



COALCORP MINING INC.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

To be held December 11, 2008

**NOTICE OF MEETING
AND
MANAGEMENT INFORMATION CIRCULAR**

November 11, 2008

COALCORP MINING INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**Meeting**”) of shareholders of Coalcorp Mining Inc. (the “**Corporation**”) will be held on Thursday, December 11, 2008 at the Hotel Santa Clara, Clarisas 2 Room, Cra. 8 No. 39-29, Calle del Torno, Barrio San Diego, Cartagena, Colombia at 10:00 a.m. (Cartagena time), for the following purposes:

1. **TO RECEIVE** the audited consolidated financial statements of the Corporation for the financial year ended June 30, 2008, together with the auditors’ report thereon;
2. **TO ELECT** the directors of the Corporation;
3. **TO RE-APPOINT** Deloitte & Touche LLP, Chartered Accountants, as auditors of the Corporation and to authorize the board of directors of the Corporation to fix the remuneration of the auditors; and
4. **TO CONSIDER** and, if thought appropriate, pass, with or without variation, a resolution to approve the issuance of that number of common shares of the Corporation having an aggregate value of US\$3,911,499 to certain executive officers of, and a consultant to, the Corporation on March 2, 2009 (being the date on which the employment or consulting relationship between the Corporation and such persons will terminate), at a price per common share equal to the volume weighted trading price of the common shares on the Toronto Stock Exchange during the prior 20 trading day period.

Details of the foregoing matters are contained in the accompanying management information circular of the Corporation.

Registered shareholders of the Corporation are entitled to vote at the Meeting or any adjournment thereof either in person or by proxy. A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his, her or its executed form of proxy with the Corporation’s transfer agent and registrar, Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1 (Attention: Proxy Department), on or before 10:00 a.m. (Toronto time) on Tuesday, December 9, 2008, or at least 48 hours, excluding Saturdays, Sundays and holidays, before any adjournment or postponement of the Meeting at which the proxy is to be used, or by delivering it to the Chair of the Meeting before the time of voting on the day of the Meeting or any adjournment thereof.

DATED: November 11, 2008.

BY ORDER OF THE BOARD OF DIRECTORS

“Peter Volk”

Peter Volk
General Counsel & Secretary

COALCORP MINING INC.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular (the “Circular”) is furnished in connection with the solicitation by management of Coalcorp Mining Inc. (the “Corporation”) of proxies to be used at the annual and special meeting of the shareholders of the Corporation (the “Meeting”) to be held at the Hotel Santa Clara, Clarisas 2 Room, Cra. 8 No. 39-29, Calle del Torno, Barrio San Diego, Cartagena, Colombia at 10:00 a.m. (Cartagena time) on Thursday, December 11, 2008 and at any adjournment thereof for the purposes set forth in the enclosed notice of annual and special meeting of shareholders (the “Notice of Meeting”).

Proxies will be solicited primarily by mail but may also be solicited personally, by telephone or by facsimile by the directors, officers or employees of the Corporation at nominal costs. The costs of proxy solicitation by management will be borne by the Corporation.

Pursuant to National Instrument 54-101 – “Communication with Beneficial Owners of Securities of a Reporting Issuer”, arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of common shares of the Corporation. The Corporation will provide, without cost to such persons, upon request to the General Counsel and Secretary of the Corporation, additional copies of the foregoing documents required for this purpose.

Except where otherwise indicated, information contained in this Circular is given as of November 11, 2008.

In this Circular, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to “\$” are to Canadian dollars. The closing rate of exchange for one Canadian dollar in United States dollars, as published by the Bank of Canada, was \$1.00 = US\$0.9868 on June 30, 2008 and \$1.00 = US\$ 0.8358 on November 10, 2008.

APPOINTMENT OF PROXYHOLDERS AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are representatives of management of the Corporation and are officers of the Corporation. **A shareholder has the right to appoint a person or corporation (who need not be a shareholder of the Corporation) other than the persons designated in the accompanying form of proxy to represent the shareholder at the Meeting. Such right may be exercised by inserting the name of such person or company in the blank space provided in the form of proxy or by completing another proper form of proxy.** A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his, her or its executed form of proxy with the Corporation’s transfer agent and registrar, Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1 (Attention: Proxy Department), on or before 10:00 a.m. (Toronto time) on December 9, 2008, or at least 48 hours, excluding Saturdays, Sundays and holidays, before any adjournment or postponement of the Meeting at which the proxy is to be used, or by delivering it to the Chair of the Meeting before the time of voting on the day of the Meeting or any adjournment thereof. A proxy submitted in paper form should be executed by the shareholder or his or her attorney duly authorized in writing or, if the shareholder is a corporation, by a duly authorized officer or attorney.

In addition to any other manner permitted by law, a proxy may be revoked, before it is exercised, by an instrument in writing executed in the same manner as a proxy and deposited to the attention of the General Counsel and Secretary of the Corporation at the head office of the Corporation at any time up to 5:00 p.m. (Toronto time) on the last business day before the day of the Meeting or any adjournment thereof at which the proxy is to be used or with the Chair of the Meeting on the day of the Meeting or any adjournment thereof and thereupon the proxy is revoked. The head office of the Corporation is located at 220 Bay Street, Suite 1400, Toronto, Ontario, Canada M5J 2W4.

A shareholder attending the Meeting has the right to vote in person and, if the shareholder does so, his, her or its proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

Under normal conditions, confidentiality of voting is maintained by virtue of the fact that the Corporation's transfer agent tabulates proxies and votes. However, such confidentiality may be lost as to any proxy or ballot if a question arises as to its validity or revocation or any other like matter. Loss of confidentiality may also occur if the board of directors of the Corporation (the "Board") decides that disclosure is in the interests of the Corporation or its shareholders.

EXERCISE OF DISCRETION BY PROXYHOLDERS

The common shares of the Corporation represented by proxies in favour of management nominees will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and, if a shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by proxy shall be voted accordingly.

If a specification is not made with respect to any matter, the proxy will confer discretionary authority and will be voted: (i) FOR the election of the nominees identified in this Circular as directors of the Corporation; (ii) FOR the re-appointment of Deloitte & Touche LLP as independent auditors of the Corporation; and (iii) FOR the resolution approving the issuance of that number of common shares of the Corporation having an aggregate value of US\$3,911,499 to certain executive officers of, and a consultant to, the Corporation on March 2, 2009 (being the date on which the employment or consulting relationship between the Corporation and such persons will terminate) at a price per common share equal to the volume weighted trading price of the common shares on the Toronto Stock Exchange (the "TSX") during the prior 20 trading day period. Each of these matters is described in greater detail elsewhere in this Circular.

The enclosed form of proxy also confers discretionary authority upon the persons named therein to vote with respect to any amendments or variations to the matters identified in the Notice of Meeting and with respect to any other matters which may properly come before the Meeting in such manner as the nominee in his judgment may determine. At the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting.

ADVICE TO BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance to many shareholders of the Corporation as a substantial number of shareholders do not hold their shares in their own name and thus are considered non-registered shareholders. Shareholders who do not hold their shares in their own name ("Beneficial Shareholders") should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a shareholder by a broker then, in almost all cases, those shares will not be registered in the shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the shareholder's broker or an agent of that broker or another similar entity (an "Intermediary"). Shares held by an Intermediary can only be voted by the Intermediary upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting shares.

Beneficial Shareholders should ensure that instructions respecting the voting of their shares are communicated in a timely manner and in accordance with the instructions provided by their Intermediary. Applicable regulatory rules require Intermediaries to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. **Every Intermediary has its own mailing procedures and provides its own return instructions to clients, which instructions should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purpose of voting shares registered in the name of their Intermediary, a Beneficial Shareholder may attend the Meeting as proxyholder for the Intermediary and vote the shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their shares as a proxyholder should enter their own names in the blank space on the form of proxy provided to them by their Intermediary and return the same to their Intermediary in accordance with the instructions provided by their Intermediary, well in advance of the Meeting.**

QUORUM

Two shareholders, present in person or represented by proxy, entitled to cast votes representing at least 5% of the issued and outstanding common shares of the Corporation will constitute a quorum at the Meeting or any adjournment or postponement thereof. The Corporation's list of shareholders as of the Record Date (as defined in this Circular under the heading "Record Date") has been used to deliver to shareholders the Notice of Meeting and this Circular as well as to determine who is eligible to vote at the Meeting.

RECORD DATE

Persons registered on the records of the Corporation at the close of business on October 28, 2008 (the "**Record Date**") are entitled to vote at the Meeting.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person who has been a director or an executive officer of the Corporation at any time since the beginning of its last completed financial year, proposed nominee for election as a director of the Corporation or any associate of any such director, executive officer or proposed nominee, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting (other than the election of directors), except as disclosed in this Circular (and, in particular, under the heading "Approval of Issuance of Common Shares on Termination of Employment of Certain Executive Officers").

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The authorized share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. At the date hereof, the Corporation has 173,007,049 issued and outstanding common shares, each of which carries the right to one vote. No preferred shares are currently issued and outstanding.

To the knowledge of the directors and executive officers of the Corporation, no person or corporation beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of outstanding voting securities of the Corporation, other than Pala Investment Holdings Limited ("**Pala**"). Based on public filings made by Pala pursuant to applicable securities laws, Pala owns and controls an aggregate of 76,195,833 common shares representing approximately 44.04% of the issued and outstanding common shares of the Corporation (or approximately 48.46% of the issued and outstanding common shares on a partially diluted basis, assuming the exercise of all common share purchase warrants owned and controlled by Pala).

Pala has agreed to vote "FOR" all matters to be voted on by shareholders at the Meeting pursuant to an undertaking in favour of the Corporation dated November 11, 2008.

PRESENTATION OF FINANCIAL STATEMENTS

The comparative consolidated financial statements of the Corporation for the financial year ended June 30, 2008, together with the auditors' report thereon, copies of which accompany this Circular, will be presented to the shareholders at the Meeting. Receipt at the Meeting of the auditors' report and the Corporation's financial statements for its most recently completed financial year will not constitute approval or disapproval of any matters referred to therein.

ELECTION OF DIRECTORS

The Board currently consists of 10 directors. The articles of the Corporation provide that the number of directors on the Board must be at least three. The number of directors to be elected at the Meeting has been set by the Board at 10.

All nominees for election as directors of the Corporation, other than George Halatsis and Steven Parker, are currently directors of the Corporation and have been directors since the respective dates indicated below. Management does not contemplate that any of the following nominees will be unable to serve as a director of the Corporation, but if that should occur for any reason before the Meeting the persons named in the enclosed form of proxy shall have the right to vote for another nominee in their discretion. Each director elected at the Meeting will hold office until the next annual meeting of the shareholders of the Corporation or until his successor is duly elected or appointed.

The following table and the notes thereto set out the name and city and country of residence of all nominees for election as directors of the Corporation, the month and year during which each of them first became a director of the Corporation, all positions and offices with the Corporation held by each of them, the principal occupation of each of them during the prior five year period and the number of common shares of the Corporation beneficially owned, or controlled or directed, directly or indirectly, by each of them. The Corporation has an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee, the members of which are also identified below.

Name and Residence of Nominee ⁽¹⁾	Position	Principal Occupation During Past Five Years	Director of Corporation Since	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽²⁾
Serafino Iacono ⁽⁵⁾ Firenze, Italy	Executive Director	Currently serves as a director of Medoro Resources Ltd. and Co-Chairman of Pacific Rubiales Energy Corp. Served as Chief Executive Officer of the Corporation from March 2005 to September 2008 and since September 2008 has served as Executive Director. From August 2006 to January 2008, Director of Pacific Stratus Energy Ltd. and from February 2003 to February 2006, Chief Executive Officer of Bolivar Gold Ltd.	March 2005	89,800
Miguel de la Campa ⁽⁵⁾ Caracas, Venezuela	Executive Director	Currently serves as a director of Medoro Resources Ltd. and Co-Chairman of Pacific Rubiales Energy Corp. Served as President of the Corporation from November 2005 to September 2008 and since September 2008 has served as Executive Director. From September 2005 to January 2008, Director of Pacific Stratus Energy Ltd. and from February 2003 to February 2006, President and Chief Operating Officer of Bolivar Gold Ltd.	May 2006	173,787

Name and Residence of Nominee ⁽¹⁾	Position	Principal Occupation During Past Five Years	Director of Corporation Since	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽²⁾
Robert Metcalfe ⁽³⁾⁽⁴⁾⁽⁵⁾ Toronto, Canada	Director	Counsel with Metcalfe, Blainey & Burns LLP since January 2001.	September 2006	17,429
Miguel A. Rodriguez ⁽³⁾ Caracas, Venezuela	Director	Currently serves as a director of Pacific Rubiales Energy Corp. From November 2006 to January 2008, Director of Pacific Stratus Energy Ltd. From 2005 to 2006, Chairman Astra Fund (Davos Group), from 1997 to 2006, Chairman Incofin, Inc. (Davos Group), and from 1995 to 2006, President of MRConsultores and Incofin, Inc.. From 1984 to 2006, Professor of Economics, Instituto de Estudios Superiores de Administración (IESA), Caracas and from 2002 to 2004, Dean, Faculty of Economics and Social Sciences, Universidad Santa María.	January 2007	Nil
Allan Wakefield ⁽³⁾ Georgetown, Canada	Director	Consultant to technology and industrial companies since 2004. Served as Audit Committee Chairman, privatization committee member and as independent director of Hollinger Inc. from 2004 to 2005. Chief Financial Officer of Inxight Software Inc. from 2001 to 2003.	September 2008	8,000
Luis Carlos Valenzuela Delgado Bogota, Colombia	Director	Partner with Sumatoria, an investment banking boutique in Colombia specializing in mergers and acquisitions, since January 2001.	November 2008	Nil
Jan Castro Zug, Switzerland	Director	Managing Director, Pala Investments AG, since July 2006. Prior to Pala Investments AG, Senior Vice President – Investments and Corporate Affairs for Mechel OAO.	November 2008	Nil ⁽⁶⁾

Name and Residence of Nominee ⁽¹⁾	Position	Principal Occupation During Past Five Years	Director of Corporation Since	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽²⁾
Joseph Belan Zug, Switzerland	Director	Managing Director, Pala Investments AG, since September 2006. Prior to Pala Investments AG, Executive Director, Investment Banking, Goldman Sachs from 2004 to 2006. Prior to Goldman Sachs, Vice President, Investment Banking at Credit Suisse First Boston from 2003 to 2004.	November 2008	Nil ⁽⁶⁾
George Halatsis Toronto, Canada	N/A	Executive Vice-President and Chief Financial Officer of Shoppers Drug Mart Corporation since July 2002.	N/A	Nil
Steven Parker Sedalia, USA	N/A	Consultant to Shell Canada Energy's oil sands business since 2005. Prior to retiring in 2006, served as President, CEO, and Chairman of Chevron Oil's mining unit.	N/A	Nil

Notes:

- (1) The information as to residence is based on information furnished to the Corporation by the proposed directors as at the date of this Circular.
- (2) The information as to shares beneficially owned, or controlled or directed, directly or indirectly, is based upon information furnished to the Corporation by the proposed directors as at the date of this Circular. The percentage of ownership in all cases is less than 1% of the issued and outstanding common shares of the Corporation.
- (3) The Audit Committee of the Corporation is currently composed of Michael Beckett (Chair), Robert Metcalfe, Allan Wakefield and Miguel Rodriguez. Following the Meeting, it is anticipated that the Audit Committee will be reconstituted. The charter of the Audit Committee is attached to Annual Information Form of the Corporation dated September 4, 2008 as Appendix "B".
- (4) The Compensation Committee is currently composed of Robert Metcalfe (Chair), Augusto Lopez and Michael Beckett. Following the Meeting, it is anticipated that the Compensation Committee will be reconstituted. The charter of the Compensation Committee is attached to Annual Information Form of the Corporation dated September 4, 2008 as Appendix "A".
- (5) The Corporate Governance & Nominating Committee is currently composed of Serafino Iacono (Chair), Miguel de la Campa, Robert Metcalfe and Augusto Lopez. Following the Meeting, it is anticipated that the Corporate Governance and Nominating Committee will be reconstituted. The charter of the Corporate Governance & Nominating Committee is attached to this Circular as Schedule "C".
- (6) Jan Castro and Joseph Belan are Managing Directors of Pala Investments AG, the exclusive investment advisor to Pala. Pala is the Corporation's largest shareholder. See "Voting Securities and Principal Holders of Voting Securities".

Biographies of Proposed Directors

The following are short biographies of each nominee for election as a director of the Corporation:

Serafino Iacono – Mr. Iacono currently serves as a director of Medoro Resources Ltd. and Pacific Rubiales Energy Corp. From March 2005 to September 2008, he was the Chief Executive Officer of the Corporation. Mr. Iacono was also previously the Chairman, Chief Executive Officer and co-founder of Bolivar Gold Corp. a company with gold operations in Venezuela. He has over 20 years of experience in the Canadian capital markets and has raised more than US\$1.0 billion in the last 13 years for various natural resource projects internationally.

Miguel de la Campa – Mr. de la Campa currently serves as a director of Pacific Rubiales Energy Corp. and Medoro Resources Ltd. From March 2005 to September 2008, he was the President of the Corporation. Mr. de la Campa was also previously the President, Chief Operating Officer and co-founder of Bolivar Gold Corp. Over the last 20 years, he has been involved in the financing and development of mining, oil and other resource projects in the United States, Latin America, Europe and Africa.

Robert J. Metcalfe – Mr. Metcalfe has been counsel to Metcalfe, Blainey & Burns LLP since January 2001. Prior to that, he was a senior partner with the law firm Lang Michener LLP for 20 years and President and Chief Executive Officer of Armadale Properties (office building construction and land development) for seven years. He currently serves as a director of telematics corporation Air IQ Inc., natural resources corporation NXA Inc., intellectual property company ION Inc. of England, and clean-tech corporation Envirotower Inc. Mr. Metcalfe was also a former director of Radiant Energy Corporation, numerous natural resource corporations, including Central Patricia Gold Mines Limited, Iron Bay Trust Inc., Faraday Resources (Uranium) Ltd. and Chimo Gold Mines Inc., as well as Canada Lands Company Limited, the largest real estate corporation in Canada, and past Director and Chairman of CN Tower Limited.

Miguel A. Rodriguez – Mr. Rodriguez has extensive experience in the private, public and academic sectors. He currently serves as a director of Pacific Rubiales Energy Corp. He has served as Chairman of Astra Fund and Incofin, Inc., both part of the Davos Financial Group, and was a professor of Economics at the Venezuelan Institute for Advanced Studies in Administration. In addition to consulting and advisory roles for the public sector, Mr. Rodriguez has previously acted as the President of the Central Bank of Venezuela, and served as Governor to the Interamerican Development Bank, the World Bank and the International Monetary Fund.

Allan Wakefield – Mr. Wakefield has 40 years of experience in finance, general management and board management. He has most recently worked as a consultant to industrial and technology companies, and has previously served as a director and member of the special committee of Hollinger Inc. He has worked internationally for Alcan Aluminum Limited, Spar Aerospace Ltd. and Indal Limited in various management, strategic and finance roles. While with Alcan, he launched “blue box” recycling and brought aluminum cans into Canada, for which he was honored by the United Nations for services to the environment.

Luis Carlos Valenzuela Delgado – Mr. Valenzuela is a Colombian national with over 34 years of professional, government and academic experience. Mr. Valenzuela is currently a Partner at Sumatoria, an investment banking boutique in Colombia specializing in mergers and acquisitions. Prior to joining Sumatoria, Mr. Valenzuela was Minister of Mines and Energy in Colombia. Mr. Valenzuela holds a Masters in Public Administration from Harvard University, Masters in Urban Economics from the London School of Economics, a Masters and Bachelor of Arts in Economics from the Universidad De Los Andes, Colombia. Prior boards include Ecopetrol and Avianca.

Jan Castro – Mr. Castro is a Managing Director and the founder of Pala Investments AG, an investment company focused on the mining and natural resources sector. Prior to founding Pala Investments AG, Mr. Castro was Senior Vice President - Investments and Corporate Affairs for Mechel OAO, a NYSE-listed company and one of Russia’s largest coal companies, where his primary responsibilities covered mergers and acquisitions, non-core asset disposals and investor and public relations. He was also responsible for Mechel’s initial public offering in 2004. Mr. Castro received his J.D. and B.A. from Columbia University. Mr. Castro serves on the boards of Anatolia Minerals Development Ltd., Avoca Resources Limited, Gemcom Software International Inc., Dumas Contracting Ltd. and Norcast Castings Company Limited.

Joseph Belan – Mr. Belan is a Managing Director of Pala Investments AG. Prior to joining Pala in 2006, Mr. Belan served as Head of Metals and Mining and Steel in Investment Banking at Goldman Sachs, London. Over the course of his career, Mr. Belan has advised many multinational companies in the metals and mining industry. Mr. Belan received his Honours Business Administration degree from the Ivey Business School, University of Western Ontario. Mr. Belan serves as Chairman of Norcast Castings Company Limited and on the board of Dumas Contracting Ltd.

George Halatsis – Mr. Halatsis has over 30 years of financial and industry experience and is currently the Executive Vice-President and Chief Financial Officer of Shoppers Drug Mart Corporation. Previously, Mr. Halatsis was the Executive Vice-President and Chief Financial Officer at Inco Limited. Prior to joining Inco, Mr. Halatsis was with Canadian Pacific Railway where he was the Chief Financial Officer. He began his career at Imperial Oil/Exxon where he held positions of increasing responsibility and has worked in New York, Hong Kong, Houston and Australia, culminating in his position as Chief Financial Officer of Esso Australia Limited. Mr. Halatsis holds a BA (Honours) and MBA from McGill University.

Steven Parker – Mr. Parker has extensive experience working in the coal mining industry for over 38 years. In addition, Mr. Parker has experience in oil sands, platinum, molybdenum and rare earth mining and marketing. He is currently a consultant working with Shell Canada. Prior to his current activities, Mr. Parker worked at all levels of The Pittsburg and Midway Coal Mining Co., eventually becoming President, Chief Executive Officer and Chairman prior to retiring in 2006. Mr. Parker holds a Bachelors of Science in Mining Engineering from the South Dakota School of Mines and Technology and completed the Tuck Executive Program at Dartmouth College. Prior boards include the National Mining Association and the Council on Energy and Economic Development.

Directorships with Other Reporting Issuers

The following nominees for election as directors of the Corporation currently serve as directors of the reporting issuers (or the equivalent in a jurisdiction outside of Canada), other than the Corporation, listed below:

Name	Name of Reporting Issuer (or equivalent outside Canada)
Serafino Iacono	Pacific Rubiales Energy Corp. Medoro Resources Ltd.
Miguel de la Campa	Medoro Resources Ltd. Pacific Rubiales Energy Corp.
Robert Metcalfe	NXA Inc. AirIQ Inc.
Miguel A. Rodriguez	Pacific Rubiales Energy Corp.
Allan Wakefield	Lakota Resources Inc.
Luis Carlos Valenzuela Delgado	AES Chivor & CIA SCA ESP Central Tumaco S.A.
Jan Castro	Anatolia Minerals Development Ltd. Avoca Resources Limited

Corporate Cease Trade Orders

Except as disclosed below, no proposed director of the Corporation is, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation), that: (a) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

Serafino Iacono and Miguel de la Campa are subject to cease trade orders of the Ontario Securities Commission dated June 15, 2000 due to the failure by Chivor Emerald Corporation Limited to file financial statements within prescribed time periods. These statements were not filed due to Chivor Emerald Corporation Limited’s lack of funds to pay for an audit of such financial statements.

Robert Metcalfe and Allan Wakefield were judge-affirmed independent directors of Hollinger Inc. from September 27, 2004 to July 21, 2005, in which capacity they were the subject of a management and insider cease trade order (since lifted) which existed prior to their appointment to the board of directors of Hollinger Inc., due to the inability of Hollinger Inc. to file financial statements resulting from the non-filing of financial statements by Hollinger Inc.'s US subsidiary, Hollinger International Inc.

Bankruptcies

No proposed director of the Corporation: (a) is, or has been, within the 10 years before the date of this Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties and Sanctions

No proposed director of the Corporation has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable holder of common shares in deciding whether to vote for a proposed director.

APPOINTMENT OF AUDITORS

At the Meeting, it is proposed that Deloitte & Touche LLP be re-appointed as auditors of the Corporation to hold office until the next annual meeting of shareholders at remuneration to be fixed by the Board. Deloitte & Touche LLP has served as auditors of the Corporation since November 2005.

The Board recommends that shareholders vote FOR the re-appointment of Deloitte & Touche LLP as auditors of the Corporation and to authorize the Board to fix the remuneration of the auditors. Unless the shareholder directs that his, her or its shares are to be withheld from voting in connection with the appointment of auditors, the persons named in the enclosed form of proxy will vote FOR the appointment of Deloitte & Touche LLP as auditors of the Corporation and to authorize the Board to fix the remuneration of the auditors. A majority of the votes cast by shareholders at the Meeting is required to approve the appointment of auditors and to authorize the directors to fix the remuneration of the auditors.

APPROVAL OF ISSUANCE OF COMMON SHARES ON TERMINATION OF EMPLOYMENT OF CERTAIN EXECUTIVE OFFICERS

At the Meeting, shareholders will be asked to consider and, if thought appropriate, pass, with or without variation, a resolution (the "**Share Issuance Resolution**") to approve the issuance of that number of common shares of the Corporation having an aggregate value of US\$3,911,499 to certain executive officers of, and a consultant to, the Corporation on March 2, 2009 (being the date on which the employment or consulting relationship between the Corporation and such persons will terminate), at a price per common share equal to the volume weighted trading price of the common shares on the TSX during the prior 20 trading day period, as more particularly described below.

On October 6, 2008, Pala announced that it had increased its shareholdings in the Corporation to approximately 44% of the issued and outstanding common shares of the Corporation. The acquisition of greater than 25% of the issued and outstanding common shares of the Corporation by Pala constituted a "change of control" under the respective employment agreements of each of Serafino Iacono, Miguel de la Campa, Jose Francisco Arata, Michael Davies, Juan Manuel Pelaez and Peter Volk (the "**Affected Officers**"), each of whom is an executive officer of the Corporation. Upon the occurrence of a "trigger event" (including, among other events, the resignation of Serafino Iacono), each of the Affected Officers of the Corporation would have been entitled to terminate their employment relationship with the Corporation and receive a change of control payment.

In addition, as of September 1, 2008, pursuant to the terms of his employment agreement, the Corporation owed a termination payment of US\$300,000 to Efrain Carrera (the “**Consultant**”), the former President, Colombian Operations, and now a consultant to the Corporation.

Recognizing that the Corporation would not benefit from the immediate resignation of the Affected Officers or the payment of an aggregate of US\$3,911,499 in cash to the Affected Officers and the Consultant pursuant to termination payments under their respective employment agreements, the employment agreements of the Affected Officers were amended on November 4, 2008 to provide that the employment of such individuals will continue until March 2, 2009, at which time each Affected Officer’s employment with the Corporation will be terminated (unless agreed otherwise to by the Corporation and an Affected Officer). As consideration for the amendments to the employment agreements, each Affected Officer is entitled to receive a termination payment on March 2, 2009 (as set out in detail below). In order to conserve the cash resources of the Corporation, each of the Affected Officers and the Consultant has agreed to the satisfaction of the termination payment due to him in common shares of the Corporation, in lieu of cash, subject to the receipt of applicable shareholder and regulatory approvals.

For further details concerning the employment agreements and the amendments to the employment agreements see “Statement of Executive Compensation – Termination of Employment and Corporate Transactions”.

Details of Termination Payments

The table below sets out the position(s) held by each Affected Officer and the Consultant with the Corporation and the amount of the termination payment payable to each Affected Officer and the Consultant pursuant to their respective agreements with the Corporation:

Name	Position with the Corporation	Aggregate Value of Common Shares Proposed to be Issued on March 2, 2009 (US\$)
Serafino Iacono	Executive Director	\$945,834
Miguel de la Campa	Executive Director	\$774,999
Jose Francisco Arata	Executive Vice President, Exploration & Director	\$629,166
Michael Davies	Chief Financial Officer	\$437,499
Juan Manuel Pelaez	VP Business Development	\$324,000
Peter Volk	General Counsel & Secretary	\$500,000
Efrain Carrera	Consultant (former President, Colombian Operations)	\$300,000

Number of Common Shares Issuable Pursuant to Termination Payments

The table below sets out, for illustrative purposes, the aggregate number of common shares that will be issuable to the Affected Officers and Consultant on March 2, 2009, assuming share prices ranging from \$0.25 to \$2.00. The closing price of the common shares of the Corporation on the TSX on November 10, 2008 was \$0.77.

Assumed Price per Common Share	Aggregate Number of Common Shares Issuable to Affected Officers and Consultant	Percentage of Issued and Outstanding Common Shares
\$0.25	18,407,056	10.6%
\$0.50	9,203,528	5.3%
\$0.75	6,135,686	3.6%
\$1.00	4,601,764	2.7%
\$1.25	3,681,411	2.1%
\$1.50	3,067,843	1.8%
\$1.75	2,629,579	1.5%
\$2.00	2,300,882	1.3%

Notes:

- (1) Assumes an exchange rate of \$1.00 = US\$0.85.
- (2) Assumes 173,007,049 common shares of the Corporation are issued and outstanding (being the number of common shares currently issued and outstanding).

If the volume weighted trading price of the common shares on the TSX for 20 trading day period prior to March 2, 2009 falls below \$0.25 per share, the number of common shares issuable to the Affected Officers and the Consultant and corresponding percentage of issued and outstanding common shares will increase accordingly and by an amount greater than represented in table above.

Approval of Proposed Share Issuance

The issuance of the common shares of the Corporation as contemplated above is subject to the prior approval of a majority of the shareholders of the Corporation, pursuant to the rules of the TSX. If the Share Issuance Resolution is not approved by the shareholders of the Corporation, the termination payment amounts listed above will be satisfied in cash. The full text of the Share Issuance Resolution is set out below:

BE IT RESOLVED THAT:

1. the issuance of that number of common shares of the Corporation having an aggregate value of US\$3,911,499 to certain executive officers of, and a consultant to, the Corporation on March 2, 2009 (being the date on which the employment or consulting relationship between the Corporation and such persons will terminate), at a price per common share equal to the volume weighted trading price of the common shares on the TSX during the prior 20 trading day period, and as more particularly described in the Circular, is hereby approved; and
2. any director or officer of the Corporation be and is hereby authorized for and on behalf of the Corporation to execute, whether under the corporate seal of the Corporation or otherwise, and deliver all such other documents and instruments, to make all filings required to be made by the Corporation, and to do all such other acts or things as may be necessary or desirable to give effect to the foregoing.

The Board recommends that shareholders vote FOR the Share Issuance Resolution. Unless the shareholder directs that his, her or its shares are to be withheld from voting in connection with the appointment of the Share Issuance Resolution, the persons named in the enclosed form of proxy will vote FOR the Share Issuance Resolution.

STATEMENT OF EXECUTIVE COMPENSATION

The following table sets forth the compensation earned in each of the Corporation's three most recently completed financial years by: (i) Serafino Iacono, former Chief Executive Officer of the Corporation (who now serves as an executive director of the Corporation); (ii) Michael Davies, Chief Financial Officer of the Corporation; (iii) Miguel de la Campa, former President of the Corporation (who now serves as an executive director of the Corporation); (iv) Jose Francisco Arata, Executive Vice President, Exploration; and (v) Peter Volk, General Counsel and Secretary (each, a "Named Executive Officer" and, collectively, the "Named Executive Officers").

Summary Compensation Table ⁽¹⁾

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			
		Salary (\$) ⁽⁶⁾⁽⁸⁾	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	All Other Compensation (\$)
					Securities Under Options/SARs Granted (#) ⁽⁷⁾	Restricted Shares or Restricted Share Units	LTIP Payouts (\$) ⁽²⁾	
Serafino Iacono ⁽³⁾⁽⁴⁾ Former CEO and current Executive Director	2008	439,812	Nil	Nil	Nil	Nil	Nil	Nil
	2007	454,000	Nil	Nil	Nil	Nil	Nil	Nil
	2006	175,850	Nil	Nil	714,286	Nil	Nil	Nil
Michael Davies ⁽⁵⁾ CFO	2008	203,438	Nil	Nil	Nil	Nil	Nil	Nil
	2007	26,208	Nil	Nil	107,143	Nil	Nil	Nil
Miguel de la Campa Former President and current Executive Director	2008	360,375	Nil	Nil	Nil	Nil	Nil	Nil
	2007	381,000	Nil	Nil	Nil	Nil	Nil	Nil
	2006	121,245	Nil	Nil	714,286	Nil	Nil	Nil
Jose Francisco Arata Vice President, Exploration	2008	292,563	Nil	Nil	Nil	Nil	Nil	Nil
	2007	305,167	Nil	Nil	Nil	Nil	Nil	Nil
	2006	103,925	Nil	Nil	571,429	Nil	Nil	Nil
Peter Volk General Counsel and Secretary	2008	232,500	Nil	Nil	Nil	Nil	Nil	Nil
	2007	260,000	Nil	Nil	Nil	Nil	Nil	Nil
	2006	84,360	Nil	Nil	285,715	Nil	Nil	Nil

Notes:

- (1) All monetary figures are in Canadian dollars.
- (2) "LTIP" or "long term incentive plan" does not include options granted under the Stock Option Plan.
- (3) Serafino Iacono resigned as Chief Executive Officer effective as of September 2, 2008.
- (4) Luis Urdaneta was appointed Chief Executive Officer of the Corporation effective as of September 2, 2008.
- (5) Michael Davies was appointed Chief Financial Officer effective as of May 16, 2007
- (6) In connection with the implementation of the Corporation's strategic plan, senior management voluntarily reduced their salaries by 25% effective May 16, 2008.
- (7) All numbers, including those for prior financial years, have been adjusted to reflect the 1 for 7 consolidation of the outstanding common shares on June 14, 2007.
- (8) As a result of the change in the Corporation's year end, figures for the 2007 financial year represent a 13 month period ending on June 30, 2007.

Appointment of New Chief Executive Officer

Mr. Luis Urdaneta was appointed as the Chief Executive Officer of the Corporation effective as of September 2, 2008. Mr. Urdaneta is a graduate of Zulia University (Venezuela) and Penn State University (USA) and has degrees in petroleum engineering and computer science. After holding increasingly senior positions with Lagoven S.A., a subsidiary of PDVSA, Venezuela's national oil company, in 1986 he was given the job of founding Carbozulia, S.A. and appointed President. Under Mr. Urdaneta's leadership, Carbozulia developed the Paso Diablo mine, the largest coal mine in Venezuela, which is expected to produce 7.5 million tonnes by 2009. Mr. Urdaneta moved back to PDVSA in 1994, where he took increasingly senior positions, ultimately retiring in 1999 as President of the Board

of Directors and Executive President of PDV America Inc. Since then, he has worked as a consultant, primarily in energy and project management.

Mr. Urdaneta entered into an employment agreement with the Corporation dated November 6, 2008. His current annual salary is US\$280,000 per annum. Mr. Urdaneta's employment agreement provides for the payment of an amount equal to two times his annual salary in the event that he is terminated without cause.

Concurrent with his appointment as Chief Executive Officer of the Corporation, Mr. Urdaneta was also granted options exercisable to acquire an aggregate of 500,000 common shares of the Corporation, at a price of \$1.33 per share, until September 2, 2013.

Long Term Incentive Plan Awards During Financial Year Ended June 30, 2008

Long term incentive plan ("LTIP") means any plan providing compensation intended to motivate performance over a period greater than one financial year. LTIPs do not include option or stock appreciation rights plans or plans for compensation through shares or units that are subject to restrictions on resale. No awards under LTIPs were granted or exercised by Named Executive Officers during the financial year ended June 30, 2008. The Corporation currently has no LTIPs.

Stock Appreciation Rights During Financial Year Ended June 30, 2008

Stock appreciation rights ("SARs") means rights, granted by the Corporation or any of its subsidiaries as compensation for employment services or offices, to receive cash or an issue or transfer of securities based wholly or in part on changes in the trading price of the Corporation's shares. No SARs were granted to or exercised by Named Executive Officers during the financial year ended June 30, 2008. The Corporation currently has no plan in respect of SARs or outstanding SARs.

Option Grants During Financial Year Ended June 30, 2008

During the Corporation's most recently completed financial year, no options to acquire common shares of the Corporation were granted to Named Executive Officers under the Stock Option Plan (as hereinafter defined).

Aggregated Options Exercised During Financial Year Ended June 30, 2008 and Financial Year-End Option Values

No options to acquire common shares of the Corporation were exercised by Named Executive Officers during the Corporation's most recently completed financial year. The following table sets out the financial year-end value of options held by Named Executive Officers:

Named Executive Officer	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-money Options at Financial Year-End (\$) Exercisable/ Unexercisable⁽¹⁾⁽²⁾
Serafino Iacono	N/A	N/A	714,286 / Nil	Nil / Nil
Michael Davies	N/A	N/A	107,143 / Nil	Nil / Nil
Miguel de la Campa	N/A	N/A	714,286 / Nil	Nil / Nil
Jose Francisco Arata	N/A	N/A	571,429 / Nil	Nil / Nil
Peter Volk	N/A	N/A	285,715 / Nil	Nil / Nil

Notes:

- (1) As freestanding SARs have not been granted, the numbers relate solely to options.
- (2) There were no in-the-money options held by Named Executive Officers as of June 30, 2008. The closing price of the common shares of the Corporation on the TSX on June 30, 2008 was \$1.78.

Pension Plan

The Corporation does not provide retirement or pension benefits for directors or executive officers.

Termination of Employment and Corporate Transactions

All of the Named Executive Officers have employment contracts with the Corporation (the “**Employment Agreements**”). The Employment Agreements for all Named Executive Officers, other than Mr. Davies, were originally dated as of May 25, 2006 (Mr. Davies’ was originally dated April 12, 2007). Each of the Employment Agreements was amended on November 4, 2008 as described in greater detail below. The Employment Agreements and the amendments to the Employment Agreements were approved by the Corporation’s Compensation Committee and the Board.

Description of Change of Control under Employment Agreements

The Employment Agreements provide for the payment of an amount equal to two times the Named Executive Officer’s annual salary in the event that the Named Executive Officer is terminated without cause.

Under the Employment Agreements, each Named Executive Officer is entitled to terminate his employment with the Corporation and receive a payment in an amount equal to three times the Named Executive Officer’s annual salary if: (a) there is a “change of control” of the Corporation; and (b) a specified “trigger event” occurs. The Named Executive Officer has a period of 120 days from the occurrence of the trigger event to exercise his termination right under the Employment Agreement.

A “change of control” under the Employment Agreements includes the occurrence of any of the following events: (a) the acquisition of a 25% voting interest in the Corporation by a shareholder of the Corporation; (b) the completion of a consolidation, merger, amalgamation or statutory arrangement between the Corporation and another person (other than a subsidiary of the Corporation) pursuant to which all or part of the outstanding voting shares of the Corporation are changed in any way, reclassified or converted into, exchanged or otherwise acquired for shares or other securities of the Corporation or any other person or for cash or any other property; (c) the sale by the Corporation of property or assets, (i) aggregating more than 50% of the consolidated assets of the Corporation and its subsidiaries as at the end of the most recently completed financial year of the Corporation, or (ii) which during the most recently completed financial year of the Corporation generated, or during the then current financial year of the Corporation are expected to generate, more than 50% of the consolidated operating income or cash flow of the Corporation, to any other person or persons (other than the Corporation or one or more of its subsidiaries); and (iv) a change in the composition of the Board, which occurs at a single meeting of the shareholders of the Corporation or a succession of meetings occurring within six months of each other, whereby individuals who were members of the Board immediately prior to such meeting or succession of meetings, as applicable, cease to constitute a majority of the Board.

A “trigger event” under the Employment Agreements prior to their amendment included the occurrence of any of the following events: (i) a change (other than a promotion) in the Named Executive Officer’s position or duties, responsibilities, title or office with the Corporation; (ii) a reduction in the Named Executive Officer’s salary, benefits or any other form of remuneration; (iii) a failure by the Corporation to continue in effect any benefit, bonus, profit sharing, incentive, remuneration or compensation plan, stock ownership or purchase plan, pension plan or retirement plan in which the Named Executive Officer is participating or entitled to participate; (iv) a change in the municipality in which the Named Executive Officer is regularly required to carry out the terms of his employment; (v) a failure by the Corporation to maintain the Named Executive Officer’s prior paid vacation entitlement; (vi) the Corporation or its subsidiaries taking any action to deprive the Named Executive Officer of any material fringe benefit (not previously listed); (vii) there is a material breach by the Corporation of any provision of the Employment Agreement; (viii) the Named Executive Officer determines in good faith that the Named Executive Officer’s status in the Corporation is diminished or the Named Executive Officer is being effectively prevented from carrying out his duties or responsibilities; (ix) the successor, if any, fails to effectively assume the Corporation’s obligations under the Employment Agreement; or (x) Serafino Iacono ceases to be a director of the Corporation.

All of the Employment Agreements were amended on November 4, 2008 to remove Serafino Iacono ceasing to be a director of the Corporation as a “trigger event” thereunder, and to provide for the termination of the employment of the Named Executive Officers on March 2, 2009, on which date, subject to shareholder and regulatory approval,

they will receive common shares of the Corporation, in lieu of cash, in respect of any termination payments due to them. No additional material amendments to the Employment Agreements were made. For further details see “Approval of Issuance of Common Shares on Termination of Employment of Certain Executive Officers”.

Other than pursuant to the Employment Agreements, there is no compensatory plan, contract or arrangement where a Named Executive Officer is entitled to receive more than \$100,000 from the Corporation or its subsidiaries, including periodic payments or installments, in the event of (a) the resignation, retirement or any other termination of the Named Executive Officer’s employment with the Corporation or its subsidiaries; (b) a change of control of the Corporation or any of its subsidiaries; or (c) a change in the Named Executive Officer’s responsibilities following a change in control.

Three members of management of the Corporation, in addition to the Named Executive Officers, but not including Mr. Luis Urdaneta (the current Chief Executive Officer of the Corporation), also have employment agreements with the Corporation containing change of control provisions (including trigger events) similar to those contained in the Employment Agreements (prior to their amendment on November 4, 2008).

Compensation of Directors

From May 25, 2006 to December 31, 2006 the Corporation paid an annual retainer of US\$40,000 to directors who are not members of management or who are not otherwise paid fees by the Corporation, in their capacities as directors. The amount of the annual retainer was increased to US\$60,000 as of January 1, 2007.

No options to acquire common shares of the Corporation were granted to directors who are not Named Executive Officers during the financial year ended June 30, 2008.

As at June 30, 2008, directors other than Named Executive Officers held options exercisable to acquire an aggregate of 178,575 common shares of the Corporation. The following table sets forth the 2008 financial year-end value of unexercised options of directors of the Corporation that are not Named Executive Officers:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year-End (#) Exercisable/ Unexercisable ⁽¹⁾	Value of Unexercised in-the-money Options at Financial Year-End (\$) Exercisable/ Unexercisable ⁽¹⁾⁽²⁾
Neil Woodyer ⁽³⁾	N/A	N/A	35,715 / Nil	N/A / N/A
Michael Beckett ⁽⁴⁾	N/A	N/A	35,715 / Nil	N/A / N/A
Robert Metcalfe	N/A	N/A	35,715 / Nil	N/A / N/A
Augusto Lopez ⁽⁴⁾	N/A	N/A	35,715 / Nil	N/A / N/A
Miguel A. Rodriguez	N/A	N/A	35,715 / Nil	N/A / N/A

Notes:

- (1) As freestanding SARs have not been granted, the numbers relate solely to options.
- (2) There were no in-the-money options held by directors who were not Named Executive Officers as of June 30, 2008. The closing price of the common shares of the Corporation on the TSX on June 30, 2008 was \$1.78.
- (3) Resigned November 11, 2008.
- (4) Not standing for re-election at the Meeting.

During the most recently completed financial year no directors received compensation for services provided to the Corporation in their capacities as directors and/or consultants and/or experts, except as noted above and as follows:

1. Endeavour Financial Corporation has been receiving financial advisory fees of US\$5,000 a month commencing June 23, 2006, pursuant to a letter agreement of the same date, totalling US\$60,000 for the 2008 financial year; and
2. Endeavour Financial Corporation was paid a financial advisory fee of US\$250,000 in connection with the acquisition and procuring of certain critical mining equipment required to increase production at the Corporation's La Francia coal mine and US\$750,000 in connection with the strategic review process undertaken by the Corporation.

Neil Woodyer and Michael Beckett, each of whom served as a director during the Corporation's most recently completed financial year, are directors and/or executive officers of Endeavour Financial Corporation (or predecessor companies to, or affiliates of, Endeavour Financial Corporation).

Management Contracts

Management services for the Corporation are not to any substantial degree performed by persons other than the Named Executive Officers.

COMPOSITION OF THE COMPENSATION COMMITTEE

The Compensation Committee is currently composed of Robert Metcalfe (Chair), Augusto Lopez and Michael Beckett. Each of the members of the Compensation Committee, other than Michael Beckett, is independent within the meaning of NI 58-101 (as defined in this Circular under the heading "Statement of Corporate Governance Practices").

REPORT ON EXECUTIVE COMPENSATION

The Corporation's policies on executive compensation are intended to provide appropriate compensation for executives that is internally equitable, externally competitive and reflects individual achievements in the context of the Corporation. The overriding principles in establishing executive compensation provide that compensation should reflect:

- (a) fair and competitive compensation commensurate with an individual's experience and expertise in order to attract and retain highly qualified executives;
- (b) recognition and encouragement of leadership, entrepreneurial spirit and team work;
- (c) an alignment of the financial interests of the executives with the financial interest of the shareholders of the Corporation;
- (d) stock options and, in certain circumstances, bonuses to reward individual performance and contribution to the achievement of corporate performance and objectives; and
- (e) a contribution to enhancement of shareholder value.

Luis Urdaneta, the Chief Executive Officer of the Corporation, has the responsibility for recommending the level of salary and benefits for each of the other executive officers, including himself. The executive officers' salary and benefits are then reviewed and approved by the Compensation Committee in accordance with the Charter of the Compensation Committee, which is attached as Appendix "A" to the Annual Information Form of the Corporation dated September 4, 2008. The salaries and benefits of the executive officers are set within guidelines developed by the Board and are consistent with the principles set out above. No specific quantitative targets are set by the Compensation Committee with respect to compensation of executive officers. In addition, although corporate performance of the Corporation is a factor that the Compensation Committee considers when determining or approving compensation of executive officers of the Corporation, it is primarily the factors described in this report that determine the compensation of the executive officers of the Corporation.

There are four elements to the Corporation's executive compensation program: (1) base salary; (2) benefits; (3) short-term compensation incentives for annual and personal performance; and (4) long-term compensation incentives (primarily stock options) related to long-term increase in share value.

Base Salary

The base salary for each of the executive officers of the Corporation, including the Chief Executive Officer, is reviewed and established annually, at or near the beginning of the financial year. Base salaries are based on the particular executive officer's personal performance and seniority, contribution to the business of the Corporation and the size and stage of development of the Corporation. Base salaries are also reviewed from time to time to ensure comparability with industry norms. The Corporation hires qualified management from around the world and therefore looks to compensation paid by Canadian and United States competitors.

On May 16, 2008 and in conjunction with the implementation of the Corporation's strategic plan, and to signify management's commitment to cutting costs, certain senior executives of the Corporation voluntarily reduced their annual salaries by 25%.

Additionally, recognizing the Corporation's position as an enterprise seeking to implement a comprehensive business plan in Colombia which, if successful, could make the Corporation attractive for a take-over or other business combination, the Corporation has traditionally granted "change of control" employment agreements to each of the Corporation's executives and certain members of management. Under these agreements, each executive is entitled to a severance payment equal to two years' salary if they are dismissed without cause, and a payment equal to three year's salary in the event of a change of control and upon the occurrence of certain trigger events. The entitlements of management with such agreements are similar to, but in some cases are less than, those held by executives. For further details see "Statement of Executive Compensation – Termination of Employment and Corporate Transactions" in this Circular.

Benefits

The Corporation does not have a pension plan but does provide its executives with medical, health and life insurance coverage commensurate with their seniority and industry norms. Additional benefits are reviewed and awarded by the Compensation Committee from time to time according to evolving needs and practices.

Short-Term Compensation Incentives

The Corporation may from time to time award discretionary bonuses; however, the Compensation Committee does not place great emphasis on the awarding of annual bonuses. Bonuses may be awarded to certain executives where such executives meet personal objectives or where the Corporation achieves certain objectives as a direct or indirect result of such executive's efforts. No bonuses were awarded in fiscal 2008.

Long-Term Compensation Incentives

Long-term incentive compensation for executive officers is provided through grants of stock options pursuant to the Corporation's Stock Option Plan. Stock option grants to executive officers are generally reviewed annually. The number of stock options granted is based on each individual's salary range, responsibility and performance and takes into account the number and terms of stock options that have been previously granted to that individual. There were 405,600 stock options granted during fiscal 2008 and 1,386,500 stock options were granted subsequent to the year end.

Other Positions

Each of the executives has held, holds, or will hold similar executive positions with other publicly listed companies. Each executive is required to declare these positions to, and have them approved by, the Compensation Committee. This declaration and approval last occurred on October 29, 2008.

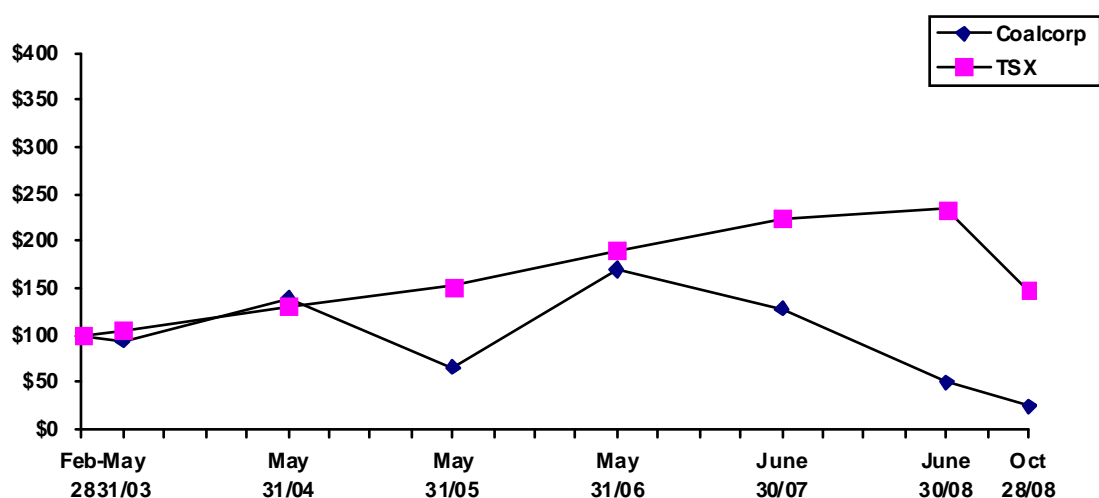
The members of the Compensation Committee have approved the contents of this report and its inclusion in this Circular.

Report presented by: Robert Metcalfe (Chair of Compensation Committee)
 Michael Beckett
 Augusto Lopez

PERFORMANCE GRAPH

The following graph illustrates changes over the period from February 23, 2003 (the date the common shares of the Corporation (then called Adobe Ventures Inc.) began trading on the TSX Venture Exchange) to October 28, 2008 in cumulative total shareholder return, assuming that \$100 was invested in common shares of the Corporation on February 23, 2003 (with any dividends re-invested), compared with the S&P/TSX Composite Index.

From February 28, 2003 until May 21, 2006 the common shares of the Corporation traded on the TSX Venture Exchange. On May 22, 2006, the common shares of the Corporation began trading on the TSX.



SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information concerning the Corporation's incentive stock option plan (the "Stock Option Plan") as of June 30, 2008. The Corporation has no equity compensation plans other than the Stock Option Plan:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by shareholders	4,498,127	\$5.25	12,802,557
Equity compensation plans not approved by shareholders	N/A	N/A	N/A
Total	4,498,127	\$5.25	12,802,557

The aggregate number of common shares of the Corporation reserved for issuance upon the exercise of options pursuant to the Stock Option Plan (as described in greater detail below) is such number of common shares as is equal to 10% of the number of issued and outstanding common shares from time to time. As of the date of this Circular, the maximum number of common shares which may be issued under the Stock Option Plan is 17,300,704 (representing 10% of the 173,007,049 common shares of the Corporation currently issued and outstanding).

As at the date of this Circular, options exercisable to purchase an aggregate of 5,836,406 common shares have been granted and are outstanding pursuant to the Stock Option Plan.

Description of Stock Option Plan

The Stock Option Plan provides for the grant of options to purchase common shares to eligible directors, officers, employees and consultants of the Corporation or any of its affiliates (“**Participants**”). The purpose of the Stock Option Plan is to attract, retain, motivate and compensate persons who are integral for the growth and success of the Corporation. The Stock Option Plan is administered by the Board. All of the powers exercisable by the Board under the Stock Option Plan may, to the extent permitted by applicable law and as authorized by the Board, be exercised by the Compensation Committee. The aggregate number of common shares of the Corporation currently reserved for issuance upon the exercise of options pursuant to the Stock Option Plan is such number of common shares as is equal to 10% of the number of issued and outstanding common shares from time to time.

The number of common shares issuable to insiders and such insiders’ associates pursuant to options granted under the Stock Option Plan and all other security based compensation arrangements of the Corporation shall not, at any time, exceed 10% of the total number of common shares then issued and outstanding. The number of common shares issued to insiders and such insiders’ associates pursuant to options granted under the Stock Option Plan and all other security based compensation arrangements shall not, within a one year period, exceed 10% of the total number of common shares then issued and outstanding. The number of common shares issued to any insider and such insider’s associates pursuant to options granted under the Stock Option Plan and all other security based compensation arrangements shall not, within a one year period, exceed 5% of the total number of common shares then issued and outstanding.

In addition to the limitations on the grant of options under the Stock Option Plan described above, the number of shares reserved for issuance to any one person pursuant to options shall not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance pursuant to options granted to directors who are not also employees of the Corporation, in the aggregate, shall not exceed 1% of the issued and outstanding common shares.

The exercise price of an option is set by the Board at the time of grant, but may not be less than the closing price of the common shares of the Corporation on the TSX (or such other principal stock exchange on which the common shares may be listed) on the last trading day preceding the date on which the grant of the option is approved by the Board. The Stock Option Plan provides for flexible vesting, at the discretion of the Board. Under the Stock Option Plan, the Board determines the term of any options granted, which shall not exceed 10 years from the date of grant.

The expiration of any option will be accelerated if the Participant’s employment or other relationship with the Corporation terminates. An optionee that ceases to be a Participant (for reasons other than termination for cause) has 90 days from the date of termination to exercise all existing vested options; provided that in no event shall such right extend beyond the option period. In the event of the death of a Participant, the options granted to the Participant shall be exercisable thereafter by the person or persons to whom the Participant’s rights under the option shall pass by the Participant’s will or the laws of descent and distribution; provided that in no event shall such right extend beyond the option period. If the date on which an option expires occurs during or within two business days after the last day of a trading black-out period imposed pursuant to the Corporation’s insider trading policy (as may be amended from time to time), then the expiry date of such option shall be the date that is 10 business days following the date of expiry of the black-out period.

Any exercises of options will make new grants available under the Stock Option Plan effectively resulting in re-loading of the number of options available to grant under the Stock Option Plan.

The benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Stock Option Plan are not assignable or transferable by the Participant except: (a) from the Participant to an entity controlled by the Participant or the Participant’s registered retirement savings plan (“**RRSP**”) or registered retirement income fund (“**RRIF**”) or from an entity controlled by the Participant or the Participant’s RRSP or RRIF to the Participant and, in either such event, the provisions of the Stock Option Plan shall apply *mutatis mutandis* as though they were originally issued to and registered in the name of the Participant; or (b) as otherwise specifically permitted under the Stock Option Plan and in accordance with applicable securities laws.

The Stock Option Plan further provides for the termination of options in connection with certain fundamental changes such as the dissolution, liquidation or merger of the Corporation, or in the event of a change of control of the Corporation and provides for accelerated vesting in such circumstances, at the discretion of the Board. Subject to the approval of any stock exchange on which the Corporation's securities are listed, the Board may suspend, amend or terminate the Stock Option Plan.

The following types of amendments to the Stock Option Plan or an option granted under the Stock Option Plan require shareholder approval: (a) any increase in the maximum number of common shares issuable under the Stock Option Plan; (b) any reduction in the exercise price of outstanding options; (c) the cancellation of any option for the purpose of exchange for re-issuance at a lower exercise price to the same person; (d) any extension of the expiry date of an outstanding option (other than in accordance with the Stock Option Plan); (e) any increase in the term of options granted under the Stock Option Plan beyond 10 years from the date grant; (f) any amendment to transfer provisions applicable to options granted under Stock Option Plan; (g) any change in the matters requiring shareholder approval under the Stock Option Plan; and (h) and change in the class of Participants to whom options may be granted under the Plan. The Board may approve all other amendments to the Stock Option Plan or options granted under the Stock Option Plan.

Other than certain housekeeping amendments to clarify the exercise period of options following termination (without cause) or resignation, being a period of 90 days, no amendments to the Stock Option Plan have been made since the date of the last annual meeting of the shareholders of the Corporation.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Instrument 58-101 – “Disclosure of Corporate Governance Practices” (“**NI 58-101**”) and National Policy 58-201 – “Corporate Governance Guidelines” (“**NP 58-201**”) set out a series of guidelines for effective corporate governance. Each reporting issuer, including the Corporation, must disclose on an annual basis and in prescribed form, the corporate governance practices that it has adopted. The Corporation's annual disclosure of its corporate governance practices in accordance with Form 58-101F1 – “Corporate Governance Disclosure” under NI 58-101 is attached to this Circular as Schedule “A”.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is currently comprised of four Directors: Michael Beckett (Chair), Robert Metcalfe, Allan Wakefield and Miguel A. Rodriguez. Each of the members of the Audit Committee is independent, other than Michael Beckett, who will step down from the Committee following the Meeting, and all are financially literate for the purposes of National Instrument 52-110 – “Audit Committees”.

Each has a minimum of 20 years' business experience and each has held or currently holds executive or senior board positions that required oversight and understanding of the accounting principles underlying the preparation of the Corporation's financial statements.

The Audit Committee is mandated to monitor audit functions, monitor the preparation of financial statements, review press releases on financial results, review other regulatory documents as required, and meet with outside auditors independently of management. A copy of the Audit Committee Charter is attached as Appendix “B” to the Annual Information Form of the Corporation dated September 4, 2008.

The Corporation's Audit Committee meets periodically with management and the independent auditors to ensure that each is discharging its respective responsibilities, to review the consolidated financial statements and the independent auditors' report and to discuss significant financial reporting issues and auditing matters. The external auditors have full and unrestricted access to the Audit Committee to discuss audit findings, financial reporting and other related matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders.

The Audit Committee has discussed with the Corporation's auditors issues concerning independence of auditors and have received written disclosures confirming the same.

Based on the review and discussions above, the committee has recommended to the Board to include the audited consolidated financial statements in the annual report to the shareholders.

The members of the Audit Committee have approved the contents of this report and its inclusion in this Circular.

Report presented by: Michael Beckett (Chair of Audit Committee)
Robert Metcalfe
Allan Wakefield
Miguel A. Rodriguez

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No individual who is, or at any time during the most recent completed financial year of the Corporation was, a director or executive officer of the Corporation, no proposed nominee for election as a director of the Corporation, or any associate of any one of them is, or at any time since the beginning of the most recent completed financial year of the Corporation has been, indebted to the Corporation (other than in respect of amounts which would constitute routine indebtedness) or was indebted to another entity, which such indebtedness is, or was at any time during the most recent completed financial year of the Corporation, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Other than as set forth in this Circular (see, in particular, disclosure with respect to advisory fees paid to Endeavour Financial under “Statement of Executive Compensation – Compensation of Directors”) and other than transactions carried out in the ordinary course of business of the Corporation or any of its subsidiaries, none of the directors or officers of the Corporation, a proposed management nominee for election as a director of the Corporation, any shareholder beneficially owning shares carrying more than 10% of the voting rights attached to the shares of the Corporation nor an associate or affiliate of any of the foregoing persons had since June 30, 2007 any material interest, direct or indirect, in any transactions that materially affected or would materially affect the Corporation or any of its subsidiaries.

On June 27, 2008, the Corporation entered into an agreement of purchase and sale with Lando Industrial Park Inc., a Panamanian joint venture led by a group of Italian private equity investors, and Promotora de Energía Eléctrica de Cartagena & Cia, S.C.A. E.S.P. (“**Proelectrica**”), to sell the Corporation’s port interest and related assets in Cartagena, Colombia for total consideration of approximately US\$20.4 million. Proelectrica is a Cartagena, Colombia-based electrical utility that is 21.7% owned indirectly by Pacific Rubiales Energy Corp. (“**Pacific**”). Messrs. Iacono, de la Campa, Lopez and Rodriguez are current directors of both Pacific and the Corporation. All common directors abstained from voting on, and approving, the transaction. This transaction was not deemed to be a related party transaction under applicable securities laws.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

Management of the Corporation knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Circular to vote the same in accordance with their best judgment of such matters.

AVAILABLE INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information about the Corporation is provided in the Corporation's comparative financial statements and MD&A for its most recently completed financial year. See also the Annual Information Form of the Corporation dated September 4, 2008.

Shareholders of the Corporation may request copies of the Corporation's financial statements and MD&A by contacting the Secretary of the Corporation at the Corporation's head office at 220 Bay Street, Suite 1400, Toronto, Ontario, M5J 2W4, telephone no.: (416) 360-4653.

DATED: November 11, 2008.

APPROVED BY ORDER OF THE BOARD OF DIRECTORS

"Peter Volk"

Peter Volk
General Counsel & Secretary

SCHEDULE “A”

CORPORATE GOVERNANCE PRACTICES

1. Board of Directors

The Board is currently comprised of 10 directors, five of whom are “independent” under NI 58-101. While the Board believes that the current composition provides appropriate independent representation for the public shareholders of the Corporation, the Corporation has sought and will continue to seek to expand the number of independent directors on the Board and has, in conjunction with Meeting, nominated a slate of directors that includes a majority of independent directors.

Current members of the Board that qualify as independent directors under NI 58-101 include Robert Metcalfe, Augusto Lopez, Miguel Rodriguez, Allan Wakefield and Luis Carlos Valenzuela Delgado. Michael Beckett, Serafino Iacono, Miguel de la Campa, Jan Castro and Joseph Belan do not qualify as independent directors under NI 58-101.

Nominees for election as directors of the Corporation at the Meeting that will qualify as independent directors under NI 58-101 include Robert Metcalfe, Miguel Rodriguez, Allan Wakefield, Luis Carlos Valenzuela Delgado, George Halatsis and Steven Parker. Serafino Iacono, Miguel de la Campa, Jan Castro and Joseph Belan will not qualify as independent directors under NI 58-101.

The following table identifies current and nominee directors who are independent and those directors who are not independent under NI 58-101, along with the basis for determining independent status.

Name	Nominee for Election at Meeting	Management	Independent	Reason for non-independent status
Michael Beckett	No	No	No	Director of Endeavour Financial Corporation, which has received advisory fees from the Corporation
Robert Metcalfe	Yes	No	Yes	N/A
Augusto Lopez	No	No	Yes	N/A
Miguel A. Rodriguez	Yes	No	Yes	N/A
Serafino Iacono	Yes	Yes	No	Executive Director of the Corporation
Miguel de la Campa	Yes	Yes	No	Executive Director of the Corporation
Allan Wakefield	Yes	No	Yes	N/A
Luis Carlos Valenzuela Delgado	Yes	No	Yes	N/A
Jan Castro	Yes	No	Yes	N/A
Joseph Belan	Yes	No	Yes	N/A
George Halatsis	Yes	No	Yes	N/A
Steven Parker	Yes	No	Yes	N/A

In order to facilitate the exercise of independent judgment in carrying out the Board’s responsibilities, the Board has established a Mandate that sets forth in detail the responsibilities and obligations of the members, including the obligation to identify and declare conflicts of interest. Further, the responsibilities of the Board and management to act with due care in the best interests of the Corporation are well defined by law and both management and the Board recognize their respective duties and obligations. The independent directors occasionally meet in the absence of non-independent directors and members of management, and at each Board meeting there is the possibility to do so. The Board anticipates that such meetings can and will continue to be held in the future, either formally or informally.

Corporate objectives are reviewed by the Board from time to time throughout the year. The Board has the mandate to set the strategic direction of the Corporation and to oversee its implementation by management of the Corporation. To assist it in fulfilling this responsibility, the Board has specifically recognized its responsibility for several areas, including:

- (a) reviewing and approving the Corporation's strategic and operating plans;
- (b) reviewing and approving material proposed expenditures;
- (c) reviewing and approving significant operational and financial matters; and
- (d) providing direction to management on these matters.

Decisions regarding the ongoing day-to-day management are made by management of the Corporation. The Board meets regularly to review the business operation and financial statements of the Corporation and also discharges, in part, its responsibility through the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. The frequency of the meetings of the Board, as well as the nature of agenda items, change depending upon the state of the Corporation's affairs and in light of opportunities which arise or risks which the Corporation faces. The Corporation will hold a minimum of four meetings of the Board in each financial year.

The Board participates fully in assessing and approving strategic plans and prospective decisions proposed by management. In order to ensure that the principal business risks borne by the Corporation are appropriate, the directors receive and comment on periodic reports from management as to the Corporation's assessment and management of such risks. The Board regularly monitors the financial performance of the Corporation, including receiving and reviewing periodic management reports. The Board, directly and through its Audit Committee, assesses the integrity of the Corporation's internal control and management information systems.

Moreover, the Corporation has adopted a corporate disclosure policy within its corporate governance policy. The policy deals with, among other things, how the Corporation interacts with analysts, investors, other stakeholders and the public as well as how the Corporation complies with its disclosure obligations. The policy is to be reviewed on an annual basis. In addition, the Audit Committee reviews press releases containing the quarterly results of the Corporation prior to release and all press releases of the Corporation are reviewed by internal legal counsel. The Corporation's disclosure policy has been established in accordance with the relevant disclosure requirements under applicable Canadian securities laws.

All directorships with other public entities for each of the Board members are set forth in the Circular under "Election of Directors – Directorships with Other Issuers".

Since May 25, 2006, Mr. Beckett, a non-management director, has served as the Chair of the Board. The attendance record of each director for all Board meetings held during the Corporation's most recently completed financial year is set out below:

Board Meetings	Total Number of Meetings	Number of Meetings Attended	Attendance %
Michael Beckett	12	10	83%
Robert Metcalfe	12	12	100%
Augusto Lopez	12	10	83%
Miguel A. Rodriguez	12	9	75%
Serafino Iacono	12	12	100%
Miguel de la Campa	12	11	92%
Jose Francisco Arata	12	10	83%
Neil Woodyer	12	9	75%

Allan Wakefield was appointed to the Board on September 2, 2008 and Luis Carlos Valenzuela Delgado, Jan Castro and Joseph Belan were appointed to the Board on November 11, 2008, in each case subsequent to the end of the Corporation's most recently completed financial year. Neil Woodyer and Jose Francisco Arata resigned from the Board of November 11, 2008.

2. Board Mandate

The Board Mandate is attached to this Circular as Schedule “B”.

3. Position Descriptions

The Board has developed written position descriptions for the Chair of the Board, for the chair of each committee of the Board and the Chief Executive Officer. Decisions regarding the ongoing day-to-day management are made by management of the Corporation. The Board meets regularly to review the business operations and financial statements of the Corporation and also discharges, in part, its responsibility through the Audit Committee and Compensation Committee. The frequency of the meetings of the Board, as well as the nature of agenda items, change depending upon the state of the Corporation's affairs and in light of opportunities which arise or risks which the Corporation faces. The Corporation will hold a minimum of four meetings of the Board in each financial year. When business requires that a board meeting cannot be called within a reasonable time, board decisions are made by written resolution signed by all directors.

The Board participates fully in assessing and approving strategic plans and prospective decisions proposed by management. In order to ensure that the principal business risks borne by the Corporation are appropriate, the directors receive and comment on periodic reports from management as to the Corporation's assessment and management of such risks. The Board regularly monitors the financial performance of the Corporation, including receiving and reviewing detailed financial information. The Board, directly and through its Audit Committee, assesses the integrity of the Corporation's internal control and management information systems.

Input is received at the directors' meetings regarding performance of senior management. The Board has specifically assumed the responsibility for reviewing the performance of senior management. The Board is also charged with addressing matters of succession planning.

4. Orientation and Continuing Education

While the Corporation has not established a formal orientation and education program for new board members, the Corporation is committed to providing such information so as to ensure that the new directors are familiar with the Corporation's business and the procedures of the Board. Information may include the Corporation's corporate and organizational structure, recent filings and financial information, governance documents and important policies and procedures. The Board will ensure that every director possesses the capabilities, expertise, availability and knowledge required to fill his or her position adequately. From time to time, the Corporation will arrange on-site tours of its operations.

The Board ensures that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the Corporation expects from its directors). All new directors are expected to understand the nature and operation of the business.

The Board provides continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the Corporation's business remains current.

5. Ethical Business Conduct

As a responsible business and corporate citizen, the Corporation is committed to conducting its affairs with integrity, honesty, fairness and professionalism, and therefore, the Board has approved a Code of Ethics (the “Code”) intended to encourage and promote a culture of ethical business conduct. The Code is available on SEDAR at www.sedar.com or upon request to the Secretary of the Corporation at its office at 220 Bay Street, Suite 1400, Toronto, Ontario, M5J 2W4.

The Code applies at all levels of the organization, from major decisions to day-to-day transactions. The Code

delineates the standards governing the relations between the Corporation and shareholders, customers, suppliers and competitors respectively. Within this framework, employees and directors are expected to exercise good judgment and be accountable for their actions. All employees and directors are required to review and attest to compliance with the Code on an annual basis.

The Board receives reports on compliance with the Code. The Board has not granted any waiver of the Code in favour of any directors, officers or employees since the Code was adopted by the Board. Accordingly, no material change report has been required or filed.

Transactions and agreements in respect of which a director or executive officer has a material interest must be reviewed and approved by the Board in accordance with the Code. Since the beginning of the Corporation's most recently completed financial year, there has been no such transaction, other than as disclosed in the Circular under "Interest of Insiders in Material Transactions".

6. Nomination of Directors

The Board has the ultimate responsibility for the appointment, nomination and assessment of directors, but it performs this function with the assistance of the Corporate Governance and Nominating Committee. The Board believes that this is a practical approach at this stage of the Corporation's development. While there are no specific criteria for Board membership, the Corporation attempts to attract and maintain directors with a wealth of business knowledge and particular knowledge of the Corporation's industry or other industries which provide knowledge or which would assist in guiding the officers of the Corporation. As such, and in order to encourage an objective nomination process nominations tend to be the result of recruitment efforts by management of the Corporation and members of the Corporate Governance and Nominating Committee, but are subject to informal discussions among the directors prior to the consideration by the Board as a whole of the nominated director.

The Corporate Governance and Nomination Committee is a committee of the Board of Directors which assists the Board by providing it with recommendations relating to corporate governance in general, including, without limitation: (a) all matters relating to the stewardship role of the Board in respect of the management of the Corporation, (b) Board size and composition, including the candidate selection process and the orientation of new members, (c) Board compensation, and (d) such procedures as may be necessary to allow the Board to function independently of management. The committee also oversees compliance with policies associated with an efficient system of corporate governance. The charter of the Corporate Governance & Nominating Committee is attached to this Circular as Schedule "C".

7. Compensation

The Compensation Committee reviews and approves salary and benefits for the executives of the Corporation and compensation for the directors of the Corporation. The Corporation has developed policies for the compensation of its executives and directors. For specific disclosure regarding the compensation of executive officers, including the Chief Executive Officer, please see "Report on Executive Compensation".

Each of the current members of the Compensation Committee, other than Michael Beckett, is an independent director.

The Charter of the Compensation Committee establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the Board. In addition, the Compensation Committee will have the authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.

The Compensation Committee is responsible, among other things, for:

- (a) reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation, evaluating the Chief Executive Officer's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the Chief Executive Officer's compensation level based on this evaluation;

- (b) making recommendations to the board with respect to officer and director compensation, incentive-compensation plans and equity-based plans; and
- (c) reviewing executive compensation disclosure before the Corporation publicly discloses this information.

The responsibilities, powers and operations of the Compensation Committee are set out in its Charter, a copy of which is attached as Appendix “A” to the Annual Information Form of the Corporation dated September 4, 2008, available on SEDAR at www.sedar.com.

8. Other Board Committees

The only standing committees of the Board are the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee, as discussed above.

9. Assessments

The Board monitors the effectiveness of the relationship between management and the Board, the effectiveness of Board operations, the operations of the committees of the Board as well as of individual directors in order to recommend improvements to each of the above. This is accomplished through an informal process in discussions between the chairman and relevant directors. As well, the effectiveness of the board’s relationship with management and its own effectiveness is gauged by each individual director, who is encouraged to raise such issues before the board.

SCHEDULE “B”

MANDATE OF THE BOARD OF DIRECTORS

COALCORP MINING INC. (the “Corporation”)

I. General

The Board of Directors of the Corporation (the “Board”) is responsible for the supervision of the management of the Corporation’s business and affairs, with the objective of increasing shareholder value.

The Board shall be constituted with at least two independent directors, as that term is defined in applicable securities legislation and stock exchange rules. The Board’s independent directors will meet periodically without management and non-independent directors.

Directors are expected to attend all Board meetings and review all meeting materials in advance. They are expected to take an active part in Board decisions.

II. Composition

The Board shall be composed of a minimum of three and a maximum of ten members.

III. Responsibilities

The responsibilities of the Board shall generally include, but not be restricted to, undertaking the following:

With respect to strategic planning

- (a) Approving the Corporation’s long-term strategy, taking into account, amongst other matters, business opportunities and risks.
- (b) Approving and monitoring the implementation of the Corporation’s annual business plan.
- (c) Advising management on strategic issues.

With respect to human resources and performance assessment

- (a) In consultation with the Corporate Governance and Nominating Committee, choosing the Chief Executive Officer (“CEO”) and approving the appointment of other senior management executives.
- (b) Monitoring and assessing the performance of the CEO and of senior management and approving their compensation, taking into consideration the recommendations of the Compensation Committee and Board expectations and fixed goals and objectives.
- (c) Monitoring management and Board succession planning processes.
- (d) Monitoring the size and composition of the Board and its committees based on competencies, skills and personal qualities sought in Board members.
- (e) Approving the list of Board nominees for election by shareholders.

With respect to financial matters and internal control

- (a) Monitoring the integrity and quality of the Corporation's financial statements and the appropriateness of their disclosure.
- (b) Reviewing the general content of, and the Audit Committee's report on the financial aspects of, the Corporation's annual information form, management information circular, management's discussion and analysis, prospectuses and any other documents required to be disclosed or filed by the Corporation before their public disclosure or filing with regulatory authorities.
- (c) Approving operating and capital budgets, the issuance of securities and, subject to the schedule of authority adopted by the Board, any transaction out of the ordinary course of business, including proposals on mergers, acquisitions or other major transactions such as investments or divestitures.
- (d) Determining dividend policies and procedures.
- (e) Taking all reasonable measures to ensure that appropriate systems are in place to identify business risks and opportunities and overseeing the implementation of processes to manage these risks and opportunities.
- (f) Monitoring the Corporation's internal control and management information systems and regulatory certification practices.
- (g) Monitoring the Corporation's compliance with applicable legal and regulatory requirements.
- (h) Reviewing at least annually the Corporation's disclosure policy and monitoring the operation of the disclosure policy.

With respect to corporate governance matters

- (a) Taking all reasonable measures to satisfy itself as to the integrity of management and that management creates a culture of integrity throughout the Corporation.
- (b) Reviewing, on a regular basis, appropriate corporate governance structures and procedures, including the identification of decisions requiring approval of the Board and, where appropriate, measures for receiving stakeholder feedback, and the adequate public disclosure thereof.
- (c) Adopting and reviewing, on a regular basis, the Corporation's Code of Ethics and monitoring compliance with such code.
- (d) Taking all reasonable measures to ensure the annual performance assessment of the Board, Board committees, Board and committee chairs and individual directors.
- (e) Adopting orientation and continuing education programs for directors.

IV. Method of Operation

Meetings of the Board shall be held at least quarterly and as required; in addition, a special meeting of the Board shall be held, at least annually, to review the Corporation's strategic plan. The quorum at any meeting of the Board shall be a majority of directors in office.

The Board chair shall develop the agenda for each meeting of the Board, in consultation with the CEO in the event those two positions are held by separate individuals, or the lead independent director if such a position is held by an independent director. The agenda and the appropriate material shall be provided to directors of the Corporation on a timely basis prior to any meeting of the Board.

Independent directors should meet periodically without management and other non-independent directors present.

SCHEDULE “C”

CHARTER OF THE CORPORATE GOVERNANCE AND NOMINATION COMMITTEE

COALCORP MINING INC. (the “Corporation”)

I. Purpose

The Corporate Governance and Nomination Committee (the “Committee”) is a committee of the Board of Directors which assists the Board by providing it with recommendations relating to corporate governance in general, including, without limitation: (a) all matters relating to the stewardship role of the Board in respect of the management of the Corporation, (b) Board size and composition, including the candidate selection process and the orientation of new members, (c) Board compensation, and (d) such procedures as may be necessary to allow the Board to function independently of management. The Committee will also oversee compliance with policies associated with an efficient system of corporate governance.

II. Composition

The Committee will be comprised of at least three directors, at least two of whom qualify as independent directors, as determined by the Board¹.

Members of the Committee shall be appointed by the Board of Directors on an annual basis and shall serve at the pleasure of the Board, or until the earlier of (a) the close of the next annual meeting of shareholders of the Corporation at which the member's term of office expires, (b) the death of the member or (c) the resignation, disqualification or removal of the member from the Committee or from the Board. The Board may fill a vacancy in the membership of the Committee.

All members should have skills and/or experience which are relevant to the mandate of the Committee, as determined by the Board.

At the time of the annual appointment of the members of the Committee, the Board shall appoint a Chair of the Committee. The Chair shall be a member of the Committee, preside over all Committee meetings, coordinate the Committee's compliance with this charter, and provide reports of the Committee to the Board. The Chair may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.

III. Responsibilities

The responsibilities of the Committee shall generally include, but not be restricted to, undertaking the following:

- A. The Committee will review and make recommendations to the Board respecting:
- Corporate governance in general and regarding the Board's stewardship role in the management of the Corporation, including the role and responsibilities of directors and appropriate policies and procedures for directors to carry out their duties with due diligence and in compliance with all legal and regulatory requirements.
 - (i) The size and composition of the Board (including with reference to applicable rules, regulations or guidelines promulgated by regulatory authorities related to corporate governance), (ii) general responsibilities and functions of the Board and its members, and of the Chief Executive Officer (the “CEO”), including position descriptions for the CEO and the Chair of the Board, (iii) the organization of Board committees, and (iv) the procedures for effective Board meetings to ensure that the Board functions independently of management and without conflicts of interest.

- The long term plan for the composition of the Board that takes into consideration the current strengths, skills and experience on the Board and the strategic direction of the Corporation. This plan may include: (i) the desired qualifications, demographics, skills and experience for potential directors, (ii) the appropriate rotation of directors on Board committees, (iii) an interview process for potential candidates for Board membership, and (iv) a list of future candidates for Board membership.
 - When required, a candidate for appointment as Chair of the Board, after taking into account the competencies and skills that the Board as a whole should possess, the competencies and skills that the existing directors possess, the competencies and skills of the proposed nominee and the amount of time and resources the proposed nominee can devote as a member of the Board.
 - When required, a candidate for appointment to the office of CEO.
 - Annually, in consultation with the Chair of the Board and the CEO, the Board nominees for election as members of the Board.
 - As required, candidates to fill any Board and Committee vacancies.
 - Whether the Committee and the Board will consider candidates for the Board recommended by shareholders, and if so, any policies and procedures with respect thereto.
 - At appropriate intervals and in consultation with the Compensation Committee: (i) compensation and benefit levels for the directors of the Corporation and its subsidiaries, and (ii) compensation and benefit levels for the Chair of the Board.
 - Together with the Chairs of other Board Committees, the scope, duties and responsibilities of those Committees and where advisable, any amendments thereto, as well as the establishment or disbanding of Board Committees and changes to their composition, including the Chairs thereof.
 - Periodically, directors and officers third party liability insurance coverage.
 - The framework for delegating authority from the Board to management.
- B. As applicable from time to time, the Committee will review, approve and report to the Board on:
- The orientation process for new directors and plans for the ongoing development of existing Board members including the provision of continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the Corporation's business remains current.
 - The establishment of appropriate processes for the regular evaluation of the effectiveness of the Board, its committees and its members.
 - In conjunction with the Chair of the Board, the performance of individual directors, the Board as a whole, and committees of the Board.
 - The performance evaluation of the Chair of the Board and the Chair of each Board Committee.
 - CEO succession planning.

- Together with the Chair of the Board (where appropriate), concerns of individual directors about matters that are not readily or easily discussed at full Board meetings, to ensure the Board can operate independently of management.
 - The corporate governance disclosure sections in the Corporation's securities law and stock exchange filings, and any other corporate governance matters as required by public disclosure requirements.
- C. The Committee will oversee compliance with the Corporation's Corporate Disclosure Policy, Privacy Policy and Insider Trading Policy, authorize any waiver granted in connection with these policies, and confirm with management the appropriate disclosure of any such waiver.
- D. The Committee will oversee compliance with the Corporation's Code of Ethics (the "Code"), monitor compliance with the Code, authorize any waiver granted in connection with the Code (provided, however, that any waiver granted with respect to a director or officer must be granted by the Board, and the Committee may delegate the approval of waivers with respect to non-officer employees to the Chair of the Committee or a designated compliance officer), and oversee the appropriate disclosure of any such waivers.
- E. The Committee will oversee compliance with any rules, regulations or guidelines promulgated by regulatory authorities relating to corporate governance.
- F. The Committee will receive and consider all requests for the retention of outside advisors and experts from an individual director.

IV. Meetings and Advisors

The Committee will meet as often as it deems necessary or appropriate to perform its duties and to carry out its responsibilities described above in a timely manner, but not less than two times a year. The quorum at any meeting of the Committee shall be a majority of its members. All such meetings shall be held pursuant to the By-Laws of the Corporation with regard to notice and waiver thereof. Meetings of the Committee may be with appropriate representatives of management, either individually or collectively as may be required by the Chair of the Committee. Written minutes of each meeting of the Committee shall be filed in the Corporation's records. The Chair of the Committee will report periodically to the Board of Directors.

The Committee shall, in appropriate circumstances and subject to advising the Chair of the Board, have the authority to engage and obtain advice and assistance from advisors, including independent or outside legal counsel and shall have sole authority to retain and/or terminate a compensation consulting firm. The Committee shall have the sole authority to approve the fees and other retention terms of any such engagement, as it determines is necessary or appropriate to carry out its duties. All related fees and costs of such advisors shall be paid promptly by the Corporation in accordance with its normal business practices.

V. Currency of this charter

This charter was last revised and approved by the Board on November 1, 2007.

Nothing contained in this charter is intended to expand applicable standards of conduct under statutory or regulatory requirements for the directors of the Corporation or the members of the Committee.