



**NOTICE**  
**and**  
**MANAGEMENT INFORMATION CIRCULAR**  
**AND PROXY STATEMENT**

**for the Annual and Special Meeting of Shareholders**

to be held in the McMurray Room  
at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta

on

Wednesday, September 21, 2011  
at 3:00 p.m.

DATED: August 24, 2011



## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

### TO THE HOLDERS OF COMMON SHARES OF NIKO RESOURCES LTD.:

**Notice is hereby given** that an annual and special meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares ("**Common Shares**") in the capital of Niko Resources Ltd. (the "**Corporation**") will be held in the McMurray Room at the Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, on September 21, 2011 at 3:00 p.m. (Calgary time) for the following purposes:

1. to receive and consider the consolidated financial statements of the Corporation for the fiscal year ended March 31, 2011 and the report of the auditors thereon;
2. to fix the number of directors to be elected at the Meeting at five;
3. to elect directors of the Corporation for the ensuing year;
4. to appoint auditors for the ensuing year at a remuneration to be determined by the board of directors of the Corporation;
5. to consider and, if thought fit, pass a resolution approving the Corporation's shareholder rights plan, as more particularly described in the Information Circular; and
6. to transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

Particulars of the matters referred to above are set forth in the Information Circular.

Only Shareholders of record at the close of business on August 24, 2011 will be entitled to receive notice of, and to vote at, the Meeting, except that a transferee of Common Shares after such record date may, not later than 10 days before the Meeting, establish a right to vote by providing evidence of ownership of Common Shares and make a request to Computershare Trust Company of Canada that his or her name be placed on the Shareholder list for the Meeting.

A Shareholder may attend the Meeting and vote in person or may appoint another person (who need not be a Shareholder) as his or her proxy to attend and vote in his or her place. A form of proxy for use at the Meeting or any adjournment thereof is enclosed with this Notice. Shareholders who are unable to attend the Meeting in person are requested to date, sign and return the enclosed instrument of proxy to the Corporation's transfer agent, Computershare Trust Company of Canada, at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. A proxy will not be valid unless it is received by Computershare Trust Company of Canada no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof.

Dated at Calgary, Alberta, this 24<sup>th</sup> day of August, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

Per: (signed) "Edward S. Sampson"  
Edward S. Sampson  
Chairman of the Board, President and Chief Executive  
Officer

## TABLE OF CONTENTS

	Page
GENERAL PROXY INFORMATION .....	1
Solicitation of Proxies by Management .....	1
Appointment of Proxies .....	1
Revocation of Proxies .....	1
Signature of Proxy .....	1
Voting of Proxies .....	2
Exercise of Discretion by Proxies .....	2
Voting Shares .....	2
Principal Holders of Voting Shares .....	2
Advice to Beneficial Holders of Securities .....	2
 INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON .....	 3
MATTERS TO BE ACTED UPON AT THE MEETING .....	3
Consolidated Financial Statements .....	3
Fixing the Number of Directors .....	3
Election of Directors .....	3
Appointment of Auditors .....	10
Approval of Shareholder Rights Plan .....	10
 STATEMENT OF EXECUTIVE COMPENSATION .....	 15
Compensation Discussion and Analysis .....	15
Summary Compensation Table .....	23
Incentive Plan Awards .....	24
Termination and Change of Control Benefits .....	27
Director Compensation .....	28
 EQUITY COMPENSATION PLAN INFORMATION .....	 33
 INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS .....	 33
 INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS .....	 33
 CORPORATE GOVERNANCE PRACTICES .....	 33
 AUDIT COMMITTEE INFORMATION .....	 39
 OTHER MATTERS TO BE ACTED UPON .....	 39
 ADDITIONAL INFORMATION .....	 39
 APPENDIX A BOARD MANDATE .....	 A-1
 APPENDIX B COMPENSATION COMMITTEE MANDATE .....	 B-1
 APPENDIX C CORPORATE GOVERNANCE COMMITTEE MANDATE .....	 C-1
 APPENDIX D MAJORITY VOTING POLICY .....	 D-1



## MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

### GENERAL PROXY INFORMATION

#### **Solicitation of Proxies by Management**

This management information circular and proxy statement (this "**Information Circular**") is being furnished by the management of Niko Resources Ltd. ("**Niko**" or the "**Corporation**") in connection with the solicitation of proxies by management of the Corporation for use at the annual and special meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares ("**Common Shares**") in the capital of the Corporation to be held in the McMurray Room at the Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, at 3:00 p.m. (Calgary time) on September 21, 2011, and any adjournments thereof, for the purposes set forth in the Notice of Meeting accompanying this Information Circular (the "**Notice**"). The information contained in this Information Circular is given as of August 24, 2011 except where elsewhere indicated.

The head and executive office of the Corporation is located at 4600, 400 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2 and its telephone number is (403) 262-1020.

It is expected that the solicitation of proxies will be primarily by mail or personal solicitations by the officers or employees of the Corporation, at no additional compensation. The costs of solicitation by management will be borne by the Corporation.

#### **Appointment of Proxies**

Shareholders who wish to be represented at the Meeting by proxy must complete and deliver their proxies to the Corporation's transfer agent, Computershare Trust Company of Canada ("**Computershare**"), 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. In order to be valid, proxies must be received by Computershare no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournment thereof.

The persons named as proxy holders in the accompanying instrument of proxy are directors and/or officers of the Corporation. A Shareholder desiring to appoint a person (who need not be a Shareholder) to represent such Shareholder at the Meeting other than the persons designated in the accompanying instrument of proxy may do so either by striking out the names provided and inserting such person's name in the blank space provided in the instrument of proxy or by completing another instrument of proxy and, in either case, delivering the completed proxy to the office of Computershare at the address referred to above within the time specified above for the deposit of proxies.

#### **Revocation of Proxies**

A Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has submitted a proxy attends personally at the Meeting at which such proxy is 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: (a) the Shareholder signing another proxy bearing a later date than the first proxy and delivering such subsequent proxy to Computershare at the address referred to above and within the time specified above for the deposit of proxies; or (b) an instrument in writing by such Shareholder deposited either with Computershare at the address referred to above or with the Chairman of the Meeting at any time prior to the Meeting or any adjournment thereof.

#### **Signature of Proxy**

The accompanying instrument of proxy as well as any instrument revoking the same shall be executed by the Shareholder or his attorney authorized in writing, or if a Shareholder is a corporation, the proxy or other instrument should be signed in its corporate name under its corporate seal by an authorized officer whose title should be indicated. Such proxy or other instrument signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his signature and should be accompanied by the appropriate documentation evidencing qualification and authority to act (unless such documentation has been previously filed with the Corporation).

## **Voting of Proxies**

All Common Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for, and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Common Shares represented by the proxy will be voted or withheld from voting in accordance with such specification. In the absence of such specification, such Common Shares will be voted "FOR" fixing the number of directors to be elected at five, "FOR" the election as directors of those nominees of management listed in the Information Circular, "FOR" the appointment of KPMG LLP, Chartered Accountants, as the auditors of the Corporation and "FOR" the approval of the shareholder rights plan of the Corporation.

## **Exercise of Discretion by Proxies**

The accompanying instrument of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the proxy and Notice and with respect to other matters which may properly come before the Meeting. At the time of printing this Information Circular, management of the Corporation knows of no such amendment to or variation of other matters to come before the Meeting other than the matters referred to in the Notice.

## **Voting Shares**

As at August 24, 2011, there were 51,600,971 Common Shares outstanding, each carrying the right to one vote per share at the Meeting. Only Shareholders of record on August 24, 2011 are entitled to notice of, and to vote at, the Meeting except that a transferee of Common Shares after August 24, 2011 may, not later than 10 days before the Meeting, establish a right to vote by providing evidence of ownership of Common Shares and making a request to Computershare that the transferee's name be placed on the Shareholder list for the Meeting.

## **Principal Holders of Voting Shares**

Based on the Early Warning Report under the Alternative Monthly Reporting System of National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* filed for the period ended September 30, 2010, Fidelity Management & Research Company, Pyramis Global Advisors, LLC, Pyramis Global Advisors Trust Company and FIL Limited, as a group, owned 8,010,281, or approximately 15.69%, of the issued and outstanding Common Shares. To the knowledge of the directors and executive officers of the Corporation, as at August 24, 2011, no other persons or companies beneficially owned, directly or indirectly, or exercised control or direction over more than 10% of the Common Shares.

## **Advice to Beneficial Holders of Securities**

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of the Shareholders do not hold Common Shares in their own names. Shareholders who do not hold their Common Shares in their own names (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted 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 shares will not be registered in the Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, 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 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. or of other brokers/agents 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 Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on 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 mails voting instruction forms ("**VIFs**") to the Beneficial Shareholders and asks Beneficial Shareholders to return the VIFs 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 VIF cannot use that VIF to vote Common Shares

directly at the Meeting – the VIF must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

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

Other than as set forth herein, management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial interest or otherwise, of any director or executive officer of the Corporation, any proposed nominee for election as a director of the Corporation or any associate or affiliate of the foregoing in any matter to be acted upon at the Meeting other than the election of directors and the appointment of auditors.

## **MATTERS TO BE ACTED UPON AT THE MEETING**

### **Consolidated Financial Statements**

The audited financial statements of the Corporation for the year ended March 31, 2011 will be presented at the Meeting. No vote is required in respect of this matter. The board of directors of the Corporation (the "**Board**"), upon the recommendation of the audit committee of the Corporation, approved the financial statements prior to their delivery to the Shareholders.

### **Fixing the Number of Directors**

The Board presently consists of six directors and it is proposed that, at the Meeting, the Shareholders fix the number of directors to be elected at the Meeting at five. At the Meeting, the Shareholders will be asked to consider and, if thought fit, to pass the following resolution:

"BE IT RESOLVED THAT the number of directors of Niko Resources Ltd. to be elected be and is hereby fixed at five."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders who vote in person or by proxy thereon at the Meeting.


The persons named in the enclosed instrument of proxy, if named as proxy, intend to vote in favour of the foregoing resolution unless a Shareholder has specified in its instrument of proxy that the Shareholder's Common Shares are to be voted against such resolution.

### **Election of Directors**

#### *Nominees*

The following table states the names and cities of residence of the persons proposed to be nominated for election as directors at the Meeting, all other positions and offices with the Corporation now held by them, their principal occupations at present, the years in which they were first elected directors and the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as at March 31, 2011 and 2010. The information contained herein has been furnished by the respective nominees to the Corporation. Each director elected will hold office until the next annual meeting of Shareholders or until his successor is duly elected or appointed pursuant to the Corporation's by-laws, unless the director's office is earlier vacated.

The persons named in the enclosed instrument of proxy, if named as proxy, intend to vote in favour of the proposed nominees to the Board unless a Shareholder has specified in its instrument of proxy that the Shareholder's Common Shares are to be withheld from voting for any of the nominees.

	<b>Edward S. Sampson</b>					
	Age: 59	Calgary, Alberta, Canada	Director since: 1996	Not Independent – President and Chief Executive Officer of the Corporation		
	<b>Biography</b>					
	Mr. Sampson has been the President and Chief Executive Officer of the Corporation since November 2004. He has also been Chairman of the Board for over 15 years.  Mr. Sampson has been involved in the field of business management during the past 37 years. He has initiated and managed a series of successful business operations focused primarily on oil and gas exploration and development. Mr. Sampson was instrumental in the growth and development of a number of mid-sized Canadian public companies.					
<b>Current Public Board Memberships:</b>						
Niko Resources Ltd.						
<b>Board/Committee Membership at the date hereof:</b>	<b>Attendance during fiscal 2011:</b>	<b>Attendance (Total):</b>		<b>Annual Base Salary (CAD\$):</b>	<b>Meeting Attendance Retainer (CAD\$):</b>	<b>Equity Ownership/ Annual Base Salary:</b>
Member of the Board, Chairman of the Board	10 of 10	10 of 10	100%	726,250	-	584
<b>Securities Held as at March 31:</b>						
Year	Common Shares	Market Value per Common Share (CAD\$)	Total Market Value of Common Shares (Value at Risk) (CAD\$)	Minimum Shareholding Requirement	Meets Requirement	Stock Options
2011	4,354,479	93.00	404,966,547	22,353	Yes	1,437,500
2010	4,174,166	108.33	452,187,403	25,703	Yes	1,500,000



**William T. Hornaday**

Age: 55	Calgary, Alberta, Canada	Director since: 2007	Not Independent – Chief Operating Officer of the Corporation
---------	--------------------------	----------------------	--

**Biography**

Mr. Hornaday has been the Chief Operating Officer of Niko since 2005. Prior thereto, he was the Vice President, Operations of Niko since 2001.

Mr. Hornaday is a professional engineer with over 35 years of industry experience and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. He holds a B.Sc. in Mechanical Engineering from the University of Calgary. He has worked in the energy business in North America, India, Indonesia and Australia.


**Current Public Board Memberships:**


Niko Resources Ltd.


Board/Committee Membership at the date hereof:	Attendance during Fiscal 2011:		Attendance (Total):		Annual Base Salary (CAD\$):	Meeting Attendance Retainer:	Equity Ownership/ Annual Base Salary:
	#	%	#	%			
Member of the Board	9 of 10	90	12 of 13	92	524,500	-	19
Member of the Environment and Reserves Committee	3 of 3	100					

**Securities Held as at March 31:**

Year	Common Shares	Market Value per Common Share (CAD\$)	Total Market Value of Common Shares (Value at Risk) (CAD\$)	Minimum Shareholding Requirement	Meets Requirement	Stock Options
2011	102,017	93.00	9,487,581	16,143	Yes	581,250
2010	106,250	108.33	11,510,063	18,412	Yes	555,000

	<b>C. J. (Jim) Cummings</b>						
	Age: 61	Calgary, Alberta, Canada		Director since: 2005	Independent		
	<b>Biography</b>						
	Mr. Cummings has been a Partner of International Energy Counsel LLP (a law firm) since December 2002. Prior thereto, he was a Partner of Donahue LLP (a law firm) until November 2002.						
	Mr. Cummings has been involved in the petroleum industry for in excess of the past 30 years. He graduated from the University of Alberta with a degree in Law and has practiced in government, corporate and private roles, specializing in international oil and gas law. Mr. Cummings has served as Senior Counsel with the Attorney General of Alberta in the Constitutional and Energy Law Department, Senior Counsel with Home Oil Company Limited and Vice-President and General Counsel with both Asamera Inc. and Bow Valley Energy Ltd. He is currently a partner in International Energy Counsel LLP and a director of a number of private corporations.						
<b>Current Public Board Memberships:</b>							
Niko Resources Ltd.							
<b>Board/Committee Membership at the date hereof:</b>	<b>Attendance during fiscal 2011:</b>		<b>Attendance (Total):</b>		<b>Annual Retainer (CAD\$):</b>	<b>Meeting Attendance Retainer:</b>	<b>Equity Ownership/ Annual Retainer:</b>
	#	%	#	%			
Member of the Board	10 of 10	100	26 of 26	100	25,000	-	105
Member of the Audit Committee	8 of 8	100					
Member of the Compensation Committee	6 of 6	100					
Chair of the Corporate Governance Committee	2 of 2	100					
<b>Securities Held as at March 31:</b>							
Year	Common Shares	Market Value per Common Share (CAD\$)	Total Market Value of Common Shares (Value at Risk) (CAD\$)	Minimum Shareholding Requirements	Meets Requirement	Stock Options	
2011	26,901	93.00	2,501,793	1,282	Yes	62,500	
2010	5,550	108.33	601,232	1,519	Yes	93,750	

<b>Conrad P. Kathol</b>							
	Age: 61	Calgary, Alberta, Canada		Director since: 1996	Independent		
	<b>Biography</b>						
	Mr. Kathol has been President of Silver Thorn Exploration Ltd. (a natural resource company) since April 2004. Prior thereto, he was President of Invader Exploration Inc. (a public oil and gas company).						
	Mr. Kathol is a professional engineer and holds a B.Sc. in Civil Engineering from the University of Alberta and has worked in the oil and gas industry for the past 36 years. He has worked as an exploration geologist in western Canada and the United States and has a strong background in all aspects of the industry, including modern exploration technology, reservoir engineering and economic evaluation.						
Mr. Kathol has been involved in the management and has been a director of several publicly traded resource companies during the past 25 years.							
<b>Current Public Board Memberships:</b>							
Niko Resources Ltd.							
Board/Committee Membership at the date hereof:	Attendance during fiscal 2011:		Attendance (Total):		Annual Retainer (CAD\$):	Meeting Attendance Retainer:	Equity Ownership/ Annual Retainer:
	#	%	#	%			
Member of the Board, Board Secretary	10 of 10	100	19 of 20	95	25,000	-	1,076
Member of the Compensation Committee	5 of 6	83					
Chair of the Environment and Reserve committee	3 of 3	100					
Member of the Corporate Governance Committee (since September 2010)	1 of 1	100					
<b>Securities Held as at March 31<sup>st</sup>:</b>							
Year	Common Shares	Market Value per Common Share (CAD\$)	Total Market Value of Common Shares (Value at Risk) (CAD\$)	Minimum Shareholding Requirement	Meets Requirement	Stock Options	
2011	275,979	93.00	25,666,047	1,282	Yes	87,500	
2010	266,979	108.33	28,921,835	1,519	Yes	112,500	

	<b>Wendell W. Robinson</b>						
	Age: 70	Charleston, South Carolina, USA		Director since: 1999	Independent		
	<b>Biography</b>						
	Mr. Robinson has been Senior Investment Partner & retired Managing Director, Global Environment Fund (an institutional investment management firm) since February 2002 and from 1994 to 2002, he was Managing Director, Global Environment Fund. For 10 years prior thereto, Mr. Robinson managed international private equity programs for Rockefeller & Co. During his 40-plus years of domestic and international financial, investment and company management, Mr. Robinson has been the director of numerous corporations, and a member of investment advisory boards and committees of investment entities throughout Southeast Asia, Europe, Latin American and the United States.						
	Mr. Robinson has BA and MA degrees in Economics, with a minor in Finance, from Case Western Reserve University, and is a Chartered Financial Analyst.						
<b>Current Public Board Memberships:</b>							
Niko Resources Ltd.							
<b>Board/Committee Membership at the date hereof:</b>	<b>Attendance during fiscal 2011:</b>		<b>Attendance (Total):</b>		<b>Annual Retainer (CAD\$):</b>	<b>Meeting Attendance Retainer:</b>	<b>Equity Ownership/ Annual Retainer:</b>
	#	%	#	%			
Member of the Board	10 of 10	100	24 of 24	100	25,000	-	139
Chair of the Audit Committee	8 of 8	100					
Chair of the Compensation Committee	6 of 6	100					
<b>Securities Held as at March 31<sup>st</sup>:</b>							
Year	Common Shares	Market Value per Common Share (CAD\$)	Total Market Value of Common Shares (Value at Risk) (CAD\$)		Minimum Shareholding Requirement	Meets Requirement	Stock Options
2011	35,752	93.00	3,324,936		1,282	Yes	62,500
2010	40,002	108.33	4,333,417		1,519	Yes	87,500

**Notes:**

- (1) Each of the above persons has held the principal position shown opposite his name for at least the last five years, unless otherwise noted.
- (2) The Corporation does not have an executive committee. The Corporation has disclosure officers, but does not have a disclosure committee.
- (3) Conrad P. Kathol, a director of Niko, and Edward S. Sampson, an officer and a director of Niko, were both directors, but not officers, of Proprietary Industries Inc. ("**Proprietary**") during a period for which the Alberta Securities Commission (the "**ASC**") was investigating Proprietary. Proprietary is a public corporation organized under the *Canada Business Corporations Act*. Niko was, at the time of the transactions referred to below, arm's length to Proprietary and the other public companies referred to below and Niko has never had business dealings with Proprietary and such public companies. In January of 2002, a notice of hearing was issued by the ASC with respect to Proprietary and two of its senior officers, Peter Workum and Theodor Hennig, alleging that (i) Proprietary's consolidated financial statements for the years ended September 30, 2000, September 30, 1999 and September 30, 1998 were not prepared in accordance with generally accepted accounting principles and contained misrepresentations contrary to the *Securities Act* (Alberta) with respect to gains reported in connection with certain transactions involving Proprietary and (ii) Proprietary made representations in respect of material submitted or given to the ASC in connection with those transactions contrary to the *Securities Act* (Alberta). On August 21, 2002, the ASC issued an order (a) cease trading all trades in securities of Proprietary and all trades of Messrs. Workum and Hennig and certain subsidiaries of Proprietary and (b) denying Proprietary, Messrs. Workum and Hennig and such subsidiaries the use of any exemptions from the prospectus and registration requirements under the *Securities Act* (Alberta) for a period of 15 days. On September 5, 2002, the ASC issued a further order extending the

earlier interim order. Securities regulatory authorities in other provinces in Canada issued similar orders with respect to Proprietary. Mr. Sampson resigned as a director of Proprietary in March of 2001 and Mr. Kathol resigned as a director of Proprietary on December 18, 2002. In August 2003, the ASC staff and Proprietary entered into a settlement agreement whereunder Proprietary acknowledged, among other things, that certain recognitions of gains contained in its audited consolidated financial statements for its fiscal years ended September 30, 1998, 1999 and 2000 were contrary to generally accepted accounting principles and agreed to pay \$125,000 to the ASC in partial satisfaction of the ASC's costs. On November 21, 2003 the ASC issued an order lifting the sanctions referred to in (a) and (b) above as they related to Proprietary. However, in November and December of 2003, the ASC issued a further cease trade order against Proprietary for failure to file annual audited financial statements for its fiscal year ended September 30, 2002. This cease trade order was subsequently lifted on May 6, 2004 and trading of Proprietary's shares on the Toronto Stock Exchange resumed on May 19, 2004.

- (4) The shareholdings set forth in this table represent the number of Common Shares beneficially owned, directly or indirectly, or controlled or directed by each proposed director.

For information on the audit committee of the Board, see "Audit Committee Information".

#### *Majority Voting for Directors*

The Board has adopted a policy (the "**Majority Voting Policy**") that will permit a Shareholder to vote for, or withhold from voting for, each director nominee separately. If a director nominee has more votes withheld than are voted in favour of him, such nominee will be expected to forthwith submit his resignation to the Board, effective on acceptance by the Board. The Board will refer the resignation to the corporate governance committee of the Board (the "**Corporate Governance Committee**") for consideration. The Corporate Governance Committee will consider all factors deemed relevant by the members of the Corporate Governance Committee, including, without limitation, the stated reason or reasons why Shareholders who cast "withhold" votes for the director did so, the qualifications of the director, including, without limitation, the impact the director's resignation would have on the Corporation, and whether the director's resignation from the Board would be in the best interest of the Corporation and the Shareholders. Within 90 days of receiving the final voting results, the Board will issue a press release announcing the resignation of the director or explaining the reasons justifying its decision not to accept the resignation. The Majority Voting Policy does not apply in circumstances involving contested director elections. The full text of the Majority Voting Policy is attached hereto as Appendix D.

#### *Evergreen List of Director Candidates*

The articles of the Corporation provide for a minimum of three directors and a maximum of seven directors. The Corporation currently has six directors, one of whom is retiring and, therefore, will not stand for re-election. As a result, the Corporation is proposing five directors for election. The Corporate Governance Committee is expanding its evergreen list of director candidates as part of the process of recruiting a new director. Such director may assume the position of lead director.

#### *Director Independence*

The Corporation uses the meaning of independence set forth in section 1.4 of Canadian Securities Administrators' National Instrument 52-110 *Audit Committees* ("**NI 52-110**") to assess whether or not Board members are independent. In accordance with the *Business Corporations Act* (Alberta) (the "**ABCA**") and the Corporation's by-laws, there must be at least two directors who are not officers or employees of the Corporation or its affiliates. Messrs. Sampson and Hornaday are directors who are not independent, as they are officers of the Corporation. Messrs. Cummings, Kathol and Robinson are directors who are independent. Mr. Walter DeBoni is also an independent director, but he is retiring and will not stand as a nominee for re-election as a director at the Meeting.

#### *Interlocking Directorships*

An interlocking directorship refers to the practice of members of the Board serving on the boards of directors of more than one public corporation. The directors being nominated do not sit on the boards of any other public companies.

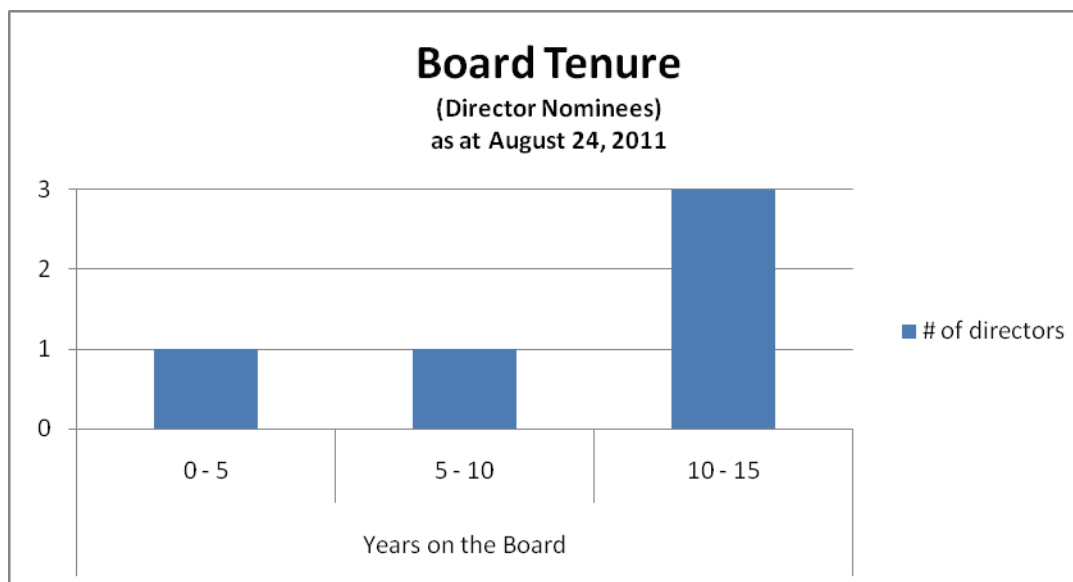
#### *Mandatory Share Ownership*

One way the directors of the Corporation demonstrate their commitment to the Corporation's success is through share ownership. The directors of the Corporation are required to beneficially own, directly or indirectly, or control or direct that number of Common Shares having a value of, in the case of independent directors, no less than five times their respective annual retainers and, in the case of directors who are employees of the Corporation, no less than three times their respective base salaries, and to maintain such ownership while they are directors. Under these guidelines, an individual has one year from

the effective date of his election as a director to acquire and hold the required number of Common Shares. For purposes of the foregoing, the value of the Common Shares held by a director shall be the greater of: (i) the cost to the director of such Common Shares; and (ii) the number determined by multiplying the number of Common Shares so held by the weighted average trading price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the most recently completed fiscal year. All of the directors of the Corporation are in compliance with the share ownership guidelines.

#### *Director Tenure*

The director nominees have been serving on the Board for the periods indicated in the chart below:



#### **Appointment of Auditors**

The management of the Corporation proposes that KPMG LLP, Chartered Accountants, be appointed as the auditors of the Corporation for the ensuing year at remuneration to be fixed by the Board. KPMG LLP has acted as the auditors of the Corporation since September 30, 1997.

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by the Shareholders who vote in person or by proxy thereon at the Meeting.

The persons named in the enclosed instrument of proxy, if named as proxy, intend to vote in favour of the foregoing resolution unless a Shareholder has specified in its instrument of proxy that the Shareholder's Common Shares are to be withheld from voting on such resolution.

#### **Approval of Shareholder Rights Plan**

##### *Background*

At the Meeting, Shareholders will be asked to approve the Corporation's shareholder rights plan. The Corporation's original shareholder rights plan was implemented under an agreement dated August 9, 1999 between the Corporation and Montreal Trust Company of Canada (the "**Original Rights Plan**"). At the annual and special meeting of Shareholders held on September 11, 2008, the continued existence of the Original Rights Plan was approved by the Shareholders and an amended and restated shareholder rights plan agreement (the "**2008 Rights Plan**") was executed.

The Corporation has reviewed the 2008 Rights Plan for conformity with current practices of Canadian companies with respect to shareholder rights plan design. The Corporation has determined that, since September 2008, there have been few, if any, changes in those practices. As a result, on August 17, 2011, the Board resolved to continue the 2008 Rights Plan with minimal amendments by approving an amended and restated shareholder rights plan (the "**2011 Rights Plan**"), subject to regulatory and Shareholder approval.

The 2011 Rights Plan is identical to the 2008 Rights Plan in all material respects and reconfirms Computershare Trust Company of Canada as Rights Agent. All capitalized terms used in this section but not defined elsewhere in this Information Circular shall have the meanings ascribed thereto in the 2011 Rights Plan.

#### *Recommendation of the Board*

The Board has determined that it continues to be in the best interests of the Corporation and the Shareholders that the Corporation have a shareholder rights plan, in the form of the 2011 Rights Plan. **Accordingly, the Board unanimously recommends that Shareholders vote in favour of the approval of the 2011 Rights Plan.**

The Corporation has been advised that the directors and senior officers of the Corporation intend to vote all Common Shares held by them in favour of the approval of the 2011 Rights Plan. At the Meeting, the Shareholders will be asked to consider and, if thought fit, to approve, with or without variation, the following resolution (the "**Rights Plan Resolution**"):

**"Be it resolved**, as an ordinary resolution of the holders (the "Shareholders") of common shares in the capital of Niko Resources Ltd. (the "Corporation"), that:

1. the shareholder rights plan of the Corporation (the "2011 Rights Plan"), substantially as described in the management information circular and proxy statement of the Corporation dated August 24, 2011, be and is hereby approved and the Corporation be and is hereby authorized to enter into an amended and restated shareholder rights plan agreement with Computershare Trust Company of Canada (or such other person as may be appropriate in the circumstances), as rights agent, to implement the 2011 Rights Plan and to issue the rights thereunder;
2. the board of directors of the Corporation may revoke this resolution before it is acted upon, without further approval of the Shareholders; and
3. any director or officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to execute, deliver and file all such documents and other instruments and to otherwise do and perform all such acts and things as such director or officer may determine to be necessary or desirable for the implementation of this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions."

The persons named in the enclosed form of proxy, if named as proxy, intend to vote in favour of the Rights Plan Resolution unless a Shareholder has specified in its proxy that its shares are to be voted against such resolution.

#### *Vote Required*

Shareholder approval of the 2011 Rights Plan is not required by law but is required by the terms of the 2008 Rights Plan and the rules of the TSX. The above resolution must be approved by a simple majority of the votes cast by the Shareholders who vote in person or by proxy thereon at the Meeting as well as by a simple majority of the votes cast by Independent Shareholders (as defined in the 2008 Rights Plan) who vote in person or by proxy thereon at the Meeting. The Corporation is not aware of any Shareholder who is not an Independent Shareholder.

If the Rights Plan Resolution is passed at the Meeting, then the Corporation and Computershare Trust Company of Canada (the "**Rights Agent**") intend to execute the 2011 Rights Plan effective as of the date the Rights Plan Resolution is passed. If the Rights Plan Resolution is not passed at the Meeting, the 2008 Rights Plan will become void and of no further force and effect, all outstanding Rights will be redeemed, the 2011 Rights Plan will not be executed and will never become effective and the Corporation will no longer have any form of shareholder rights plan.

The Board reserves the right to alter any terms of or not to proceed with the 2011 Rights Plan at any time prior to the Meeting in the event that the Board determines that it would be in the best interests of the Corporation and the Shareholders to do so, in light of subsequent developments.

#### *Objectives of the 2011 Rights Plan*

The primary objectives of the 2011 Rights Plan are to ensure that, in the context of a bid for control of the Corporation through an acquisition of the Common Shares, the Board has sufficient time to explore and develop alternatives for maximizing

shareholder value, to provide adequate time for competing bids to emerge, to ensure that every Shareholder has an equal opportunity to participate in such a bid and to give every Shareholder adequate time to properly assess the bid and lessen the pressure to tender typically encountered by a shareholder of a corporation that is subject to a bid.

In approving the 2011 Rights Plan, the Board considered the following concerns inherent in the existing legislative framework governing take-over bids in Canada:

- (1) **Time.** Current legislation permits a take-over bid to expire in 35 days. The Board of Directors is of the view that 35 days may not be sufficient time to permit shareholders to consider a take-over bid and to make a reasoned and unhurried decision. The 2011 Rights Plan provides a mechanism whereby the minimum expiry period for a take-over Bid must be 45 days after the date of the bid and the bid must remain open for a further period of 10 business days after the Offeror publicly announces that the shares deposited or tendered and not withdrawn constitute more than 50% of the Common Shares outstanding held by Independent Shareholders. The 2011 Rights Plan is intended to provide shareholders with adequate time to properly evaluate the offer and to provide the Board of Directors of the Corporation with sufficient time to explore and develop alternatives for maximizing shareholder value. Those alternatives could include, if deemed appropriate by the Board of Directors, the identification of other potential bidders, the conducting of an orderly auction or the development of a corporate restructuring alternative that could enhance shareholder value.
- (2) **Pressure to Tender.** A Shareholder may feel compelled to tender to a bid that the shareholder considers to be inadequate out of a concern that failing to tender may result in the shareholder being left with illiquid or minority discounted shares in the Corporation. This is particularly so in the case of a partial bid for less than all shares of a class, where the bidder wishes to obtain a control position but does not wish to acquire all of the Common Shares. The 2011 Rights Plan provides a Shareholder approval mechanism in the Permitted Bid provision which is intended to ensure that a Shareholder can separate the tender decision from the approval or disapproval of a particular take-over bid. By requiring that a bid remain open for acceptance for a further 10 Business Days following public announcement that more than 50% of the Common Shares held by Independent Shareholders have been deposited, a Shareholder's decision to accept a bid is separated from the decision to tender, lessening the undue pressure to tender typically encountered by a Shareholder of a company that is the subject of a take-over bid.
- (3) **Unequal Treatment.** While existing securities legislation has substantially addressed many concerns of unequal treatment, there remains the possibility that control of a company may be acquired pursuant to a private agreement in which a small group of shareholders dispose of shares at a premium to market price which premium is not shared with other shareholders. In addition, a person may slowly accumulate shares through stock exchange acquisitions, which may result, over time, in an acquisition of control without payment of fair value for control or a fair sharing of a control premium among all shareholders. The 2011 Rights Plan addresses these concerns by applying to all acquisitions of greater than 20% of the Common Shares, to better ensure that Shareholders receive equal treatment.

#### *General Impact of the 2011 Rights Plan*

It is not the intention of the Board in maintaining a shareholder rights plan for the Corporation to secure the continuance of existing directors or management in office, nor to avoid a bid for control of the Corporation in a transaction that is fair and in the best interest of Shareholders. For example, through the Permitted Bid mechanism, Shareholders may tender to a bid that meets the Permitted Bid criteria without triggering the 2011 Rights Plan, regardless of the acceptability of the bid to the Board. Furthermore, even in the context of a bid that does not meet the Permitted Bid criteria, the Board will continue to be bound to consider fully and fairly any bid for the Common Shares in any exercise of its discretion to waive the application of the 2011 Rights Plan or redeem the Rights. In all such circumstances, the Board must act honestly and in good faith with a view to the best interests of the Corporation and the Shareholders.

None of the Original Rights Plan, the 2002 Rights Plan, the 2005 Rights Plan, the 2008 Rights Plan or the 2011 Rights Plan was adopted or approved in response to or in anticipation of any pending or threatened take-over bid, nor to deter take-over bids generally. The objectives of the 2011 Rights Plan are as summarized above. The 2011 Rights Plan does not interfere with the day-to-day operations of the Corporation. The issuance of the Rights does not in any way alter the financial condition of the Corporation, impede its business plans or alter its financial statements. In addition, the 2011 Rights Plan is not initially dilutive and is not expected to have any effect on the trading of the Common Shares. However, if a Flip-in Event occurs and the Rights separate from the Common Shares, reported earnings per share and reported cash flow per share on a fully-diluted

and non-diluted basis may be affected. In addition, holders of Rights not exercising their Rights after a Flip-in Event may suffer substantial dilution.

The 2011 Rights Plan does not preclude any Shareholder from utilizing the proxy mechanism of the ABCA to promote a change in the management or direction of the Corporation and has no effect on the rights of Shareholders to requisition a meeting of Shareholders in accordance with the provisions of applicable corporate and securities legislation or to enter into agreements with respect to voting their Common Shares. The definitions of "Acquiring Person" and "Beneficial Owner" have been developed to minimize concerns that the 2011 Rights Plan may be inadvertently triggered or triggered as a result of an overly broad aggregating of holdings of institutional shareholders and their clients.

In summary, the Board believes that the dominant effects of the 2011 Rights Plan will be to enhance shareholder value and to ensure equal treatment of all shareholders in the context of an acquisition of control.

#### *Summary of the 2011 Rights Plan*

The following is a summary of the principal terms of the 2011 Rights Plan. A Shareholder or any other interested party may obtain a copy of the complete 2011 Rights Plan by writing or faxing a request to, or by calling, the Vice President, Finance, Niko Resources Ltd., 4600, 400 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2, telephone (403) 262-1020, fax (403) 263-2686.

Effective Date: The 2011 Rights Plan is effective as of the close of business on August 9, 1999 (the "**Plan Effective Date**").

Term: Provided that the Rights Plan Resolution is passed at the Meeting, the 2011 Rights Plan will expire at the termination of the annual meeting of Shareholders in the year 2014.

Shareholder Approval: The TSX requires that the Corporation obtain the approval of the Shareholders within six months of the adoption of the 2011 Rights Plan. For the 2011 Rights Plan to continue to be effective following the Meeting, the Rights Plan Resolution must be approved by a majority vote of the votes cast at the Meeting by Independent Shareholders voting in person and by proxy.

Issue of Rights: At 5:00 p.m. (Calgary time) on August 9, 1999, one Right was issued and attached to each outstanding Common Share and one Right will be issued and attach to any Common Share that is subsequently issued.

Rights Exercise Privilege: The Rights will separate from the Common Shares and will be exercisable 10 Trading Days (the "**Separation Time**") after a person has acquired, or commences a take-over bid to acquire, 20% or more of the Common Shares, other than by an acquisition pursuant to a take-over bid permitted by the Rights Plan (a "**Permitted Bid**"). The acquisition by any person (an "**Acquiring Person**") of 20% or more of the Common Shares, other than by way of a Permitted Bid or Competing Permitted Bid, is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. Ten Trading Days after the occurrence of the Flip-in Event, each Right (other than those held by the Acquiring Person) will permit the purchase of that number of Common Shares having an aggregate Market Price (as defined in the 2011 Rights Plan) on the date of occurrence of such Flip-in Event equal to twice the Exercise Price (as defined in the 2011 Rights Plan) for an amount in cash equal to the Exercise Price.

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the Common Shares, reported earnings per share on a fully diluted or non-diluted basis may be affected. Holders of Rights not exercising their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Lock-Up Agreements: A person making a take-over bid may enter into lock-up agreements ("**Lock-up Agreements**") with holders of Common Shares whereby such holders agree to tender their Common Shares to the bid without a Flip-in Event occurring. The Lock-up Agreement must permit the holders to withdraw their Common Shares and tender them to another, or to support another, take-over bid transaction that will provide greater value to such holder.

Certificates and Transferability: Prior to the Separation Time, the Rights are evidenced by a legend imprinted on certificates for the Common Shares issued from and after the Plan Effective Date and are not to be transferable separately from the Common Shares. From and after the Separation Time, the Rights will be evidenced by Rights Certificates, which will be transferable and traded separately from the Common Shares.

Permitted Bid Requirements: The requirements for a Permitted Bid include the following:

- (1) the take-over bid must be made by way of a take-over bid circular;
- (2) the take-over bid must be made to all shareholders, wherever resident;
- (3) the take-over bid must be outstanding for a minimum period of 45 days and Common Shares tendered pursuant to the take-over bid may not be taken up prior to the expiry of the 45-day period and only if at such time more than 50% of the Common Shares held by Independent Shareholders have been tendered to the take-over bid and not withdrawn; and
- (4) if more than 50% of the Common Shares held by Independent Shareholders are tendered to the take-over bid within the 45-day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Common Shares for not less than 10 Business Days from the date of such public announcement.

The Rights Plan allows for a competing Permitted Bid (a "**Competing Permitted Bid**") to be made while a

Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for the minimum deposit period under Canadian securities laws (currently 35 days).

Waiver: The Board, acting in good faith, may, until the occurrence of a Flip-in Event, waive the application of the Rights Plan to a particular Flip-in Event (an "**Exempt Acquisition**") where the take-over bid is made by a take-over bid circular to all holders of Common Shares. Where the Board exercises the waiver power for one take-over bid, the waiver will also apply to any other take-over bid for the Corporation made by take-over bid circular to all holders of Common Shares prior to the expiry of any other bid for which the Rights Plan has been waived.

Redemption: The Board may, with the majority approval of Shareholders (or the holders of Rights if the Separation Time has occurred) at a meeting duly called for that purpose, redeem the Rights at \$0.0001 per Right. Rights may also be redeemed by the Board without such approval following completion of a Permitted Bid, Competing Permitted Bid or Exempt Acquisition.

Amendment: The Board may amend the 2011 Rights Plan with the majority approval of Shareholders (or the holders of Rights, if the Separation Time has occurred) at a meeting duly called for that purpose. The Board without such approval may correct clerical or typographical errors and, subject to approval as noted above at the next meeting of the Shareholders (or holders of Rights, as the case may be), may make amendments to the 2011 Rights Plan to maintain its validity due to changes in applicable legislation.

Exemptions for Investment Advisors: Investment advisors (for fully managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds and administrators of registered pension plans acquiring greater than 20% of the Common Shares are exempted from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid for the Corporation.

Board of Directors: The 2011 Rights Plan will not detract from or lessen the duty of the Board to act honestly and in good faith with a view to the best interests of the Corporation. The Board, when a Permitted Bid is made, will continue to have the duty and power to take such actions and make such recommendations to Shareholders as are considered appropriate.

The Board reserves the right to alter any terms of or not to proceed with the 2011 Rights Plan at any time prior to the Meeting in the event that the Board determines that it would be in the best interests of the Corporation and its Shareholders to do so, in light of subsequent developments.

#### *Canadian Federal Income Tax Consequences of the Rights Plan*

Under the *Income Tax Act* (Canada) (the "**Tax Act**"), the issue of the Rights may be a taxable benefit, which must be included in the income of a recipient. However, no amount must be included in income if the Rights do not have a monetary value at the date of issue. The Corporation considers that the Rights, when issued, will have negligible monetary value, there being only a remote possibility that the Rights will ever be exercised. The holder of Rights may have income or be subject to withholding tax under the Tax Act if the Rights become exercisable, or are exercised or are otherwise disposed of.

This statement is of a general nature only and is not intended to constitute nor should it be construed as legal or tax advice to any particular holder of Common Shares. Such holders are advised to consult their own tax advisors regarding the

consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and applicable federal, provincial, territorial, state or foreign legislation.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Compensation Committee*

The Compensation Committee of the Corporation (the "**Compensation Committee**"), which is comprised of Wendell W. Robinson (Chairman), Conrad Kathol and C. J. (Jim) Cummings, is responsible for reviewing executive compensation matters and making recommendations to the Board for its approval. The compensation of the executive officers, including that of the Chairman of the Board, President and Chief Executive Officer (who is the senior officer), the Chief Financial Officer and the Chief Operating Officer of the Corporation, is determined solely by the Compensation Committee. The senior executives are responsible for determining the compensation of officers and other employees, within the guidelines recommended by the Compensation Committee and approved by the Board.

#### *Executive Compensation*

The named executive officers ("**Named Executive Officers**") of the Corporation include the Chairman of the Board, President and Chief Executive Officer (who is the senior officer), the Chief Financial Officer and the Chief Operating Officer of the Corporation. The compensation awarded to, earned by, paid to, or payable to the Named Executive Officers for the financial year ended March 31, 2011 included base salary, performance-based cash bonuses and Options.

The Corporation's compensation program is designed to be aligned with the strategic objectives of the Corporation. The Corporation's long-term strategic business philosophy is to commit significant resources to finding, developing and producing exploration opportunities with high impact potential. If successful, such prospects may materially add to the growth of the Corporation's assets, reserve base and longer term cash flow. The Board and the Compensation Committee believe it is these metrics that can translate into an enhancement in Shareholder value. Wishing to maximize the Corporation's internally generated cash flow and asset borrowing power to the commitment requirements and base development for the execution of the strategy, the Corporation's compensation program is comparatively simple. The program has two component types: (1) annual cash payments in the form of a fixed base salary and performance-based rewards bonus paid in cash; and (2) stock options. **Consequently, the Corporation does not provide longer term fixed cash cost compensation forms such as retirement plans, medical plans, saving benefit plans, insurance policies or plans, deferred compensation arrangements or stock appreciation or phantom stock option rights, but instead favours the two performance based types of compensation described above.**

Provided below are the three compensation elements along with the objective of each element and how each element fits the Corporation's objectives and decisions concerning the other elements.

<b>Compensation Element</b>	<b>Objective of Compensation Element</b>	<b>How Element fits Corporation's objectives and decisions concerning other Elements</b>
Base Salary	The objective is to provide a competitive level of fixed compensation to attract and retain highly motivated professional managers.	The desire is for the base salary to be high enough to secure technically talented personnel which when coupled with performance based compensation provides for a direct correlation between individual accomplishment and the success of the Corporation as a whole.
Annual Performance Based Bonus Plan	The objective of the annual bonus plan is to focus management and professional technical staff attention on specific targeted goals that are of particular importance and are to be accomplished within a given time period in order to	The performance goals are Corporation-wide and benefits are shared by all levels of the professional staff to encourage cooperation and mutual support. Potential individual benefits are related to base salary and length of service with a potential base of 50% of salary up to 150% in circumstances where performance exceeds targeted

Compensation Element	Objective of Compensation Element	How Element fits Corporation's objectives and decisions concerning other Elements
	achieve Corporation objectives.	goals.
Stock Option Plan	The primary objective of the stock option plan of the Corporation (the " <b>Option Plan</b> ") is to directly relate the creation of net worth for employees to the investment results of the Shareholders.	The options granted under the Option Plan (" <b>Options</b> ") are earned through vesting over a period of years in order to build long-term employee loyalty and retention.

Thus, a significant portion of executive and employee compensation is dependent upon the performance of the Corporation. If the Corporation does not perform within expected parameters in the short or long term, then the executive and professional staff may receive only a fraction of their total potential amount of remuneration.

The Compensation Committee certifies that it fully understands the long-term implications of the executive compensation policies outlined above. The change of control agreements specify the calculation of the amount of compensation in the event of a change of control. Otherwise, in the normal course of business, the Compensation Committee, in conjunction with the Board, has the ability to amend the base salary, the bonus and the grants of Options in the future. The Compensation Committee reviews the continued appropriateness of the compensation program on an annual basis. The Chair of the Compensation Committee will be available to answer questions relating to the Corporation's executive compensation matters at the Meeting.

#### Bonus Plan

The Bonus Plan for the year ended March 31, 2011 ("**Fiscal 2011**") was based upon a methodical qualitative assessment of significant company-wide and individual contributions and achievements during the year in executing the Corporation's overall business strategy and determining the year's outcome and success. The Corporation believes that this qualitative bonus determination approach leads to the creation of a highly effective, nimble management team that is evaluated on its ability to be flexible in addressing changing market and industry conditions while also providing a positive acceptance, motivation and incentive to all personnel and a means for supervisory management to utilize the bonus plan as a tool to enhance employee performance.

#### *Aggregate Pool Amount*

The total amount of the potential bonus plan pool (the "**Aggregate Pool Amount**") was to be the aggregate amount of the combined fiscal year end annual salary rates of all employees and staff members eligible for a bonus allocation multiplied by the percentage of base salary amount indicated for each category of employee, as set forth below.

- Senior Executive (Chairman of the Board, President and Chief Executive Officer): 100% of base salary
- Chief Operating Officer: 100% of base salary
- Chief Financial Officer: 75% of base salary
- All other employees and staff: to be at the discretion of the senior executive officers, but limited to 50% of base salary

#### *Components of the Bonus Plan*

The 2011 bonus plan had two major components for computing the percentage of the Aggregate Pool Amount that could be awarded:

1. a 20% weighting based upon the relative performance of the Common Shares on the TSX for the year; and
2. an 80% weighting based upon a methodical and purposeful approach in the qualitative analysis and evaluation of management and staff performance in regard to the factors listed below:
  - asset base building through exploration and acquisition.
  - cost control through favourable prices for service purchases/arrangements/contracts and employee efficiencies.
  - reserve and resource additions through professionally competent geology/geophysics, drilling and completion activities.
  - achievement of development activity on time and on budget.
  - efficient production operations, including marketing at best price.
  - achievement of health, safety and environment (HSE), code of conduct and community and government relations objectives.
  - communication of the Niko story to investors (including by presentations and through the Corporation's website).
  - creating and maintaining a cohesive, coordinated, productive, efficient, dedicated and motivated work force.
  - maintenance of financial and accounting discipline through the provision of capital at low costs and minimal dilution that is matched to need/use; efficient accounting policies, procedures or methods; tax minimization, effective internal controls and effective cash and administrative management.
  - achievement of growth factors as indicated in financial performance metrics utilizing a forecast for the year's results based upon actual 11-month figures and best estimate for the final month and possible adjustments to year-end results.

In evaluating performance during Fiscal 2011, the Compensation Committee determined that the 20% weighting applicable to the performance of the Common Shares was not achieved. Of the 10 qualitative factors listed above, the performance was considered to be about as expected in four instances, below expectations in two instances, above expectations in three instances and exemplary in one instance. This evaluation resulted in a total bonus pool amount of 56% of the potential amount and a bonus payment in the aggregate amount of CAD\$2,253,570.

#### ***Special Exemplary Performance Bonus Pool***

In addition to the calculated amount of the aggregate bonus pool, there was an additional Special Exemplary Performance Bonus Pool ("**SEPBP**") available from which recognition could be given for outstanding individual performance. The potential size of the SEPBP was an amount equal to 20% of Aggregate Pool Amount. At the determination of the Chairman of the Board, President and Chief Executive Officer, any portion of the SEPBP may be granted to any employee for exemplary performance up to a maximum amount of 100% of the calculated amount applicable to such employee. The determination of possible grants from the SEPBP to the Chief Executive Officer is made by the Compensation Committee and to the Chief Operating Officer and the Chief Financial Officer by the Compensation Committee in consultation with the Chief Executive Officer.

Any grant from the SEPBP to an employee could be paid in consideration of demonstrated exemplary performance during the year over and above the amount of a normal bonus grant. Examples of exemplary performance include: (1) extraordinary effort in the fulfillment of targeted corporate goals; (2) successful handling of extreme difficulties or unforeseen major problems that impacted targeted corporate goals; (3) unique insight and action toward major risks that resulted in their avoidance or resolution; and (4) new developments not foreseen in the year's plan that had material impact on the Corporation's success or future prospects.

There were no SEPBP awards made in Fiscal 2011.

## Stock Option Plan

The allocation of Options and the terms designed in those Options are an integral component of the compensation package of the directors, officers and employees of, and other service providers to, the Corporation (collectively, "**Participants**"). The Corporation has the Option Plan in place for the purpose of providing Options to Participants. The objective of the grant of Options to Participants is to allow them to share ownership of the Corporation and to motivate achievement of the Corporation's long-term strategic objectives and ultimately benefit all Shareholders.

The Option Plan rewards long-term service to the Corporation. The Corporation chooses this method of compensation in order to be competitive and to attract and retain technically competent professionals in the respective positions of responsibility. As of August 24, 2011, an aggregate of 3,781,002 Common Shares are issuable upon the exercise of Options previously granted under the Option Plan (representing approximately 7.3% of the currently outstanding Common Shares).

Options are awarded to employees of the Corporation by the Board based upon the recommendation of the Named Executive Officers, who base their decisions upon the level of responsibility and contribution of the individuals toward the Corporation's objectives and goals. Also, the Compensation Committee considers the overall number of Options that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options and the size of such grants. The granting of these specific Options is reviewed by the Compensation Committee for final recommendation to the Board for approval. As for the grant of Options to the Chairman of the Board, the Compensation Committee bases its decision on how the Chairman of the Board performed based upon the criteria referred to above under "Bonus Plan" that may have particular effect on long-term Corporation objectives, the salary paid to the Chairman of the Board and the number of existing Options held by the Chairman of the Board. The Board, subject to Compensation Committee review, has allocated the responsibility for the award of Options to employees, up to a specified number of Options per employee, to the Corporation's Chief Executive Officer.

Currently, under the Option Plan:

- (a) Options may be issued to directors, officers and employees of, and other service providers to, the Corporation and/or its subsidiaries, in such numbers and with such vesting provisions as the Board may determine;
- (b) the number of authorized but unissued Common Shares that may be subject to options granted under the Plan at any time is 10% of the number of outstanding Shares from time to time;
- (c) any increase in the issued and outstanding Common Shares will result in an increase in the available number of Common Shares issuable under the Plan;
- (d) the exercise of any Options granted under the Plan will make new grants available under the Plan;
- (e) the exercise price of Options shall be the volume weighted average trading price per Common Share on the TSX for the five trading days prior to the date of determination (the "**Market Price**"), provided that, in the event that the Common Shares are not listed and posted for trading on any stock exchange in Canada or where the Market Price does not, in the opinion of the Board, accurately reflect the market price of the Common Shares, the exercise price of the Options shall be determined by the Board in its sole discretion;
- (f) the term of an Option shall be a period of time fixed by the Board, not to exceed the maximum period of time permitted by the TSX and, unless the Board determines otherwise, the Option shall be exercisable in whole or in part at any time during this period in accordance with such vesting provisions, conditions or limitations (including applicable hold periods and blackout periods) as are contained in the Option Plan or as the Board may from time to time impose or as may be required by the TSX or under applicable securities laws;
- (g) subject to any specific requirements of the TSX, the Board shall determine the vesting period(s) during which a holder of Options may exercise such options or a portion thereof; in certain circumstances, the Board has been granted the discretion to provide for accelerated vesting of Options and in other circumstances there will be automatic acceleration of vesting (as further described below);
- (h) should an Option expire during a blackout period or within nine business days following the expiration of a blackout period, the expiry time of the Option shall be automatically extended without any further act or formality to 4:00 p.m. (Calgary time) on that date which is the 10<sup>th</sup> business day after the end of the blackout period (or such other date as may be permitted by the TSX and approved by the Board);

- (i) any grant of Options is subject to the following limitations: (i) the aggregate number of Common Shares reserved for issuance pursuant to Options outstanding at any time may not exceed 10% of the total number of issued and outstanding Common Shares; (ii) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to any one Participant and pursuant to other share compensation arrangements may not exceed 5% of the issued and outstanding Common Shares (on a non-diluted basis); (iii) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to insiders and pursuant to other share compensation arrangements may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis); (iv) the issuance of Common Shares to insiders pursuant to the Option Plan and other share compensation arrangements within a one-year period may not exceed 10% of the outstanding Common Shares (on a non-diluted basis); and (v) the issuance of Common Shares to any one insider and such insider's associates within a one-year period pursuant to the Option Plan and other share compensation arrangements may not exceed 5% of the outstanding Common Shares (on a non-diluted basis);
- (j) subject to the terms of the applicable Option agreement, in the event the holder of an Option ceases to be a director, officer or employee of, or a service provider to, the Corporation for any reason other than death or termination for cause, the Option may be exercised up to and including the earlier of the expiry time of the Option and the date that is 30 days following the effective date of the notice of resignation, retirement or termination, as the case may be; in the event of termination for cause of the holder of the Option, the Option will expire and terminate immediately at the time of delivery of the notice of termination; in the event of the death of the holder of the Option, the Option may be exercised up to and including the earlier of the expiry time of the Option and the date that is one year from the date of death;
- (k) Options are non-assignable and non-transferable;
- (l) the Board may, at any time and from time to time, amend, suspend or terminate the Option Plan or an Option without Shareholder approval, provided that no such amendment, suspension or termination may be made without obtaining any required approval of any regulatory authority or stock exchange or the consent or deemed consent of a Participant where such amendment, suspension or termination materially prejudices the rights of such Participant; notwithstanding the foregoing: (a) the Board may not, without the approval of the Shareholders, make amendments to the Option Plan or any Option for any of the following purposes: (i) to increase the maximum number of Common Shares allocated and made available to be granted to Participants; (ii) to increase the maximum number of Common Shares that may be reserved for issuance pursuant to Options outstanding at any time; (iii) to reduce the Option price for the benefit of an insider; (iv) to extend the expiry time of an Option for the benefit of an insider; and (v) to amend the provisions of the Option Plan pertaining to its amendment or discontinuance; and (b) the Board may, at any time and from time to time, without the approval of the Shareholders, amend any term of any outstanding Option, provided that: (i) any required approval of any regulatory authority or stock exchange is obtained; (ii) if the amendment would reduce the Option price or expiry time of an Option granted to an insider, Shareholder approval must be obtained; (iii) the Board would have the authority to initially grant the Option under the terms so amended; and (iv) the consent or deemed consent of the Participant is obtained if the amendment would materially prejudice the rights of the Participant.
- (m) no financial assistance is provided by the Corporation to participants in the Option Plan to facilitate the purchase of Common Shares upon the exercise of Options.

In addition, under the Option Plan, in the event that certain events such as a liquidation or dissolution of the Corporation or a re-organization, plan of arrangement, merger or consolidation of the Corporation with one or more entities, as a result of which the Corporation is not the surviving entity, are proposed or contemplated, the Board may, notwithstanding the terms of the Option Plan or Option agreements issued thereunder (a) exercise its discretion, by way of resolution, to permit accelerated vesting of Options on such terms as the Board sees fit at that time, and (b) in the event of acceleration of vesting as referred to in (a), exercise its discretion, by way of resolution, to cause the Options to terminate after the end of the period of accelerated vesting on such terms as the Board sees fit at that time, even if such termination of the Options is prior to the normal expiry time of the Options. If the Board, in its sole discretion, determines that the Common Shares subject to any Option shall vest on an accelerated basis, all participants in the Option Plan entitled to exercise an unexercised portion of Options then outstanding shall have the right at such time, upon written notice being given by the Corporation, to exercise such Options to the extent specified and permitted by the Board, and within the time period specified by the Board, which shall not extend past the expiry time of such Options.

If the Shareholders receive a take-over bid (as defined in the *Securities Act* (Alberta)) pursuant to which the offeror would, as a result of the bid being successful, beneficially own in excess of 50% of the outstanding Common Shares, and the Corporation supports such bid, a Participant may exercise its right (the "**Acceleration Right**") to exercise all or any of its outstanding Options. The Acceleration Right commences on the date of mailing of the directors' circular recommending acceptance of the take-over bid and ends on the earlier of (a) the expiry time of the Options, and (b) in the event the take-over bid is unsuccessful, on the expiry date of the take-over bid, and in the event the take-over bid is successful, on the 10<sup>th</sup> day following the expiry date of the take-over bid.

Effective November 10, 2010, the Board approved amendments to the Option Plan to address certain "housekeeping" matters and to limit the participation of non-employee directors of the Corporation. Such amendments were subsequently approved by the TSX. Effective July 21, 2011, the Board approved amendments to the Option Plan that require Shareholder approval in order to amend the Option Plan to: (a) reduce the exercise price of Options for the benefit of any participant in the Option Plan; (b) extend the expiry time of Options for the benefit of any participant in the Option Plan; and (c) permit Options to be transferable or assignable other than for normal estate settlement purposes. Such amendments were also subsequently approved by the TSX.

### *Comparative Compensation Discussion*

As has been the practice in past years, to prepare a comparative analysis of Niko's compensation arrangements for its executive and professional staff, the Compensation Committee utilized the Towers Watson Energy Industry Total Rewards Database Report for Canadian companies (the "**Report**"). The Report focuses on the elements of total compensation for the 61 participants in the Report, of which only 26% were exploration and production entities. The elements of compensation were: base salary, annual bonus and the expected value of all forms of long-term incentives and the value of perquisites. Long-term incentives include share appreciation plans, full value share plans and cash rights plans but do not include longer term fixed cash cost compensation forms such as retirement plans, medical plans, savings benefit plans and insurance policies or plans. The Compensation Committee's analysis extracted these same forms of compensation to compare to Niko's compensation arrangements during Fiscal 2011.

In its analysis and evaluation, the Compensation Committee concluded that the data, while useful, provided an insufficient database and that the like-company participation comparison was not completely valid for the purpose of evaluating the appropriateness of Niko's compensation method and amounts. The first issue with the data was the relatively small percentage of the participants in the Report who were exploration and production entities. The second issue was that Niko did not fit well within the Report's definition of "comparable company" based on revenue size. The third issue was that, among the limited number of participants who were exploration and production entities, Niko's business plan and philosophy differed with a much greater emphasis on individually large exploration properties that would have impact power on shareholder value if successful.

By design, the structure of Niko's compensation arrangement attempts to provide an appropriate relationship of compensation type that is in accordance with its business and operating philosophy of high potential impact in building shareholder value from large focused exploration investment. Specifically, this structure translates into a comparatively average annual salary plus bonus compensation component and a substantially higher than average equity oriented stock option plan. Thus, if its business philosophy is successful in building assets that result in a higher stock price for the benefit of the Shareholders, then Niko's employees benefit also. Another important distinction is that Niko provides no other form of long-term compensation or perquisites common to many other entities in the oil and natural gas industry.

Because of the weakness of insufficient comparative data from the Report, the Compensation Committee determined that additional data should be internally compiled in an attempt to provide comparisons to a small sample list of entities that have components in their respective profiles that are more similar to those of Niko. It is postulated that the common element that renders this form of selection criteria to be valid is that such entities draw employees from the same sort of management and professional talent pool. It is in this arena that Niko must offer a competitive compensation arrangement in order to draw highly talented people for the implementation of its focused philosophy.

The criteria used in the selection of companies for this comparison were: an international scope in relatively under-developed geological areas and political environments, which typically may offer better participation terms; and focused exploration activity in geological provinces similar to, and in some instances the same as, those in which Niko operates. Selected for inclusion in this more narrowly focused internal comparison were two companies from each of Canada, Europe and the United States. The companies were: from Canada, Nexen Inc. and Talisman Energy inc.; from Europe, Cairn Energy PLC and Tullow Oil plc; and from the United States, Marathon Oil Corporation and Anadarko Petroleum Corporation.

Comparative calculations were made for all of the forms of compensation, which included: salary, bonus and annual cash incentive compensation, pension and other compensation, total cash compensation, reported value of option (and/or equity incentive) compensation and total calculated compensation of all forms. The sources of this data were company shareholder reports and proxy statements and similar publicly published company documents.

Of the "total compensation" amount, the item with the most striking difference between Niko's package and those in the sample study was the compensation portion comprised of annual cash payments, as follows:

- The annual salary for Niko's Chief Executive Officer and Chief Financial Officer, and for the Chief Operating Officer (with one exception) were below all of the other companies in the sample.
- On an absolute cash payment basis, in all instances Niko's cash compensation of salary and bonus was lower than all those in the sample.
- Additionally, the cash component (salary plus bonus) as a percentage of total compensation was the lowest. Niko's range was from 9% to 33% of the total, while the range in the sample was 24% to 88% of the total. (This difference was accounted for principally by higher pension or deferred cash compensation for the other entities in the sample.)

Conversely, Niko's performance-related equity compensation was much higher (with one exception) than other companies in the sample for the Chief Executive Officer and the Chief Operating Officer and about mid-range for the Chief Financial Officer. Niko's compensation arrangement includes only performance stock options, while others in the study include various types of performance-related stock options, stock grants and other types of share related compensation.

This internal study indicated that total calculated compensation at Niko's three senior executive levels (Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer) were more comparable than that provided in the Report. For example:

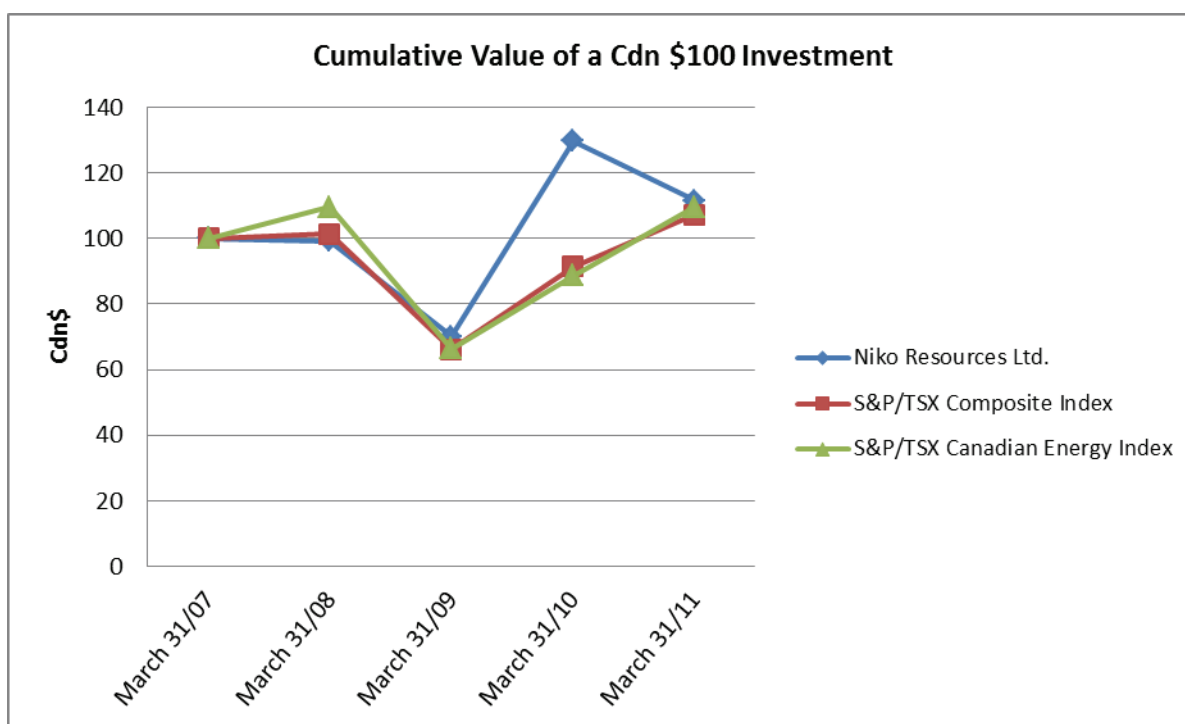
- The Niko Chief Executive Officer total compensation was somewhat higher than three in the sample, about the same as two and substantially lower than the highest.
- The Niko Chief Operating Officer total compensation was at the higher end of the range in the sample, but lower than the highest.
- The total compensation amount for the Niko Chief Financial Officer was about on par with those in the sample, but significantly lower than the highest.

In past years, as Niko was conserving cash while securing a meaningful revenue and earnings base through its heavy investment in exploration, the differences in the compensation types described above were considered to be appropriate. The comparative lower level of assured compensation in the form of cash salary and non-market-related bonus compensation, balanced by a market-related and higher-risk-higher-reward compensation character of performance stock options, was also deemed to be appropriate.

In future years, with continued exploration success, these dynamics should be expected to change. In acknowledgement of this during the past year, the number of Options issued to directors was reduced by cancellations and (subject to future Board actions) they are expected to continue to be reduced to a lower level by non-renewal of expiring or exercised Options. Similarly, the Named Executive Officers have reduced their respective outstanding Options by cancellations and (subject to future Board actions) they are expected to continue to be reduced to a lower level by non-renewal of expiring or exercised Options. Notwithstanding these reductions in outstanding Options to directors and Named Executive Officers, it is expected that cash remuneration will continue to be comparatively lower and performance-based stock option grants higher than other comparable companies.

### Performance Graph

The following graph compares the yearly change in the cumulative total shareholder return over the last five years of a CAD\$100 investment in the Common Shares with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Canadian Energy Index, assuming the reinvestment of dividends, where applicable, for the comparable period.



	March 31, 2007 (CAD\$)	March 31, 2008 (CAD\$)	March 31, 2009 (CAD\$)	March 31, 2010 (CAD\$)	March 31, 2011 (CAD\$)
Niko Resources Ltd.	100	99	70	130	112
S&P/TSX Composite Index	100	101	66	91	107
S&P/TSX Canadian Energy Index	100	110	66	89	110

Compensation levels for the Named Executive Officers from March 31, 2007 to March 31, 2011 are not consistent with the trend of total return on investment charted for the Corporation in the above performance graph. The Corporation does not base its executive compensation on total return on investment. For a discussion of the criteria upon which the Corporation bases executive compensation, see "Statement of Executive Compensation – Compensation Discussion and Analysis".

### Option-based Awards

Options are awarded to employees of the Corporation by the Board based upon the recommendation of the Chief Executive Officer, and as reviewed and approved by the Compensation Committee. The individual amount of Options awarded are based upon the comparative level of responsibility and authority an individual has within the management structure and hierarchy, the length of tenure and the contribution of the individual toward the Corporation's objectives and goals. The grant of Options to the Named Executive Officers is based on the recommendation of the Compensation Committee to the Board using the criteria noted in the previous sentence and in addition is based on how such officers performed in relation to the criteria referred to above under "Statement of Executive Compensation – Compensation Discussion and Analysis – Executive Compensation – Bonus Plan". In general, a base number of Options have been set for each individual and new Options are granted when existing Options expire, however, the granting of new Options is always at the discretion of the Board. The base number of Options allocated to an individual is evaluated annually and may be altered depending on changes in the level of responsibility, authority and contribution of the individual towards the Corporation's objectives and goals. Also, the Compensation Committee considers the overall number of Options that are outstanding relative to the number of outstanding Common Shares

in determining whether to make any new grants of Options and the size of such grants. See "Statement of Executive Compensation – Compensation Discussion and Analysis – Executive Compensation – Stock Option Plan".

### Summary Compensation Table

The following table provides a summary of all direct and indirect compensation for, or in connection with, services provided to the Corporation for the financial years ended March 31, 2011 and 2010 paid to the Named Executive Officers.

Name and principal position	Year ended March 31,	Salary (US\$) <sup>(1)</sup>	Share-based awards (US\$)	Option-based awards (US\$) <sup>(1)</sup>	Non-equity incentive plan compensation (US\$) <sup>(1)</sup>		Pension value (US\$)	All other compensation <sup>(2)</sup> (US\$)	Total compensation (US\$)
					Annual incentive plans	Long-term incentive plans			
Edward S. Sampson, President, Chief Executive Officer, Chairman of the Board and Director	2011	711,725	None	9,796,078	408,856	None	None	None	10,916,659
	2010	648,600	None	13,845,041	662,400	None	None	None	15,156,041
Murray E. Hesje Vice President, Finance and Chief Financial Officer	2011	365,785	None	1,845,395	157,643	None	None	None	2,368,823
	2010	326,600	None	1,931,185	255,300	None	None	None	2,513,085
William T. Hornaday, Chief Operating Officer <sup>(1)</sup>	2011	514,010	None	2,434,253	295,254	None	None	None	3,243,518
	2010	464,600	None	7,578,867	478,400	None	None	None	8,521,867

#### Notes:

- (1) Salary and non-equity incentive plan compensation is earned and paid in Canadian dollars and the fair values of option-based awards are calculated in Canadian dollars. The average exchange rate for Fiscal 2011 of US\$0.98 per CAD\$1.00 has been used to calculate the U.S. dollar values in the above table. The average exchange rate for the year ended March 31, 2010 of US\$0.92 per CAD\$1.00 has been used to calculate the U.S. dollar values in the above table.
- (2) This column relates to fees paid for services performed as a director. Messrs. Sampson and Hornaday do not receive compensation with respect to their roles as directors.

#### Option-based Awards

Amounts in this column relate to Options granted under the Option Plan, as described earlier in this Information Circular. The Corporation uses a Modified Black-Scholes-Merton option-pricing model to calculate the grant date fair value of option-based awards. It is based on the Black-Scholes-Merton option-pricing model and modified to consider expected annual dividends per share. The Corporation chose this methodology because it was the most commonly used methodology for valuing options at the time it was implemented. The weighted average assumptions used by the Corporation in the Black-Scholes-Merton option-pricing model with respect to the Options granted to Named Executive Officers included a volatility rate of 40.97%, a forfeiture rate of 0%, an interest rate of 2.28% and an annual dividend rate of 0.21% per share.

#### Annual Incentive Plans

Amounts in this column relate to cash payments made under the Corporation's bonus plan, as described earlier in this Information Circular. All of such payments relate only to a single financial year, and are therefore part of the Corporation's annual incentive plan. The payments disclosed in the table for the years ended March 31, 2011 and 2010 were earned in respect of performance for each such year but were paid in the following year.

## Incentive Plan Awards

### Outstanding Option-based Awards

The following tables display option-based awards that were outstanding for each Named Executive Officer as at March 31, 2010, option-based awards that were granted during the year, option-based awards that were exercised during the year, option-based awards expiring during the year and the resulting option-based awards outstanding as at March 31, 2011. In July, 2011, the Board determined that the number of Options outstanding for each Named Executive Officer should be permanently reduced. As a result, each Named Executive Officer forfeited Options as indicated below. In July 2011, Messrs. Sampson, Hesje and Hornaday forfeited 437,500, 37,500 and 93,750 of the Options described below, respectively.

Edward S. Sampson										
Grant date	Option vesting date	Option expiration date	Option exercise price (CAD\$)	Number of securities underlying unexercised options (#) as at March 31, 2010	Options granted (#)	Options exercised (#)	Options expired (#)	Number of securities underlying unexercised options (#) as at March 31, 2011	Value of unexercised in-the-money options <sup>(2)</sup> as at March 31, 2011 (US\$) <sup>(3)</sup>	
January 9, 2006	January 9, 2010	January 9, 2011	53.70	178,125	-	178,125	-	-	-	
June 28, 2006	June 28, 2009	June 28, 2010	63.00	37,500	-	37,500	-	-	-	
June 28, 2006	June 28, 2010	July 14, 2011	63.00	37,500	-	-	-	37,500	1,147,500	
November 22, 2007	November 22, 2009	November 25, 2010	93.00	59,375	-	-	59,375	-	-	
November 22, 2007	November 22, 2010	November 22, 2011	93.00	59,375	-	-	-	59,375	-	
November 22, 2007	November 22, 2011	November 22, 2012	93.00	59,375	-	-	-	59,375	-	
January 9, 2008	January 9, 2012	January 9, 2013	89.99	178,125	-	-	-	178,125	546,879	
June 28, 2008	June 28, 2012	June 28, 2013	98.64	37,500	-	-	-	37,500	-	
December 8, 2008	December 8, 2009	December 8, 2010	49.62	62,500	-	62,500	-	-	-	
December 8, 2008	December 8, 2010	December 8, 2011	49.62	62,500	-	-	-	62,500	2,765,475	
December 8, 2008	December 8, 2011	December 8, 2012	49.62	62,500	-	-	-	62,500	2,765,475	
December 8, 2008	December 8, 2012	December 8, 2013	49.62	62,500	-	-	-	62,500	2,765,475	
January 9, 2009	January 9, 2013	January 9, 2014	49.90	178,125	-	-	-	178,125	7,830,731	
June 28, 2009	June 28, 2013	June 28, 2014	80.62	37,500	-	-	-	37,500	473,535	
November 22, 2009	November 22, 2013	November 22, 2014	89.15	59,375	-	-	-	59,375	233,166	
December 2, 2009	December 2, 2010	December 2, 2011	93.15	37,500	-	-	-	37,500	-	
December 2, 2009	December 2, 2011	December 2, 2012	93.15	37,500	-	-	-	37,500	-	
December 2, 2009	December 2, 2012	December 2, 2013	93.15	37,500	-	-	-	37,500	-	
December 2, 2009	December 2, 2013	December 2, 2014	93.15	37,500	-	-	-	37,500	-	
January 9, 2010	January 9, 2014	January 9, 2015	104.10	178,125	-	-	-	178,125	-	
June 28, 2010	June 28, 2014	June 28, 2015	102.72	-	37,500	-	-	37,500	-	
November 22, 2010	November 22, 2014	November 22, 2015	96.48	-	59,375	-	-	59,375	-	
January 9, 2011	January 9, 2015	January 9, 2016	101.79	-	178,125	-	-	178,125	-	
<b>Total</b>				<b>1,500,000</b>	<b>275,000</b>	<b>278,125</b>	<b>59,375</b>	<b>1,437,500</b>	<b>18,528,236</b>	

**William T. Hornaday**

Grant date	Option vesting date	Option expiration date	Option exercise price	Number of securities underlying unexercised options (#) as at March 31, 2010	Options granted (#)	Options exercised (#)	Options expired (#)	Number of securities underlying unexercised options (#) as at March 31, 2011	Value of unexercised in-the-money options <sup>(2)</sup> (US\$) <sup>(3)</sup>
January 9, 2006	January 9, 2010	January 9, 2011	53.70	40,000	-	40,000	-	-	-
June 28, 2006	June 28, 2010	July 14, 2011	63.00	12,500	-	-	-	12,500	382,500
December 18, 2006	December 18, 2010	December 18, 2011	80.90	18,750	-	-	-	18,750	231,413
January 9, 2008	January 9, 2012	January 9, 2013	89.99	50,000	-	-	-	50,000	153,510
May 22, 2008	May 22, 2009	May 22, 2010	93.85	6,250	-	6,250	-	-	-
May 22, 2008	May 22, 2010	July 14, 2011	93.85	6,250	-	-	-	6,250	-
May 22, 2008	May 22, 2011	May 22, 2012	93.85	6,250	-	-	-	6,250	-
May 22, 2008	May 22, 2012	May 22, 2013	93.85	6,250	-	-	-	6,250	-
June 28, 2008	June 28, 2012	June 28, 2013	98.64	12,500	-	-	-	12,500	-
December 8, 2008	December 8, 2010	December 8, 2011	49.62	31,250	-	-	-	31,250	1,382,738
December 8, 2008	December 8, 2011	December 8, 2012	49.62	31,250	-	-	-	31,250	1,382,738
December 8, 2008	December 8, 2012	December 8, 2013	49.62	31,250	-	-	-	31,250	1,382,738
January 9, 2009	January 9, 2013	January 9, 2014	49.90	50,000	-	-	-	50,000	2,198,100
April 30, 2009	April 30, 2010	July 14, 2011	60.39	25,000	-	12,500	-	12,500	415,778
April 30, 2009	April 30, 2011	April 30, 2012	60.39	25,000	-	-	-	25,000	831,555
April 30, 2009	April 30, 2012	April 30, 2013	60.39	25,000	-	-	-	25,000	831,555
April 30, 2009	April 30, 2013	April 30, 2014	60.39	25,000	-	-	-	25,000	831,555
May 22, 2009	May 22, 2013	May 22, 2014	71.13	6,250	-	-	-	6,250	139,421
June 28, 2009	June 28, 2013	June 28, 2014	80.62	12,500	-	-	-	12,500	157,845
December 2, 2009	December 2, 2010	December 2, 2011	93.15	25,000	-	-	-	25,000	-
December 2, 2009	December 2, 2011	December 2, 2012	93.15	25,000	-	-	-	25,000	-
December 2, 2009	December 2, 2012	December 2, 2013	93.15	25,000	-	-	-	25,000	-
December 2, 2009	December 2, 2013	December 2, 2014	93.15	25,000	-	-	-	25,000	-
January 9, 2010	January 9, 2014	January 9, 2015	104.10	50,000	-	-	-	50,000	-
May 22, 2010	May 22, 2014	May 22, 2015	98.80	-	6,250	-	-	6,250	-
June 28, 2010	June 28, 2014	June 28, 2015	102.72	-	12,500	-	-	12,500	-
January 9, 2011	January 9, 2014	January 9, 2015	101.79	-	31,250	-	-	31,250	-
January 9, 2011	January 9, 2015	January 9, 2016	101.79	-	12,500	-	-	12,500	-
January 9, 2011	January 9, 2016	January 9, 2017	101.79	-	6,250	-	-	6,250	-
<b>Total</b>				<b>571,250</b>	<b>68,750</b>	<b>58,750</b>	<b>-</b>	<b>581,250</b>	<b>10,321,444</b>

Murray E. Hesje									
Grant date	Option vesting date	Option expiration date	Option exercise price	Number of securities underlying unexercised options (#) as at March 31, 2010	Options granted (#)	Options exercised (#)	Options expired (#)	Number of securities underlying unexercised options (#) as at March 31, 2011	Value of unexercised in-the-money options <sup>(2)</sup> as at March 31, 2011 (US\$) <sup>(3)</sup>
June 28, 2006	June 28, 2010	July 14, 2011	63.00	37,500	-	-	-	37,500	1,147,500
June 22, 2007	June 22, 2011	June 22, 2012	99.00	37,500	-	-	-	37,500	-
May 22, 2008	May 22, 2010	July 14, 2011	93.85	12,500	-	-	-	12,500	-
May 22, 2008	May 22, 2011	May 22, 2012	93.85	12,500	-	-	-	12,500	-
May 22, 2008	May 22, 2012	May 22, 2013	93.85	12,500	-	-	-	12,500	-
June 28, 2008	June 28, 2012	June 28, 2013	98.64	37,500	-	-	-	37,500	-
December 8, 2008	December 8, 2009	December 8, 2010	49.62	12,500	-	12,500	-	-	-
December 8, 2008	December 8, 2010	December 8, 2011	49.62	12,500	-	-	-	12,500	553,095
December 8, 2008	December 8, 2011	December 8, 2012	49.62	12,500	-	-	-	12,500	553,095
December 8, 2008	December 8, 2012	December 8, 2013	49.62	12,500	-	-	-	12,500	553,095
May 22, 2009	May 22, 2013	May 22, 2014	71.13	12,500	-	-	-	12,500	278,843
June 28, 2009	June 28, 2013	June 28, 2014	80.62	37,500	-	-	-	37,500	473,535
May 22, 2010	May 22, 2014	May 22, 2015	98.80	-	12,500	-	-	12,500	-
June 28, 2010	June 28, 2014	June 28, 2015	102.72	-	37,500	-	-	37,500	-
<b>Total</b>				<b>250,000</b>	<b>50,000</b>	<b>12,500</b>	<b>-</b>	<b>287,500</b>	<b>3,559,163</b>

**Notes:**

- (1) In July 2011, Messrs Sampson, Hornaday and Hesje forfeited 437,500, 93,750 and 37,500 of these Options, respectively.
- (2) The value of the option-based awards outstanding at March 31, 2011 was calculated based on the closing price of the Common Shares on the TSX on March 31, 2011 of CAD\$93.00.
- (3) The value of unexercised in-the-money options in the above table was converted to U.S. dollars using the March 31, 2011 exchange rate of US\$1.02 per CAD\$1.00.

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

The following table sets forth details of the value vested or earned during the year ended March 31, 2011 for the incentive plan awards to the Named Executive Officers.

<b>Name</b>	<b>Option-based awards<sup>(1)</sup> – Value vested during the year (US\$)<sup>(3)</sup></b>	<b>Non-equity incentive plan compensation<sup>(2)</sup> – Value earned during the year (US\$)<sup>(3)</sup></b>
Edward S. Sampson	4,532,561	408,856
Murray E. Hesje	2,072,945	157,643
William T. Hornaday	3,631,451	295,254

**Notes:**

- (1) The value of option-based awards vested during the year is the aggregate dollar value that would have been realized if the Options constituting the option-based awards had been exercised on their vesting dates and was calculated based on the difference between the closing market price of the underlying securities on the applicable vesting date and the exercise price of the in-the-money Options on such vesting date.
- (2) All non-equity incentive plan compensation referred to in this section relates to cash payments made under the Corporation's bonus plan, as described earlier in this Information Circular.
- (3) The values of option-based awards vested during the year and non-equity incentive plan compensation earned during the year in the above table were converted to U.S. dollars using the average rate for the year ended March 31, 2011 of US\$0.98 per CAD\$1.00.

### **Termination and Change of Control Benefits**

The Corporation does not provide termination benefits to any of its employees, except as required by law. In the event an employee, including a Named Executive Officer, is terminated or ceases to be employed by the Corporation, any unvested Options are forfeited and the employee has 30 days from the date of ceasing employment to exercise any vested Options.

The Corporation has a change of control agreement with each Named Executive Officer, which agreement provides for payments in the event of a "change of control" of the Corporation. The definition of "change of control" in these agreements includes (1) a change in ownership of Common Shares which results in a person or group of persons acting jointly or in concert (or their affiliates or associates) being in a position to exercise effective control of the Corporation (which shall be deemed to include ownership or control of in excess of 50% of the Common Shares) and (2) the sale, lease or transfer of all or substantially all of the assets of the Corporation.

In certain circumstances, when a change of control of the Corporation occurs, payments will be made to the Named Executive Officers. These circumstances include: (1) when a Named Executive Officer's employment with the Corporation is subsequently or contemporaneously terminated by the Corporation without cause within 12 months of the date of a change of control event; (2) when a Named Executive Officer does not continue to be employed by the Corporation at a level of responsibility or a level of compensation at least commensurate with the Named Executive Officer's existing level of responsibility and compensation immediately prior to the change of control event and the Named Executive Officer elects in a written notice to the Corporation within 12 months of the date of a change of control event to treat the Named Executive Officer's employment as being terminated as a result of either such reduction; and (3) in the case of the Chief Financial Officer, when the Chief Financial Officer elects within 30 days of the change of control event not to continue to be employed by the Corporation. In addition, upon the occurrence of a change of control, all outstanding Options will immediately vest and become exercisable upon approval by the Board. Each change of control agreement is for a term of five years and is renewed upon expiry.

The following table outlines payments that would be made by the Corporation to the Named Executive Officers and the value of option-based awards that would vest in the event of a change of control:

Name	Description of change of control compensation	Change of control compensation (US\$) <sup>(1)</sup>	Value of outstanding options <sup>(2)</sup> (US\$) <sup>(1)</sup>	Total (US\$) <sup>(1)</sup>
Edward S. Sampson	24 months salary plus the amount of bonus received in the previous year	1,946,122	18,528,236	20,474,358
Murray E. Hesje	18 months salary plus the amount of the bonus received in the previous year	750,367	3,559,163	4,309,530
William T. Hornaday	year	1,130,898	10,321,444	11,452,342

**Notes:**

- (1) The values of change of control compensation and values of outstanding options as at March 31, 2011 in the above table were converted to U.S. dollars using the March 31, 2011 exchange rate of US\$1.02 per Cdn.\$1.00
- (2) The value of the option-based awards outstanding at March 31, 2011 that would vest in the event of a change of control was calculated based on the closing price of the Common Shares on the TSX on March 31, 2010 of CAD\$93.00.
- (3) The Corporation also has change of control agreements with the independent directors. In the event of a change of control, each independent director of the Corporation will receive an amount equal to CAD\$100,000.

**Director Compensation**

*Director Compensation Table*

The following table sets forth all amounts of compensation provided to the directors of the Corporation, other than directors who are also Named Executive Officers, for the year ended March 31, 2011. The compensation of the directors who are also Named Executive Officers, namely, the President, Chief Executive Officer and Chairman of the Board and the Chief Operating Officer, are included under "Statement of Executive Compensation – Summary Compensation Table".

Name	Fees earned (US\$) <sup>(1)</sup>	Option-based awards (US\$) <sup>(1)</sup>	All other compensation (US\$)	Total (US\$) <sup>(1)</sup>
C. J. (Jim) Cummings	24,500	1,152,540	-	1,177,040
Walter DeBoni	24,500	-	-	24,500
Don R. Hansen	-	-	-	-
Conrad P. Kathol	24,500	-	-	24,500
Wendell W. Robinson	24,500	-	-	24,500

**Note:**

- (1) Fees are earned and paid in Canadian dollars and the fair values of option-based awards are calculated in Canadian dollars. The average exchange rate for Fiscal 2011 of US\$0.98 per CDN\$1.00 has been used to calculate the U.S. dollar value in the above table.

*Fees Earned*

The Board, through the Compensation Committee, periodically reviews the adequacy and form of compensation of directors. Since January 1, 2005, the directors (other than Messrs. Sampson and Hornaday) have been paid CAD\$25,000 per annum as compensation for acting as directors of the Corporation. The directors are reimbursed for any third-party costs that they have paid personally, but only for those costs incurred while acting on behalf of the Corporation.

### *Option-based Awards*

All option-based awards referred to in this section relate to Options granted under the Option Plan, as described earlier in this Information Circular. The Corporation uses a Modified Black-Scholes option-pricing model to calculate the grant date fair value of option-based awards. It is based on the Black-Scholes option-pricing model and modified to consider expected annual dividends per share. The Corporation chose this methodology because it was the most commonly used methodology for valuing options at the time it was implemented. The weighted average assumptions used by the Corporation in the Black-Scholes-Merton option-pricing model with respect to the Options granted to the directors named above were a volatility rate of 39.2%, a forfeiture rate of 0%, an interest rate of 1.85% and an annual dividend rate of 0.25% per share.

*Incentive Plan Awards – Outstanding Option-based Awards*

The following option-based awards were outstanding for each director, other than directors who are also Named Executive Officers, as at March 31, 2011. The option-based awards of the directors who are also Named Executive Officers, namely, the President, Chief Executive Officer and Chairman of the Board and the Chief Operating Officer, are included under "Statement of Executive Compensation – Incentive Plan Awards".

<b>C. J. (Jim) Cummings</b>										
<b>Grant date</b>	<b>Option vesting date</b>	<b>Option expiration date</b>	<b>Option exercise price (CAD\$)</b>	<b>Number of securities underlying unexercised options (#) as at March 31, 2010</b>	<b>Options granted (#)</b>	<b>Options exercised (#)</b>	<b>Options expired (#)</b>	<b>Number of securities underlying unexercised options (#) as at March 31, 2011</b>	<b>Value of unexercised in-the-money options<sup>(2)</sup> as at March 31, 2011 (US\$)<sup>(3)</sup></b>	
November 14, 2005	November 14, 2009	November 14, 2010	41.00	68,750	-	68,750	-	-	-	
December 8, 2008	December 8, 2009	December 8, 2010	49.62	6,250	-	6,250	-	-	-	
December 8, 2008	December 8, 2010	December 8, 2011	49.62	6,250	-	-	-	6,250	276,548	
December 8, 2008	December 8, 2011	December 8, 2012	49.62	6,250	-	-	-	6,250	276,548	
December 8, 2008	December 8, 2012	December 8, 2013	49.62	6,250	-	-	-	6,250	276,548	
November 14, 2010	November 14, 2010	November 14, 2011	97.76	-	6,250	-	-	6,250	-	
November 14, 2010	November 14, 2011	November 14, 2012	97.76	-	6,250	-	-	6,250	-	
November 14, 2010	November 14, 2012	November 14, 2013	97.76	-	6,250	-	-	6,250	-	
November 14, 2010	November 14, 2013	November 14, 2014	97.76	-	12,500	-	-	12,500	-	
November 14, 2010	November 14, 2014	November 14, 2015	97.76	-	6,250	-	-	6,250	-	
December 8, 2010	December 8, 2014	December 8, 2015	96.93	-	6,250	-	-	6,250	-	
<b>Total</b>				<b>93,750</b>	<b>43,750</b>	<b>75,000</b>	<b>-</b>	<b>62,500</b>	<b>829,644</b>	

**Walter DeBoni**

Grant date	Option vesting date	Option expiration date	Option exercise price (CAD\$)	Number of securities underlying unexercised options (#) as at March 31, 2010	Options granted (#)	Options exercised (#)	Options expired (#)	Number of securities underlying unexercised options (#) as at March 31, 2011	Value of unexercised in-the-money options <sup>(2)</sup> as at March 31, 2011 (US\$) <sup>(3)</sup>
November 14, 2005	November 14, 2009	November 14, 2010	41.00	60,000	-	60,000	-	-	-
December 8, 2008	December 8, 2009	December 8, 2010	49.62	6,250	-	6,250	-	-	-
December 8, 2008	December 8, 2010	December 8, 2011	49.62	6,250	-	-	-	6,250	276,548
December 8, 2008	December 8, 2011	December 8, 2012	49.62	6,250	-	-	-	6,250	276,548
December 8, 2008	December 8, 2012	December 8, 2013	49.62	6,250	-	-	-	6,250	276,548
<b>Total</b>				<b>85,000</b>	<b>-</b>	<b>66,250</b>	<b>-</b>	<b>18,750</b>	<b>829,644</b>

**Conrad P. Kathol**

Grant date	Option vesting date	Option expiration date	Option exercise price (CAD\$)	Number of securities underlying unexercised options (#) as at March 31, 2010	Options granted (#)	Options exercised (#)	Options expired (#)	Number of securities underlying unexercised options (#) as at March 31, 2011	Value of unexercised in-the-money options <sup>(2)</sup> as at March 31, 2011 (US\$) <sup>(3)</sup>
January 9, 2006	January 9, 2010	January 9, 2011	53.70	12,500	-	12,500	-	-	-
June 28, 2006	June 28, 2009	June 28, 2010	63.00	6,250	-	6,250	-	-	-
June 28, 2006	June 28, 2010	July 14, 2011	63.00	6,250	-	-	-	6,250	191,250
November 22, 2007	November 22, 2010	November 22, 2011	93.00	12,500	-	-	-	12,500	-
November 22, 2007	November 22, 2011	November 22, 2012	93.00	12,500	-	-	-	12,500	-
January 9, 2008	January 9, 2012	January 9, 2013	89.99	12,500	-	-	-	12,500	38,388
June 28, 2008	June 28, 2012	June 28, 2013	98.64	6,250	-	-	-	6,250	-
December 8, 2008	December 8, 2009	December 8, 2010	49.62	6,250	-	6,250	-	-	-
December 8, 2008	December 8, 2010	December 8, 2011	49.62	6,250	-	-	-	6,250	276,548
December 8, 2008	December 8, 2011	December 8, 2012	49.62	6,250	-	-	-	6,250	276,548
December 8, 2008	December 8, 2012	December 8, 2013	49.62	6,250	-	-	-	6,250	276,548
January 9, 2009	January 9, 2013	January 9, 2014	49.90	12,500	-	-	-	12,500	549,525
June 28, 2009	June 28, 2013	June 28, 2014	80.62	6,250	-	-	-	6,250	78,923
<b>Total</b>				<b>112,500</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>87,500</b>	<b>1,687,730</b>

Wendell W. Robinson									
Grant date	Option vesting date	Option expiration date	Option exercise price (CAD\$)	Number of securities underlying unexercised options (#) as at March 31, 2010	Options granted (#)	Options exercised (#)	Options expired (#)	Number of securities underlying unexercised options (#) as at March 31, 2011	Value of unexercised in-the-money options <sup>(2)</sup> as at March 31, 2011 (US\$) <sup>(3)</sup>
January 9, 2006	January 9, 2010	January 9, 2011	53.70	12,500	-	12,500	-	-	-
June 28, 2006	June 28, 2010	June 28, 2011	63.00	6,250	-	6,250	-	-	-
December 18, 2006	December 18, 2010	December 18, 2011	80.90	31,250	-	-	-	31,250	385,688
December 8, 2008	December 8, 2010	December 8, 2011	49.62	6,250	-	6,250	-	-	-
December 8, 2008	December 8, 2011	December 8, 2012	49.62	6,250	-	-	-	6,250	276,548
December 8, 2008	December 8, 2012	December 8, 2013	49.62	6,250	-	-	-	6,250	276,548
January 9, 2009	January 9, 2013	January 9, 2014	49.90	12,500	-	-	-	12,500	549,525
June 28, 2009	June 28, 2013	June 28, 2014	80.62	6,250	-	-	-	6,250	78,923
<b>Total</b>				<b>87,500</b>	-	<b>25,000</b>	-	<b>62,500</b>	<b>1,567,232</b>

**Notes:**

- (1) The value of the option-based awards outstanding at March 31, 2011 was calculated based on the closing price of the Common Shares on the TSX on March 31, 2011 of CAD\$93.00.
- (2) The values of unexercised in-the-money options in the above table were converted to U.S. dollars using the March 31, 2011 exchange rate of US\$1.02 per CAD\$1.00.

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

The following table sets forth details of the value vested or earned during the year ended March 31, 2011 for each incentive plan award to directors of the Corporation who are not also Named Executive Officers. The vested value of option-based awards of the directors who are also Named Executive Officers, namely, the President, Chief Executive Officer and Chairman of the Board and the Chief Operating Officer, are included under "Statement of Executive Compensation – Incentive Plan Awards – Incentive Plan Awards – Value Vested or Earned During the Year".

Name	Option-based awards – Value vested during the year (US\$) <sup>(1)</sup>
C. J. (Jim) Cummings	276,299
Walter DeBoni	276,299
Don R. Hansen	-
Conrad P. Kathol	559,519
Wendell W. Robinson	1,193,640

**Notes:**

- (1) The value of option-based awards vested during the year is the aggregate dollar value that would have been realized if the Options constituting the option-based awards had been exercised on their respective vesting dates and was calculated based on the difference between the closing market price of the underlying securities on the applicable vesting date and the exercise price of the in-the-money Options on such vesting date. The values of option-based awards vesting during the year in the above table were converted to U.S. dollars using the average exchange rate for the year ended March 31, 2011 of US\$0.98 per CAD\$1.00.

## EQUITY COMPENSATION PLAN INFORMATION

The following table sets out information with respect to compensation plans under which equity securities of the Corporation were authorized for issuance as at March 31, 2011:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights  (a)	Weighted-average exercise price of outstanding options, warrants and rights  (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))  (c)
Equity compensation plans approved by securityholders <sup>(1)</sup>	4,243,897	CAD\$85.37	908,793 <sup>(1)</sup>
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	4,243,897	CAD\$85.37	908,793

**Note:**

- (1) This number represents 10% of the total outstanding Common Shares less the number of Options outstanding as at March 31, 2011. See "Statement of Executive Compensation – Compensation Discussion and Analysis – Executive Compensation – Stock Option Plan".

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Corporation, each proposed nominee for election as a director of the Corporation and each associate of the foregoing, has been, at any time, indebted to the Corporation or has indebtedness to another entity that is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Corporation (meaning any director or executive officer of the Corporation, any insider of the Corporation, and any director or executive officer of a person or company that is itself an informed person of the Corporation), nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, has had any material interest in any transaction or proposed transaction that has materially affected or will materially affect the Corporation or any of its subsidiaries at any time since the beginning of the most recently completed financial year of the Corporation.

### CORPORATE GOVERNANCE PRACTICES

National Policy 58-201 *Corporate Governance Guidelines* ("NP 58-201") provides guidance on corporate governance practices. These guidelines, while not mandatory, deal with the constitution of boards of directors and board committees, their functions, their independence from management and other means of addressing corporate governance practices. National Instrument 58-101 *Disclosure of Corporate Governance Practices* requires that if management of an issuer solicits proxies from its securityholders for the purpose of electing directors, certain prescribed disclosure respecting corporate governance matters be included in its management information circular.

Set out below is a description of the Corporation's current corporate governance practices, relative to Form 58-101F1 requirements (which are set out below in italics).

**1. Corporate Governance**

*Disclose the identity of directors who are independent.*

C. J. (Jim) Cummings, Walter DeBoni, Conrad P. Kathol and Wendell W. Robinson are independent, unrelated directors of the Corporation.

*Disclose the identity of directors who are not independent, and describe the basis for that determination.*

Edward S. Sampson and William T. Hornaday are not independent directors as they are both executive officers of the Corporation.

*Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgment in carrying out its responsibilities.*

A majority of the Corporation's directors are independent.

*If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.*

The following directors of the Corporation are directors of other reporting issuers listed on the TSX:

Walter DeBoni is a director of ARC Resources Ltd. (TSX: ARX) and Sterling Resources Ltd. (TSX: SLG).

*Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.*

The independent directors of the Corporation meet regularly without non-independent directors and management at the conclusion of each scheduled Board meeting and whenever they see fit. There were 10 Board meetings held between April 1, 2010 and March 31, 2011.

In addition, the Audit Committee, the Compensation Committee and the Corporate Governance Committee of the Corporation are comprised entirely of independent directors. Meetings of these committees provide a forum for open and candid discussion among the Corporation's independent directors. There were 21 committee meetings of the independent directors held between April 1, 2010 and March 31, 2011.

*Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.*

The Chairman of the Board is Mr. Sampson who, as an executive officer, is not an independent director. The Corporation's independent directors each play an important leadership role on the Board and have sufficient influence on Board decisions.

The Corporation has begun the process of selecting a lead director that is independent from management. The lead director will focus on Board mechanics, including scheduling meetings and committee membership, deal with any issues with Board members, be the voice for the independent directors and communicate to the President, Chief Executive Officer and Chairman of the Board. Finally, the lead director will delineate the division of responsibilities with the President, Chief Executive Officer and Chairman of the Board and communicate this division to the Board and to management.

*Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.*

The director attendance at both Board and committee meetings for the year ended March 31, 2011 is outlined below:

Director	Board		Audit Committee		Compensation Committee		Environment and Reserves Committee		Corporate Governance Committee		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
Edward S. Sampson	10/10	100	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10/10	100
C. J. (Jim) Cummings <sup>(1)</sup>	10/10	100	8/8	100	6/6	100	n/a	n/a	2/2	100	26/26	100
Walter DeBoni	7/10	70	8/8	100	n/a	n/a	0/3	-	1/2	50	16/23	70
Don R. Hansen <sup>(2)</sup>	1/4	25	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1/4	25
William T. Hornaday	9/10	90	n/a	n/a	n/a	n/a	3/3	100	1/1	n/a	13/14	93
Conrad P. Kathol <sup>(3)</sup>	10/10	100	n/a	n/a	5/6	83	3/3	100	1/1	100	19/20	95
Wendell W. Robinson <sup>(4)</sup>	10/10	100	8/8	100	6/6	100	n/a	n/a	n/a	n/a	24/24	100
Total	57/64	89	24/24	100	17/18	94	6/9	67	5/6	83	109/121	90

**Notes:**

- (1) C. J. (Jim) Cummings is the Chair of the Corporate Governance Committee.
- (2) Don R. Hansen ceased to be a director in September 2010.
- (3) Conrad P. Kathol is the Chair of the Environment and Reserves Committee.
- (4) Wendell W. Robinson is the Chair of the Audit Committee and of the Compensation Committee.
- (5) William T. Hornaday was a member of the Corporate Governance Committee until September 2010, when he was replaced by Conrad P. Kathol.

**2. Board Mandate**

*Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.*

The Board mandate is attached as Appendix A to this Information Circular.

**3. Position Descriptions**

*Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.*

The Board, in conjunction with the Chairman of the Board, has developed written position descriptions for the Chairman of the Board and for the chair of each Board committee.

*Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.*

The Board, in conjunction with the Chief Executive Officer, has developed a written position description for the Chief Executive Officer.

**4. Orientation and Continuing Education**

*Briefly describe what measure the board takes to orient new directors regarding the role of the board, its committees and its directors and the nature and operation of the issuer's business.*

The Corporation has an orientation program for its new directors. The orientation program is designed to build each director's understanding of and identification with the Corporation by:

- providing an introduction to the Corporation, notably through an interview with the Chairman of the Board and other Board members;

- providing presentations on the Corporation's operations in all countries;
- providing an introduction to selected members of the Corporation's team, notably through an interview with the Chairman and management;
- providing an overview of the Corporation's corporate governance practices;
- providing an introduction to governance practices;
- clarifying the expectations of directors, noting that this process will have begun from the initial contact of the director by the Corporation's Corporate Governance Committee;
- exposing the directors to the Corporation's organizational structure; and
- acquainting directors with the Corporation's annual objectives and ongoing operations.

*Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.*

The Corporation provides educational information on relevant topics in the form of documents and formal presentations to the Board. The Corporation encourages the directors to enrol in courses and programs that will enhance their knowledge and skills in areas that are relevant to their roles as directors and members of Board committees.

The directors of the Corporation are encouraged to make site visits and participate in a strategic planning session. The Corporation places an obligation on its directors to maintain a high level of knowledge of the industry and a high level of professional skills.

## 5. **Ethical Business Conduct**

*Disclose whether or not the board has adopted a written code for the directors, officers and employees. Disclose how a person or company may obtain a copy of the code. Describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code.*

A written code of conduct has been implemented by the Corporation for all directors, officers and employees. A person may obtain a copy of the code by visiting the Corporation's page at [www.sedar.com](http://www.sedar.com). The board monitors compliance with the code through communications with management, reports through the whistleblower policy (as described below) and employee signoff of compliance with the code.

*Describe any steps the board takes to ensure directors exercise independent judgment considering transactions and agreements in respect of which a director or executive officer has a material interest.*

The directors and officers of the Corporation are required to complete an annual statement of compliance under the Corporation's code of conduct. This ensures directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest. The Board ensures that a director who has a material interest in a transaction or agreement does not participate in discussions if competitive information is being presented or vote on that matter at Board meetings.

Should such a circumstance arise, the matter would be referred to the Audit Committee and the Chairman of the Board for appropriate action.

*Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.*

The Corporation is committed to the highest standards of openness, honesty and accountability. To this end, in addition to the code of conduct applicable to employees, the Corporation has adopted a whistleblower policy. This policy provides an avenue for individuals to confidentially and anonymously report, directly to the Board, complaints

and concerns regarding accounting, internal auditing controls or auditing matters without the fear of victimization, discrimination or disadvantage.

The Corporation also has a share trading policy. The share trading policy prescribes rules for Restricted Persons and Employees (as such terms are defined in the share trading policy) with respect to trading in securities in the capital of the Corporation by these individuals when there is undisclosed material information or undisclosed pending material developments with respect to the Corporation.

**6. Nomination of Directors**

*Describe the process by which the board identifies new candidates for board nomination.*

The Corporation's Corporate Governance Committee, consisting of a majority of independent directors, considers and recommends candidates to fill new positions on the Board created either by expansion or vacancies created by the resignation, retirement or removal of any of the Corporation's directors.

The Corporate Governance Committee is expanding its evergreen list of director candidates as part of the process of recruiting new directors. A skills matrix of director talents and board requirements is maintained and considered in evaluating potential new candidates.

*Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.*

The Board does not have a separate nominating committee; however, the Corporate Governance Committee is charged with the responsibility for handling the nomination process. The Corporate Governance Committee is comprised of a majority of independent directors. The fact that a majority of the members of the Corporate Governance Committee are independent ensures that the nomination process is objective.

**7. Compensation**

*Describe the process by which the board determines the compensation for the issuer's directors and officers.*

The Board has created a Compensation Committee to review and approve the compensation for the officers of the Corporation and to ensure that compensation is fair, equitable and consistent with that of its industry peers. The members of the Compensation Committee have diverse professional backgrounds and rely on industry experts to augment their knowledge. The Corporation compensates its executive officers through a base salary, an annual performance based bonus pool and the award of Options. See "Statement of Executive Compensation – Compensation Discussion and Analysis – Executive Compensation".

The Compensation Committee generally reviews compensation arrangements paid by a number of Canadian public oil and gas companies that either have growth profiles similar to that of Niko, are of similar size and complexity to Niko or have significant international operations. See "Statement of Executive Compensation – Compensation Discussion and Analysis – Comparative Compensation Discussion".

The Board, through the Compensation Committee, periodically reviews the adequacy and form of compensation of the directors. See "Statement of Executive Compensation – Director Compensation".

*Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.*

The Compensation Committee is composed entirely of independent directors.

*If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.*

The responsibilities, powers and operations of the Compensation Committee are set forth in the mandate of the Compensation Committee, which is attached as Appendix B to this Information Circular.

*If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work*

Towers Watson provides an Energy Industry Total Rewards Database Report to the Corporation. This report was provided to the Compensation Committee at no charge, as the Corporation participates in the survey that forms the basis of the report. The report was used to assist the Compensation Committee in determining the compensation for the Named Executive Officers. No other advisors were used during the year or the prior year. See "Statement of Executive Compensation – Compensation Discussion and Analysis – Comparative Compensation Discussion".

## 8. **Other Board Committees**

*If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.*

In addition to the Audit Committee and the Compensation Committee, the Board has a Corporate Governance Committee and an Environment and Reserve Committee.

The function of the Corporate Governance Committee is set forth in the mandate of the Corporate Governance Committee, which is attached as Appendix C to this Information Circular.

The Corporation's Environment and Reserve Committee has a mandate to:

- select and determine remuneration for the Corporation's reserves evaluator (the "**Reserves Evaluator**");
- monitor the Corporation's processes and procedures to ensure flow of relevant information to the Reserves Evaluator;
- review the annual and periodic independent engineering reports;
- provide oversight of the Corporation's systems for complying with regulatory requirements;
- provide oversight of the Corporation's systems for disclosure of reserves information;
- review the disclosed oil and gas reserves data; and
- review the reserves data of the Reserves Evaluator.

## 9. **Assessments**

*Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.*

The Board uses one assessment tool to evaluate the effectiveness and contribution of the Board, its committees and individual directors. Directors complete an annual Board Effectiveness Questionnaire commenting on Board responsibility, organization, composition, independence from management, operations, effectiveness and performance. The results of the questionnaires are analyzed by the Chairman of the Board together with the Corporate Governance Committee, who then recommend and implement changes to enhance the overall performance of the Board and monitor ongoing progress in any areas identified for improvement.

In addition to the guidelines under NP 58-201, the Corporation has implemented the following policies and procedures:

- Each of the committees of the Board can have no more than one-third of its members be acting chief executive officers of any publicly-traded corporation, partnership, trust or other entity.

- Instead of a Compensation Committee work plan, the Corporation has adopted a mandate for the Compensation Committee and regular meetings are held in order to fulfill the responsibilities outlined in the mandate.

#### **AUDIT COMMITTEE INFORMATION**

For information on the charter of the Audit Committee and for the disclosure regarding the Audit Committee required under NI 52-110, please see the information provided under the heading "Audit Committee" in the Corporation's Annual Information Form for the year ended March 31, 2011, which document can be found at the Corporation's page on SEDAR at [www.sedar.com](http://www.sedar.com).

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

Management of the Corporation is not aware of any matter to come before the Meeting other than as set forth in the Notice of Meeting. However, if any other matter properly comes before the Meeting, the Common Shares represented by proxy solicited hereby will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

#### **ADDITIONAL INFORMATION**

The Corporation shall provide to any person, without charge, following a written or oral request to Mr. Edward Sampson, Chairman of the Board of the Corporation, by mail at Suite 4600, 400 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta, T2P 4H2 or by telephone at (403) 262-1020, copies of this Information Circular, the Corporation's annual financial statements and management's discussion and analysis and any interim financial statements since March 31, 2011. Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Furthermore, financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for its most recently completed financial year.

## **APPENDIX A BOARD MANDATE**

The Board of Directors (Board) of NIKO RESOURCES LTD. (NIKO) has the oversight responsibility and duties as described herein. In addition, each Director has the responsibility and duties provided in any other mandate or Position Description that applies to them.

### **General**

The Board has responsibility for the stewardship of NIKO and its subsidiaries to ensure the long-term financial operational viability and efficiency of the Corporation, and to generally further NIKO's objectives by establishing policies and implementing, directing and monitoring the same exercising the care, diligence and skill of a reasonably prudent person in comparable circumstances, in good faith with a view to the best interests of NIKO. Without limiting the generality of the foregoing, the Board will perform the following duties.

### **Strategic, Operating, Capital Plans and Financing Plans**

- in consultation with the management of NIKO, define the principal objectives of NIKO;
- require the Chief Executive Officer to present periodically to the Board for approval a long range strategic plan of NIKO designed to achieve the principal objectives as adopted by the Board;
- establish a strategic planning process and monitor performance versus plans;
- review and approve annual budgets, operating plans, and corporate objectives and monitor performance and compliance;
- identify the principal risks to NIKO and ensure the implementation of systems to manage such risks;
- review the integrity of internal control and management information systems;
- approve acquisitions and dispositions and the establishment of credit facilities;
- confirming on an annual basis the appointment of Officers;

### **Monitoring/Implementing**

- monitor NIKO's progress toward its goals, and revise and amend strategic planning in response to change in business and corporate circumstances;
- monitor employment policies including compensation, performance and succession planning;
- in consultation with the Chief Executive Officer, establish and monitor and foster ethical and responsible decision making by management, and ethical standards to be observed by NIKO and its employees;
- approve all matters relating to any takeover bid of NIKO;
- with the advice of the Compensation Committee, monitor and approve compensation of senior management personnel and appropriate compensation programs for NIKO's employees;
- on the recommendation of the Corporate Governance Committee and Audit Committee, approve NIKO's Ethics Policy;
- with the Audit Committee and the Board Chair, respond to potential conflict of interest situations;
- monitor compliance with NIKO's Ethics Policy, and provide for appropriate disclosure of any waivers of the policy for directors and officers;

- review and approve succession, including approving development of and monitoring of the performance of senior management personnel;
- with the Corporate Governance Committee, develop NIKO's approach to corporate governance;
- receive for consideration the Corporate Governance Committees evaluation and recommendations of amendments to Corporate Governance Policies, the Board Mandate and Position Descriptions;
- on an annual basis review:
  - The Capital Management Policy
  - The Code of Conduct and Compliance Sign-offs
  - The Communications Policy
  - The Whistleblower Policy
  - The Document Preservation Guidelines
  - The Share Trading Policy

and amend the same if considered necessary to ensure that such policies are achieving their intended purpose.

#### **Communications, Disclosure and Compliance**

- ensure timely compliance with the reporting obligations of NIKO, and that the financial performance of NIKO is properly reported to shareholders, other security and regulators on a timely and regular basis;
- recommend to shareholders of NIKO a firm of chartered accountants to be appointed as NIKO's auditors;
- ensure the timely reporting of any change in the business, operations or capital of NIKO that would reasonably be expected to have a significant effect on the market price or value of the shares of NIKO;
- ensure the corporate oil and gas reserve report fairly represents the quantity and value of corporate reserves in accordance with generally accepted engineering principles;
- report annually to shareholders on the Boards' stewardship for the preceding year;
- establish a process for direct communications with shareholders and other stakeholders through appropriate directors, including through the Whistleblower Policy; and
- ensure that NIKO has a policy in place to enable effective communication with its shareholders and the public generally.

#### **Governance**

- in consultation with the Chairman of the Board develop a position description for the Chairman of the Board and in consultation with the Chief Executive Officer a position description for the Chief Executive Officer and review such position descriptions as necessary to ensure the same are practical and appropriate;
- facilitate the continuity, effectiveness and principles of independence of the Board by, among other things:
- appointing a Chair of the Board with experience and expertise in foreign investment and operations;
- appointing an Audit Committee comprised solely of financially competent independent directors with the responsibility to assist the Board in fulfilling its oversight responsibilities with respect to (i) the integrity of annual and

quarterly financial statements to be provided to shareholders and regulatory bodies; (ii) compliance with accounting and finance based legal and regulatory requirements; (iii) the independent auditor's qualifications and independence; (iv) the system of internal accounting and financial reporting controls that Management has established; (v) performance of the internal and external audit process and of the independent auditor; and (vi) implementation and effectiveness of the Ethics Policy and the compliance programs under the Ethics Policy;

- appointing a Compensation Committee comprised solely of independent directors with the responsibility to assist the Board in fulfilling its oversight responsibilities with respect to (i) key compensation and employment policies; (ii) Chief Executive Officer and executive Management compensation; and, (iii) executive Management succession and development;
- appointing an Environmental and Reserves Committee comprised of a majority of independent directors with the responsibility to assist the Audit Committee and the Board in fulfilling their oversight responsibilities with respect to the annual review of NIKO's petroleum and natural gas reserves, and disclosure of reserves data and related oil and gas and mining activities, and environmental practices;
- appointing a Corporate Governance Committee comprised of a majority of independent directors with the responsibility to assist the Board in fulfilling its oversight responsibilities with respect to (i) the development and implementation of principles and systems for the management of corporate governance; (ii) identifying qualified candidates and recommending nominees for Director and Board Committee appointments; and, (iii) evaluations of the Board, Board Committees, all individual Directors, the Board Chair and Committee Chairs, all with a view to ensuring NIKO has corporate governance practices appropriate for NIKO;
- in the Board's discretion, appointing any other Board Committees that the Board decides are needed and delegate to those Board Committees any appropriate powers of the Board;
- defining the terms of reference for the Chairs of such Committees;
- ensuring that processes are in place and are utilized to assess the effectiveness of the Board and the Committees established by the Board;
- establishing a system to enable any director or Committee to engage an outside advisor at the expense of NIKO;
- overseeing the development and implementation of the Director orientation program;
- overseeing the process of the Corporate Governance Committee's annual evaluation of the performance and effectiveness of the Board and Board Committees and participate in the annual evaluation of Board performance by the Corporate Governance Committee;
- receiving and considering a report and recommendations of the Corporate Governance Committee or the results of the annual evaluation of Board Performance;
- review annually the compensation of directors.

### **Delegation**

The Board may delegate its duties to and receive reports from the Audit, Environment and Reserves, Compensation and Corporate Governance and any other committee created by the Board to assist the Board in the performance of its duties.

### **Composition**

- the Board shall be comprised of at least six individuals appointed by the shareholders at the Annual Meeting;
- a majority of the Board Members will be independent (within the meaning of National Instrument 58.101) and free from any direct or indirect material relationship which could in the opinion of the Board, reasonably interfere with the members independent judgment;

- all Board members will have the skills and abilities appropriate to their appointment as directors, it being recognized that an appropriate combination of education, experience and competencies will ensure that the Board will discharge its duties effectively. Board members should have sufficient knowledge of NIKO and petroleum industry to assist in providing advice and counsel on relevant issues;
- Board members shall review available materials in advance of meetings and endeavour to attend all meetings of the Board and its subcommittees;
- once or more annually, as the Corporate Governance Committee decides, this Mandate shall be evaluated and updates recommended to the Board for consideration.

## **APPENDIX B COMPENSATION COMMITTEE MANDATE**

The Compensation Mandate Committee ("the Committee") is appointed by the Board of Directors ("the Board") to assist the Board in fulfilling its oversight responsibilities with respect to compensation policies of the Corporation ("NIKO"), and such other matters as may be delegated by the Board.

### **1. General**

The purpose of the Committee is:

- to review and report to the Board on matters of compensation provided to all employees of NIKO; and
- to review and report to the Board on matters respecting the policies of NIKO concerning employee benefits; and
- to monitor and make recommendations to the Board with respect to recruitment, retaining and motivating employees and ensuring conformity between compensation and other objectives of the Corporation.

The Committee will continuously review and modify its terms of reference with regards to changes in the business environment, industry standards, matters of compensation in corporate governance and additional standards which the Committee believes may be applicable to NIKO's business in consultation with the Committee and submit such modifications to the Board for approval.

### **2. Composition, Procedures and Organization**

- The Compensation Committee will be comprised of three or more Directors as determined from time to time by resolution of the Board.
- Each member of the Compensation Committee must be independent as that term is defined in NI58-101 and as such must be free from any material relationship that may interfere with the exercise of his or her independent judgment as a member of the Compensation Committee.
- Consistent with the appointment of other Board committees, the members of this committee will be appointed by the Board at the first meeting of the Board following each AGM or at such of the time as may be determined by the Board.
- The Board will designate the Chairman of the Compensation Committee. The presence in person or by telephone of a majority of the committees' members constitutes a quorum for any meeting.
- All actions of the Compensation Committee will require a vote of the majority of its members present at a meeting of such Committee at which a quorum is present.
- The Compensation Committee will meet at least twice annually or otherwise as may be directed by the Board or as circumstances warrant.
- Meetings of the Committee may be called by any member.
- The Chairman of the Compensation Committee will appoint a member to act as secretary for the purposes of recording the minutes of each meeting.
- All members of the Committee must be familiar with any corporate governance guidelines established by the Canadian Securities Administrators and relevant securities regulators with respect to compensation matters at the time of their appointment or become so within a reasonable period of time following such appointment. The competence of the members of the Compensation Committee in this regard will be determined by the Board in the exercise of its business judgment.

### 3. **Accountability and Reporting**

The Compensation Committee is accountable to the Board. The Compensation Committee must provide the Board with a summary of all meetings and its recommendations, together with a copy of the minutes of each such meeting. If applicable, the Chairman will provide oral reports as requested.

All information reviewed and discussed by the Compensation Committee at any meeting must be retained and made available for examination by the Board. The Compensation Committee will review its mandate annually and will forward to the Corporate Governance Committee any recommended alterations to that mandate.

### 4. **Responsibilities**

The Compensation Committee must:

- review and recommend the annual salary, incentive compensation and other benefits or perquisites, direct or indirect, of the employees and officers of NIKO and to ensure the compensation is fair, equitable and comparable with others in the petroleum industry.
- review and recommend the policies of NIKO concerning employee benefits and perquisites and periodically review their application;
- review and recommend incentive compensation for employees of NIKO;
- review with the CEO the performance, development of management of NIKO;
- ensure compliance with management compensation disclosure rules in the annual management information circular and proxy statement;
- review and approve corporate goals and objectives relevant to senior management and the CEO compensation, evaluating the performance of senior management and the CEO in light of those corporate goals and objectives and making recommendations to the Board with respect to the compensation of senior management and the level based on this evaluation; and
- review and make recommendations to the Board for determining and establishing compensation of Directors.

The Compensation Committee may request such officers of NIKO as it may see fit to attend its meeting and to assist in the discussion and consideration of such matters as the committee may determine.

The Compensation Committee may retain, on a periodic basis, an outside consulting firm to evaluate the overall compensation arrangements for executives or to develop new incentive plans.

### 5. **Communication, Authority to Engage Advisors and Expenses**

The Committee shall have direct access to such officers and employees of NIKO and to any other consultants or advisors, and to such information respecting NIKO it considers necessary to perform its duties and responsibilities.

Any employee may bring before the Committee, on a confidential basis, any concerns relating to matters over which the Committee has oversight responsibilities.

The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set the compensation for any such counsel and other advisors, such engagement to be at NIKO's expenses. NIKO shall be responsible for all other expenses of the Committee that are deemed necessary or appropriate by the Committee in order to carry out its duties.

## **APPENDIX C CORPORATE GOVERNANCE COMMITTEE MANDATE**

The Corporate Governance Committee ("the Committee") is appointed by the Board of Directors ("the Board") to assist the Board in fulfilling its oversight responsibilities with respect to the Corporate governance and nomination issues facing the Corporation ("NIKO"), and such other matters as may be delegated by the Board.

### **1. General**

The purpose of the Committee is:

- to review and report to the Board on matters of corporate governance and Board composition; and
- to provide oversight review of NIKO's systems for achieving compliance with regulatory and legal requirements provided the Committee's oversight role shall not include responsibility for NIKO's actual compliance with applicable laws and regulations; and
- to monitor NIKO's corporate process and structure used to direct and manage the business and affairs of NIKO in assisting the Board in discharging its legal and fiduciary obligations; and
- to promote appropriate standards of behaviour with respect to all aspects of NIKO's business.

The Committee will continuously review and modify its terms of reference with regards to changes in the business environment industry, standards on matters of corporate governance, and additional standards which the Committee believes may be applicable to the business of NIKO and submit such modifications to the Board for approval.

### **2. Composition, Procedures and Organization**

- The Committee will be comprised of three or more Directors as determined from time to time by resolution of the Board.
- The majority of the members of the Committee must be independent as that term is defined in NI 58-101 and as such must be free from any material relationship that may interfere with the exercise of his or her independent judgment as a member of the Committee. A Director who is part of management may be appointed to the Committee on the unanimous approval of the Board to assist in promoting prudent corporate governance policies and procedures.
- Consistent with the appointment of other Board committees, the members of the Committee will be appointed by the Board at the first meeting of the Board following each AGM or at such of the time as may be determined by the Board.
- The Board will designate the Chairman of the Committee. The presence in person or by telephone of a majority of the Committee's member's constitutes a quorum for any meeting.
- All actions of the Committee will require a vote of the majority of its members present at a meeting of such Committee at which a quorum is present.
- The Committee will meet at least twice annually or otherwise as may be directed by the Board or as circumstances warrant.
- Meeting of the Committee may be called by any member.
- The Chairman of the Committee will preside at Committee meetings, and the Committee will appoint a secretary for the purposes of recording the minutes of each meeting.
- All members of the Committee must be familiar with any corporate governance guidelines established by the Canadian Security Administrators and relevant securities regulatory authorities at the time of their appointment or become so within a reasonable period of time following such appointment. The competence of the members of the Committee in this regard will be determined by the Board in the exercise of its business judgment.

### 3. **Accountability and Reporting**

The Committee is accountable to the Board. The Committee must provide the Board with a summary of all meetings and its recommendations together with a copy of the minutes of each such meeting. If applicable, the Chairman will provide oral reports as requested.

All information reviewed and discussed by the Committee at any meeting must be retained and made available for examination by the Board. The Committee will review its mandate annually. The Committee will also review the mandate and responsibilities of other committees of the Board annually.

- monitor procedures to ensure that the Board can function independently of management;
- ensure that there is a process in place to allow all levels of employees access to the Board to bring "whistleblower" issues to the Board which are not being adequately dealt with by the management of the Corporation;
- ensure that the Corporation's legal counsel, external engineering consultants and external auditors are currently instructed to make the Corporation aware of current and evolving legislation, regulations and guidelines relating to applicable corporate governance issues;
- establish procedures, as required, to enable individual directors to engage outside advisors under appropriate circumstances;
- make recommendations to the Board for the appropriate resolutions of any conflict of interest between or among an officer, Director or shareholder, which is properly directed to the Committee by the Chair of the Board, a Director, a shareholder, the Board, the external Auditors, or an officer of the Corporation (in respect of conflicts of interest relating to audit, finance or risk matters, the Committee will liaise with the Audit Committee);
- after consultation with the Chair of the Board, identify, evaluate and if appropriate recommend those circumstances which warrant a request by a Board for the retirement of a Director or which should act to disqualify a Director from re-election (including, but not limited to the level of attendance at, or participation in, meetings of the Board or a committee thereof, or a change in the affiliation or employment of a Director.

### 4. **Corporate Governance Responsibilities**

The Corporate Governance Committee is responsible for proposing to the full Board new nominees to the Board and for assessing the effectiveness of the Directors and Committees of the Board on an ongoing basis. Further, the Corporate Governance Committee is responsible for NIKO's response to, and implementation of, the guidelines of the Canadian Securities Administrators and relevant securities regulatory authorities relating to the corporate governance, as amended from time to time. The specific functions of the corporate Governance Committee in carrying out these areas of responsibility are set out below.

The Corporate Governance Committee must:

- consider and review NIKO's corporate governance principles and processes and compare the same to the guidelines of the Canadian Securities Administrators and relevant securities regulatory authorities relating to corporate governance as amended from time to time;
- propose changes to the Board necessary to respond to the guidelines;
- review NIKO's disclosure of its corporate governance program and compliance with the guidelines in the management proxy circular for each AGM; and
- monitor compliance with, and review and approve, if considered appropriate, all proposed waivers to NIKO's Code of Conduct.

## 5. **Nomination and Assessment of Directors**

The Corporate Governance Committee must:

- after consultation with the Chairman of the Board, consider and recommend candidates to fill new positions on the Board created by either expansion or vacancies that occur by resignation, retirement or for any other reason;
- review Board candidates recommended by Shareholders;
- conduct inquiries into the backgrounds and qualifications of potential candidates;
- recommend the suitable director nominees for approval by the Board and the Shareholders;
- consider questions of possible conflicts of interest of Directors;
- recommend members and chairs of committees;
- establish and implement a Director Orientation Program; and
- make a recommendation to the Board as to whether to accept or reject any resignation tendered by a Director as provided in the Mandate of the Board of Directors.

## 6. **Communication, Authority to Engage Advisors and Expenses**

The Committee shall have direct access to such officers and employees of NIKO and to any other consultants or advisors, and to such information respecting NIKO it considers necessary to perform its duties and responsibilities.

Any employee may bring before the Committee, on a confidential basis, any concerns relating to matters over which the Committee has oversight responsibilities.

The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set the compensation for any such counsel and other advisors, such engagement to be at NIKO's expenses. NIKO shall be responsible for all other expenses of the Committee that are deemed necessary or appropriate by the Committee in order to carry out its duties.

## **APPENDIX D MAJORITY VOTING POLICY**

The board believes that each director should have the confidence and support of the shareholders of the corporation. To this end, the board has unanimously adopted this policy and future nominees for election to the board will be required to confirm that they will abide by the policy.

Forms of proxy for the election of directors will permit a shareholder to vote in favour of, or to withhold from voting, separately for each director nominee. The Chair of the Board will ensure that the number of shares voted in favour or withheld from voting for each director nominee is recorded and promptly made public after the meeting. If the vote was by a show of hands, the company will disclose the number of shares voted by proxy in favour or withheld for each director.

If a director nominee has more votes withheld than are voted in favour of him or her, the nominee will be considered by the board not to have received the support of the shareholders, even though duly elected as a matter of corporate law. Such a nominee will be expected to forthwith submit his or her resignation to the board of directors, effective on acceptance by the board. The board will refer the resignation to the nominating/corporate governance committee (or equivalent) for consideration.

The Corporate Governance Committee will consider all factors deemed relevant by the members of the corporate governance committee including, without limitation, the stated reason or reasons why shareholders who cast "withhold" votes for the director did so, the qualifications of the director including, the impact the director's resignation would have on the Corporation, and whether the director's resignation from the Board would be in the best interest of the Corporation and the Shareholders. Within 90 days of receiving the final voting results, the Board will issue a press release announcing the resignation of the director or explaining the reasons justifying its decision not to accept the resignation.

Subject to any corporate law restrictions, the board of directors may (1) leave a vacancy in the board unfilled until the next annual general meeting, (2) fill the vacancy by appointing a new director whom the board considers to merit the confidence of the shareholders, or (3) call a special meeting of shareholders to consider new board nominee(s) to fill the vacant position(s).

This policy does not apply where an election involves a proxy battle, *i.e.*, where proxy material is circulated in support of one or more nominees who are not part of the director nominees supported by the board of directors.