5,850 Class B Shares
Steve Sugianto Calgary, Alberta President, Chief Operating Officer and Director	President and Chief Operating Officer of the Corporation	May 16, 2003	1,008,239 Class A Shares 11,250 Class B Shares

<b>Name and Position with the Corporation</b>	<b>Principal Occupation</b>	<b>Director Since</b>	<b>Number of Common Shares Owned Directly or Indirectly or Controlled</b>
John A. Brussa <sup>(2)</sup> Calgary, Alberta Director	Partner, Burnet, Duckworth & Palmer LLP (barristers and solicitors)	May 16, 2003	170,000 Class A Shares 4,500 Class B Shares
Fred C. Coles <sup>(1)(2)</sup> Calgary, Alberta Director	President, Menehune Resources Ltd. (private oil and gas company)	May 16, 2003	170,000 Class A Shares 4,500 Class B Shares
William L. Cooke <sup>(1)</sup> Ottawa, Ontario Director	President and Chief Executive Officer, MD Private Trust Company (private investment company)	May 16, 2003	164,800 Class A Shares 3,330 Class B Shares
Brad R. Munro <sup>(1)(3)</sup> Saskatoon, Saskatchewan Director	Vice President, Investments, Growthworks Capital Ltd. and affiliates and Manager, Growth Works WV Canadian Fund Inc. (public investment company)	January 16, 2004	Nil Class A Shares <sup>(4)</sup> Nil Class B Shares

## Notes:

- (1) Member of the Audit and Reserves Committee.
- (2) Member of the Compensation Committee.
- (3) Mr. Munro is the nominee of Growthworks WV Canadian Fund Inc., which is entitled to nominate one member to the board of directors of the Corporation for so long as it holds at least 15% of the outstanding Class A Shares.
- (4) Mr. Munro is the Vice-President, Investments of Growthworks Capital Ltd. and its affiliates and manager of Growthworks WV Canadian Fund Inc. which holds 5,482,753 Class A Shares, representing 31.8% of the outstanding Class A Shares.

All of the above directors have held their principal occupations or other positions with the same organization as listed above for at least the last five years except for Glenn R. Carley, Steve Sugianto and William L. Cooke. Mr. Carley has been the Chairman of High Point Resources Inc. (a public oil and gas company) since October, 2001, the Chairman of Culane Energy Corp. (a public oil and gas company) since December, 2002 and Chairman and Chief Executive Officer of Venture Energy Inc. (a private oil and gas company that was acquired by the Corporation) from December, 2002. Mr. Carley has also been the President of Selinger Capital Inc., a private investment company, for more than the last five years. Mr. Carley was co-founder, Chairman and Chief Executive Officer of Magin Energy Inc. (a public oil and gas exploration production company) from January, 1994 to June, 2001. Mr. Sugianto was President and Chief Operating Officer of Venture Energy Inc. from March, 2003 and was Vice-President, Engineering and Corporate Development of KeyWest Energy Corporation (a public oil and gas company) from March, 1999 to February, 2003. Mr. Cooke has been with MD Private Trust Company since September 2000. Prior thereto, from 1999 to 2000, Mr. Cooke taught at Capilano College and consulted independently. Mr. Cooke was a Vice-President of Royal Trust from 1987 to 1999.

### Appointment of Auditors

Unless otherwise directed, it is management's intention to vote the proxies in favour of an ordinary resolution to re-appoint the firm of Ernst & Young LLP, Chartered Accountants, to serve as auditors of the Corporation until the next annual meeting of the shareholders and to authorize the directors

to fix their remuneration as such. Ernst & Young LLP has been the Corporation's auditors since the formation of the Corporation.

### Approval of Share Option Plan

The Corporation has a stock option plan (the "Plan") pursuant to which options to purchase Class A Shares may be granted by the board of directors to directors, officers and employees of, and consultants to, the Corporation or any of its subsidiaries. Options granted under the Plan will have an exercise price which is not less than the price allowed by regulatory authorities, will be non-transferable and will be exercisable for a period not to exceed five years. The aggregate number of Class A Shares subject to options granted under the Plan, from time to time, cannot exceed 10% of the aggregate number of Class A Shares and Class B Shares outstanding and no one optionee is permitted to hold options entitling such optionee to purchase more than 5% of the aggregate number of issued and outstanding Class A Shares and Class B Shares. The Corporation currently has outstanding options to purchase 1,460,000 Class A Shares under the Plan as follows:

Group (Number in Group)	Number of Class A Shares Subject to Option	Date of Grant	Date of Expiry	Exercise Price
Executive Officers (3)	240,000	October 10, 2003	October 10, 2008	\$0.35
	75,000	February 2, 2004	February 2, 2009	\$4.26
Directors (3) <sup>(1)</sup>	105,000	October 10, 2003	October 10, 2008	\$0.35
Employees, Consultants and others (13)	525,000	October 10, 2003	October 10, 2008	\$0.35
	445,000	February 2, 2004	February 2, 2009	\$4.26
	70,000	March 19, 2004	March 19, 2009	\$5.00

Note:

- (1) Directors who are not also executive officers.

The Plan is attached as Schedule "A" hereto.

Pursuant to policies of the TSX Venture Exchange (the "TSXV") "rolling plans", such as the Plan, must receive shareholder approval yearly.

As a result, at the Meeting, Shareholders will be asked to consider and, if deemed advisable, to approve the following resolution:

"BE IT RESOLVED as an ordinary resolution of the Shareholders of Galleon Energy Inc. (the "Corporation") that:

1. the share option plan of the Corporation is described in and attached as Schedule "A" to the Information Circular – Proxy Statement of the Corporation dated March 30, 2004, be and is hereby approved; and
2. any one director or officer of the Corporation be and is hereby authorized to take any and all actions and to execute and deliver any and all documents, agreements and other instruments that may be considered to be necessary or desirable to give full effect to the foregoing resolution."

The resolution must be approved by a simple majority of votes cast at the Meeting by holders of the Common Shares. If the Plan is not approved by Shareholders, options already granted under the Plan will not be affected but the Corporation will not be permitted to grant additional options under the Plan unless approved by the TSXV and will therefore have to consider other methods of compensating and providing incentives to directors, officers, employees and consultants of the Corporation.

Unless otherwise directed, it is management's intention to vote the proxies in the accompanying form in favour of the ordinary resolution to approve the Plan.

## **INFORMATION CONCERNING THE CORPORATION**

### **Voting Shares and Principal Holders Thereof**

As at March 30, 2004, there were 17,253,438 Class A Shares and 922,500 Class B Shares of the Corporation issued and outstanding, each such share carrying the right to one vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting will be present if there are not less than 2 persons present at the Meeting holding or representing by proxy not less than 5% of the shares entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, as at March 30, 2004, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation other than as set forth below:

<b>Name and Address</b>	<b>Number of Voting Shares</b>	<b>Percentage of Class (%)</b>
Growthworks WV Canadian Fund Inc. Toronto, Ontario	5,482,753 Class A Shares Nil Class B Shares	31.8% Nil

### **Executive Compensation**

#### ***Summary Compensation Table***

The following table sets forth certain information regarding the compensation of the Corporation's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer (the "Named Executive Officers"). No executive officers of the Corporation had total annual salary and bonus in the last completed financial year exceeding \$100,000 (on an annualized basis).

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Glenn R. Carley Chairman and Chief Executive Officer	2003 <sup>(1)</sup>	36,500	Nil	(4)	90,000	Nil	Nil	Nil
Steve Sugianto President and Chief Operating Officer	2003 <sup>(2)</sup>	54,500	Nil	(4)	90,000	Nil	Nil	Nil
Shivon M. Crabtree Vice-President, Finance and Chief Financial Officer	2003 <sup>(3)</sup>	23,000	Nil	(4)	90,000	Nil	Nil	Nil

Notes:

- (1) Mr. Carley was appointed Chairman and Chief Executive Officer effective March 27, 2003 but only commenced receiving a salary from October 1, 2003. Amounts indicated in the table are the amounts received in 2003 since October 1, 2003. Mr. Carley receives a salary of \$11,667 plus a car allowance of \$500 per month.
- (2) Mr. Sugianto was appointed President and Chief Operating Officer of the Corporation effective March 27, 2003 but only commenced receiving a salary from June 1, 2003. Amounts indicated in the table are the amounts received in 2003 since June 1, 2003. Mr. Sugianto receives a salary of \$8,333 plus a car allowance of \$500 per month.
- (3) Ms. Crabtree was appointed Vice-President, Finance and Chief Financial Officer of the Corporation effective March 27, 2003 but only commenced receiving a salary from June 1, 2003. Amounts indicated in the table are the amounts received in 2003 since June 1, 2003. Ms. Crabtree receives a salary of \$8,333 per month effective March 15, 2004.
- (4) The value of perquisites and other personal benefits received was not greater than 10% of the total annual salary and bonus of the Named Executive Officer for the financial year.

### ***Stock Options***

The following table sets forth the options granted to the Named Executive Officers during the most recently completed financial year:

Name	Securities Under Options/SARs Granted #	% of Total Options/SARs Granted to Employees and Directors in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
Glenn R. Carley	90,000	10.00%	\$0.35	N/A <sup>(1)</sup>	October 10, 2008
Steve Sugianto	90,000	10.00%	\$0.35	N/A <sup>(1)</sup>	October 10, 2008
Shivon M. Crabtree	90,000	10.00%	\$0.35	N/A <sup>(1)</sup>	October 10, 2008

Note:

- (1) The options were agreed to be granted prior to closing of the Corporation's initial public offering at a 40% premium over the \$0.25 subscription price for Class A Shares pursuant to the initial public offering.

The following table sets forth, with respect to the Named Executive Officers, the number of unexercised stock options and the value of in-the-money stock options at December 31, 2003:

Name	Securities Acquired on Exercise (#)	Aggregated Value Realized (\$)	Unexercised Stock Options/SARs at FY-End Exercisable/ Unexercisable (#)	Value of Unexercised in- the-Money Stock Options/SARs at FY- End <sup>(1)</sup>
				Exercisable/ Unexercisable (\$)
Glenn R. Carley	Nil	Nil	30,000 / 60,000	\$88,500 / \$177,000
Steve Sugianto	Nil	Nil	30,000 / 60,000	\$88,500 / \$177,000
Shivon M. Crabtree	Nil	Nil	30,000 / 60,000	\$88,500 / \$177,000

Note:

(1) Based on the closing price on December 31, 2003, of \$3.30, less the exercise price.

### **Employment Agreements**

There are no employment agreements for any of the Named Executive Officers.

### ***Directors***

During the last completed financial year of the Corporation, directors of the Corporation were not paid any cash compensation for acting as directors of the Corporation, but were reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors. The directors of the Corporation have been granted stock options pursuant to the Corporation's stock option plan (see "Matters to be Acted Upon at the Meeting – Approval of Share Option Plan").

### ***Composition and Role of the Compensation Committee***

The Board has appointed a Compensation Committee comprised of Glenn R. Carley, John A. Brussa and Fred C. Coles. Mr. Carley is the Chairman and Chief Executive Officer of the Corporation. The other members of the committee are "unrelated" for the purposes of the Toronto Stock Exchange (the "TSX") guidelines on Corporate Governance. Mr. Carley is the Chairman and a director of High Point Resources Inc. ("High Point"), and the Chairman and Chief Executive Officer of Venture Energy Inc. ("Venture"), from whom the Corporation acquired properties during the last completed financial year. The Corporation also acquired all of the outstanding shares of Venture, which transaction closed on January 15, 2004. See "Interest of Management and Others in Material Transactions". The committee's mandate is to formally make recommendations to the Board in respect of compensation issues relating to directors, senior management and staff of the Corporation, including recommending performance objectives and the compensation package for the Chief Executive Officer.

### ***Report of Compensation Committee***

The Corporation's compensation philosophy is aimed at attracting and retaining quality and experienced people which is critical to the success of the Corporation. Employee compensation, including executive officer compensation, is comprised of three elements: base salary, short-term incentive compensation (being cash bonuses) and long-term incentive compensation (being stock options).

Recommendations for executive compensation are made by the Compensation Committee to the full Board for approval.

### *Base Salaries*

The base salary for Glenn R. Carley, Chairman and Chief Executive Officer has been set at \$140,000 per year for 2004. The base salary for Steve Sugianto, President and Chief Operating Officer has been set at \$100,000 per year. The base salary for Shivon M. Crabtree, Vice-President, Finance and Chief Financial Officer was originally set at \$60,000 per year, but, was increased on March 15, 2004 to \$100,000 per year for 2004. Base salary ranges are determined upon review of comparative data compiled by the Corporation for a number of comparable companies within the oil and gas industry of competitive salaries paid to senior officers. Base salaries paid to senior officers of the Corporation, including the Chief Executive Officer, are comparable to the salaries of positions for the Corporation's peer group, using such criteria as revenue, production, cash flow and number of employees. Salaries of executive officers, including that of the Chief Executive Officer, are reviewed at least annually.

### *Short-Term Incentive Compensation - Bonuses*

In addition to base salaries, the Corporation may award cash bonuses to employees of the Corporation, including executive officers. The award of a bonus is determined, in the case of employees, by senior management of the Corporation and approved by the Compensation Committee. Bonus levels for the President and Vice-president are established by the Compensation Committee in consultation with the Chief Executive Officer and the Chief Executive Officer's bonus is established by the Compensation Committee in consultation with the Board. In the case of non-executive employees, bonuses are based on the employee's contribution in adding share value and reducing costs and the employee's contribution to overall corporate goals. In the case of executive officers, including the Chief Executive Officer, bonus awards are discretionary and there are no specified targets or criteria set out, although matters such as changes in share price, cash flow per share, income per share, net asset value per share, reserve replacement cost and production levels are considered. No maximum bonus has been established for any executive officer. No bonuses were awarded to the Named Executive Officers in 2003.

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

Individual stock options are granted by the Board on the recommendation of senior management, in the case of employees, and by the Compensation Committee, in the case of executive officers including the Chief Executive Officer. Stock options are intended to align executive and shareholder interests by attempting to create a direct link between compensation and shareholder return. Participation in the Corporation's stock option plan rewards overall corporate performance, as measured through the price of the Corporation's shares. In addition, the plan enables executives to develop and maintain a significant ownership position in the Corporation.

Stock options are normally awarded by the Board upon the commencement of employment with the Corporation based on the level of responsibility within the Corporation. Additional grants may be made periodically to ensure that the number of options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within the Corporation.

### *Summary*

The Corporation's compensation policies have allowed the Corporation to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. The Compensation Committee and the Board will continue to review compensation

policies to ensure that they are competitive within the oil and natural gas industry and consistent with the performance of the Corporation.

Submitted By:

Glenn R. Carley  
John A. Brussa  
Fred C. Coles

### **Indebtedness of Directors and Officers**

No director, executive officer or other senior officer of the Corporation, or any associate of any such director or officer is, or has been at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation or any of its subsidiaries in respect of any indebtedness that is still outstanding, nor is, or at any time since the beginning of the most recently completed financial year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

### **Corporate Governance Practices**

In 1995, the TSX adopted a set of guidelines which were revised in 1999 (the "Guidelines") relating to corporate governance matters. The Guidelines address such matters as the constitution and independence of boards of directors, the functions to be performed by boards and their committees, and the relationship among a corporation's board, management and shareholders. Pursuant to policies of the TSXV, Tier 1 Issuers are required to disclose on an annual basis information about their corporate governance practices and processes and are directed to consult as a general reference the corporate governance disclosure guidelines contained in the Guidelines. The Corporation's disclosure with respect to the Guidelines is set forth in Schedule "B" hereto.

The Ontario Securities Commission has published for comment proposals on corporate governance that would replace the Guidelines but which are not yet in force. These proposals are subject to public comment and final regulatory approval and the Corporation is not aware whether they will be adopted in the form proposed or whether changes will be made to them prior to adoption and therefore such proposals have not been reflected in the disclosure on the Guidelines provided herein.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

There were no material interests, direct or indirect, of directors and senior officers of the Corporation, any shareholder who beneficially owns more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries other than the following:

1. On November 19, 2003, the Corporation agreed to purchase from High Point three oil and gas properties for aggregate consideration of \$2.55 million, subject to closing adjustments. Glenn R. Carley, Chairman, Chief Executive Officer and a director of the Corporation is the Chairman and a director of High Point and also owned or had control or direction over 776,140 common shares of High Point (1.1% of those outstanding) and held options to purchase 450,000 common shares of High Point. Shivon M. Crabtree, the Vice-President, Finance and Chief Financial Officer of the Corporation was also the Vice-President, Finance and Chief Financial Officer of High Point

until March 14, 2004 and owned or had control or direction over 233,334 common shares of High Point (0.3% of those outstanding) and held options to purchase 250,000 common shares of High Point. Fred C. Coles and John A. Brussa, directors of Galleon are also directors of High Point and Mr. Coles owned 148,332 common shares of High Point (0.2% of those outstanding) and Messrs. Coles and Brussa each held options to purchase 100,000 common shares of High Point. The acquisition was approved by the independent members of the board of directors of each of the Corporation and High Point.

2. On October 28, 2003, the Corporation entered into an agreement with Venture to acquire two Saskatchewan oil properties from Venture for aggregate consideration of \$3.55 million, subject to closing adjustment. Glenn R. Carley was the Chairman of the Board and Chief Executive Officer of Venture and owned or had control or direction over 12.5% of the outstanding common shares of Venture and \$225,000 principal amount of debentures of Venture. Steve Sugianto was the President and Chief Operating Officer of Venture and owned or had control or direction over 8.75% of the outstanding common shares of Venture and \$157,500 principal amount of debentures of Venture. Shivon M. Crabtree was the Vice-President, Finance and Chief Financial Officer of Venture and owned or had control or direction over 3.75% of the outstanding common shares of Venture and \$67,500 principal amount of debentures of Venture. Venture owned or controlled 500,000 Class A Shares of the Corporation. The acquisition was approved by the independent members of the board of directors of Galleon and by an independent committee of the board of directors of Venture.
3. On December 17, 2003, the Corporation entered into an agreement with the shareholders of Venture to acquire all of the outstanding shares of Venture in exchange for an aggregate of 5,923,437 Class A Shares of the Corporation issued at a price of \$2.70 per share and the assumption of approximately \$1.76 million of net debt. The transaction closed on January 15, 2004. The interests of Messrs. Carley and Sugianto and Ms. Crabtree in Venture are described in item 2 above. The acquisition of Venture was approved by the independent directors of the board of directors of the Corporation. Subsequent to this transaction, Brad R. Munro was appointed a director of the Corporation as the nominee of the principal shareholder of Venture.

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

Management of the Corporation is not aware of any material interest of any director or nominee for director, or senior officer or anyone who has held office as such since the beginning of the Corporation's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors and approval of the Plan (to the extent that any such persons are entitled to participate in the Plan and be granted options thereunder).

#### **OTHER MATTERS**

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual and Special Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

**APPROVAL AND CERTIFICATION**

The contents and sending of this Information Circular - Proxy Statement has been approved by the Board.

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

DATED March 30, 2004.

**GALLEON ENERGY INC.**

Glenn R. Carley  
Chairman and Chief Executive Officer

Shivon M. Crabtree  
Vice-President, Finance and Chief Financial Officer

**SCHEDULE "A"****GALLEON ENERGY INC.  
SHARE OPTION PLAN****(1) Purpose of Plan**

The purpose of this plan (the "Plan") is to develop the interest of officers, Directors, Employees, Management Company Employees, and Consultants of Galleon Energy Inc. and its subsidiaries (collectively, the "Corporation") in the growth and development of the Corporation by providing them with the opportunity through share purchase options to acquire an increased proprietary interest in the Corporation.

**(2) Administration**

The Plan shall be administered by the Board of Directors of the Corporation, or if appointed, by a special committee of Directors appointed from time to time by the Board of Directors of the Corporation (such committee, or if no such committee is appointed, the Board of Directors of the Corporation, is hereinafter referred to as the "Committee") pursuant to rules of procedure fixed by the Board of Directors.

**(3) Granting of Options**

The Committee may from time to time designate bona fide Directors, officers, Employees, Management Company Employees and Consultants of the Corporation (or in each case their personal holding companies) (collectively, the "Optionees"), to whom options ("Options") to purchase Class A Shares ("Class A Shares") of the Corporation may be granted, and the number of Class A Shares to be optioned to each, provided that:

- (a) the total number of Class A Shares issuable pursuant to the Plan shall not exceed 10% of the aggregate number of Class A Shares and Class B Shares of the Corporation outstanding, subject to adjustment as set forth herein, and further subject to the applicable rules and regulations of all regulatory authorities to which the Corporation is subject, including the TSX Venture Exchange (the "TSX Venture");
- (b) the number of Class A Shares reserved for issuance on exercise of Options, within a one-year period, to any one Optionee shall not exceed 5% of the Outstanding Common Shares;
- (c) the aggregate number of Class A Shares reserved for issuance on exercise of Options, within a one-year period, to any one Consultant of the Corporation may not exceed 2% of the Outstanding Common Shares;
- (d) the aggregate number of Class A Shares reserved for issuance on exercise of Options, within a one-year period, to Persons employed to provide conducting Investor Relations Activities may not exceed 2% of the Outstanding Common Shares; and
- (e) the maximum number of Class A Shares reserved for issuance on exercise of Options granted to Insiders at any time may not exceed 10% of the number of Outstanding Common Shares;
- (f) the maximum number of Class A Shares issuable on exercise of Options granted to Insiders within a twelve month period, shall not exceed 10% of the number of Outstanding Common Shares; and

- (g) the maximum number of Class A Shares which may be issued on exercise of Options to any one Optionee and the Associates of such Insider, within a 12 month period, may not exceed 5% of the number of Outstanding Common Shares;

provided that for the purposes of paragraphs (e), (f) and (g) above, an entitlement granted prior to the grantee becoming an Insider may be excluded in determining the number of Class A Shares issuable to Insiders. The Class A Shares that are reserved for issuance on exercise of Options granted pursuant to this Plan that are cancelled, terminated or expired in accordance with terms of the Plan prior to the exercise of all or a portion thereof shall be available for a subsequent grant of Options pursuant to this Plan to the extent of any Class A Shares issuable thereunder that are not issued under such cancelled, terminated or expired Options.

(4) **Vesting**

The Committee may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, provided that the Options shall not vest on more favourable terms than one-third of the total number of Options granted on the date of grant and on each of the first and second anniversaries of the date of grant. In the absence of any determination by the Committee as to vesting, vesting shall be as to one third on the date of grant and one third on each of the second and third anniversaries of the date of grant.

(5) **Exercise Price**

The exercise price (the "Exercise Price") of any Option shall be fixed by the Committee when such Option is granted, provided that such price shall not be less than the Market Price of the Class A Shares, or such other price as may be determined under the applicable rules and regulations of all regulatory authorities to which the Corporation is subject, including the TSX Venture.

In the event that the Corporation proposes to reduce the Exercise Price of Options granted to an Optionee who is an Insider of the Corporation at the time of the proposed amendment, said amendment shall not be effective until disinterested shareholder approval has been obtained in respect of said Exercise Price reduction.

(6) **Option Terms**

The period during which an Option is exercisable shall, subject to the provisions of the Plan requiring acceleration of rights of exercise, be such period as may be determined by the Committee at the time of grant, but subject to the rules of any stock exchange or other regulatory body having jurisdiction (presently restricted to five years). Each Option shall, among other things, contain provisions to the effect that the Option shall be personal to the Optionee and shall not be assignable or transferable. In addition, each Option shall provide that:

- (a) upon the death of the Optionee, the Option shall terminate on the date of death, unless the Optionee was a Director, officer, Employee, Management Company Employee or Consultant of the Corporation or a subsidiary of the Corporation at least one year following the date of grant of the Options in question, in which case the Options shall terminate on the date that is six months following the date of death of the Optionee (the "Termination Date");
- (b) if the Optionee shall no longer be a Director or officer of, be in the employ of, or be providing ongoing management or consulting services to the Corporation, the Option shall terminate on the earlier of the expiry date of the Option and the expiry of the period

(the "Termination Date") not in excess of 90 days prescribed by the Committee at the time of grant, following the date that the Optionee ceases to be a Director, officer or Employee of the Corporation, or ceases to provide ongoing management or consulting services to the Corporation, as the case may be; and

- (c) if the Option is granted to an Optionee who is engaged in Investor Relations Activities on behalf of the Corporation, the Option shall terminate on the earlier of the expiry date of the Option and the expiry of the period (the "Termination Date") not in excess of 30 days prescribed by the Committee at the time of grant, following the date that the Optionee ceases to provide ongoing Investor Relations Activities;

provided that the number of Class A Shares that the Optionee (or his heirs or successors) shall be entitled to purchase until the Termination Date shall be the number of Class A Shares which the Optionee was entitled to purchase on the date of death or the date the Optionee ceased to be an officer, Director or Employee of, or ceased providing ongoing management or consulting services to, the Corporation, as the case may be.

**(7) Exercise of Option**

Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its head office, or such other place as may be specified by the Corporation, of a written notice of exercise specifying the number of Class A Shares with respect to which the Option is being exercised and accompanied by payment in full of the purchase price of the Class A Shares then being purchased.

**(8) Mergers, Amalgamation and Sale**

If the Corporation shall become merged (whether by plan of arrangement or otherwise) or amalgamated within or with another corporation or shall sell the whole or substantially the whole of its assets and undertakings for shares or securities of another corporation, the Corporation shall, subject to this Section 8, make provision that, upon exercise of an Option during its unexpired period after the effective date of such merger, amalgamation or sale, the Optionee shall receive such number of shares of the continuing successor corporation in such merger or amalgamation or the securities or shares of the purchasing corporation as the Optionee would have received as a result of such merger, amalgamation or sale if the Optionee had purchased the shares of the Corporation immediately prior thereto for the same consideration paid on the exercise of the Option and had held such shares on the effective date of such merger, amalgamation or sale and, upon such provision being made, the obligation of the Corporation to the Optionee in respect of the Class A Shares subject to the Option shall terminate and be at an end and the Optionee shall cease to have any further rights in respect thereof.

**(9) Termination of Option in the Event of Take-Over Bid**

In the event a take-over bid (as defined in the *Securities Act* (Alberta), which is not exempt from the take-over bid requirements of Part 14 of the *Securities Act* (Alberta) (or its replacement or successor provisions) shall be made for the Class A Shares of the Corporation, the Corporation may in the agreement providing for the grant of Options herein provide that the Corporation may require the disposition of the Optionee and the termination of any obligations of the Corporation to the Optionee in respect of any Options granted by paying to the Optionee in cash the difference between the exercise price of unexercised Options and the fair market value of the securities to which the Optionee would have been entitled upon exercise of the unexercised Options on such date, which determination of fair market value shall be conclusively made by the Committee, subject to approval by the stock exchanges upon

which the Class A Shares are then listed, if required by such exchanges. Upon payment as aforesaid, the Options shall terminate and be at an end and the Optionee shall cease to have any further rights in respect thereof.

(10) **Alterations in Shares**

Appropriate adjustments in the number of Class A Shares optioned and in the Exercise Price, as regards Options granted or to be granted, may be made by the Committee in its discretion to give effect to adjustments in the number of Class A Shares of the Corporation resulting subsequent to the approval of the Plan by the Committee from subdivisions, consolidations or reclassifications of the Class A Shares of the Corporation, the payment of stock dividends by the Corporation, or other relevant changes in the capital of the Corporation.

(11) **Option Agreements**

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Class A Shares subject to Option, the Exercise Price, provisions as to vesting (if applicable) and expiry, and any other terms approved by the Committee, all in accordance with the provisions of this Plan. The agreement will be in such form as the Committee may from time to time approve, or authorize the officers of the Corporation to enter into, and may contain such terms as may be considered necessary in order that the Option will comply with this Plan, any provisions respecting Options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen, and the rules of any regulatory body having jurisdiction over the Corporation.

(12) **Regulatory Authorities Approvals**

The Plan shall be subject to the approval, if required, of any stock exchange on which the Class A Shares are listed for trading. Any Options granted prior to such approval shall be conditional upon such approval being given, and no such Options may be exercised unless such approval, if required, is given.

(13) **Amendment or Discontinuance of the Plan**

The Committee may amend or discontinue the Plan at any time, provided that no such amendment may, without the consent of the Optionee, alter or impair any Option previously granted to an Optionee under the Plan, and provided further that any amendment to the Plan will require the prior consent of the TSX Venture, or such other or additional stock exchange on which the Class A Shares are listed for trading.

(14) **Hold Period**

In addition to any resale restrictions imposed under applicable securities laws, if required by the TSX Venture or any other regulatory authority, Options granted under the Plan and Class A Shares issued on exercise of such Options may be required to be legended evidencing that the Options and the Class A Shares issued upon exercise of the Options are subject to a hold period or restricted period as required by the TSX Venture or other applicable regulatory authority and the Optionee by accepting the Option agrees to comply therewith.

(15) **Class A Shares Duly Issued**

Class A Shares issued upon the exercise of an Option granted hereunder will be validly issued and allotted as fully paid and non-assessable upon receipt by the Corporation of the Exercise Price

therefore in accordance with the terms of the Option, and the issuance of Class A Shares thereunder will not require a resolution or approval of the Board of Directors of the Corporation.

(16) **Prior Plans**

This Plan shall come into force and effect on ratification approval by shareholders of the Corporation and approval of the TSX Venture and entirely replaces and supersedes prior share option plans enacted by the Board of Directors of the Corporation, or its predecessor corporations.

(17) **Definitions**

- (a) In this Plan, capitalized terms used herein that are not otherwise defined herein shall have the meaning ascribed thereto in the Corporate Finance Manual of the TSX Venture, and in particular, in policies 1.1 and 4.4 of said Corporate Finance Manual.
- (b) “Outstanding Common Shares” at the time of any share issuance or grant of Options means the aggregate number of Class A Shares and Class B Shares that are outstanding immediately prior to the share issuance or grant of Options in question on a non-diluted basis, or such other number as may be determined under the applicable rules and regulations of all regulatory authorities to which the Corporation is subject, including the TSX Venture.

(18) **Effective Date**

This Plan is effective on July 22, 2003.

**GALLEON ENERGY INC.**

per: “signed Glenn R. Carley”  
Glenn R. Carley  
Chairman and Chief Executive Officer

**SCHEDULE "B"**Galleon Energy Inc. Guideline Compliance Table

GUIDELINES	COMPLIANCE	COMMENTS
1. The Board should explicitly assume responsibility for the stewardship of the Corporation, including:		
a) the adoption of a strategic planning process;	Yes	The Board has implemented a strategic planning process which involves, among other things, the following: (i) at least one meeting per year will be devoted substantially to the review of strategic plans that are proposed by management; (ii) ongoing meetings of the Board to discuss strategic planning issues, with and without members of management; and (iii) the Board reviews and assists management in forming the short and long term objectives of the Corporation on an ongoing basis.
b) the identification of the principal risks of the Corporation's business and the implementation of appropriate systems to manage these risks;	Yes	The Board has identified the principal risks of the Corporation's business and works with management on an ongoing basis to assess and review the management of such risks.
c) succession planning, including appointing, training and monitoring senior management;	Yes	The Board takes ultimate responsibility for the appointment and monitoring of the Corporation's senior management. No formal system of succession planning has been developed. The Board reviews the performance of the senior executives on an ongoing basis.
d) the Corporation's communications policy;	Yes	The Board reviews, on an ongoing basis, the methods by which the Corporation communicates with its shareholders, regulatory bodies and the public. The Board or individual members review all of the Corporation's major compliance and communication documents, including annual and quarterly reports, financing documents and other material disclosure documents. Through the Audit and Reserves Committee, all public financial information is reviewed and recommended to the Board for approval

GUIDELINES	COMPLIANCE	COMMENTS
		prior to its release.
e) the integrity of the Corporation's internal control and management information systems.	Yes	The Board, both directly and through the Audit and Reserves Committee and the external auditors, assesses the integrity of the Corporation's internal control and management information systems on an ongoing basis.
2. The Board should be constituted with a majority of individuals who qualify as unrelated directors.	Yes	Four of the six current directors of the Corporation are "unrelated" directors as defined by the TSX, being a director who is independent of management and is free from any interest in any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding. The TSX Guidelines also recommend that if a corporation has a significant shareholder, in addition to a majority of unrelated directors, the Board should include a number of directors who do not have interests in or a relationship with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder. A significant shareholder is a shareholder with the ability to exercise a majority of the votes for the election of the Board of Directors.
3. The analysis of the application of the principles supporting the conclusion in paragraph 2 above.	Yes	The Board consists of six members, two of whom, Glenn R. Carley and Steve Sugianto, are members of management. As Chairman and Chief Executive Officer and President and Chief Operating Officer, respectively, they are considered as an "inside" and "related" director. John A. Brussa is a partner at Burnet, Duckworth & Palmer LLP which provides legal services to the Corporation. Having regard to the nature of the legal services provided to the Corporation and the materiality of the retainer to such law firm by the Corporation, the Board does not consider Mr. Brussa to

GUIDELINES	COMPLIANCE	COMMENTS
		be a related director for this purpose.
4. The Board should appoint a committee of directors composed exclusively of outside, i.e., non-management directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.	See comment	The responsibility for proposing and considering new nominees to the Board rests with the entire Board as does the review of the members of the Board's continuing qualifications and credentials.
5. The Board should implement a process to be carried out by the Nominating Committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.	See comment	The responsibility for the assessment of the effectiveness of the Board as a whole, the committees of the Board, the appointments to those committees and the mandates thereof, as well as the contribution of individual directors on an ongoing basis, rests with the Board as a whole. The Board intends to set up processes to ensure that appropriate mechanisms are in place for the ongoing assessment of the Board and the committees thereof as well as the contribution of individual directors.
6. The existence of an orientation and education program for new recruits to the Board.	Yes	While the Corporation does not currently have a formal orientation and education program for new recruits to the Board, the Corporation intends to provide such orientation and education on an ad hoc and informal basis. The Board believes that this procedure will provide a practical and effective approach in light of the Corporation's particular circumstances, including the size of the Corporation, limited turnover of the directors and the experience and expertise of the Board members.
7. The size of the Board and the impact of the number of directors upon the Board's effectiveness.	Yes	The Board considers that six members as proposed to be elected at the Meeting is currently an appropriate number of directors having regard to the size of the Corporation, the number of required committees, the nature of its business and operations and the experience and expertise required to carry out their duties effectively while maintaining a diversity of view and experience.

GUIDELINES	COMPLIANCE	COMMENTS
<p>8. The adequacy and form of the compensation of directors should realistically reflect the responsibilities and risk involved in being an effective director.</p>	Yes	<p>The Board has appointed a Compensation Committee comprised of Glenn R. Carley, John A. Brussa and Fred C. Coles. The mandate of the Compensation Committee is to formulate and to make recommendations to the Board in respect of compensation issues relating to directors, senior management and the staff of the Corporation, including reviewing and recommending performance objectives and the compensation package for the Chief Executive Officer. The compensation of directors of the Corporation, and whether they will be paid an annual and/or meeting retainer, in addition to stock options, is reviewed from time to time.</p>
<p>9. Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors.</p>	See comment	<p>The Board has constituted two committees: the Compensation Committee and the Audit and Reserves Committee. Mr. Carley, the Chairman and Chief Executive Officer of the Corporation is a member of the Compensation Committee but the Board considers his input to that committee important. Matters relating to the Chief Executive Officer's compensation are considered by members of the Compensation Committee other than Mr. Carley. The other members of the Compensation Committee are outside unrelated directors. The members of the Audit and Reserves Committee are unrelated, outside directors. John A. Brussa is a partner at Burnet, Duckworth &amp; Palmer LLP which provides legal services to the Corporation. Having regard to the nature of the legal services provided to the Corporation and the materiality of the retainer to such law firm by the Corporation, the Board does not consider Mr. Brussa to be a related director for this purpose.</p>
<p>10. The Board's responsibility for (or a committee of the Board's general responsibility for) developing the Corporation's approach to governance issues.</p>	Yes	<p>The Board as a whole is responsible for governance through a continuing assessment of governance issues. The Board as a whole intends to develop a broad list of topics of interest that are important for discussion and/or action by the Board, and undertaking on behalf of the Board, such other initiatives</p>

GUIDELINES	COMPLIANCE	COMMENTS
		as are needed to assist the Board in delivering exemplary governance of the Corporation.
11. The Board has developed:		
(a) position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities; and	See comment	To date, the Board has not developed specific position descriptions for its members since the Board, acting together, exercises plenary power. The Board retains all powers not delegated by the Board to management or Board Committees. The Chief Executive Officer's responsibilities are reviewed annually. The Chief Executive Officer is accountable to the Board for meeting corporate objectives and for managing the day to day business of the Corporation, subject to compliance with plans and objectives approved from time to time by the Board. The Board retains responsibility for significant changes in the Corporation's affairs, such as approval of major expenditures, financing arrangements and significant acquisitions and divestitures.
(b) the corporate objectives for which the CEO is responsible for meeting.	Yes	The corporate objectives of the CEO include maximizing shareholder value, implementing the business plan for the Corporation that is reviewed annually by the Board pursuant to the Board's strategic planning process, developing and staffing the Corporation's management structure and providing effective communication between the Board, management and shareholders.
12. The structures and procedures ensuring that the Board can function independently of management.	See comment	While the Corporation does not have an independent Chairman of the Board, the Board believes it functions and can continue to function independently of management. The Board (including the unrelated members thereof) and any committees can meet in the absence of management at their discretion, and any committee or member of the Board may engage outside advisors at the expense of the Corporation in appropriate circumstances, as discussed below.

GUIDELINES	COMPLIANCE	COMMENTS
<p>13.(a) The audit committee of the Board should be composed only of outside directors.</p> <p>(b) The roles and responsibilities of the audit committee should be specifically defined.</p> <p>(c) The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.</p> <p>(d) The audit committee's duties should include oversight responsibility for management reporting on internal controls and should ensure that management has designed and implemented an effective system of internal controls.</p>	Yes	<p>The Corporation's Audit and Reserves Committee is comprised of Fred C. Coles, William L. Cooke and Brad R. Munro, all of whom are outside directors.</p> <p>The Audit and Reserves Committee meets at least once each quarter and, among other things, with the assistance of the external auditors, is responsible for reviewing management programs and policies regarding the adequacy and effectiveness of the internal controls over the accounting and financial reporting systems within the Corporation, including management's response to internal control recommendations of the external auditors.</p> <p>The Audit and Reserves Committee reviews management plans regarding changes in accounting practices and policies and the financial impact thereof and is responsible for reviewing the major areas of management judgement and estimates that have a significant effect upon the financial statements. The Audit and Reserves Committee receives a yearly update from the Corporation's external auditors with respect to the Corporation's financial controls and information systems which comes to their attention during the course of conducting the year end audit. Results of that update are relayed by the Audit and Reserves Committee to the full Board for its consideration. At least once a year, the Audit and Reserves Committee meets with the Corporation's external auditors without management present and may do so at any time throughout the rest of the year. All financial statements, quarterly reports and other financial information which will be publicly disseminated are reviewed and approved by the Audit and Reserves Committee prior to release.</p>
<p>14. The existence of a system which enables an individual director to engage an outside adviser at the expense of the Corporation in appropriate circumstances.</p>	Yes	<p>A director or a group of directors may engage outside advisors at the expense of the Corporation.</p>

