



**PEARL EXPLORATION AND
PRODUCTION LTD.**

**NOTICE OF MEETING
AND MANAGEMENT INFORMATION CIRCULAR**

**ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS**

To be held on May 6, 2009

PEARL EXPLORATION AND PRODUCTION LTD.

NOTICE OF ANNUAL AND SPECIAL MEETING OF HOLDERS OF COMMON SHARES OF PEARL EXPLORATION AND PRODUCTION LTD.

NOTICE IS HEREBY GIVEN THAT an annual and special meeting (the "**Meeting**") of holders of common shares of Pearl Exploration and Production Ltd. (the "**Corporation**") will be held in the Viking Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta at 10:00 a.m. (Calgary time), on Wednesday, May 6, 2009, for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation as at and for the year ended December 31, 2008 and the auditors report thereon;
2. to fix the board of directors of the Corporation (the "**Board of Directors**") at five (5) members;
3. to elect the Board of Directors for the ensuing year;
4. to appoint PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta, as the auditors of the Corporation for the ensuing financial year at a remuneration to be determined by the Board of Directors;
5. to consider and, if thought appropriate, approve a special resolution, as set forth in the management information circular relating to the Meeting, to change the name of the Corporation from "Pearl Exploration and Production Ltd." to "**BlackPearl Resources Inc.**";
6. to consider and, if thought appropriate, approve an ordinary resolution, as set forth in the management information circular relating to the Meeting, adopting a new stock option plan for the Corporation; and
7. to transact such other business as may be properly brought before the Meeting.

DATED at the City of Calgary, in the Province of Alberta, this 19th day of March, 2009.

**BY ORDER OF THE BOARD OF
DIRECTORS**

(Signed) "John L. Festival"

John L. Festival
President and Chief Executive Officer

It is desirable that as many shares as possible be represented at the meeting. If you do not expect to attend and would like your shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. All proxies, to be valid, must be deposited at the office of Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1, at least forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the meeting or any adjournment thereof.

MANAGEMENT INFORMATION CIRCULAR

PURPOSE OF SOLICITATION

This management information circular (the "**Information Circular**") is provided in connection with the solicitation of proxies by the board of directors (the "**Board of Directors**") and the management of Pearl Exploration and Production Ltd. ("**Pearl**" or the "**Corporation**"), for use at the annual and special meeting (the "**Meeting**") of the holders of common shares ("**Common Shares**") of the Corporation, to be held on Wednesday, May 6, 2009, at 10:00 a.m. (Calgary time), in the Viking Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta or at any adjournment thereof for the purposes set out in the accompanying notice of meeting ("**Notice of Meeting**"). Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or personal interview by employees of the Corporation, at a nominal cost. In accordance with National Instrument 54-101, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in so doing. The costs thereof will be borne by the Corporation. Unless otherwise indicated, all information in this Information Circular is given as at March 19, 2009.

VOTING OF PROXIES

All Common Shares represented at the Meeting by properly executed proxies will be voted (including the voting on any ballot), 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 in accordance with such specification. **In the absence of any such specification, the proxyholders, if named as proxy, will vote in favour of the matters set out therein.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to any amendments or variations to matters referred to in the Notice of Meeting and to any other business which may properly come before the Meeting. At the time of printing this Information Circular, management of the Corporation knows of no such amendments, variations or other business to come before the Meeting other than the matters referred to in the Notice of Meeting. **However, if any amendment, variation or other business properly comes before the Meeting, the enclosed form of proxy confers discretionary authority upon the persons named therein to vote on any such amendment, variation or other business in accordance with their best judgment.**

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed instrument of proxy have been selected by the directors of the Corporation and have indicated their willingness to represent as proxy the shareholder who appoints them. **A shareholder has the right to designate a person, (who need not be a shareholder of the Corporation) other than the management designees, Mr. John Festival of Calgary, Alberta, President and Chief Executive Officer and a director of the Corporation, and Mr. Don Cook of Calgary, Alberta, Chief Financial Officer of the Corporation, to attend and represent him or her at the Meeting.** Such right may be exercised by inserting in the blank space provided for that purpose on the Instrument of Proxy the name of the person or persons to be designated and deleting therefrom the names of the management designees or by completing another proper Instrument of Proxy. Such shareholder should notify the nominee of the appointment, obtain a consent to act as proxy and should provide instructions on how the shareholder's shares are to be voted. In any case, the form of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such

authorization attached, where an attorney executed the proxy form and delivering same to the office of the registrar and transfer agent of the Corporation, Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1, no later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays in the Province of Alberta, prior to the Meeting or any adjournment thereof. If the shareholder is a corporation, its name must be completed in the signature section of the proxy and the proxy must be signed by an officer or attorney of the Corporation duly authorized.

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. A proxy may be revoked by either executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the shareholder or by his authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, and by depositing the proxy bearing a later date with the registrar and transfer agent of the Corporation, Computershare Trust Company of Canada, at any time up to and including the last business day preceding the date of the Meeting or any adjournment thereof at which the proxy is to be used or by depositing the revocation of proxy with the chairman of such Meeting on the day of the Meeting, or any adjournment thereof, or in any other matter permitted by law. In addition, a proxy may be revoked by the shareholder personally attending at the Meeting and voting his shares.

ADVICE TO BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, not be registered in the shareholder's name. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such 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 agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Applicable regulatory rules and policies require brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, 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 (or the agent of the broker) is substantially similar to the instrument of proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge typically prepares a Voting Instruction Form ("**VIF**") and mails the VIF to the Beneficial Shareholders and asks Beneficial Shareholders to return the VIF to Broadridge. Broadridge then tabulates the results of all instructions

received and provides appropriate instructions respecting the voting of Common Shares to be presented at the Meeting. **A Beneficial Shareholder receiving a VIF from Broadridge 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.** If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.

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

All references to shareholders in this Information Circular and the accompanying instrument of proxy and notice of Meeting are to registered shareholders unless specifically stated otherwise.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation has authorized capital consisting of an unlimited number of Common Shares, of which 209,341,716 Common Shares are issued and outstanding as at the date hereof.

Holders of Common Shares on record at the close of business on March 25, 2009 (the "**Record Date**") are entitled to vote such Common Shares at the Meeting on the basis of one vote for each Common Share held.

The by-laws of the Corporation provide that a quorum of shareholders is present at a meeting of shareholders, irrespective of the number of persons actually present at the meeting, if at least two persons are present or represented by proxy, each of whom is entitled to vote at the meeting, and who hold or represent by proxy in the aggregate not less than 10% of the total number of shares entitled to be voted at the meeting.

To the knowledge of the directors and officers of the Corporation, as at the date hereof, no person or company beneficially owns, or controls or directs, directly or indirectly, 10% or more of the voting rights attached to all the issued and outstanding Common Shares.

BUSINESS OF THE MEETING

To the knowledge of the Board of Directors, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

Receipt of Annual Financial Statements

The audited consolidated financial statements of the Corporation as at and for the year ended December 31, 2008 and the auditors' report thereon will be tabled at the Meeting. A copy of the audited consolidated financial statements, the auditors' report thereon and management's discussion and analysis for the year ended December 31, 2008 are enclosed with this Information Circular.

Fixing the Number of Directors

The Corporation's Articles provide that the minimum number of directors shall be three (3) and the maximum number of directors shall be ten (10). There are currently five (5) directors. The Board of Directors has set the number of directors to be elected at the Meeting at five (5). Management therefore intends to place before the Meeting, for approval, with or without modification, a resolution fixing the Board of Directors at five (5) members for the next ensuing year.

Election of Board of Directors

The current directors of the Corporation are Keith C. Hill, Brian D. Edgar, John L. Festival, Lukas Lundin and Victor Luhowy. Other than Lukas Lundin, each of the current directors is proposed to be nominated for re-election at the Meeting. As well, John H. Craig, is proposed to be nominated for election. **In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote FOR the election of Messrs. Hill, Edgar, Festival, Luhowy and Craig as directors of the Corporation.** Each person elected as a director of the Corporation will hold office until the next annual meeting of the shareholders or until his successor is duly elected or appointed or his office is earlier vacated in accordance with the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

Management of Pearl does not contemplate that any of the nominees will be unable to serve as a director but, if this should occur for any reason prior to the Meeting, the persons named in the accompanying form of proxy reserve the right to vote for another nominee at their discretion in the absence of a direction to the contrary.

The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Corporation presently held by him, his province or state and country of residence, principal occupation, business or employment, the period during which he has served as a director, and the number of Common Shares, options to acquire Common Shares ("**Options**") and warrants to acquire Common Shares ("**Warrants**") that he has advised are beneficially owned, or controlled or directed, directly or indirectly, by him as of the date hereof.

Name and Province/Country of Residence	Principal Occupation for Past Five Years	Position or Office within Pearl	Date Became a Director	Number of Shares, Options and Warrants Beneficially owned as at the Record Date
Keith C. Hill ⁽¹⁾ West Vancouver, British Columbia, Canada	Mr. Hill is the Chairman of Pearl. He was the President and Chief Executive Officer of Pearl from February 2007 to January 8, 2009. Mr. Hill was President, CEO and a director of Valkyries Petroleum Corp. from August 2002 to July 2006.	Chairman and Director	January 5, 2006	592,000 ⁽²⁾ 1,300,000 ⁽³⁾
John H. Craig Toronto, Ontario, Canada	Mr. Craig is a lawyer and partner of Cassels Brock & Blackwell LLP.	Nominee	Nominee	75,000 ⁽²⁾
Brian D. Edgar ⁽¹⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ Vancouver, British Columbia, Canada	Mr. Edgar is a director of Rand Edgar Investment Corp. and is the President of Dome Ventures Corporation, a junior mineral exploration company.	Director	February 24, 2006	10,000 ⁽²⁾ 312,500 ⁽³⁾

<u>Name and Province/Country of Residence</u>	<u>Principal Occupation for Past Five Years</u>	<u>Position or Office within Pearl</u>	<u>Date Became a Director</u>	<u>Number of Shares, Options and Warrants Beneficially owned as at the Record Date</u>
John L. Festival Calgary, Alberta, Canada	Mr. Festival is President and Chief Executive Officer of Pearl since January 8, 2009. From October 2007 to January 2009, he was President of BlackCore Resources Inc. From 1999 to 2001 he was VP Business Development and from January 2001 to June 2006, Mr. Festival was President and a Director of BlackRock Ventures Inc.	President, Chief Executive Officer and Director	January 8, 2009	5,825,000 ⁽²⁾ 1,000,000 ⁽³⁾ 2,411,299 ⁽⁷⁾
Victor Luhowy ⁽¹⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ Calgary, Alberta, Canada	Mr. Luhowy is President and Chief Executive Officer of Mystique Energy Inc. since February 2004 and prior thereto he was an independent consultant from September 2003 to February 2004.	Director	January 8, 2009	200,000 ⁽³⁾

Notes:

- (1) Member of Reserves Committee
- (2) Common Shares
- (3) Options
- (4) Member of Audit Committee
- (5) Member of Corporate Governance and Nominating Committee
- (6) Member of Compensation Committee
- (7) Warrants

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the Corporation, no proposed director of the Corporation (a) is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, (b) is, as at the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (c) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee, except for:

Mr. Brian D. Edgar is currently and was a director of New West Energy Services Inc. (TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British

Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.

Mr. Victor Luhowy is currently President and Chief Executive Officer of Mystique Energy Inc., which on April 24, 2007 filed for and obtained protection from its creditors under the *Companies Creditors Arrangement Act*.

Appointment of Auditors

PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta, has served as the auditor of the Corporation since January 19, 2006. At the Meeting, management proposes to nominate PricewaterhouseCoopers LLP for appointment as the auditor of the Corporation for the ensuing year at a remuneration to be determined by the Board of Directors.

From June 2002 until January 2006, the auditor of the Corporation was Mintz & Partners LLP.

In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby FOR the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation at a remuneration to be approved by the Board of Directors, upon recommendation from the Audit Committee, at its discretion from time to time.

Change of Name for the Corporation

The Corporation proposes to change its name from "Pearl Exploration and Production Ltd." to "BlackPearl Resources Inc." The change in name is thought desirable by the Board of Directors as Pearl recently acquired 100% of the outstanding shares of BlackCore Resources Inc. ("**BlackCore**"). It is Pearl's desire to use the acronym "BlackPearl" in its proposed new name in order to project a recognizable identity that reflects the past excellent reputation and goodwill of both companies. In particular, it should be noted that in connection with the foregoing transaction, the former management team of BlackCore is now the current management team of Pearl. Pearl believes that is very important that its new name reference this change of management in order to increase the confidence of its investors in the future success of Pearl based in part on the prior accomplishments of the BlackCore management team.

Approval Requirements for Change of Name

The special resolution approving the name change of the Corporation must be passed by no less than two-thirds of the votes cast by Shareholders, present in person or by proxy at the Meeting.

The Board of Directors recommends that you vote FOR the special resolution to approve the name change.

Following is the text of the special resolution to be considered by the shareholders at the Meeting:

"BE IT RESOLVED that:

1. The Corporation shall, in accordance with section 173(1) of the *Canada Business Corporations Act* (the "**CBCA**"), amend its articles to change its name to "BlackPearl Resources Inc."

2. The directors of the Corporation may, pursuant to section 173(2) of the CBCA, revoke this special resolution before it is acted upon without further approval of the shareholders.
3. Any director or officer of the Corporation be and is hereby authorized and directed to execute and deliver all documents and do all things as such person may determine to be necessary or advisable to give effect to this special resolution.

In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby FOR the special resolution approving the name change.

Stock Option Plan

At the Meeting, Shareholders will be asked to consider, and if thought appropriate, approve a new stock option plan (the "**Stock Option Plan**") which will replace the current stock option plan of the Corporation in its entirety. The full text of the Stock Option Plan is set out in Appendix "A" to this Information Circular. Pearl was listed on the TSX Venture Exchange prior to September 4, 2008 and as a result Pearl's existing option plan conforms largely to the requirements of such exchange. As Pearl is now listed on the Toronto Stock Exchange (the "**TSX**"), Pearl intends to adopt the Stock Option Plan which conforms to the style and content of option plans generally implemented by TSX listed issuers.

The following is a description of the Stock Option Plan, under which Options may be granted.

Description of the Stock Option Plan

The purpose of the Stock Option Plan is to provide an effective long-term incentive for the directors, officers, employees and direct and indirect service providers (collectively, the "**Service Providers**") of the Corporation and its subsidiaries and affiliates (collectively, the "**Corporate Group**") from time to time.

Options may be granted to any Service Provider of the Corporate Group. The Stock Option Plan shall be administered by the Board of Directors or a committee thereof.

The number of Common Shares reserved for issuance pursuant to the Stock Option Plan and pursuant to all other security-based compensation arrangements of the Corporate Group shall, in the aggregate, equal 10% of the total number of Common Shares outstanding. Pursuant to TSX rules, Shareholder approval with respect to all unallocated Options under the Stock Option Plan will be required to be sought by the Corporation every three years following the initial adoption of the Stock Option Plan. The number of Common Shares reserved for issuance pursuant to Options granted to insiders (as such term is referred to the policies of the TSX) under the Stock Option Plan and all other security-based compensation arrangements of the Corporate Group shall not, in the aggregate, exceed 10% of the number of Common Shares outstanding. In addition, the aggregate number of Common Shares issued to insiders pursuant to Options, within a one-year period, shall not exceed 10% of the number of Common Shares outstanding immediately prior to such issuance. The Stock Option Plan also permits the President of the Corporation, at his sole discretion, to grant to new employees of the Corporate Group (other than insiders of the Corporation), Options to purchase up to a maximum of 100,000 Common Shares, provided that: (a) the granting of such Options does not result in the aggregate number of Common Shares issuable upon the exercise of Options outstanding exceeding 10% of the number of Common Shares outstanding; and (b) the aggregate number of Options granted by the President in any one calendar year does not exceed 250,000 Options.

The exercise price of Options granted under the Stock Option Plan shall not be lower than the five-day volume weighted average trading price of the Common Shares traded through the facilities of the TSX immediately preceding the grant date. In the event the Common Shares are not then traded through the facilities of the TSX, the exercise price shall not be lower than the five-day volume weighted average trading price of the Common Shares on such other stock exchange as the Common Shares may then be traded on the trading day immediately preceding the grant date. In the event the Common Shares are not traded on any stock exchange, the exercise price shall be equal to an amount determined by the Board of Directors in its sole discretion, acting reasonably.

Unless otherwise determined by the Board of Directors, Options granted under the Stock Option Plan may be exercised for a term not exceeding ten years from the date of grant. Upon expiration, unexercised Options become null and void. The Board of Directors shall set the vesting schedule of Options.

If a holder of Options ceases to be a Service Provider to at least one member of the Corporate Group by reason of death or long-term disability, all outstanding unvested Options will immediately terminate other than those Options that would have vested within one year following the date of ceasing to be a Service Provider (which rights shall immediately vest). If a holder of Options ceases to be a Service Provider to at least one member of the Corporate Group for any reason other than death or long-term disability, all outstanding unvested Options will, unless otherwise provided, immediately terminate, and any outstanding vested Options must be exercised on or before the earlier of: (i) 90 days following the date of ceasing to be a Service Provider; and (ii) the expiry date for such vested Options. Options are not assignable, other than for normal estate settlement purposes.

In the event of a change of control of the Corporation, all outstanding Options shall vest and be immediately exercisable and each holder shall have the right to exercise such rights at any time up to and including (but not after) the earlier of: (i) 90 days following the date of such change of control; and (ii) the expiry date of the Options. A change of control occurs upon the happening of any of the following: (i) the acceptance by Shareholders, representing more than 50% of the outstanding Common Shares, of any offer for any or all of the Common Shares; (ii) the acquisition by whatever means by a person or persons acting jointly or in concert, directly or indirectly, of ownership of, or control or direction over, more than 50% of the outstanding Common Shares (other than pursuant to a bona fide reorganization); (iii) the passing of a resolution by the Board of Directors or the Shareholders to substantially liquidate the assets or rearrange the affairs of the Corporation (other than pursuant to a bona fide reorganization); (iv) the sale by the Corporation of all or substantially all of its assets (other than to an affiliate of the Corporation); (v) individuals who were proposed as nominees to become directors of the Corporation immediately prior to a meeting of Shareholders involving a contest for, or an item of business relating to the election of directors, not constituting a majority of the directors following such election; or (vi) any other event which, in the opinion of the Board of Directors, reasonably constitutes a change of control of the Corporation. In the event that the Board of Directors passes a resolution approving, or the Corporation enters into an agreement providing for, a transaction which, if completed, would constitute a change of control, the Board of Directors may at its discretion resolve to permit holders of Options to exercise all unexercised vested and unvested Options, conditional upon the occurrence of the change of control, for the purpose of, as applicable, tendering the underlying Common Shares to the take-over bid or voting such Common Shares in respect of the resolution(s) pertaining to the transaction that would give rise to the change of control.

The Stock Option Plan specifically prohibits financial assistance of any kind being provided to participants for the purpose of exercising any Options. The Stock Option Plan does, however, provide for a cashless exercise of Options, where the holder may elect, at their option, to receive either a cash payment equal to the in-the-money value of the Option, or Common Shares issued from treasury equal to

the in-the-money value of the Option. The Corporation has the sole discretion to consent to or disapprove of the election by a holder to exercise Options for a cash amount or number of Common Shares equal to the in-the-money value of an Option, in which case the holder may re-elect to exercise in the normal course, or retract the request to exercise the Option.

In the event of: (i) the acquisition by any person or group of persons acting jointly or in concert, directly or indirectly, of such number of Common Shares as entitle such person(s) to acquire pursuant to the compulsory purchase provisions of the *Canada Business Corporations Act* or such other comparable legislation applicable to the Corporation, all remaining Common Shares not already acquired by the person(s); or (ii) the receipt of all required shareholder, regulatory and court approvals for an amalgamation, arrangement, consolidation, merger or other business combination pursuant to which one or more persons will, directly or indirectly, acquire all of the issued and outstanding Common Shares, the Corporation may at its election, effective on the sending of notice to the remaining holders of Options, terminate such Options for their in-the-money value, payable in Common Shares.

In the event that: (i) an Option expires during the period which the holder is prohibited from exercising an Option due to trading restrictions imposed by the Corporation on such holder (the "**Blackout Period**"); or (ii) within 10 business days after the expiry of the Blackout Period, then the expiry date for that Option will be the date that is 10 business days after the expiry of the Blackout Period.

The Stock Option Plan specifies which amendments to the plan do not require Shareholder approval, including amendments: (i) for the purpose of curing any ambiguity, error or omission in the Stock Option Plan or to correct or supplement any provision of the plan that is inconsistent with any other provision of the plan; (ii) necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares are listed; (iii) to the Stock Option Plan respecting administration or eligibility for participation under the plan; (iv) of a "housekeeping" nature; (v) changing the terms and conditions on which the Options may be or have been granted pursuant to the Stock Option Plan, including a change to vesting provisions; and (vi) changing termination provisions of Options or the Stock Option Plan which do not specify extension beyond the original expiry date. The Stock Option Plan also specifies amendments that require Shareholder approval, such as: (i) increasing the maximum number of Common Shares reserved for issuance pursuant to the Stock Option Plan; (ii) modifying or amending terms of Options including the repricing or extension of exercise periods; (iii) modifying or amending the Stock Option Plan to permit Options to be transferable or assignable, other than for normal estate settlement purposes; (iv) changes to eligible participants under the Stock Option Plan which would broaden insider participation; (v) the addition of financial assistance; and (vi) amendments to the amendment provisions of the Stock Option Plan. Subject to the above, the Board of Directors may add to, delete from, alter or otherwise amend the provisions of the Stock Option Plan or any options granted thereunder or terminate the Stock Option Plan, provided that no amendment may change the determination of the exercise price of the options, increase the maximum number of Common Shares reserved for issuance pursuant to the Stock Option Plan or, without the consent of the holder, adversely impair, alter or amend any right previously granted.

It is the current intention of the Corporation to enter into agreements with all holders of pre-existing options pursuant to which such holders would agree that all such options would be administered under the terms of the Stock Option Plan, provided that all material terms (exercise price, vesting and term) of such options are not affected by such change.

Approval Requirements for Stock Option Plan

The resolution approving and adopting the Stock Option Plan must be passed by a majority of not less than one-half plus one of the votes cast by Shareholders, other than the Corporation or any of its affiliates, present in person or by proxy at the Meeting.

The Board of Directors recommends that you vote FOR the ordinary resolution to approve and adopt the Stock Option Plan.

Following is the text of the ordinary resolution to be considered by the shareholders at the Meeting:

"BE IT RESOLVED that:

1. The adoption by the Corporation of the Stock Option Plan substantially in the form set out as Appendix "B" to the Management Information Circular and Proxy Statement of Pearl Exploration and Production Ltd. dated March 19, 2009, is hereby approved.
2. The directors of the Corporation may revoke this resolution before it is acted upon without further approval of the shareholders.
3. Any one or more directors or officers of the Corporation, are hereby authorized to execute and deliver, whether under corporate seal or otherwise, the agreement referred to above and any other agreements, instruments, notices, consents, acknowledgements, certificates and other documents (including any documents required under applicable laws or regulatory policies), and to perform and do all such other acts and things, as any such director or officer in his discretion may consider to be necessary or advisable from time to time in order to give effect to this resolution."

In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby FOR the ordinary resolution approving and adopting the Stock Option Plan.

OTHER BUSINESS

While there is no other business other than that mentioned in the Notice of Meeting to be presented for action by the shareholders at the Meeting, it is intended that the proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before that Meeting or any adjournment thereof, in accordance with the discretion of the persons authorized to act thereunder.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Compensation Committee is responsible for reviewing the compensation policy for all senior management of the Corporation and making recommendations to the Board of Directors.

The Corporation's executive compensation program has been designed to attract highly qualified and motivated individuals, and to provide fair and competitive compensation in accordance with industry standards and with the individual's expertise and experience. The compensation program consists of three components: (i) base salaries; (ii) annual bonuses; and (iii) stock options. Compensation is more heavily

weighted towards long-term compensation through the granting of stock options in order to align the interests of officers and employees with the performance of the Corporation and with the interests of shareholders. The Compensation Committee reviews the various aspects of this policy from time to time to ensure the effectiveness of the programs and whether they adequately reflect the Corporation's business objectives.

Base Salaries

The annual base salaries for the President and the other executive officers of the Corporation are intended to be comparable to amounts paid to similar executives of companies of similar size in the oil and gas industry in Canada. Salary increases for each executive are established based upon the performance of the executive and their competitiveness with the market. This is typically determined by periodically participating in third party salary surveys as well as by reviewing other external market data.

Annual Bonuses

Each of the executive officers, as well as all employees, is eligible for an annual bonus that reflects performance of the Corporation relative to its peers. The amount paid is based on the Compensation Committee's assessment of the Corporation's performance for the year. Factors considered in determining bonus amounts include financial criteria, such as cash flow, net earnings and share price performance, as well as operational criteria such as growth in production volumes, operating cost efficiencies, safety record and reserve growth on an absolute basis and on a per share basis.

Stock Options

The Corporation's long-term incentive program involves the granting of stock options to the executive officers as well as all employees of the Corporation. The granting of stock options is intended to encourage the maximization of shareholder value by better aligning the interests of the executive officers with the interests of shareholders.

Summary of Compensation

The following table sets forth, in accordance with National Instrument 51-102, *Continuous Disclosure Obligations* ("**NI 51-102**"), a summary of the annual and long term compensation for services paid for the three most recently completed financial years to the extent required by NI 51-102, to individuals who served as or were acting in a capacity similar to a Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") of the Corporation and the only other executive officer whose compensation was greater than \$150,000 during the year ended December 31, 2008 (the "**Named Executive Officers**").

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Share-based awards	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value	All other compensation	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Keith Hill ⁽¹⁾ (former President and CEO)	2008	350,000	–	201,145	129,200	–	–	–	680,345
	2007	288,000	–	538,323	–	–	–	–	826,323
	2006	–	–	1,303,77	–	–	–	–	1,303,773
Randy Neely ⁽²⁾ (former CFO)	2008	250,000	–	298,286	–	–	–	–	548,286
	2007	82,372	–	676,023	56,100	–	–	–	814,495
	2006	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dean Tucker ⁽³⁾ (former VP, Operations)	2008	241,667	–	238,972	–	–	–	–	480,639
	2007	74,231	–	304,075	30,000	–	–	–	408,306
	2006	n/a	n/a	n/a	–	n/a	n/a	n/a	n/a

Notes:

- (1) Keith Hill was appointed as President and Chief Executive Officer effective February 1, 2007 and resigned effective January 8, 2009.
- (2) Randy Neely was appointed Chief Financial Officer effective September 4, 2007 and resigned effective January 8, 2009.
- (3) Dean Tucker was appointed Vice President, Operations effective March 10, 2008 and resigned effective January 8, 2009.

Incentive Plan Awards

The following table sets forth information in respect of all stock options granted to the Named Executive Officers of the Corporation that were outstanding at December 31, 2008.

Outstanding Share-Based Awards and Option-Based Awards

Name and Title	Option-based Awards			
	Number of Securities Underlying Unexercised Options	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$)
Keith Hill (former President & CEO)	500,000	0.77	19-Dec-2013	5,000
	500,000	2.53	23-Dec-2012	–
	300,000	5.15	23-Dec-2011	–
Randy Neely, (former CFO)	250,000	0.77	19-Dec-2013	2,500
	250,000	1.75	23-Jul-2013	–
	250,000	2.53	23-Dec-2012	–
	250,000	3.75	5-Sep-2012	–
Dean Tucker (Former Vice President Operations)	250,000	0.77	19-Dec-2013	2,500
	175,000	1.75	23-Jul-2013	–
	75,000	2.53	23-Dec-2012	–
	150,000	3.42	17-Aug-2012	–

Incentive Plan Awards – Value Vested or Earned During 2008

<u>Name and Title</u>	<u>Option-based awards – Value vested during the year (\$)</u>	<u>Share-based awards – Value vested during the year (\$)</u>	<u>Non-equity incentive plan compensation – Value earned during the year (\$)</u>
Keith Hill (former President and CEO)	–	–	–
Randy Neely, (former CFO)	2,500	–	–
Dean Tucker, (former Vice President Operations)	2,500	–	–

Stock Option and SAR Repricing

No repricing took place during the last fiscal year ended December 31, 2008 with respect to stock options and stock appreciation rights.

Pension Plan Benefits

The Corporation currently has no defined benefit plans, defined contribution plans or deferred compensation plans.

Employment and Management Contracts

The Corporation entered into an executive employment agreement with Keith Hill dated January 1, 2008, for an indefinite term, whereby the Corporation engaged the services of Mr. Hill to act as President and Chief Executive Officer of the Corporation at an annual base salary of \$350,000, subject to annual review, plus any discretionary bonuses as approved by the Board of Directors from time to time. Upon a change of control, Mr. Hill was entitled to a severance payment equivalent to two times his annual salary. Upon his resignation on January 8, 2009, Mr. Hill was paid a retention bonus of \$87,500.

Pearl entered into an executive employment agreement with Randy Neely dated September 1, 2007, for an indefinite term, whereby the Corporation engaged the services of Mr. Neely to act as Chief Financial Officer of the Corporation at an annual base salary of \$250,000, subject to annual review, plus any discretionary bonuses approved by the Board of Directors from time to time. Upon a change of control, Mr. Neely was entitled to a severance payment equivalent to two times his annual salary. Upon his resignation on January 8, 2009, Mr. Neely was paid a bonus of \$250,000, a severance payment of \$250,000 and a retention bonus of \$31,250. The Company has entered into a consulting agreement with Mr. Neely which expires September 30, 2010.

Pearl entered into an executive employment agreement with Dean Tucker dated January 1, 2008, for an indefinite term, whereby the Corporation engaged the services of Mr. Tucker to act as Vice President, Operations of the Corporation at an annual base salary of \$250,000, subject to annual review, plus any discretionary bonuses approved by the Board of Directors from time to time. Upon a change of control, Mr. Tucker was entitled to a severance payment equivalent to two times his annual salary. Upon his resignation on January 8, 2009, Mr. Tucker was paid a bonus of \$250,000, a severance payment of \$250,000 and a retention bonus of \$31,250. The Company has entered into a consulting agreement with Mr. Tucker which expires September 30, 2010.

The Corporation entered into an executive employment agreement with John Festival dated January 8, 2009, for an indefinite term, whereby the Corporation has engaged the services of Mr. Festival to act as President and Chief Executive Officer of the Corporation at an annual base salary of \$200,000, subject to periodic review, plus any discretionary annual performance bonuses as approved by the Board of Directors. Upon a change of control, Mr. Festival is entitled to a severance payment equivalent to 24 months' salary plus a payment equal to his average annual bonus during the last two years.

The Corporation entered into an executive employment agreement with Don Cook dated January 8, 2009, for an indefinite term, whereby the Corporation has engaged the services of Mr. Cook to act as Chief Financial Officer of the Corporation at an annual base salary of \$200,000, subject to periodic review, plus any discretionary annual performance bonuses as approved by the Board of Directors. Upon a change of control, Mr. Cook is entitled to a severance payment equivalent to 24 months' salary plus a payment equal to his average annual bonus during the last two years.

The Corporation entered into an executive employment agreement with Edward Sobel dated January 8, 2009, for an indefinite term, whereby the Corporation has engaged the services of Mr. Sobel to act as President and Vice President Exploration of the Corporation at an annual base salary of \$200,000, subject to periodic review, plus any discretionary annual performance bonuses as approved by the Board of Directors. Upon a change of control, Mr. Sobel is entitled to a severance payment equivalent to 24 months' salary plus a payment equal to his average annual bonus during the last two years.

The Corporation entered into an executive employment agreement with Chris Hogue dated January 8, 2009, for an indefinite term, whereby the Corporation has engaged the services of Mr. Hogue to act as President and Vice President Operations of the Corporation at an annual base salary of \$200,000, subject to periodic review, plus any discretionary annual performance bonuses as approved by the Board of Directors. Upon a change of control, Mr. Hogue is entitled to a severance payment equivalent to 24 months' salary plus a payment equal to his average annual bonus during the last two years.

Compensation of Directors

During the fiscal year ended December 31, 2008, the Corporation paid no cash compensation to the directors for services rendered in their capacity as directors. Executive officers of the Corporation who also act as directors of the Corporation, do not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation to such executive officers in their capacity as executive officers.

The following table details the compensation provided to those directors that served on the Board of Directors during 2008.

<u>Name</u>	<u>Fees earned</u>	<u>Share-based awards</u>	<u>Option-based awards</u>	<u>Non-equity incentive plan compensation</u>	<u>Pension Value</u>	<u>All other compensation</u>	<u>Total</u>
Lloyd Arnason	-	-	-	-	-	-	-
Brian Edgar	-	-	-	-	-	-	-
Gary Guidry	-	-	\$69,889	-	-	-	\$69,889
Gord Harris	-	-	-	-	-	-	-
John Ladd	-	-	-	-	-	-	-
Lukas Lundin	-	-	-	-	-	-	-
A. Murray Sinclair	-	-	-	-	-	-	-

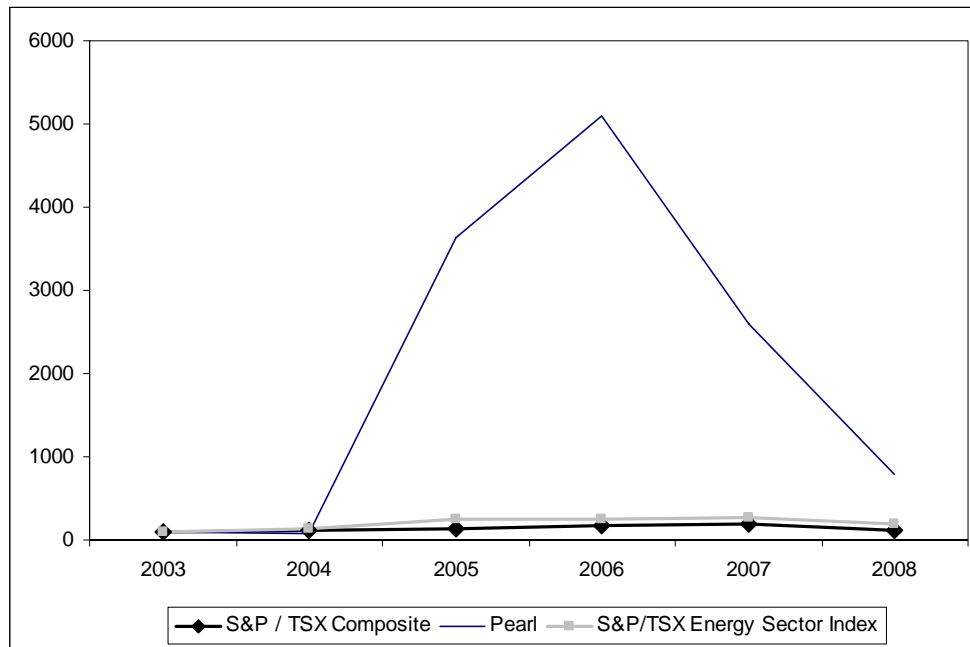
Note

(1) Details of compensation for Keith Hill are included under "Summary of Compensation – Summary Compensation Table".

Performance Graph

The following graph shows the total cumulative return on a \$100 investment on December 31, 2003 in Pearl common shares with the cumulative total return of the S&P/Oil & Gas Exploration & Production Index and the S&P/TSX Composite Index over the five year period ending December 31, 2008, assuming reinvestment of all dividends.

The Corporation's trend in executive compensation peaked in 2006 and has declined over time, reflecting business performance and general economic conditions. As a significant portion of the NEOs compensation is in the form of stock options, as the share price has declined, so has the value of any stock options which impacts the total compensation amount payable to each NEO.



	31 Dec 03	31 Dec 04	31 Dec 05	31 Dec 06	31 Dec 07	31 Dec 08
Pearl (PXX)	100	70	3,640	5,100	2,600	780
S&P/TSX Composite	100	114	142	167	183	123
S&P/TSX Oil & Gas Exploration & Production Sub-Index	100	141	244	248	273	189

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the compensation plan of Pearl under which Common Shares are authorized for issuance as at December 31, 2008:

Plan Category ⁽¹⁾	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities, remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) ⁽²⁾
Equity compensation plans approved by securityholders	11,138,436	2.16	7,785,736
Equity compensation plans not approved by securityholders	-	-	-
Total	11,138,436	2.16	7,785,736

Notes:

- (1) The only compensation under which equity securities are authorized for issuance is the Stock Option Plan. See "Business of the Meeting – Stock Option Plan".
- (2) Based on 10% of the issued and outstanding share capital of the Corporation at December 31, 2008.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors or executive officers of the Corporation, or any of their associates or affiliates are indebted to the Corporation since the commencement of the last completed fiscal year of the Corporation and no indebtedness of any of the foregoing to another entity is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries since the commencement of the last completed fiscal year.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No director or executive officer of Pearl or a subsidiary of Pearl and no person who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares (collectively, an "**Informed Person**") and no nominee for director of Pearl, or any associate or affiliate of any Informed Person or nominee for director of Pearl, has or has had any material interest, direct or indirect, in any transaction since January 1, 2008 or in any proposed transaction which has materially affected or would affect Pearl or any of its subsidiaries.

CORPORATE GOVERNANCE

- Board of Directors** - The Board of Directors considers that Brian Edgar, John Craig and Victor Luhowy, are independent according to the definition of "independent" set out in MI 52-110 as it applies to the Board of Directors. The Board of Directors considers that John Festival, President and CEO and Keith Hill, the former President and CEO are not independent.

The Board of Directors facilitates its exercise of independent supervision over management by having more than half of the Board of Directors members consist of individuals who are independent of the Corporation, as defined in MI 52-110.

The Board of Directors has adopted formal terms of reference setting out the Board of Directors stewardship responsibilities. In carrying out its mandate, the Board of Directors meets regularly

and a broad range of matters are discussed and reviewed for approval. The Board of Directors participates with management in the development and approval of the Corporation's strategic plan, which takes into account the Corporation's opportunities and risks associated with its business. The Board of Directors also approves all overall plans and strategies, budgets, internal controls and management information systems, risk management as well as interim and annual financial and operating results. At regularly scheduled meetings, members of the Board of Directors and management discuss a broad range of issues relevant to the Corporation's strategy. At the end of each meeting of the Board of Directors, the members of management of the Corporation who are present at such meeting may be asked to leave the meeting in order for the independent directors to meet. Keith Hill is the Chairman of the Board of Directors, but is not considered to be an independent director as he is the former President and CEO of the Corporation. A copy of the mandate of the Board of Directors is attached as Appendix "B".

A summary of attendance for the Board of Directors and Committee members during fiscal 2008 is set out below:

Name	Board Meetings Attended	Audit Committee Meetings Attended	Corporate Governance Committee Attended	Reserves Committee Attended
Keith C. Hill	9/9	-	-	-
Brian D. Edgar	9/9	5/5	1/1	-
Lloyd Arnason ⁽¹⁾	3/3	3/3	-	1/1
Gary Guidry ⁽²⁾	8/9	2/2	-	1/1
Gord Harris ⁽³⁾	6/9	-	1/1	-
John Ladd ⁽⁴⁾	7/9	-	-	1/1
Lukas Lundin	8/9	-	-	-
A. Murray Sinclair ⁽⁵⁾	5/9	3/5	1/1	-

Notes:

- (1) Lloyd Arnason served as a director until May 24, 2008.
- (2) Gary Guidry served as a director until January 8, 2009.
- (3) Gord Harris served as a director until January 8, 2009.
- (4) John Ladd served as a director until January 8, 2009.
- (5) A. Murray Sinclair served as a director until January 8, 2009.

2. **Directorships** - The following directors of the Corporation are presently directors of the following other issuers that are reporting issuers, or the equivalent, in a Canadian jurisdiction or a foreign jurisdiction:

Keith C. Hill	- Africa Oil Corp. Bayou Bend Petroleum Ltd.	- Petrovista Energy Corp. Tyner Resources Ltd.
Brian Edgar	- Bayou Bend Petroleum Ltd. Denison Mines Corp. Dome Ventures Corporation Lucara Diamond Corp.	- Lundin Mining Corporation New West Energy Services Inc. Red Back Mining Inc.
John Craig	- Atacama Minerals Corp. Canadian Gold Hunter Corp. Consolidated HCI Holdings Corp.	- Denison Mines Corp. Lundin Mining Corporation PetroFalcon Corporation Suramina Resources Inc.
Victor Luhowy	- Mystique Energy Inc.	
John Festival	- None	

3. **Position Descriptions** – As at the date hereof, the Board of Directors has not developed written position descriptions for the Chairman of the Board of Directors, the Chief Executive Officer nor the respective Chairman of each committee of the Board of Directors. While the Board of Directors has not developed a written position description for the Chairman of the Board of Directors, the Chief Executive Officer nor the respective Chairman of each committee of the Board of Directors, the Board of Directors has successfully delineated the roles and responsibilities of each such position given the ongoing discussions and communications that occur with respect to each member's respective role and responsibilities and the relatively small size of the Board of Directors which allows for clear and effective communication between all Board of Directors members.
4. **Orientation and Continuing Education** – Under the Mandate of the Corporate Governance and Nominating Committee, the Committee is responsible for developing, with the assistance of management, an orientation and education program for new recruits to the Board of Directors. Currently the Committee has not developed a formal orientation and training program for newly appointed directors. The Board of Directors encourages continuing education for the Corporation's employees, management and directors. Directors are encouraged to communicate with management, auditors and technical consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance, to attend related industry seminars and to visit the Corporation's operations. Members of the Board of Directors have full access to the Corporation's records.
5. **Ethical Business Conduct** – The Board of Directors has adopted a Code of Business Conduct and Ethics which is available on SEDAR at www.sedar.com. In addition, the Board of Directors has adopted a Whistleblower Policy, whereby complaints will be received by the Chairman of the Audit Committee. It is through this whistleblowing avenue that the Board of Directors monitors compliance with the Code of Business Conduct and Ethics.

The Corporation intends to resolve all conflicts of interest in accordance with the provisions of the CBCA in order to ensure directors exercise independent judgment in considering transactions and agreements in which a director or officer has a material interest.

The CBCA provides that a director or officer shall disclose the nature and extent of any interest that he or she has in a material contract or material transaction, whether made or proposed, if the director or officer:

- is a party to the contract or transaction,
- is a director or an officer, or an individual acting in a similar capacity, of a party to the contract or transaction, or
- has a material interest in a party to the contract or transaction,

and shall refrain from voting on any matter in respect of such contract or transaction unless otherwise provided under the CBCA.

- 6. Nomination of Directors** – Under the Mandate of the Corporate Governance and Nominating Committee, the Committee, which is comprised solely of independent directors, shall identify and review possible candidates for Board membership consistent with criteria approved by the Board of Directors, and annually recommend qualified candidates for a slate of nominees to be proposed for election to the Board of Directors at the annual meeting of the Corporation's shareholders. The Committee shall consider the appropriate size of the Board of Directors with a view to facilitating effective decision making. In the event of a vacancy on the Board of Directors between annual meetings of the Corporation's shareholders, the Committee may identify, review and recommend qualified candidates for Board of Director membership to the Board of Directors for consideration to fill such vacancies, if the Board of Directors determines that such vacancies will be filled.

When formulating these recommendations, the Committee shall seek and consider advice and recommendations from management, and may seek or consider advice and recommendations from consultants, outside counsel, accountants, or other advisors as it or the Board of Directors may deem appropriate. See: "Other Board Committees – Corporate Governance and Nominating Committee."

- 7. Compensation** – The Board of Directors has a Compensation Committee comprised solely of independent directors. The Board of Directors provides approval for determining compensation for directors and the Chief Executive Officer based on recommendations by the Compensation Committee. The Compensation Committee is responsible for the Corporation's executive compensation policies, including among other things:

- reviewing the compensation of the President and Chief Executive Officer of the Corporation, including annual, long-term and other compensation;
- reviewing and approve corporate goals and objectives relevant to the President and Chief Executive Officer's compensation and evaluate the President and Chief Executive Officer's performance in light of these corporate goals and objectives;
- reviewing the compensation of senior management, other executive officers and key employees of the Corporation, including annual, long-term and other compensation; and

- reviewing the compensation of directors in light of risks and responsibilities.

The Corporation reimburses its directors for reasonable expenses incurred by them in the exercise of their duties. More information pertaining to compensation can be found under the heading "Compensation of Directors and Executive Officers".

- 8. Other Board Committees** – The standing committees of the Board of the Directors are the Audit Committee, the Compensation Committee, the Reserves Committee and the Corporate Governance and Nominating Committee.

Corporate Governance and Nominating Committee – The members of the Corporate Governance and Nominating Committee composed of solely independent directors. Under the Mandate of this Committee, the Committee is responsible for proposing new nominees, when deemed appropriate, for appointment or election to the Board of Directors and recommending the new Board of Director nominees at the next annual meeting of shareholders. As well, the Committee has the responsibility in general for developing and monitoring the Corporation's approach to corporate governance issues such as:

- developing a code of ethical business conduct;
- the Corporation's response to applicable rules, policies and guidelines respecting corporate governance matters;
- assessing the effectiveness of the Board of Directors as a whole, the committees of the Board of Directors and the contribution of individual directors on a periodic basis, which will include monitoring the quality of the relationship between management and the Board of Directors and recommending any improvements, if necessary;
- ensuring that, where necessary, appropriate structures and procedures are in place to ensure that the Board of Directors can function independently of management;
- periodically examining the size of the Board of Directors, with a view to determining the impact of the number of directors upon effectiveness, and making recommendations where appropriate to the Board of Directors as to any programs the Committee determines to be appropriate to reduce or increase the number of directors to a number which facilitates more effective decision making;
- taking responsibility for the development, adoption and enforcement of the Code of Business Conduct and Ethics by the Board of Directors, and filing the same on SEDAR; and
- proposing new nominees, when deemed appropriate, for appointment or election to the Board of Directors and recommending the new Board of Director nominees at the next annual meeting of shareholders.

Reserves Committee – a majority of the members of the Reserves Committee are independent. The Reserves Committee of the Corporation has the responsibility in general for developing the Corporation's approach to the reporting of oil and gas reserves and the valuation of those reserves. Its responsibilities include:

- the Corporation's response to applicable rules, policies and guidelines respecting the reporting of oil and gas reserves and the valuation of such reserves;
- reviewing and approving the selection of the independent evaluator by management of the Corporation;
- reviewing the Corporation's procedures for providing information to the independent evaluator;
- meeting with the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the reserves data;
- reviewing the reconciliation of changes in reserves and future net revenue;
- reviewing with management and the independent evaluator, and approving, the reserves data; and
- reviewing procedures for reporting other information associated with oil and gas producing activities.

Audit Committee – all of the members of the Audit Committee are independent and financially literate for purposes of Multilateral Instrument 52-110 – Audit Committees. Further details including the specific responsibilities, power and operation of the Audit Committee are set out in the Audit Committee Charter, a copy of which is included in the Corporation's annual information form ("**AIF**") for the year ended December 31, 2008 which has been filed on SEDAR at www.sedar.com. This committee is primarily responsible for overseeing the accounting and financial reporting processes of the Corporation and its subsidiaries and all audits and external reviews of the financial statements of the Corporation on behalf of the Board of Directors, and has general responsibility for oversight of internal controls, accounting and auditing activities of the Corporation and its subsidiaries.

9. **Assessments** - Under the Mandate of the Corporate Governance and Nominating Committee, the Committee is responsible for assessing the effectiveness of the Board of Directors as a whole, the committees of the Board of Directors and the contribution of individual directors on a periodic basis, which includes monitoring the quality of the relationship between management and the Board of Directors and recommending any improvements, if necessary. As there has been a significant change in the members of the Board of Directors, no assessment was performed in 2008.

SHAREHOLDER PROPOSALS

The final date by which Pearl must receive shareholder proposals for the annual meeting of shareholders of Pearl to be held in 2010 is February 1, 2010. All proposals should be sent by registered mail to the Corporate Secretary, Pearl Exploration and Production Ltd., 700, 444 – 7th Avenue S.W., Calgary, Alberta, T2P 0X8.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is on SEDAR at www.sedar.com. Shareholders may contact the Corporation to request copies of the Corporation's financial statements and management's discussion and analysis.

Financial information is provided in the Corporation's consolidated financial statements and management's discussion and analysis for the most recently completed financial year. Shareholders may request a copy of the financial statements and management's discussion and analysis by contacting the Corporate Secretary, 700, 444 – 7 Avenue S.W., Calgary, Alberta, Canada, T2P 0X8.

APPROVAL OF THE BOARD OF DIRECTORS

The Board of Directors has approved the contents and the sending of this Information Circular to the shareholders, directors and auditors of the Corporation.

(signed) "John L. Festival"

John L. Festival
President and Chief Executive Officer

March 19, 2009

APPENDIX A

STOCK OPTION PLAN

This document sets out the terms and conditions of the Stock Option Plan (the "**Plan**") of Pearl Exploration and Production Ltd. (the "**Corporation**") dated February 25, 2009.

Purpose of the Plan

1. The purpose of the Plan is to provide an effective long-term incentive for the directors, officers, employees and direct and indirect service providers (collectively, the "**Service Providers**") of the Corporation and its subsidiaries and affiliates (collectively, the "**Corporate Group**") from time to time. A Service Provider will be eligible to participate under the Plan notwithstanding services are being provided indirectly by such person through a management agreement or other arrangement with the Corporate Group.

Shares Subject to the Plan

2. The number of common shares of the Corporation (the "**Shares**") reserved for issuance pursuant to the exercise of options granted under the Plan (the "**Options**") and pursuant to all other security-based compensation arrangements of the Corporate Group shall, in the aggregate, equal 10% of the number of Shares then issued and outstanding. The number of Shares reserved for issuance upon the exercise of Options may be amended subject to the policies and approval of the Toronto Stock Exchange (the "**TSX**") and the approval of the holders of Shares ("**Shareholders**") by way of ordinary resolution at a meeting of the Shareholders. Any Shares, the Options in respect of which have been exercised, or which have expired or terminated for any reason without having been exercised in full, shall be available for grant pursuant to subsequent Options.
3. If any rights to acquire Shares granted under any other security-based compensation arrangements of the Corporation shall be exercised, or shall expire or terminate for any reason without having been exercised in full, any unpurchased Shares to which such security relates shall be available for the purposes of the granting of Options under this Plan.

Administration, Eligibility and Limitation of Issuances

4. Subject to Section 5, the Plan shall be administered by the board of directors of the Corporation (the "**Board**") or a committee of the Board which shall, from time to time, at its sole discretion, subject to the Plan, determine the Service Providers who shall participate under the Plan, the number of Options to be granted to such Service Providers and the terms of vesting of such Options, provided, however, that:
 - (a) the aggregate number of Shares which may be reserved for issuance to "insiders" (as such term is referred to in the policies of the TSX), under the Plan and all other security-based compensation arrangements of the Corporate Group shall not, in the aggregate, exceed ten percent (10%) of the issued and outstanding Shares, calculated on a non-diluted basis; and
 - (b) during any one-year period, the Corporation shall not issue to such insiders, under the Plan and all other security-based compensation arrangements of the Corporate Group, in the aggregate, a number of Shares exceeding ten percent (10%) of the issued and outstanding Shares, calculated on a non-diluted basis.

5. The President of the Corporation, at his sole discretion, may grant to each new employee of the Corporate Group (other than insiders of the Corporation), Options to purchase up to a maximum of 100,000 Shares, provided that: (a) the granting of such Options does not result in the aggregate number of Shares issuable upon the exercise of Options outstanding exceeding the number provided for in Section 2; and (b) the aggregate number of Options granted by the President in any one calendar year does not exceed 250,000 Options.

Undisclosed Material Information

6. Notwithstanding any other provision of the Plan, the Corporation shall not, subject to the policies of the TSX, grant any Options or set Exercise Prices (as hereinafter defined) during any period of time where management of the Corporate Group is aware of material information that has not been disclosed to the public.

Grant Agreement

7. Each grant of an Option to a Service Provider will be set forth in a grant agreement containing the applicable terms and conditions required in the Plan and such other terms and conditions, including, but not limited to, statutory withholdings, if applicable, not inconsistent with the Plan as the Corporation, in its sole discretion, may deem appropriate. To the extent that any provision of a grant agreement conflicts with any provision of the Plan, the Plan shall govern and the grant agreement shall be deemed to be amended to be consistent with the Plan.

Term

8. Options granted under the Plan may be exercised during a period (the "**Exercise Period**") not exceeding ten (10) years from the date of grant (the "**Grant Date**"), subject to such terms of vesting as the Corporation may determine, in accordance with the Plan. At the expiration of the Exercise Period (the "**Expiry Date**"), any Options which have not been exercised shall expire and become null and void.

Vesting of Options

9. Options granted under the Plan may be exercised on the basis and schedule to be determined by the Corporation at the Grant Date.

Exercise Price

10. Subject to adjustment pursuant to the terms of the Plan, the exercise price per Option granted hereunder (the "**Exercise Price**") shall not be lower than the five-day volume weighted average trading price of the Shares traded through the facilities of the TSX (the "**Market Price**") on the trading days immediately preceding the Grant Date. In the event the Shares are not traded through the facilities of the TSX, the Exercise Price shall not be lower than the five-day volume weighted average trading price of the Shares on such other stock exchange as the Shares may then be traded on the trading days immediately preceding the Grant Date. In the event the Shares are not traded on any stock exchange, the Exercise Price shall be equal to an amount determined by the Board in its sole discretion, acting reasonably, based upon such information as may from time to time be available to the Corporation indicating a valuation of the Shares.

Restriction on Repricing of Options

11. The Corporation shall not, without obtaining the applicable regulatory and Shareholder approval, at any time reduce the Exercise Price applicable to any Options granted to any holder of an Option (a "**Holder**").

Method of Exercise

12. Options granted hereunder shall be exercisable by, at the option of the Holder, either:
 - (a) the Holder delivering written notice to the Corporation specifying the number of Options being exercised and the Exercise Price accompanied by payment in full by cash, certified cheque or money order of the Exercise Price, for the number of Options for which such exercise is made; or
 - (b) the Holder delivering written notice to the Corporation specifying the number of Options being exercised in exchange for a payment by the Corporation of:
 - (i) a cash amount per Share for each Option equal to the difference (if positive) between the Market Price of the Shares on the TSX on the trading day immediately prior to the date of such exercise and the Exercise Price of such Option; or
 - (ii) in lieu of such cash payment specified in Section 12(b)(i) hereof, such whole number of Shares as may be issuable by the Corporation at the Market Price of the Shares on the trading day immediately prior to the date of such exercise, provided that no fractional Shares shall be deliverable hereunder and where any such fractional entitlement may exist, the number of Shares issuable by the Corporation shall, in all cases, be rounded down to the nearest whole number of Shares.

The Corporation has the sole discretion to consent to or disapprove of the election of the Holder set forth in Section 12(b)(i) and 12(b)(ii) hereof. If the Corporation disapproves of such election, the Holder may: (i) exercise the Option under Section 12(a) hereof; or (ii) retract the request to exercise such Option. The calculation of the Exercise Price shall be ratified and confirmed by the Chief Financial Officer of the Corporation. Upon receipt of such notice made in accordance with the terms and conditions of the Plan, the Corporation shall cause to be issued and delivered to such Holder either a cheque or certificate representing the Shares, if any, for which such Options have been exercised.

13. As soon as reasonably practicable after the Corporation receives the notice described in Section 12 hereof: (i) the Shares, if any, being the subject thereof shall be allotted and issued to the Holder from treasury as fully paid and non-assessable provided that the Corporation shall have, if applicable, then received from the Holder payment in full of the Exercise Price for the Shares to be purchased; and (ii) if applicable, the Corporation shall make the cash payment prescribed for in Section 12(b)(i) hereof to the Holder, net of source deductions as may be required by law, by certified cheque, bank draft, money order or other similar means of payment.

Restriction on Financial Assistance

14. No Holder shall be entitled to, offered or provided by the Corporation any financial assistance of any kind for the purpose of exercising any Options granted pursuant to the Plan.

Early Termination of Options

15. If a Holder who is a Service Provider ceases to be a Service Provider to at least one member of the Corporate Group prior to the Expiry Date of any Option held by such Holder:
 - (a) by reason of the death or long-term disability (as reasonably determined by the Corporation) of such Holder, then all outstanding unvested Options granted to such Holder shall immediately and automatically terminate other than those Options which would have vested within the one year period following the date of ceasing to be a Service Provider if such cessation had not occurred, which Options shall for this purpose be deemed to be vested upon such cessation. Only the Holder or the person or persons to whom the Holder's rights under the Options pass by the Holder's will or applicable law shall have the right to exercise part or all of the Holder's outstanding and vested Options at any time up to and including (but not after) the earlier of: (i) the date which is one (1) year following the date of death or long-term disability of such Holder; or (ii) the Expiry Date of the Option; and
 - (b) for any reason, other than as provided in Section 15(a) hereof, then all outstanding unvested Options granted to such Holder shall, unless otherwise provided, immediately and automatically terminate. Such Holder shall have the right to exercise part or all of his or her outstanding vested Options at any time up to and including (but not after) the earlier of: (i) the date which is ninety (90) days following the date of ceasing to be a Service Provider; and (ii) the Expiry Date of the vested Options.
16. Subject to Section 15, if the relationship of the Holder with the Corporate Group is terminated for any reason prior to the Expiry Date, whether or not such termination is with or without notice, adequate notice or legal notice or is with or without legal or just cause, the Holder's rights shall be strictly limited to those provided for in this Section 16, or as otherwise provided in the applicable grant agreement between the Holder and the Corporation. Unless otherwise specifically provided in writing, the Holder shall have no claim to or in respect of any Options which may have or would have vested had due notice of termination of employment been given nor shall the Holder have any entitlement to damages or other compensation or any claim for wrongful termination or dismissal in respect of any Options or loss of profit or opportunity which may have or would have vested or accrued to the Holder if such wrongful termination or dismissal had not occurred or if due notice of termination had been given. The Plan does not give any Holder that is a director the right to serve or continue to serve as a director of the Corporation, nor does it give any Holder that is an officer, employee or direct or indirect service provider the right to be or to continue to be employed by or provide services to the Corporate Group. This provision shall be without prejudice to the Holder's rights to seek compensation for lost employment income or lost employment benefits (other than those accruing under or in respect of the Plan or any Option) in the event of any alleged wrongful termination or dismissal.
17. Where a Holder is a corporation, the Holder will be deemed to have died or to become subject to a long-term disability if an individual employed by the Holder who is principally responsible for providing services to one or more of the members of the Corporate Group on behalf of the Holder dies or becomes subject to a long-term disability (as reasonably determined by the Corporation)

if, as reasonably determined by the Corporation, the Holder is no longer able to provide the services for which one or more members of the Corporate Group has contracted.

Adjustments

18. In the event of any change, subdivision, consolidation, reorganization or reclassification of the Shares or in respect of the affairs of the Corporation, or other relevant changes in the Shares or the economic environment in which the Shares are traded, the Board shall make such adjustments or changes as it sees fit to the number of Options and to the Exercise Price and shall effect such other changes, amendments or adjustments to the Plan as may be required or desirable in light of such changes in the Shares or the Corporation's affairs, all with a view to maintaining the overall rights and benefits of the Holders as nearly as may be practicable in the circumstances.

Change of Control

19. Notwithstanding any other provisions of the Plan, in the event of a change of control of the Corporation all outstanding Options granted hereunder shall vest and be immediately exercisable and each Holder thereof shall have the right to exercise part or all of the Options granted to him or her hereunder at any time up to and including (but not after) the earlier of: (i) the date which is ninety (90) days following the date of such change of control; and (ii) the Expiry Date of the Options.

For the purpose of the Plan, "change of control" of the Corporation means or shall be deemed to have occurred upon:

- (a) the acceptance by the Shareholders, representing in the aggregate more than fifty percent (50%) of all issued and outstanding Shares, of any offer, whether by way of a takeover bid or otherwise, for any or all of the Shares;
- (b) the acquisition hereafter, by whatever means (including, without limitation, by way of an arrangement, merger or amalgamation), by a person (or two or more acting jointly or in concert), directly or indirectly, of the beneficial ownership of, or control or direction over, Shares or rights to acquire Shares, together with such person's then owned Shares and rights to acquire Shares, if any, representing more than fifty percent (50%) in aggregate of all issued and outstanding Shares (except where such acquisition is part of a bona fide reorganization of the Corporation in circumstances where the affairs of the Corporation are continued, directly or indirectly, and where the shareholdings remain substantially the same following the reorganization as existed prior to the re-arrangement);
- (c) the passing of a resolution by the Corporation or the Shareholders to substantially liquidate the assets or wind-up or significantly rearrange the affairs of the Corporation in one or more transactions or series of transactions (including by way of an arrangement, merger or amalgamation) or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such resolution relates to a liquidation, winding-up or re-arrangement as part of a bona fide re-organization of the Corporation in circumstances where the affairs of the Corporation are continued, directly or indirectly, and where the shareholdings remain substantially the same following the reorganization as existed prior to the re-arrangement);

- (d) the sale by the Corporation of all or substantially all of its assets (other than to an affiliate of the Corporation in circumstances where the affairs of the Corporation is continued, directly or indirectly, and where the shareholdings of the Corporation remain substantially the same following the sale as existed prior to the sale);
- (e) individuals who were proposed as nominees (but not including nominees under a shareholder proposal) to become directors of the Corporation immediately prior to a meeting of the Shareholders involving a contest for, or an item of business relating to the election of directors of the Corporation, not constituting a majority of the directors of the Corporation following such election; or
- (f) any other event which, in the opinion of the Board, reasonably constitutes a change of control of the Corporation.

In the event that the Board passes a resolution approving, or the Corporation enters into an agreement providing for, a transaction which, if completed, would constitute a change of control, the Board may at its discretion resolve to permit Holders to exercise all unexercised vested and unvested Options, conditional upon the occurrence of the change of control, for the purpose of, as applicable, tendering the underlying Shares to the take-over bid or voting such Shares in respect of the resolution(s) pertaining to the transaction that would give rise to the change of control.

Take-Over of the Corporation

20. In the event of:

- (a) the acquisition by any person or any group of persons acting jointly or in concert within the meaning of applicable laws (collectively, the "**offeror**"), directly or indirectly, of such number of Shares as entitle the offeror to acquire, pursuant to the compulsory acquisition provisions of the *Canada Business Corporations Act* or such other governing legislation as may apply to the Corporation at the time, all remaining Shares not already acquired by the offeror, or
- (b) the receipt of all required shareholder, regulatory and court approvals, as applicable, for an amalgamation, arrangement, consolidation, merger or other business combination pursuant to which the offeror will, directly or indirectly, upon completion thereof, acquire all of the issued and outstanding Shares,

(either of such events being a "**take-over**"), the Corporation may, at its election, effective on the sending of notice to the Holder, terminate all outstanding Options of the Holder in consideration for, and the Holder's rights in respect of such terminated Options shall thereupon be strictly limited to, the issuance to the Holder of such number of whole Shares as is determined by multiplying the aggregate number of Shares theretofore purchasable upon the exercise of all such outstanding Options (collectively, the "**underlying shares**") by a fraction, the numerator of which shall be the amount, if any, by which the aggregate purchase price that would have been payable by the offeror to the Holder for such underlying shares pursuant to the take-over (the "**aggregate take-over price**") exceeds the aggregate Exercise Price payable for all such underlying Shares upon the exercise of the Options, and the denominator of which shall be the aggregate take-over price. The Corporation shall cause such Shares to be issued to the Holder as fully paid and non-assessable shares of the Corporation.

Where the consideration paid or payable by the offeror for any Shares acquired or to be acquired under the take-over consists of securities, the aggregate take-over price shall be determined by reference to the volume weighted average trading price of such securities for the five trading days immediately preceding: (i) in the case of a take-over described in paragraph 20(a) above, the date of acquisition; or (ii) in the case of a take-over described in paragraph 20(b) above, the date of shareholder approval or, if shareholder approval is not required, the date of notice; provided, however, that if the securities are not traded on an exchange or other organized marketplace they shall be valued, for purposes of determining the aggregate take-over price, according to the value ascribed thereto under any agreement entered into by the Corporation in respect of the take-over.

Rights of Holder

21. The granting of Options hereunder to any Service Provider shall not obligate such Service Provider to exercise such Options or any portion thereof. The holding of Options shall not entitle a Holder to any rights as a Shareholder.

No Assignment of Options

22. Options granted under the Plan may not be transferred or assigned, other than for normal estate settlement purposes.

Blackout Periods

23. If the Expiry Date for an Option occurs during a Blackout Period applicable to the relevant Holder, or within 10 business days after the expiry of a Blackout Period applicable to the relevant Holder, then the Expiry Date for that Option shall be the date that is the 10th business day after the expiry date of the Blackout Period (the "**Blackout Expiry Date**"). This section applies to all Options outstanding under this Plan.
24. For purposes of Section 23 hereof, "Blackout Period" means the period during which the relevant Holder is prohibited from exercising an Option due to trading restrictions imposed by the Corporation in accordance with its trading policies affecting trades by directors, officers and employees in the Corporation's securities.

Amendments

25. The Plan and any issued Options may be amended, modified or terminated with the approvals of the TSX as may be required pursuant to the policies of the TSX. The Board shall have the power and authority to approve amendments to the Plan or to Options, without further approval of the Shareholders, including, without limitation, for any of the following types of amendments:
 - (a) amendments for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
 - (b) amendments necessary to comply with applicable law or the requirements of any stock exchange on which the shares are listed;
 - (c) amendments to the Plan respecting administration or eligibility for participation under the Plan;

- (d) amendments of a "housekeeping" nature;
- (e) changes to the terms and conditions on which Options may be or have been granted pursuant to the Plan, including a change to the vesting provisions of Options; and
- (f) a change to the termination provisions of Options or the Plan which does not entail an extension beyond the original expiry date.

Without limiting the generality of the foregoing, Shareholder approval will be required, in accordance with the policies of the TSX, in order for the Corporation to:

- (a) increase the maximum number of Shares reserved for issuance pursuant to the Plan, as provided for in Section 2;
 - (b) modify or amend the terms of Options, including those previously granted, including: (i) the repricing of any Options; and (ii) the extension of the exercise period for any Options;
 - (c) modify or amend the provisions of the Plan in any manner which would permit Options, including those previously granted, to be transferable or assignable, other than for normal estate settlement purposes;
 - (d) any change to the eligible Service Providers under the Plan which would have the potential of broadening or increasing insider participation;
 - (e) the addition of any form of financial assistance for Holders; and
 - (f) amend Sections 25 or 26 of this Plan.
26. Subject to the foregoing and regulatory approval, as applicable, the Board may from time to time add to, delete from, alter or otherwise amend the provisions of the Plan or any Options granted thereunder as it sees fit or may at any time terminate the Plan, provided that:
- (a) no amendment may change the manner of determining the Exercise Price, increase the maximum number of Shares reserved for issuance pursuant to outstanding Options, or, without the written consent of the Holder, materially and adversely impair, alter or amend any Option previously granted to such Holder; and
 - (b) a termination of the Plan shall not derogate from the rights of Holders of Options granted prior to the date of such termination, unless otherwise consented to by such Holders.

Regulatory Approvals

27. The Plan and any amendments thereto, including the number of Shares reserved for issuance hereunder, shall be subject to the approval of and conditions imposed by the TSX and any Options granted prior to such approval of the TSX shall be conditional upon such approval being given and no Options may be exercised prior to such approval or any other necessary regulatory approval. To the extent that any provision of the Plan or a grant agreement conflicts with any rules of the TSX, such rules shall govern and the Plan and/or the grant agreement shall be deemed to be amended to be consistent therewith.

28. The obligation of the Corporation to issue and deliver Shares on the exercise of the Options in accordance with the terms and conditions of the Plan is subject to applicable securities legislation and to the receipt of any approvals that may be required from any regulatory authority and, the rules of the TSX and/or such other exchange or on exchanges on which the Shares are listed for trading. If Shares cannot be issued to the Holder upon the exercise of the Option for any reason whatsoever, the obligation of the Corporation to issue such Shares shall terminate and any monies paid to the Corporation in connection with the exercise of the Option will be returned to the Holder as soon as practicable.

Choice of Law

29. The Plan is established under, and the provisions of the Plan shall be interpreted and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

APPENDIX B

PEARL EXPLORATION AND PRODUCTION LTD. (the "Company")

CHARTER OF THE BOARD OF DIRECTORS

I. PURPOSE

The Board of Directors is responsible for the stewardship of the business and for acting in the best interests of the Company and its shareholders. The Board of Directors will discharge its responsibilities directly and through its committees, currently consisting of the Audit, Compensation Committee, Reserves Committee and the Corporate Governance and Nominating Committee. The Board of Directors shall meet at least quarterly to review the business operations, corporate governance and financial results of the Company. Meetings of the Board of Directors shall also include meetings as required of the independent members of the Board without management being present.

II. COMPOSITION

The Board of Directors shall be constituted at all times of a majority of independent directors in accordance with Multilateral Instrument 58-201. The Chairman of the Board should also be independent or alternatively the Board will appoint an independent lead director.

III. RESPONSIBILITIES

The Board of Directors' mandate is the stewardship of the Company and its responsibilities include, without limitation to its general mandate, the following specific responsibilities:

- The assignment to the various committees of directors the general responsibility for developing the Company's approach to: (i) corporate governance and nomination of directors related issues; (ii) financial reporting and internal controls; (iii) oil and gas reserves and (iv) issues relating to compensation of officers and employees.
- With the assistance of the Corporate Governance and Nominating Committee:
 - Developing the Company's approach to corporate governance, including developing a set of corporate governance principles and guidelines specific to the Company.
 - Reviewing the composition of the Board of Directors and ensuring it respects its independence criteria.
 - Satisfying itself as to the integrity of the Chief Executive Officer and other senior officers and that such officers create a culture of integrity throughout the organization.
 - The assessment, at least annually, of the effectiveness of the Board of Directors as a whole, the committees of the Board of Directors and the contribution of individual directors, including, consideration of the appropriate size of the Board of Directors.
 - Ensuring that an appropriate review selection process for new nominees to the Board of Directors is in place.
 - Ensuring that an appropriate orientation and education program for new members of the Board of Directors is in place.

- Approving disclosure and securities compliance policies, including communications policies of the Company.
- With the assistance of the Audit Committee:
 - Recommending the appointment of the auditors and assessing the performance of the auditors.
 - Ensuring the integrity of the Company's internal controls and management information systems.
 - Ensuring the Company's ethical behaviour and compliance with laws and regulations, audit and accounting principles and the Company's own governing documents.
 - Identification of the principal risks of the Company's business and ensuring that appropriate systems are in place to manage these risks.
 - Reviewing and approving significant operational and financial matters and the provision of direction to management on these matters.
 - Reviewing and approving the Company's quarterly interim and annual financial statements and notes, including the Management's Discussion and Analysis.
 - As required and agreed upon, providing assistance to shareholders concerning the integrity of the Company's reported financial performance.
- With the assistance of the Reserves Committee:
 - Reviewing the Corporation's response to applicable rules, policies and guidelines respecting the reporting of oil and gas reserves and the valuation of such reserves.
 - Reviewing and approving the selection of the independent evaluator by management of the Corporation.
 - Reviewing the Corporation's procedures for providing information to the independent evaluator.
 - Meeting with the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the reserves data.
 - Reviewing the reconciliation of changes in reserves and future net revenue.
 - Reviewing with management and the independent evaluator, and approving, the reserves data.
 - Reviewing procedures for reporting other information associated with oil and gas producing activities.
 - Reviewing and approving the Corporation's Form 51-101F1, Statement Of Reserves Data And Other Oil And Gas Information.
- With the assistance of the Audit Committee and the Chief Executive Officer, the establishment of appropriate performance criteria for the senior management team and the approval of the compensation of the senior management team.

- With the assistance of the Chief Executive Officer, monitor and review feedback provided by the Company's various stakeholders.
- Succession planning and the selection, appointment, monitoring evaluation and, if necessary, the replacement of the senior management to ensure management succession.
- The adoption of a strategic planning process, approval at least annually of a strategic plan that takes into account business opportunities and business risks identified by the Board and/or the Compensation Committee and monitoring performance against such plans.
- The review and approval of corporate objectives and goals applicable to the Company's senior management and monitoring realization of those objectives.
- The review and approval of the Corporation's approach to Health, Safety and Environment (HSE) issues and regular review of any HSE incidents.
- Reviewing with senior management:
 - major corporate decisions which require Board approval and approving such decisions as they arise.
 - major capital expenditure decisions (in excess of \$5 million) unless previously authorized in a budget or plan by the Board of Directors.
 - material decisions relating to senior personnel, major property acquisitions or divestments, major investments, etc.
- Performing such other functions as prescribed by law or assigned to the Board of Directors in the Company's constituting documents and by-laws.

IV. MISCELLANEOUS

1. The members of the Board are expected to attend all meetings of Board of Directors unless prior notification of absence is provided.
2. The members of the Board are required to have reviewed board materials in advance of the meeting and be prepared to discuss such materials at the meeting, to actively participate in Board deliberations, and to take full responsibility for Board decisions.
3. Board members will treat their fellow board members with respect.
4. The members of the Board should endeavour to avoid conflicts between their own personal interests and those of the Company and, where conflicts exist, to fully disclose such conflicts to the Board and refrain from participating in decisions relating to the subject matter of such conflicts.

March 18, 2009