



U.S. OIL SANDS

US OIL SANDS INC.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

To Be Held On May 15, 2013

**NOTICE OF MEETING AND
MANAGEMENT INFORMATION CIRCULAR**

April 5, 2013

US OIL SANDS INC.
Suite 1600, 521 – 3rd Avenue SW
Calgary, Alberta T2P 3T3

NOTICE OF ANNUAL AND SPECIAL MEETING OF THE
SHAREHOLDERS OF US OIL SANDS INC.

TAKE NOTICE that the Annual and Special Meeting (the “**Meeting**”) of the common shareholders (“**Shareholders**”) of US Oil Sands Inc. (the “**Corporation**”) will be held at The Calgary Petroleum Club, 319 - 5 Avenue SW Calgary, AB T2P 0L6, on Wednesday, May 15, 2013, at the hour of 10:00 a.m. (Calgary time) for the purposes of:

1. Receiving and considering the audited financial statements of the Corporation for the fiscal year ended December 31, 2012 and the Report of the Auditor thereon;
2. Electing the board of directors for the ensuing year;
3. Appointing Deloitte LLP, Chartered Accountants, Calgary, Alberta, as the auditors of the Corporation for the ensuing year and to authorize the board of directors to fix their remuneration;
4. Considering a resolution to ratify the Corporation’s incentive stock option plan; and
5. Transacting such other business as may properly come before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular dated April 5, 2013, accompanying this Notice and forming part hereof.

Only Shareholders of record at the close of business on April 5, 2013 are entitled to notice of and to attend and vote at the Meeting or any adjournment thereof.

Shareholders who are unable to attend the Meeting in person are requested to date and sign the enclosed form of proxy and return it, in the envelope provided, to Computershare, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1. In order to be valid and acted upon at the Meeting, forms of proxy must be returned to the aforesaid address not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the date of the Meeting, or any adjournment thereof.

DATED at Calgary, Alberta, this 5th day of April, 2013.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) “*Cameron M. Todd*”

Cameron M. Todd
Chief Executive Officer

US OILS SANDS INC.

INFORMATION CIRCULAR

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

May 15, 2013

SOLICITATION OF PROXIES BY MANAGEMENT

This Information Circular is furnished in connection with the solicitation of proxies by the management of US Oil Sands Inc. (the “**Corporation**”) for use at the annual and special meeting of the holders of common shares (“**Common Shares**”) of the Corporation to be held on Wednesday, May 15, 2013, at 10:00 a.m. Calgary time (the “**Meeting**”) or at any adjournment thereof, for the purposes set forth in the Notice of Meeting accompanying this Information Circular.

There is enclosed herewith a form of proxy for use at the Meeting. A copy of the audited financial statements of the Corporation for the fiscal year ended December 31, 2012 has previously been disseminated to the shareholders of the Corporation. The holders of Common Shares of the Corporation (“**Shareholders**”) are entitled to vote and are encouraged to participate in the Meeting.

This solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of the Notice of Meeting, form of proxy and this Information Circular will be borne by the Corporation. Management does not contemplate a solicitation of proxies other than by mail.

In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“*NI 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 doing so. The Corporation will not be sending proxy-related materials to Shareholders using the notice-and-access provisions of NI 54-101.

APPOINTMENT AND REVOCATION OF PROXIES

A Shareholder has the right to appoint a nominee, other than the persons designated in the enclosed form of proxy (who need not be a Shareholder), to represent him at the Meeting, by inserting the name of his chosen nominee in the space provided for that purpose on the form of proxy or by completing another proper form of proxy. Such a Shareholder should notify the nominee of his appointment, obtain his consent to act as proxy and instruct him 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 his attorney authorized in writing.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and received by Computershare, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the date of the Meeting, or any adjournment thereof.

In addition to revocation by any other manner permitted by law, a Shareholder who has given a proxy may revoke it, at any time before it is exercised, by instrument in writing executed by the Shareholder or

by his attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited at the registered office of the Corporation at US Oil Sands Inc., Suite 1600, 521 – 3rd Avenue SW, Calgary, Alberta T2P 3T3, Attention: Corporate Secretary, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of such meeting on the date of the Meeting or any adjournment thereof.

NOTICE TO BENEFICIAL HOLDERS OF COMMON SHARES

Only registered Shareholders or the persons they validly appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a “**Non-Registered Shareholder**”) are registered either (i) in the name of an intermediary (an “**Intermediary**”) (including banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans) that the Non-Registered Shareholder deals with in respect of the Common Shares, or (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited), of which the Intermediary is a participant. In accordance with the requirements of the Canadian Securities Administrators, the Corporation will distribute copies of the Notice of Meeting, this Information Circular, and the enclosed form of proxy (collectively, the “**meeting materials**”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Shareholders.

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Non-Registered Shareholders in advance of Shareholder 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 Non-Registered Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Non-Registered 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 Non-Registered Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services, Inc. (“**Broadridge**”) in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Non-Registered Shareholders and asks Non-Registered Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Non-Registered Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated 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 Non-Registered Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Non-Registered Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. **Non-Registered 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 or voting instruction form provided to them and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker.**

VOTING OF PROXIES

The persons named in the enclosed form of proxy are directors and/or officers of the Corporation and have indicated their willingness to represent as proxy the Shareholders who appoint them. Each Shareholder may instruct his proxy how to vote his shares by completing the blanks on the form of proxy.

Common Shares represented by properly executed proxy forms in favour of the persons designated on the enclosed proxy form will be voted for or withheld from voting in accordance with the instructions made on the proxy forms, on any ballot that may be called for and, if Shareholders specify a choice as to any matters to be acted upon, such Shareholders' shares shall be voted accordingly. In the absence of such instructions or choices, such shares will be voted **IN FAVOUR** of all matters identified in the Notice of Meeting accompanying this Information Circular.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments and variations to matters identified in the Notice of Meeting and with respect to any other matters which may properly come before the Meeting. The Common Shares represented by the proxy will be voted on such matters in accordance with the best judgment of the person voting such shares. At the time of printing of this Information Circular, management knows of no such amendments, variations or other matters to come before the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS OF COMMON SHARES

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value and an unlimited number of Preferred Shares which as class will have rights, privileges, restrictions and conditions as set, if as and when such Preferred Shares are issued. As of April 5, 2013, 312,831,064 Common Shares were issued and outstanding. On all matters to be considered and acted upon at the Meeting, holders of Common Shares are entitled to one vote for each Common Share held.

The Board of Directors (the "**Board**") has fixed April 5, 2013, as the record date (the "**Record Date**") for determining which Shareholders are entitled to receive notice of the Meeting. A Shareholder of record at the close of business on April 5, 2013, shall be entitled to vote the Common Shares registered in such Shareholder's name on that date, except to the extent that (a) such person transfers his Common Shares after the Record Date; and (b) the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes his ownership to the Common Shares, and makes a demand to the registrar and transfer agent of the Corporation, not later than 10 days before the Meeting, that his name be included on the Shareholders' list.

To the knowledge of the directors and officers of the Corporation, as at April 5, 2013, no person or company beneficially owns or controls or directs, directly or indirectly, Common Shares carrying more than 10% of the voting rights of the Corporation.

QUORUM FOR MEETING

At the Meeting, a quorum shall consist of two persons who are, or who represent by proxy, shareholders who, in aggregate, hold at least 5% of the issued shares entitled to be voted at the Meeting. If a quorum is not present at the opening of a meeting, the Shareholders present may adjourn the meeting to a fixed time and place. Shareholders present at any duly adjourned meeting shall constitute a quorum.

MATTERS TO BE ACTED UPON AT THE MEETING

To the best of the knowledge of the Board, the only matters to be placed before the Meeting are those set forth in the accompanying Notice of Meeting and more particularly discussed below.

1. Consolidated Financial Statements

The audited consolidated financial statements of the Corporation for the year ended December 31, 2012 and the report of the auditor's thereon will be placed before the Meeting. These statements and the auditor's report thereon have previously been distributed to Shareholders.

2. Election of Directors

At the Meeting, it is proposed that six persons be elected as directors of the Corporation, to serve until the next annual meeting of Shareholders or until their successors are duly elected or appointed. Pursuant to the *Business Corporations Act* (Alberta), the current directors of the Corporation cease to hold office at the close of the Meeting.

The persons designated in the enclosed form of proxy, unless instructed otherwise intend to vote for the election of the following nominees. Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

The names and municipalities of residence of the six persons nominated for election as directors of the Corporation by Shareholders, the number of Common Shares beneficially owned or controlled or directed, directly or indirectly, the offices held by each in the Corporation, the period served as director of the Corporation and the principal occupation for the five preceding years of each are as follows:

Name and Municipality of Residence	Number Of Common Shares Beneficially Owned Or Controlled ⁽¹⁾	Director Since	Principal Occupation for Preceding Five Years
James A. Banister ⁽²⁾⁽⁴⁾ Alberta, Canada	8,402,807	December 2005	President and Chief Executive Officer of BanCor Inc., a private investment firm and successor company to Travis Chemicals Inc. since 1985.
Edward Chwyl ⁽³⁾⁽⁴⁾ British Columbia, Canada	4,158,100	April 2011	Retired Businessman.
H. Douglas Hunter ⁽²⁾⁽³⁾ Alberta, Canada	8,106,666	August 2005	President of RFM Capital Corporation, a private investment company since 1983.
Verne G. Johnson ⁽²⁾⁽⁴⁾ Alberta, Canada	6,655,888	July 2006	Chairman of US Oil Sands Inc. and President of KristErin Resources Ltd., a private family company since 2000.
Ken M. Stephenson Alberta, Canada	1,753,000	September 2006	President of Kenaco Capital Services Inc., a private investment firm since 1986.
Cameron M. Todd ⁽³⁾ Alberta, Canada	1,163,000	May 2012	Chief Executive Officer of US Oil Sands Inc. since April 2011. Prior thereto Senior Vice President – Operations, Refining and Marketing of Connacher Oil and Gas Limited.

Notes:

- (1) The information as to the number of Common Shares beneficially owned or controlled by directors, not being within the knowledge of the Corporation, has been furnished to the Corporation by the individual nominees.
- (2) Member of the Audit Committee.
- (3) Member of the Reserves Committee.
- (4) Member of the Compensation, Governance and Nominating Committee.

Corporate Cease Trade Order or Bankruptcies

Other than as set forth below, none of those persons who are proposed directors of the Corporation is, or has been within the past ten years:

- (a) a director or chief executive officer or chief financial officer of any company, including the Corporation, that while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or was subject to an event that resulted, after the proposed director ceased to be a director or chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) a director or executive officer of any company, including the Corporation, that while 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.

Mr. Verne G. Johnson was a director of Mystique Energy Inc. (“**Mystique**”) until April 24, 2007. On that date, Mystique obtained an order from the Alberta Court of Queen’s Bench (the “**Court**”) for creditor protection under the *Companies Creditor Arrangement Act* (Canada) (the “**CCAA**”). On October 29, 2009, pursuant to an order from the Court, Mystique was released and discharged from any restrictions upon its power to operate its business and affairs imposed on it under the CCAA.

3. Appointment of Auditors

At the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote in favour of a resolution to appoint Deloitte LLP, Chartered Accountants, Calgary, Alberta, to serve as auditors of the Corporation until the next annual meeting of shareholders and to authorize the Board to fix the remuneration of the auditors.

4. Approval of Stock Option Plan

Pursuant to TSX Venture Exchange Policy 4.4 – *Incentive Stock Options*, all rolling stock option plans, such as the incentive stock option plan (the “**Option Plan**”) of the Corporation must receive yearly approval by the Corporation’s shareholders. A copy of the Option Plan is attached to this Information Circular as Schedule “A”. Shareholders will be asked at the Meeting to consider and, if thought fit, to approve the Option Plan by passing the following resolutions:

“IT IS HEREBY RESOLVED as an ordinary resolution of the Corporation that:

1. the stock option plan of the Corporation, in substantially the form attached as Schedule “A” to the Management Information Circular of the Corporation dated April 5, 2013, be and is hereby approved; and
2. the board of directors of the Corporation be and it is hereby authorized to cause all such documents, instruments and other writings to be executed and delivered and to cause all such acts and things to be done, all for and on behalf of the Corporation, as the board may consider necessary or desirable to give effect to the foregoing resolution.”

In order to be approved, the foregoing resolution must be passed by a simple majority of the votes cast by Shareholders who are represented in person or by proxy at the Meeting. In the absence of contrary directions, it is the intention of the persons identified in the enclosed form of proxy to vote proxies in favour of this ordinary resolution.

5. Other Matters to be Acted Upon

Management of the Corporation is not aware of any matters to come before the Meeting, other than as set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

The Corporation is not aware of any material interest of any director, executive officer, nominee for election as a director of the Corporation or of any associate or affiliate of any of the foregoing in respect of any matter to be acted on at the Meeting other than the election of directors and the approval of the Option Plan.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth herein, the Corporation is not aware of any material interest, direct or indirect, of any “informed person” of the Corporation, any proposed director of the Corporation or any associate or affiliate of any “informed person” or proposed director, in any transaction since the commencement of the Corporation’s most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation.

For the purposes of the above, “informed person” means: (a) a director or executive officer of the Corporation; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Corporation; (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation or who exercises control or direction over voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Corporation after having purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

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

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No directors or senior officers of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, is or was indebted to the Corporation or any of its subsidiaries at any time since the beginning of the most recently completed financial year.

MANAGEMENT CONTRACTS

There are currently no management contracts that the Corporation has entered into, as management functions of the Corporation are, and since the beginning of the most recently completed financial year have been, performed by the directors and senior officers of the Corporation, and are not to any substantial degree performed by any other person or corporation.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Governance

The Compensation, Governance and Nominating Committee is responsible for setting the overall compensation strategy of the Corporation and administering the Corporation's executive compensation program. As part of its mandate, the Compensation, Governance and Nominating Committee approves the appointment and remuneration of the Corporation's executive officers, including the Named Executive Officers identified in the Summary Compensation Table. The Compensation, Governance and Nominating Committee is also responsible for reviewing the Corporation's compensation policies and guidelines generally. In addition, the Compensation, Governance and Nominating Committee will receive and review recommendations of the Chief Executive Officer relating to the general compensation structure and policies and programs for the Corporation and the salary and benefit levels for the executive officers.

All of the members of the Compensation, Governance and Nominating Committee have direct experience that is relevant to their responsibilities in executive compensation, as they have each managed executives and/or business leaders in their current and/or past roles. In these roles, they have participated in compensation planning sessions, made compensation decisions and participated in compensation discussions with external consultants.

Relevant Education and Experience (see previous comment)

Each member of the Compensation, Governance and Nominating Committee has experience in business management, executive compensation, employee benefits, and human resources through their long careers in industry as members of executive management teams. Collectively, the Compensation, Governance and Nominating Committee has the education and experience to fulfill the responsibilities outlined in the

Compensation, Governance and Nominating Committee Charter. The education, and current and past experience of each Compensation, Governance and Nominating Committee member that is relevant to the performance of his responsibilities as a Compensation, Governance and Nominating Committee member is summarized below:

Name	Education and Experience
James A. Banister	Graduate with a Diploma of Business Administration in 1966 from Northern Alberta Institute of Technology. Mr. Banister was President and CEO of Travis Chemicals Inc. from 1985 to 1997, leading the executive management team in all areas concerning sales and compensation.
Verne G. Johnson	Mr. Johnson received a Bachelor of Science degree in Mechanical Engineering from the University of Manitoba in 1966. He has spent his entire career in the petroleum industry, primarily in western Canada, contributing to the growth of oil and gas companies of various sizes. Starting with Imperial Oil Limited in 1966, he has worked with Exxon Corporation and in senior capacities with various companies, achieving the positions of President of Paragon Petroleum Ltd., President and CEO of ELAN Energy Inc., and Senior Vice President of Enerplus Resources Group.
Ed Chwyl	With a B Sc. in Chemical Engineering (1965) and a M Sc. in Petroleum Engineering (1968) from the University of Alberta, Mr. Chwyl has had a long career in oil and gas. Notably as a founding partner, President and CEO of Tarragon Oil and Gas Limited from 1989 to 1998 and CEO of Marathon Oil Canada Ltd from 1998 to 2002.

In light of the current small size of the executive team and the experience of the Compensation, Governance and Nominating Committee compensation consultants have not been directly engaged.

Compensation Elements

The objective of the executive compensation program is to attract, motivate, reward and retain management talent that is needed to achieve the Corporation's business objectives. The compensation program is designed to ensure that compensation is competitive with other companies of similar size and is commensurate with the experience, performance and contribution of the individuals involved and the overall performance of the Corporation. In evaluating performance, the Compensation Committee gives consideration to the Corporation's long-term interests and quantitative financial objectives, as well to the qualitative aspects of the individual's performance and achievements.

The executive compensation program is comprised of three principal components: base salaries, a bonus plan and a stock option plan which are designed to provide a combination of cash and equity-based compensation to effectively retain and motivate the executive officers to achieve the corporate goals and objectives. Each component of the executive compensation program is described below.

Base Salaries

Named Executive officers are paid a base salary to compensate them for providing the leadership and specific skills needed to fulfill their responsibilities. The base salaries for the executive officers are reviewed annually by the Board and are determined by considering the contributions made by the officers, how their compensation levels relate to compensation packages that would be achievable by such officers from other opportunities and commercially available salary survey data. Salaries of the executive officers are not determined based on benchmarks or a specific formula. The Compensation Committee submits its recommendation to the Board to determine the salary of the Chief Executive Officer. The Board considers, and if thought appropriate, approves salaries recommended by the Chief Executive Officer for the other executive officers of the Corporation.

Bonus Plan

The Board approves bonus payments to reward executive officers for their contribution to the achievement of annual corporate goals and objectives. The payment of bonuses is consistent with the overall objective of the Corporation to reward performance. Bonuses were paid in 2012 on a discretionary basis in recognition of past performance of duties.

Option Plan

The Corporation has adopted the Option Plan pursuant to which options to purchase Common Shares may be granted to directors, officers, employees and consultants of the Corporation. The Option Plan is designed, through the grant of options, to reward key individuals in relation to the share price of the Corporation. The Option Plan is an integral component of the Corporation's total compensation program in terms of attracting and retaining key employees and enhances shareholder value by aligning the interests of executives and employees with the growth and profitability of the Corporation. The longer-term focus of the Option Plan complements and balances the short-term elements of the compensation program of the Corporation.

Pursuant to the Option Plan, the Board may, on the recommendation of the Compensation Committee, grant from time to time to directors, officers, employees and consultants of the Corporation options to purchase Common Shares. In determining the number of options to be granted to the executive officers, the Compensation Committee considers the amount, terms and vesting levels of existing options held by the officers and also the number of options remaining available for grant by the Corporation in the future to attract and retain qualified technical and administrative staff. Generally, the number of options granted to any optionee is a function of the level of authority and responsibility of the optionee, the contribution that has been made by the optionee to the business and affairs of the Corporation, the number of options that have already been granted to the optionee and such other factors as the Compensation Committee may consider relevant.

Risks Associated with Compensation Policies and Practices

The oversight and administration of the Corporation's executive compensation program requires the Board to consider risks associated with the Corporation's compensation policies and practices. Potential risks associated with compensation policies and compensation awards are considered at quarterly and annual meetings of the Board at which compensation related recommendations are considered.

The Corporation's executive compensation policies and practices are intended to align management incentives with the long-term interests of the Corporation and its shareholders. In each case, the Corporation seeks an appropriate balance of risk and reward. Practices that are designed to avoid inappropriate or excessive risks include (i) financial controls that provide limits and authorities in areas such as capital and operating expenditures to mitigate risk taking that could affect compensation, (ii) balancing base salary and variable compensation elements, (iii) spreading compensation across short and long-term programs and, and (iv) vesting of stock options over a period of years.

Financial Instruments

The Corporation does not have a policy that would prohibit a Named Executive Officer or director from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director. However, management is not aware of any Named Executive or director purchasing such an instrument.

Option-Based Rewards

The process that the Corporation uses to grant option-based awards to executive officers, including the Named Executive Officers, is for the Board to approve option grants based on recommendations made by the Compensation Committee. Option grants can be made at any time and there are no specific periods for the issuance of options. Option awards are determined based on the factors described above under the heading “Option Plan”.

Summary Compensation Table

The following table sets forth a summary of all compensation for services paid during the three most recently completed financial years to Cameron M. Todd, Chief Executive Officer, D. Glen Snarr, Chief Financial Officer, Barclay E. Cuthbert, Vice President Operations and Timothy J. Wall, Vice President Engineering (the “**Named Executive Officers**”). No other executive officers received total compensation of more than \$150,000 during the most recently completed financial year.

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			
Cameron Todd ⁽¹⁾ Chief Executive Officer	2012	250,000	Nil	25,125 ⁽⁵⁾	Nil	Nil	Nil	213,730 ⁽⁷⁾	488,855
	2011	176,923	Nil	594,305 ⁽⁶⁾	Nil	Nil	Nil	Nil	771,228
Glen Snarr ⁽²⁾ President and Chief Financial Officer	2012	225,000	Nil	25,125 ⁽⁵⁾	Nil	Nil	Nil	191,250 ⁽⁷⁾	441,375
	2011	160,096	Nil	445,728 ⁽⁶⁾	Nil	Nil	Nil	100,000 ⁽⁸⁾	705,824
Barclay Cuthbert ⁽³⁾ Vice President, Operations	2012	200,000	Nil	25,125 ⁽⁵⁾	Nil	Nil	Nil	170,680 ⁽⁷⁾	395,805
	2011	142,308	Nil	386,298 ⁽⁶⁾	Nil	Nil	Nil	100,000 ⁽⁸⁾	628,606
Tim Wall ⁽⁴⁾ Vice President, Engineering	2012	200,000	Nil	25,125 ⁽⁵⁾	Nil	Nil	Nil	171,230 ⁽⁷⁾	396,355
	2011	142,308	Nil	386,298 ⁽⁶⁾	Nil	Nil	Nil	100,000 ⁽⁸⁾	628,606

Notes:

- (1) Cameron Todd has served as the Chief Executive Officer of the Corporation since April 19, 2011.
- (2) Glen Snarr has served as the President, Chief Financial Officer and Corporate Secretary of the Corporation since April 18, 2011.
- (3) Barclay Cuthbert has served as Vice President, Operations of the Corporation since April 18, 2011.
- (4) Tim Wall has served as Vice President, Engineering of the Corporation since April 18, 2011.
- (5) On May 28, 2012, Cameron Todd, Glen Snarr, Barclay Cuthbert and Tim Wall were granted stock options entitling each of them to purchase up to 250,000 Common Shares at an exercise price of \$0.18 per share expiring on May 28, 2017. 50% of the options were vested immediately on the date of grant, with 25% to be vested on May 28, 2013 and 25% on May 28, 2014. Using the Black-Scholes option pricing model, the fair value of the options granted was \$25,125, assuming a risk-free interest rate of 1.32%, expected life of 5 years, expected volatility of 70%, 0% forfeiture rate and 0% dividend rate.
- (6) On April 18, 2011, Cameron Todd, Glen Snarr, Barclay Cuthbert and Tim Wall were granted stock options to purchase Common Shares at an exercise price of \$0.36 per share expiring on April 18, 2021. Cameron Todd was granted 2,000,000 options, Glen Snarr was granted 1,500,000 options, and Barclay Cuthbert and Tim Wall were each granted 1,300,000 stock options. 50% of the options were vested immediately on the date of grant, with 25% to be vested on April 18, 2012 and 25% on April 18, 2013. Using the Black-Scholes option pricing model, the fair value of the options granted was \$594,305 and 445,728, respectively, assuming a risk-free interest rate of 3.37%, expected life of 10 years, expected volatility of 80%, 0% forfeiture rate and 0% dividend rate.
- (7) All Other Compensation in 2012 includes bonus paid to executives for their contribution to the achievement of annual corporate goals and objectives. Other compensation includes parking benefits paid to Cameron Todd, Barclay Cuthbert and Tim Wall in the amount of \$1,230, \$680 and \$1,230, respectively.
- (8) In 2011, Glen Snarr, Barclay Cuthbert and Tim Wall each received a bonus of \$100,000 in recognition of past performance of duties prior to Earth Energy Resources Inc. being reconstituted as US Oil Sands Inc.

Incentive Plan Awards

Outstanding Option-Based Awards

The following table sets forth information in respect of all option-based awards outstanding at the end of the financial year ended December 31, 2012 to the Named Executive Officers of the Corporation.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾
Cameron Todd	250,000	0.18	May 28, 2017	Nil
	2,000,000	0.36	April 18, 2021	Nil
Glen Snarr	250,000	0.18	May 28, 2017	Nil
	1,500,000	0.36	April 18, 2021	Nil
	2,000,000	0.3125	August 7, 2013	Nil
Barclay Cuthbert	250,000	0.18	May 28, 2017	Nil
	1,300,000	0.36	April 18, 2021	Nil
	2,000,000	0.3125	August 7, 2013	Nil
Tim Wall	250,000	0.18	May 28, 2017	Nil
	1,300,000	0.36	April 18, 2021	Nil
	2,000,000	0.3125	August 7, 2013	Nil

Note:

- (1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Common Shares on the TSX Venture Exchange on December 31, 2012 of \$0.155.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth information relating to the value vested or earned during the Corporation's financial year ended December 31, 2012 in respect of option-based awards and non-equity incentive plan compensation for Named Executive Officers of the Corporation.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Non-equity incentive plan compensation – Value earned during the year (\$)
Cameron Todd	Nil	Nil
Glen Snarr	Nil	Nil
Barclay Cuthbert	Nil	Nil
Tim Wall	Nil	Nil

Notes:

- (1) Value is calculated based on the difference between the exercise price of the options vested and the closing price of the Common Shares on the TSX Venture Exchange on the vesting date, May 28, 2012.

Termination and Change of Control Benefits

The Corporation has employment agreements with each of Cameron Todd, Glen Snarr, Barclay Cuthbert and Tim Wall that provide for payments or benefits to Named Executive Officers in connection with any termination, resignation, retirement, change of control of the Corporation or change in the responsibilities of the executive officer, including provisions which provide for the exercise of unvested options in the event of a change of control of the Corporation. Pursuant to the employment agreements and in the event of termination without cause, each of Cameron Todd and Glen Snarr are entitled to compensation in an amount equal to a notice period of twenty four (24) months base salary, plus an amount equal to the average bonus calculated on a monthly basis over the preceding three years. In the event that Mr. Todd is terminated without cause, compensation would have an estimated value of \$712,500. In the event that Mr. Snarr is terminated without cause, compensation would have an estimated value of \$741,250. Pursuant to the employment agreements and in the event of termination without cause, each of Barclay Cuthbert and Tim Wall are entitled to compensation in an amount equal to a notice period of eighteen (18) months base salary, plus an amount equal to the average bonus calculated on a monthly basis over the preceding three years. The estimated value of the compensation is \$502,500 for each of Mr. Cuthbert and Mr. Wall. The value of unvested options held by Named Executive Officers at December 31, 2012 (based on the closing price of the Common Shares on the TSX Venture Exchange on December 31, 2012) was \$Nil.

Director Compensation for Directors who are Not Named Executive Officers of the Corporation

Director Compensation Table

The following table sets forth information in respect of all amounts of compensation provided to the directors during the Corporation's financial year ended December 31, 2012.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$) ⁽¹⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$) ⁽²⁾	Total (\$)
Doug Hunter	Nil	Nil	25,125	Nil	Nil	1,823	26,948
Verne Johnson	Nil	Nil	50,250	Nil	Nil	3,648	53,898
James Banister	Nil	Nil	25,125	Nil	Nil	3,988	29,113
Ken Stephenson	Nil	Nil	25,125	Nil	Nil	Nil	25,125
Edward Chwyl	Nil	Nil	25,125	Nil	Nil	Nil	25,125

Notes:

- (1) Directors who are not Named Executives Officers were granted options on May 28, 2012 to purchase Common Shares of the Corporation at an exercise price of \$0.18 per Common Share expiring on May 28, 2017. Each of the directors was granted 250,000 options except Verne Johnson who was granted 500,000 options. 50% of the options vested immediately on the date of grant, with 25% to be vested on May 28, 2013 and 25% on May 28, 2014. Using the Black-Scholes option pricing model, the fair value of the options granted was \$50,250 for Verne Johnson and \$25,125 for each of the remaining directors, assuming a risk-free interest rate of 1.32%, expected life of 5 years, expected volatility of 70%, 0% forfeiture rate and 0% dividend rate.
- (2) Certain directors elected to participate in the Corporation's health care benefit program.

Outstanding Option-Based Awards

The following table sets forth information in respect of all option-based awards outstanding at the end of the financial year ended December 31, 2012 to the directors of the Corporation.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾
Doug Hunter	250,000	0.18	May 28, 2017	Nil
	1,000,000	0.25	August 11, 2013	Nil
Verne Johnson	500,000	0.18	May 28, 2017	Nil
	1,000,000	0.3125	August 7, 2013	Nil
James Banister	250,000	0.18	May 28, 2017	Nil
	1,000,000	0.25	August 11, 2013	Nil
Ken Stephenson	250,000	0.18	May 28, 2017	Nil
	1,000,000	0.3125	August 7, 2013	Nil
Edward Chwyl	250,000	0.18	May 28, 2017	Nil
	500,000	0.36	April 18, 2021	Nil

Note:

- (1) Value is calculated based on the difference between the exercise price of the options vested and the closing price of the Common Shares on the TSX Venture Exchange on December 31, 2012 of \$0.155.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth information in respect of the value vested or earned during the Corporation's financial year ended December 31, 2012 of option-based awards and non-equity incentive plan compensation for directors of the Corporation.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Non-equity incentive plan compensation – Value earned during the year (\$)
Doug Hunter	Nil	Nil
Verne Johnson	Nil	Nil
James Banister	Nil	Nil
Ken Stephenson	Nil	Nil
Edward Chwyl	Nil	Nil

Note:

- (1) Value is calculated based on the difference between the exercise price of the options vested and the closing price of the Common Shares on the TSX Venture Exchange on the vesting date of May 28, 2012.

EQUITY COMPENSATION PLAN INFORMATION

As of December 31, 2012, equity securities are authorized for issuance as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders - Stock Option Plan	24,675,000	0.27	6,608,106
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	24,675,000	0.27	6,608,106

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Under National Instrument 58-101 *Disclosure of Corporate Governance Practices*, the Corporation is required to include in this Information Circular the disclosure required under Form 58-101F2 with respect to the corporate governance guidelines set out under National Policy 58-201 *Corporate Governance Guidelines*.

Board of Directors

The Board is responsible for supervising the management of the business and affairs of the Corporation and is comprised of six directors, five of which are independent. The independent directors are H. Douglas Hunter, Verne G. Johnson, James A. Banister, Ken M. Stephenson and Edward Chwyl. The Board facilitates its exercise of independent supervision over management by holding Board meetings without management present. Four of the Corporation's directors serve as directors of other reporting issuers as indicated in the table below.

Director	Directorships Held
Verne G. Johnson	Petromanas Energy Inc. Gran Tierra Energy Inc.
James A. Banister	Essential Energy Services Ltd.
Ken M. Stephenson	Clearview Resources Ltd. Donnycreek Energy Inc. Calvalley Petroleum Inc. Donnybrook Energy Inc.
Edward Chwyl	Baytex Energy Corp. Long Run Exploration Ltd.

Orientation and Continuing Education

The Corporation has developed an orientation program for new directors which provides each new director with all applicable information regarding the roles and responsibilities of the Board and each Committee of the Board, as well as information regarding the nature and operation of the Corporation's business, its organizational structure and governance policies. The Corporation arranges for presentations to be made to the Board and each Committee of the Board to inform directors regarding corporate developments and changes in legal, regulatory and industry requirements affecting the Corporation. As well, directors are encouraged to visit the Corporation's facilities, to interact with management and employees and to stay abreast of industry developments and the evolving business of the Corporation.

Ethical Business Conduct

The Board consults regularly with legal, accounting and auditing advisors to ensure compliance with all applicable legal, accounting and other applicable regulatory requirements.

Nomination

Responsibility for identifying candidates to join the Board belongs to the Compensation, Governance and Nominating Committee. The criteria that Compensation, Governance and Nomination Committee members are asked to consider in identifying candidates includes the independence of the individual, his or her financial acumen and skills, and availability to devote sufficient time to the duties of the Board. Compensation, Governance and Nomination Committee members who have identified new candidates present information regarding the candidate at the next meeting of the Compensation, Governance and Nomination Committee, the Compensation, Governance and Nomination Committee makes an assessment of the candidate, determining whether the candidate meets the criteria established by the Compensation, Governance and Nomination Committee, and then makes a decision whether to interview the candidate. If the committee members who interviewed the candidate are in favour of having the candidate stand for election, the Board takes a vote and if the candidate is approved, the candidate becomes a nominee for election by shareholders at the next shareholder meeting of the Corporation.

In addition, the Compensation, Governance and Nomination Committee is empowered to recommend candidates to fill any vacancy in the Board that arises between annual meetings. Subject to the articles of the Corporation, the Compensation, Governance and Nomination Committee also has the ability to recommend the appointment of additional directors between annual meetings.

Compensation

Responsibility for determining the compensation of the directors and each Executive Officer belongs to the Compensation, Governance and Nomination Committee. The criteria that Compensation, Governance and Nomination Committee members are asked to consider in determining compensation includes the objectives and goals set by the Corporation for the directors and each Executive Officer as against their performance, shareholder returns and other achievements of the Corporation. The Compensation, Governance and Nomination Committee may engage the services of a compensation advisor to advise the Corporation regarding the form and amount of compensation awarded by corporations similar in size and industry to the Corporation, including competitors. The Compensation, Governance and Nomination Committee also considers publicly available information regarding compensation of other listed issuers. In considering Executive Officers other than the Chief Executive Officer, the Compensation, Governance and Nomination Committee shall take into account the recommendation of the Chief Executive Officer. The Compensation, Governance and Nomination Committee holds an annual meeting to discuss

compensation, review any proposals of the CEO or management (without the CEO being present in the case of the CEO's compensation), and then votes on the proposed compensation.

Board Committees

The Board has established an Audit Committee, a Reserves Committee, and a Compensation, Governance and Nomination Committee. The function of the Compensation, Governance and Nomination Committee is to:

- determine the appropriate compensation for each Executive of the Corporation Officer (as defined under National Instrument 51-102 on "Continuous Disclosure Obligations).
- recommend governance policies for adoption by the Corporation, and to amend, administer and monitor compliance with the Corporation's governance policies.
- identify qualified individuals for nomination to the Board of Directors to ensure the Corporation has strong, relevant and capable members.

The function of the Reserves Committee is to recommend the engagement of a reserves evaluator, ensure the reserves evaluator's independence, review the procedures for disclosure of reserves evaluation, meet independently with the reserves evaluator to review the scope of the annual review of reserves, discuss findings and disagreements with management, annually assess the work of the reserves evaluator and approve the Corporation's annual reserve report and consent forms of management and the reserves evaluator thereto.

The function of the Audit Committee is outlined below.

Assessment

The Board takes steps to satisfy itself that the Board, its Committees and individual directors are performing effectively by conducting an annual informal evaluation and assessment of the performance, contribution and effectiveness of the Board, Committees and individual directors.

AUDIT COMMITTEE INFORMATION

The following information is provided in accordance with Form 52-110F2 under the Canadian Securities Administrators' National Instrument 52-110 *Audit Committees* ("NI 52-110").

Audit Committee Charter

The Audit Committee Charter is attached as Schedule "B" to this Information Circular.

Composition of the Audit Committee

The Audit Committee is comprised of Verne G. Johnson, H. Douglas Hunter and James A. Banister. Each director is considered "financially literate" and "independent" (as such terms are defined in NI 52-110).

Relevant Education and Experience

Each member of the Audit Committee is financially literate, i.e., has the ability to read and understand financial statements. Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter. The education, and current and past experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is summarized below:

Name	Education and Experience
Verne G. Johnson	Mr. Johnson received a Bachelor of Science degree in Mechanical Engineering from the University of Manitoba in 1966. He has spent his entire career in the petroleum industry, primarily in western Canada, contributing to the growth of oil and gas companies of various sizes. Starting with Imperial Oil Limited in 1966, he has worked with Exxon Corporation and in senior capacities with various companies, achieving the positions of President of Paragon Petroleum Ltd., President and CEO of ELAN Energy Inc., and Senior Vice President of Enerplus Resources Group.
H. Douglas Hunter	Mr. Hunter holds a graduate degree in engineering from the California Institute of Technology. He is currently President of RFM Capital Corporation, Bluesky Equities Ltd and Petroleum Capital Corporation. Mr. Hunter has previously served as Chairman of Viking Energy Royalty Trust, President of Audax Gas & Oil Ltd., Petromark Minerals Ltd., Bluesky Oil & Gas Ltd. and Westmount Resources Ltd. Mr. Hunter served as a Director of the Calgary Olympic Development Association during the 1988 Winter Olympic Games and acted as Chairman of that organization from 1992-94. Mr. Hunter has been active in the creation of several public and private oil and gas companies.
James A. Banister	Graduate with a Diploma of Business Administration in 1966 from Northern Alberta Institute of Technology. Mr. Banister was President and CEO of Travis Chemicals Inc. from 1985 to 1997, leading the executive management team in all areas concerning sales and compensation of the company's sales team.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on any exemption from NI 52-110, including Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board to review the performance of the Corporation's external auditors, and approve in advance provision of services other than auditing and to consider whether the external auditor should be retained for this purpose, having regard to the need to maintain independence. The Audit Committee is authorized to approve any non-audit services or additional work which the Chairman of the Audit Committee deems necessary. The Chairman will notify the other members of the Audit Committee of any such non-audit or additional work that is proposed to be conducted by the external auditor.

External Auditor Service Fees (By Category)

The fees for auditor services billed by the Corporation's external auditors in each of the last two fiscal years are as follows:

Financial Year Ending December 31	Audit Fees	Audit-related Fees	Tax Fees	All Other Fees
2012	41,600	Nil	40,170 ⁽³⁾	7,100 ⁽⁵⁾
2011 ⁽¹⁾	40,000	41,900 ⁽²⁾	42,130 ⁽⁴⁾	20,720 ⁽⁶⁾

Note:

- (1) Fees summarized for 2011 includes fees incurred by the Corporation and by LMM prior to the amalgamation with Earth Energy Resources Inc. ("Earth Energy").
- (2) 2011 audit-related fees are comprised of \$28,000 paid to the Corporation's external auditor and \$6,900 paid to the auditor of Earth Energy and \$7,000 paid to the auditor of LMM prior to the amalgamation.
- (3) 2012 tax fees include \$14,000 for the preparation of corporate tax return for the Corporation's US subsidiary, \$13,000 for other statutory tax filings and \$13,170 for tax planning. The Corporation has yet to file the corporate tax return for its Canadian parent entity for the taxation period ended December 31, 2012. The Corporation has accrued estimated tax fees in its consolidated financial statements for the year ended December 31, 2012.
- (4) 2011 tax fees include \$26,630 for the preparation of corporate tax returns of the Corporation and its US subsidiary and \$15,500 for the preparation of corporate tax returns for Earth Energy upon acquisition by LMM and subsequent amalgamation and tax planning.
- (5) 2012 other fees represent fees paid to the auditor for securities work related to the private placement completed on May 23, 2012.
- (6) 2011 other fees represent fees paid to the auditor of Earth Energy in regards to the reverse take-over transaction.

Exemption

The disclosure under this section is being provided in reliance upon the exemption in Section 6.1 of NI 52-110.

ADDITIONAL INFORMATION

Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis ("MD&A") for the year ended December 31, 2012. Copies of the Corporation's financial statements and MD&A are available on written request to the Corporation at Suite 1600, 521 – 3rd Avenue SW Calgary, Alberta T2P 3T3, Attention: Chief Financial Officer. **Additional information relating to the Corporation, including the Corporation's financial statements and MD&A, is available on SEDAR at www.sedar.com.**

SCHEDULE "A"

US OIL SANDS INC.

INCENTIVE STOCK OPTION PLAN

Dated: December 23, 2009

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ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Defined Terms

For the purposes of this Plan, the following terms shall have the following meanings:

- (a) "Accelerated Vesting Event" means the occurrence of any one of the following events:
 - (i) a take-over bid (as defined under Securities Legislation) is made for Shares or Convertible Securities which, if successful would result (assuming the conversion, exchange or exercise of the Convertible Securities, if any, that are the subject of the take-over bid) in any person or persons acting jointly or in concert (as determined under Securities Legislation) or persons associated or affiliated with such person or persons (as determined under Securities Legislation) beneficially, directly or indirectly, owning shares that would, notwithstanding any agreement to the contrary, entitle the holders thereof for the first time to cast at least 50% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect Directors;
 - (ii) the acquisition or continuing ownership by any person or persons acting jointly or in concert (as determined under Securities Legislation), directly or indirectly, of Shares or of Convertible Securities, which, when added to all other securities of the Corporation at the time held by such person or persons, persons associated with such person or persons, or persons affiliated with such person or persons (as determined under Securities Legislation) (collectively, the "Acquirors"), and assuming the conversion, exchange or exercise of Convertible Securities beneficially owned by the Acquirors, results in the Acquirors beneficially owning shares that would, notwithstanding any agreement to the contrary, entitle the holders thereof for the first time to cast at least 50% of the votes attaching to all shares in the capital of the Corporation that may be cast to elect Directors;
 - (iii) an amalgamation, merger, arrangement or other business combination (a "Business Combination") involving the Corporation receives the approval of, or is accepted by, the securityholders of the Corporation (or all classes of securityholders whose approval or acceptance is required) or, if their approval or acceptance is not required in the circumstances, is approved or accepted by the Corporation and as a result of that Business Combination, parties to the Business Combination or securityholders of the parties to the Business Combination, other than the securityholders of the Corporation, own, directly or indirectly, shares of the continuing entity that entitle the holders thereof to cast at least 50% of the votes attaching to all shares in the capital of the continuing entity that may be cast to elect Directors;
- (b) "Affiliate" shall have the meaning ascribed thereto by the Exchange in Policy 1.1 – Interpretation";
- (c) "Associate" shall have the meaning ascribed thereto by the Exchange in Policy 1.1 – Interpretation";
- (d) "Board" means the Board of Directors of the Corporation or, as applicable, a committee consisting of not less than 3 directors of the Corporation duly appointed to administer this Plan;

- (e) "Charitable Organization" means "charitable organization" as defined in the *Income Tax Act* (Canada) from time to time;
- (f) "Common Shares" means the common shares of the Corporation;
- (g) "Consultant" means an individual or Consultant Company, other than an Employee or a Director of the Corporation, that:
 - (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation other than services provided in relation to a Distribution,
 - (ii) provides the services under a written contract between the Corporation or an Affiliate of the Corporation and the individual or the Consultant Company,
 - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the business and affairs of the Corporation or an Affiliate of the Corporation, and
 - (iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the Consultant to be knowledgeable about the business and affairs of the Corporation;
- (h) "Consultant Company" means for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner;
- (i) "Corporation" means US OIL SANDS INC. and its successor entities;
- (j) "Director" means directors, senior officers and Management Company Employees of the Corporation or its subsidiaries, if any, to whom stock options can be granted in reliance on a prospectus exemption under applicable securities laws;
- (k) "Disinterested Shareholder Approval" means approval by a majority of the votes cast by all shareholders entitled to vote at a meeting of shareholders of the Corporation excluding votes attached to shares beneficially owned by insiders to whom options may be granted under this Plan and their Associates;
- (l) "Distribution" has the meaning ascribed thereto by the Exchange;
- (m) "Eligible Person" means
 - (i) a Director, Officer, Employee or Consultant of the Corporation or its subsidiaries, if any, at the time the option is granted, and includes companies that are wholly owned by Eligible Persons; and
 - (ii) a Charitable Organization at the time the Option is granted;
- (n) "Employee" means an individual who:
 - (i) is considered an employee of the Corporation or its subsidiaries, if any, under the *Income Tax Act*, (Canada) i.e. for whom income tax, employment insurance and Canada Pension Plan deductions must be made at source,

- (ii) works full-time for the Corporation or its subsidiaries, if any, providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source, or
- (iii) works for the Corporation or its subsidiaries, if any, on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and method of work as an employee of the Corporation, but for whom income tax deductions are not made at source;
- (o) "Exchange" means the TSX Venture Exchange and any successor entity or the Toronto Stock Exchange if the Corporation is listed thereon;
- (p) "Expiry Date" means the last day of the term for an Option, as set by the Board at the time of grant in accordance with Section 5.2 and, if applicable, as amended from time to time;
- (q) "Insider" means a director or senior officer of the Corporation, a person that beneficially owns or controls directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Corporation, a director or senior officer of a company that is an insider or a subsidiary of the Corporation, and the Corporation itself if it holds any of its own securities;
- (r) "Investor Relations Activities" means any activities, by or on behalf of the Corporation or shareholder of the Corporation that promote or could reasonably be expected to promote the purchase or sale of securities of the Corporation;
- (s) "Management Company Employee" means an individual who is employed by a person providing management services to the Corporation which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a person engaged in Investor Relations Activities;
- (t) "Officer" means an officer of the Corporation or its subsidiaries, if any;
- (u) "Option" means a non-transferable and non-assignable option to purchase Common Shares granted to an Eligible Person pursuant to the terms of this Plan;
- (v) "Other Share Compensation Arrangement" means, other than this Plan and any Options, any stock option plan, stock options, employee stock purchase plan or other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including but not limited to a purchase of Common Shares from treasury which is financially assisted by the Corporation by way of loan, guarantee or otherwise;
- (w) "Participant" means an Eligible Person who has been granted an Option;
- (x) "Plan" means this incentive stock option plan;
- (y) "Termination Date" means the date on which a Participant ceases to be an Eligible Person.

1.2 Interpretation

- (a) References to the outstanding Common Shares at any point in time shall be computed on a non-diluted basis.
- (b) If the Corporation is listed on the Toronto Stock Exchange, the provisions of this Plan as they relate to companies listed on Tier 1 of the TSX Venture Exchange shall apply.

ARTICLE 2 ESTABLISHMENT OF PLAN

2.1 Purpose

The purpose of this Plan is to advance the interests of the Corporation, through the grant of Options, by:

- (a) providing an incentive mechanism to foster the interest of Eligible Persons in the success of the Corporation, its Affiliates and its subsidiaries, if any;
- (b) encouraging Eligible Persons to remain with the Corporation, its Affiliates or its subsidiaries, if any; and
- (c) attracting new Directors, Officers, Employees and Consultants.

2.2 Shares Reserved

- (a) The aggregate number of Common Shares that may be reserved for issuance pursuant to Options shall not exceed 10% of the outstanding Common Shares at the time of the granting of an Option, LESS the aggregate number of Common Shares then reserved for issuance pursuant to any Other Share Compensation Arrangement. For greater certainty, if an Option is surrendered, terminated or expires without being exercised, the Common Shares reserved for issuance pursuant to such Option shall be available for new Options granted under this Plan.
- (b) If there is a change in the outstanding Common Shares by reason of any share consolidation or split, reclassification or other capital reorganization, or a stock dividend, arrangement, amalgamation, merger or combination, or any other change to, event affecting, exchange of or corporate change or transaction affecting the Common Shares, the Board shall make, as it shall deem advisable and subject to the requisite approval of the relevant regulatory authorities, appropriate substitution and/or adjustment in:
 - (i) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to this Plan;
 - (ii) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to any outstanding unexercised Options, and in the exercise price for such shares or other securities or property; and
 - (iii) the vesting of any Options, including the accelerated vesting thereof on conditions the Board deems advisable and, if it relates to Investor Relations vesting provisions, then subject to the approval of the Exchange,

and if the Corporation undertakes an arrangement or is amalgamated, merged or combined with another corporation, the Board shall make such provision for the protection of the rights of Participants as it shall deem advisable.

- (c) No fractional Common Shares shall be reserved for issuance under this Plan and the Board may determine the manner in which an Option, insofar as it relates to the acquisition of a fractional Common Share, shall be treated.
- (d) The Corporation shall, at all times while this Plan is in effect, reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of this Plan.

2.3 Non-Exclusivity

Nothing contained herein shall prevent the Board from adopting such other incentive or compensation arrangements as it shall deem advisable.

2.4 Effective Date

This Plan shall be subject to the approval of any regulatory authority whose approval is required. Any Options granted under this Plan prior to such approvals being given shall be conditional upon such approvals being given, and no such Options may be exercised unless and until such approvals are given.

ARTICLE 3 ADMINISTRATION OF PLAN

3.1 Administration

- (a) This Plan shall be administered by the Board or any committee established by the Board for the purpose of administering this Plan. Subject to the provisions of this Plan, the Board shall have the authority:
 - (i) to determine the Eligible Persons to whom Options are granted, to grant such Options, and to determine any terms and conditions, limitations and restrictions in respect of any particular Option grant, including but not limited to the nature and duration of the restrictions, if any, to be imposed upon the acquisition, sale or other disposition of Common Shares acquired upon exercise of the Option, and the nature of the events and the duration of the period, if any, in which any Participant's rights in respect of an Option or Common Shares acquired upon exercise of an Option may be forfeited; and
 - (ii) to interpret the terms of this Plan, to make all such determinations and take all such other actions in connection with the implementation, operation and administration of this Plan, and to adopt, amend and rescind such administrative guidelines and other rules and regulations relating to this Plan, as it shall from time to time deem advisable, including without limitation for the purpose of ensuring compliance with Section 3.3 hereof.
- (b) The Board's interpretations, determinations, guidelines, rules and regulations shall be conclusive and binding upon the Corporation, Eligible Persons, Participants and all other persons.

3.2 Amendment, Suspension and Termination

The Board may amend, subject to the approval of any regulatory authority whose approval is required, suspend or terminate this Plan or any portion thereof. No such amendment, suspension or termination shall alter or impair any outstanding unexercised Options or any rights without the consent of such

Participant. If this Plan is suspended or terminated, the provisions of this Plan and any administrative guidelines, rules and regulations relating to this Plan shall continue in effect for the duration of such time as any Option remains outstanding.

3.3 Compliance with Legislation

- (a) This Plan, the grant and exercise of Options hereunder and the Corporation's obligation to sell, issue and deliver any Common Shares upon exercise of Options shall be subject to all applicable federal, provincial and foreign laws, policies, rules and regulations, to the policies, rules and regulations of any stock exchanges or other markets on which the Common Shares are listed or quoted for trading and to such approvals by any governmental or regulatory agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obligated by the existence of this Plan or any provision of this Plan or the grant or exercise of Options hereunder to sell, issue or deliver Common Shares upon exercise of Options in violation of such laws, policies, rules and regulations or any condition or requirement of such approvals.
- (b) No Option shall be granted and no Common Shares sold, issued or delivered hereunder where such grant, sale, issue or delivery would require registration or other qualification of this Plan or of the Common Shares under the securities laws of any foreign jurisdiction, and any purported grant of any Option or any sale, issue and delivery of Common Shares hereunder in violation of this provision shall be void. In addition, the Corporation shall have no obligation to sell, issue or deliver any Common Shares hereunder unless such Common Shares shall have been duly listed, upon official notice of issuance, with all stock exchanges on which the Common Shares are listed for trading.
- (c) Common Shares sold, issued and delivered to Participants pursuant to the exercise of Options shall be subject to restrictions on resale and transfer under applicable securities laws and the requirements of any stock exchanges or other markets on which the Common Shares are listed or quoted for trading, and any certificates representing such Common Shares shall bear, as required, a restrictive legend in respect thereof.

ARTICLE 4 OPTION GRANTS

4.1 Eligibility and Multiple Grants

Options shall only be granted to Eligible Persons. An Eligible Person may receive Options on more than one occasion and may receive separate Options, with differing terms, on any one or more occasions.

4.2 Representation

The Corporation represents that an Employee, Consultant or Management Company Employee who is granted an Option or Options is a bona fide Employee, Consultant or Management Company Employee, as the case may be. In the event of any discrepancy between this Plan and an option agreement, the provisions of this Plan shall govern.

4.3 Limitation on Grants and Exercises

- (a) **To any one person.** The number of Common Shares reserved for issuance to any one person in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 5% of the outstanding Common Shares at the time of the

grant (unless the Corporation has obtained Disinterested Shareholder Approval to exceed such limit).

- (b) **To Consultants.** The number of Common Shares reserved for issuance to any one Consultant in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 2% of the outstanding Common Shares at the time of the grant.
- (c) **To persons conducting Investor Relations Activities.** The number of Common Shares reserved for issuance to all persons employed to provide Investor Relations Activities in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed an aggregate of 2% of the outstanding Common Shares at the time of the grant.
- (d) **To Insiders.** Unless the Corporation has received Disinterested Shareholder Approval to do so:
 - (i) the aggregate number of Common Shares reserved for issuance to Insiders under this Plan and any Other Share Compensation Arrangement shall not exceed 10% of the outstanding Common Shares at the time of the grant; and
 - (ii) the aggregate number of Common Shares reserved for issuance to Insiders in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 10% of the outstanding Common Shares at the time of the grant.
- (e) **Exercises.** Unless the Corporation has received Disinterested Shareholder Approval to do so, the number of Common Shares issued to any person within a 12 month period pursuant to the exercise of Options granted under this Plan and any Other Share Compensation Arrangement shall not exceed 5% of the outstanding Common Shares at the time of the exercise.

ARTICLE 5 OPTION TERMS

5.1 Exercise Price

- (a) Subject to a minimum exercise price of \$0.10 per Common Share, the exercise price per Common Share for an Option shall not be less than the Market Price for the Corporation's common shares (as defined by the policies of the Exchange) at the date of grant.
- (b) If Options are granted within ninety days of a Distribution by the Corporation by prospectus, then the exercise price per Common Share for such Option shall not be less than the greater of the minimum exercise price calculated pursuant to subsection 5.1(a) herein and the price per Common Share paid by the public investors for Common Shares acquired pursuant to such Distribution. Such ninety day period shall begin:
 - (i) on the date the final receipt is issued for the final prospectus in respect of such Distribution; or
 - (ii) in the case of a prospectus that qualifies special warrants, on the closing date of the private placement in respect of such special warrants.

5.2 Expiry Date

Every Option granted shall, unless sooner terminated, have a term not exceeding and shall therefore expire no later than 10 years after the date of grant.

5.3 Vesting

- (a) Subject to subsection 5.3(b) herein and otherwise in compliance with the policies of the Exchange, the Board shall determine the manner in which an Option shall vest and become exercisable.
- (b) Options granted to Consultants performing Investor Relations Activities shall vest over a minimum of 12 months with no more than 1/4 of such Options vesting in any 3 month period.

5.4 Accelerated Vesting Event

Upon the occurrence of an Accelerated Vesting Event, the Board will have the power, at its sole discretion and without being required to obtain the approval of shareholders or the holder of any Option, except pertaining to options granted to Consultants performing Investor Relations activities which will be subject to prior written Exchange approval, to make such changes to the terms of Options as it considers fair and appropriate in the circumstances, including but not limited to: (a) accelerating the vesting of Options, conditionally or unconditionally; (b) terminating every Option if under the transaction giving rise to the Accelerated Vesting Event, options in replacement of the Options are proposed to be granted to or exchanged with the holders of Options, which replacement options treat the holders of Options in a manner which the Board considers fair and appropriate in the circumstances having regard to the treatment of holders of Shares under such transaction; (c) otherwise modifying the terms of any Option to assist the holder to tender into any take-over bid or other transaction constituting an Accelerated Vesting Event; or (d) following the successful completion of such Accelerated Vesting Event, terminating any Option to the extent it has not been exercised prior to successful completion of the Accelerated Vesting Event. The determination of the Board in respect of any such Accelerated Vesting Event shall for the purposes of this Plan be final, conclusive and binding.

5.5 Non-Assignability

Options may not be assigned or transferred.

5.6 Ceasing to be Eligible Person

- (a) If a Participant who is an Officer, Employee or Consultant is terminated for cause, each Option held by such Participant shall terminate and shall therefore cease to be exercisable upon such termination for cause.
- (b) If a Participant dies prior to otherwise ceasing to be an Eligible Person, each Option held by such Participant shall terminate and shall therefore cease to be exercisable no later than the earlier of the Expiry Date and the date which is twelve months after the date of the Participant's death.
- (c) Unless an option agreement specifies otherwise, if a Participant ceases to be an Eligible Person for any reason other than death, each Option held by the Participant other than a Participant who is involved in investor relations activities will cease to be exercisable 90 days after the Termination Date or for a "reasonable period" after the Participant ceases to serve in such capacity, as determined by the Board. For Participants involved in

investor relations activities, Options shall cease to be exercisable 30 days after the Termination Date or for a "reasonable period" after the Participant ceases to serve in such capacity, as determined by the Board.

- (d) For greater certainty, if a Participant dies, each Option held by such Participant shall be exercisable by the legal representative of such Participant until such Option terminates and therefore ceases to be exercisable pursuant to the terms of this Section.
- (e) If any portion of an Option is not vested at the time a Participant ceases, for any reason whatsoever, to be an Eligible Person, such unvested portion of the Option may not be thereafter exercised by the Participant or its legal representative, as the case may be, always provided that the Board may, in its discretion and in the case of Options relating to Investor Relations, subject to the approval of the Exchange, thereafter permit the Participant or its legal representative, as the case may be, to exercise all or any part of such unvested portion of the Option that would have vested prior to the time such Option otherwise terminates and therefore ceases to be exercisable pursuant to the terms of this Section. For greater certainty, and without limitation, this provision will apply regardless of whether the Participant ceased to be an Eligible Person voluntarily or involuntarily, was dismissed with or without cause, and regardless of whether the Participant received compensation in respect of dismissal or was entitled to a notice of termination for a period which would otherwise have permitted a greater portion of an Option to vest.

ARTICLE 6 EXERCISE PROCEDURE

6.1 Exercise Procedure

An Option may be exercised from time to time, and shall be deemed to be validly exercised by the Participant only upon the Participant's delivery to the Corporation at its head office of:

- (a) a written notice of exercise addressed to the Corporate Secretary of the Corporation, specifying the number of Common Shares with respect to which the Option is being exercised;
- (b) a signed option agreement with respect to the Option being exercised;
- (c) a certified cheque or bank draft made payable to the Corporation for the aggregate exercise price for the number of Common Shares with respect to which the Option is being exercised; and
- (d) documents containing such representations, warranties, agreements and undertakings, including such as to the Participant's future dealings in such Common Shares, as counsel to the Corporation reasonably determines to be necessary or advisable in order to comply with or safeguard against the violation of the laws of any jurisdiction;

and on the business day following, the Participant shall be deemed to be a holder of record of the Common Shares with respect to which the Option is being exercised, and thereafter the Corporation shall, within a reasonable amount of time, cause certificates for such Common Shares to be issued and delivered to the Participant.

**ARTICLE 7
AMENDMENT OF OPTIONS**

7.1 Consent to Amend

The Board may amend any Option with the consent of the affected Participant and the Exchange, including any shareholder approval required by the Exchange. For greater certainty, Disinterested Shareholder Approval is required for any reduction in the exercise price of an Option if the Participant is an Insider at the time of the proposed amendment.

7.2 Amendment Subject to Approval

If the amendment of an Option requires regulatory or shareholder approval, such amendment may be made prior to such approvals being given, but no such amended Options may be exercised unless and until such approvals are given.

**ARTICLE 8
MISCELLANEOUS**

8.1 No Rights as Shareholder

Nothing in this Plan or any Option shall confer upon a Participant any rights as a shareholder of the Corporation with respect to any of the Common Shares underlying an Option unless and until such Participant shall have become the holder of such Common Shares upon exercise of such Option in accordance with the terms of the Plan.

8.2 No Right to Employment

Nothing in this Plan or any Option shall confer upon a Participant any right to continue in the employ of the Corporation or any Affiliate or affect in any way the right of the Corporation or any Affiliate to terminate the Participant's employment, with or without cause, at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Affiliate to extend the employment of any Participant beyond the time which the Participant would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any Affiliate, or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Affiliate.

8.3 Governing Law

This Plan, all option agreements, the grant and exercise of Options hereunder, and the sale, issue and delivery of Common Shares hereunder upon exercise of Options shall be, as applicable, governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. The Courts of the Province of Alberta shall have the exclusive jurisdiction to hear and decide any disputes or other matters arising herefrom.

SCHEDULE "B"

AUDIT COMMITTEE CHARTER

(the "Charter")

Mandate

The primary function of the audit committee (the "Committee") of US Oil Sands Inc. (the "Company") is to assist the Board of Directors ("Board") in fulfilling its financial oversight responsibilities by reviewing and recommending to the board the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and to review and recommend to the board the Company's financial statements;
- Review and appraise the performance of the Company's external auditor; and
- Provide an open avenue of communication among the Company's auditor, financial and senior management and the Board.

Composition

1. The Committee shall be comprised of at least three directors as determined by the Board, all of whom shall be "independent" directors (within the meaning set out in National Instrument 58-101 on "Disclosure of Corporate Governance Practices" adopted by the Canadian Securities Administrators) free from any relationship that would interfere with the exercise of the director's independent judgment, except as permitted by applicable securities regulatory guidelines (including applicable exemptions while the Company is a "venture issuer" within the meaning of applicable securities legislation).
2. The members of the Committee shall be appointed by the Board at its first meeting following the annual shareholders' meeting. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies in it, subject to the Committee continuing to satisfy the composition requirements mentioned above. The Board shall designate one member of the Committee as its Chair. If a Chair of the Committee is not so designated or present at a meeting, the members of the Committee may designate a Chair by majority vote of the Committee membership.

Meetings

1. Except as expressly provided in this Charter or the Bylaws of the Company, the Committee shall fix its own rules of procedure.
2. The Committee shall meet at least four times annually, or more frequently as circumstances dictate or as may be prescribed by securities regulatory requirements. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditor in separate sessions.
3. At all meetings of the committee, the presence of a majority of the members will constitute a quorum for the transaction of the business and the vote of a majority of the members present shall be the act

of the committee; in the event of a tie vote on any matter, such matter shall be presented to the board for its consideration and determination.

4. Members of the Committee may participate in a meeting of the Committee by conference telephone or similar communications equipment by means of which all people participating in the meeting can hear each other and participation in such a meeting will constitute presence in person at such a meeting.
5. Any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting if all of its members consent in writing to the action and such writing is filed with the records of proceedings of the Committee.
6. The CEO will be available to advise the Committee and will receive notice of meetings. Directors not on the Committee may attend meetings at the discretion of the Committee. At the invitation of the Chair of the Committee, members of management and outside consultants shall attend Committee meetings.
7. The committee will provide the board with a copy of the minutes of such meetings. Where minutes have not yet been prepared, the chairman will provide the board with oral reports on the activities of the committee. All material information reviewed and discussed by the committee at any meeting will be referred to in the minutes and made available for examination by the board upon request to the chairman.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

1. Documents/Reports
 - a. Review and update, if applicable or necessary, this Audit Committee Charter annually;
 - b. Review with management and the independent auditor the Company's annual and interim financial statements, management's discussion and analysis, any annual and interim earnings press releases and any reports or other financial information to be submitted to any governmental and/or regulatory body, or the public, including any certification, report, opinion, or review rendered by the external auditor for the purpose of recommending their approval to the Board prior to their filing, issue or publication;
 - c. Review analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
 - d. Review the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Company;
 - e. Review policies and procedures with respect to directors' and officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditor, based on the terms of reference agreed upon by the external auditor and the Committee; and
 - f. Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, as well as review any financial information and earnings guidance

provided to analysts and rating agencies, and periodically assess the adequacy of those procedures.

2. External Auditor

- a. Review annually, the performance of the external auditor who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Company;
- b. Obtain annually, a formal written statement of the external auditor setting forth all relationships between the external auditor and the Company;
- c. Review and discuss with the external auditor any disclosed relationships or services that may have an impact on the objectivity and independence of the external auditor;
- d. Take, or recommend that the Board take, appropriate action to oversee the independence of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- e. Recommend to the Board the selection and, where applicable, the replacement of the external auditor nominated annually for shareholder approval;
- f. Recommend to the Board the compensation to be paid to the external auditor;
- g. At each meeting, where desired, consult with the external auditor, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements;
- h. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company;
- i. Review with management and the external auditor the audit plan for the year-end financial statements; and
- j. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditor. The authority to pre-approve non-audit services may be delegated by the Committee to one or more independent members of the Committee, provided that such pre-approval must be presented to the Committee's first scheduled meeting following such pre-approval. Pre-approval of non-audit services is satisfied if:
 - (i) The aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Company and subsidiaries to the Company's external auditor during the fiscal year in which the services are provided;
 - (ii) The Company or a subsidiary did not recognize the services as non-audit services at the time of the engagement; and
 - (iii) The services are promptly brought to the attention of the Committee and approved, prior to completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.

3. Financial Reporting Processes

- a. In consultation with the external auditor, review with management the integrity of the Company's financial reporting process, both internal and external;
- b. Consider the external auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;
- c. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditor and management;
- d. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditor as to appropriateness of such judgments;
- e. Following completion of the annual audit, review separately with management and the external auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
- f. Review any significant disagreement among management and the external auditor in connection with the preparation of the financial statements;
- g. Review with the external auditor and management the extent to which changes and improvements in financial or accounting practices have been implemented;
- h. Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;
- i. Review certification process;
- j. Establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- k. Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

4. Other

- a. Review any material related party transactions;
- b. Engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- c. To set and pay compensation for any independent counsel and other advisors employed by the Committee.