



MANAGEMENT INFORMATION CIRCULAR

**ANNUAL GENERAL MEETING OF
SHAREHOLDERS OF PROSPEX RESOURCES LTD.
TO BE HELD ON MAY 12, 2009**

MARCH 16, 2009



NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders (the "Meeting") of ProspEx Resources Ltd. ("ProspEx") will be held at 10:00 a.m. (local time) on Tuesday, May 12, 2009 in the Lecture Theatre of The Metropolitan Centre, 333 – 4th Avenue S.W., Calgary, Alberta, Canada, for the following purposes:

1. to receive the annual financial statements for the year ended December 31, 2008 and the auditors' report thereon;
2. to appoint auditors for the ensuing year and authorize the board of directors to fix their remuneration;
3. to elect directors for the ensuing year; and
4. to transact such other business as may be properly brought before the Meeting or any adjournment thereof.

Specific details of the matters to be brought before the Meeting are set forth in the accompanying Management Information Circular.

Shareholders who are unable to attend the Meeting in person are requested to complete, date and sign the enclosed form of proxy and return it to the Transfer Agent of the common shares of ProspEx, Olympia Trust Company, Suite 2300, 125 – 9th Avenue S.E., Calgary, Alberta T2G 0P6 (fax number: 403-265-1455). To be valid and used, properly executed proxies must be received by the Transfer Agent at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or any adjournment thereof. If a shareholder receives more than one proxy form because such shareholder owns common shares of ProspEx registered in different names or addresses, each proxy form should be completed and returned.

The share transfer books of ProspEx will not be closed, but the board of directors of ProspEx has fixed March 26, 2009 as the record date for the determination of shareholders entitled to notice of and to vote at the Meeting and at any adjournment thereof.

DATED at Calgary, Alberta as of March 16, 2009.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) *John W. Rossall*

John W. Rossall
President and Chief Executive Officer

ProspEx Resources Ltd.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

MANAGEMENT INFORMATION CIRCULAR

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GENERAL PROXY INFORMATION

This Management Information Circular is furnished to holders (the "Shareholders") of voting common shares (the "Common Shares") by the management of ProspEx Resources Ltd. ("ProspEx" or the "Corporation") in connection with the solicitation of proxies to be voted at the annual general meeting of Shareholders of ProspEx (the "Meeting") to be held at 10:00 a.m. on Tuesday, May 12, 2009 in the Lecture Theatre of The Metropolitan Centre, 333 – 4th Avenue S.W., Calgary, Alberta, Canada, and at any adjournment thereof, for the purposes set forth in the accompanying Notice of Meeting.

Solicitation of Proxies

The enclosed proxy is solicited by and on behalf of the management of ProspEx. The persons named in the enclosed proxy form are directors or senior officers of ProspEx. Each Shareholder has the right to appoint other persons or companies and a Shareholder desiring to appoint some other person or company (who need not be a Shareholder) to represent the Shareholder at the Meeting may do so either by inserting such other person's name in the blank space provided in the proxy form or by completing another proper form of proxy.

In order to be valid and used at the Meeting, the completed proxy form must be deposited at the offices of Olympia Trust Company, Suite 2300, 125 – 9th Avenue S.E., Calgary, Alberta T2G 0P6 (fax number: 403-265-1455) at least 48 hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. Solicitation will be primarily by mail, but some proxies may be solicited personally or by telephone, facsimile transmission or other electronic means by officers, directors or employees of ProspEx at a nominal cost. The cost of solicitation will be borne by ProspEx.

Revocability of Proxies

A Shareholder who has given a proxy may revoke it either by (a) depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing (i) at the registered office of ProspEx (being Suite 4500, 855 – 2nd Street S.W., Calgary, Alberta T2P 4K7) at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or (ii) with the chairman of the Meeting on the day of the Meeting or an adjournment thereof, or (b) in any other manner permitted by law.

Advice to Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to many holders of Common Shares, as a substantial number of Shareholders do not hold their Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to herein as "Beneficial Shareholders") should note that only proxies deposited by Shareholders whose names appear on the records of ProspEx as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then, in almost all cases, those shares will not be registered in the Shareholder's name on the records of ProspEx. Such shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting Common Shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person or that the Common Shares are duly registered in their name.**

Applicable Canadian regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Each broker or other intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. In some cases, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. In Canada, the majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial

Solutions, Inc ("Broadridge"). In most cases, Broadridge mails a scannable voting instruction form in lieu of the form of proxy provided by ProspEx, and asks Beneficial Shareholders to return the voting instruction form to Broadridge. Alternatively, Beneficial Shareholders can either call their toll-free telephone number to vote their Common Shares, or access Broadridge's dedicated voting web site at www.proxyvotecanada.com to deliver their voting instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote Common Shares directly at the Meeting – the voting instruction form must be returned to Broadridge or, alternatively, instructions must be received by Broadridge well in advance of the Meeting in order to have such shares voted.**

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

Exercise of Discretion by Proxy Holders

The enclosed proxy form confers discretionary authority upon the persons named therein in respect of amendments or variations to matters identified in the Notice of Meeting and other matters which may properly come before the Meeting or any adjournment thereof. At the time of printing of this Management Information Circular, management of ProspEx knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. If any such amendment, variation or other matter properly comes before the Meeting, the shares represented by proxies in favour of management will be voted in accordance with the best judgment of the person voting the proxy.

Record Date

The share transfer books of ProspEx will not be closed, but the board of directors of the Corporation (the "Board of Directors") has fixed March 26, 2009 as the record date (the "Record Date") for the determination of Shareholders entitled to notice of and to vote at the Meeting and at any adjournment thereof. Shareholders of record at the close of business on the Record Date are entitled to such notice and to vote at the Meeting.

Persons who are beneficial holders of Common Shares as of the Record Date will be entitled to vote at the Meeting in accordance with the procedures established pursuant to National Instrument 54-101 - *Communications with Owners of Securities*.

Voting Shares and Principal Holders Thereof

ProspEx has an authorized capital consisting of an unlimited number of Common Shares, an unlimited number of non-voting common shares and an unlimited number of preferred shares, issuable in series. As at March 16, 2009, there were 57,385,162 Common Shares outstanding, and no non-voting common shares or preferred shares outstanding. Each Common Share carries the right to one vote on any matter properly coming before the Meeting.

As of the date hereof, to the knowledge of the directors and senior officers of ProspEx and other than as set forth below, no person beneficially owns, directly or indirectly, or exercises control or direction over, shares carrying more than 10% of the voting rights attached to all equity shares of ProspEx:

- (a) According to an Alternative Monthly Report filed February 10, 2009, Franklin Templeton Investments Corp., on behalf of its operating division, Bissett Investment Management, beneficially owns or exercises control or direction over an aggregate of 9,642,993 Common Shares, representing approximately 16.8% of the outstanding Common Shares as at March 16, 2009; and
- (b) According to an Early Warning Report filed April 3, 2008, Caisse de depot et placement du Quebec holds 6,372,400 Common Shares, representing approximately 11.1% of the outstanding Common Shares as at March 16, 2009.

CDS & Co. and CEDE & Co. hold in excess of 10% of the Common Shares for the benefit of their participants.

BUSINESS TO BE ACTED UPON AT THE MEETING

Receipt of December 31, 2008 Financial Statements

The audited financial statements for the financial year ended December 31, 2008 of ProspEx have been forwarded to Shareholders and are available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") which can be accessed at www.sedar.com. No formal action will be taken at the Meeting to approve the financial statements, with the requirements of the *Business Corporations Act* (Alberta) being met with the advance circulation of such financial statements. If any Shareholders have questions respecting the December 31, 2008 financial statements, the questions may be brought forward at the Meeting.

Appointment of Auditors

Shareholders will be asked at the Meeting to pass a resolution reappointing KPMG LLP, Chartered Accountants, as auditors of ProspEx to hold office until the next annual meeting of shareholders or until their successors are appointed, at remuneration to be fixed by the Board of Directors. KPMG LLP has been the auditor of ProspEx since August 13, 2004. During the financial year ended December 31, 2008, KPMG LLP earned \$122,768 in remuneration for performing audit and related responsibilities and \$2,100 for tax, consulting and other services not related to audit services.

The resolution appointing auditors must be passed by a simple majority of the votes cast with respect to the resolution by Shareholders present in person or by proxy at the Meeting. **In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby in favour of the ordinary resolution appointing KPMG LLP as auditors of ProspEx.**

Election of Directors

At the present time, ProspEx has five directors. Shareholders will be asked at the Meeting to pass a resolution electing five directors. The persons named in the table below are the five nominees of management for election as directors. All proposed nominees have consented to be named in this Management Information Circular and to serve as directors if elected. Each elected director is to hold office until the close of the next annual meeting or until his successor is duly elected or appointed.

In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Common Shares represented thereby in favour of the ordinary resolution electing each of the nominees named below as directors of ProspEx. The Board of Directors does not contemplate that any of such nominees will be unable to serve as a director; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion unless the Shareholder has specified in his or her proxy that his or her Common Shares are to be withheld from voting on the election of directors.

The table below sets out the name of each of the persons proposed to be nominated for election as a director; his municipality of residence; all positions and offices in ProspEx presently held by him; his current principal occupation; the period during which he has served as a director; and the number of Common Shares that he has advised are beneficially owned by him, directly or indirectly, or over which control or direction is exercised by him, all as of March 16, 2009.

<p>Stephen J. Savidant (59), of Calgary, Alberta, Canada, has been Chairman of the Board of Directors of ProspEx since August 13, 2004. Mr. Savidant has been an independent business man since 2006. In 2006, he retired from the role of President and Chief Executive Officer of Esprit Exploration Ltd. (oil and gas company), the operating company of Esprit Energy Trust, which he had held since May 2002. Mr. Savidant's entire career has been in the Canadian petroleum industry. Prior to Esprit Exploration Ltd., he was with Canadian Hunter Exploration Ltd. (oil and gas company) for 16 years, rising to President and Chief Executive Officer. Mr. Savidant's other industry experience was with Imperial Oil Limited (oil and gas company) and Dome Petroleum Limited (oil and gas company).</p>	<p>Chairman, Board of Directors</p> <p>1,083,901 Common Shares ⁽¹⁾</p>
<p>Mr. Savidant holds a Bachelor of Engineering degree and a Master of Business Administration, both from McGill University.</p>	
<p>Mr. Savidant is on the Board of Directors of Empire Company Limited and Toromont Industries Ltd.</p>	
<p>John W. Rossall (48), of Calgary, Alberta, Canada, has been President and Chief Executive Officer of ProspEx and a member of the Board of Directors since August 13, 2004. Mr. Rossall was previously Vice President, North Business Unit of Burlington Resources Canada Limited (oil and gas company) from December 2001 to July 2004, prior thereto, Manager, Deep Basin Business Team with Canadian Hunter Exploration Ltd. (oil and gas company) since November 2000.</p>	<p>President and Chief Executive Officer</p> <p>681,693 Common Shares ⁽¹⁾</p>
<p>Mr. Rossall earned a Bachelor of Applied Science (Chemical Engineering) degree from the University of Waterloo and also attended the Harvard Business School.</p>	
<p>Mr. Rossall is a professional engineer and a member of APEGGA.</p>	
<p>Kyle D. Kitagawa (48), of Calgary, Alberta, Canada, has been a member of the Board of Directors since August 13, 2004. Mr. Kitagawa has spent much of his business career involved in the energy sector as President and Chief Executive Officer of Enron Canada Corp. (energy marketing and trading company) and various management positions at Canadian Hunter Exploration Ltd. (oil and gas company). As such, Mr. Kitagawa brings significant knowledge of energy trading, equity investing and structured financing to the Board.</p>	<p>Chairman, Audit Committee</p> <p>Member, Corporate Governance and Compensation Committee</p> <p>373,280 Common Shares ⁽¹⁾</p>
<p>Mr. Kitagawa earned a Bachelor of Commerce degree from the University of Calgary in 1982 and a Master of Business Administration from Queen's University in 1988. Mr. Kitagawa is also a Chartered Accountant and has previous experience auditing public oil and gas companies.</p>	
<p>Mr. Kitagawa is the Chairman of the Board of Canadian Energy Services LP, Livingston Energy Ltd., and Wave Energy Ltd. He also serves on the Board of Directors of Zargon Energy Trust.</p>	
<p>Brian E. Hiebert (50), of Calgary, Alberta, Canada, has been a member of the Board of Directors since August 13, 2004. Mr. Hiebert has been the President of B&G Energy Ltd. (oil and gas company) since September 2002, prior thereto, Chief Executive Officer of Markwest Resources Canada Corp. (oil and gas company) since August 2001 and prior thereto Chief Executive Officer of Leland Energy Ltd. (oil and gas company) since February 1999.</p>	<p>Chairman, Corporate Governance and Compensation Committee</p> <p>Member, Audit Committee</p> <p>340,476 Common Shares ⁽¹⁾</p>
<p>Mr. Hiebert earned a Bachelor of Geologic Engineering (with a Geophysics option) from the University of Saskatchewan in 1980.</p>	
<p>Mr. Hiebert serves on the Board of Directors of B&G Energy Ltd.</p>	

Ian MacGregor (59), of Calgary, Alberta, Canada, has been a member of the Board of Directors since August 13, 2004. Mr. MacGregor has been President of North West Capital Inc. (private investment and advisory company) since July 2002 and prior thereto, President of White Pass Capital Inc. (private investment and advisory company) since July 1999.

Mr. MacGregor earned a Bachelor of Science (Mechanical Engineering) degree from the University of Calgary in 1971.

Mr. MacGregor serves on the Board of Directors of several private companies. He is the Chairman of the Board of North West Upgrading Inc. and is a board member of: Enmax Corporation; Wild Buffalo Ranching Ltd. and Carraig Ridge Corp.

Member, Audit Committee
Member, Corporate Governance and Compensation Committee
130,155 Common Shares ⁽¹⁾

Notes:

- (1) The information as to Common Shares beneficially owned, not being within the knowledge of ProspEx, has been furnished by the respective individuals.
- (2) ProspEx does not have an Executive Committee. In addition, ProspEx does not have a Reserves Committee as matters relating to the oil and gas assets of ProspEx are dealt with by the entire Board of Directors.

STATEMENT OF EXECUTIVE COMPENSATION

This disclosure is intended to communicate the compensation provided to the Corporation's President and Chief Executive Officer (the "CEO"), the Vice President, Finance, Chief Financial Officer and Corporate Secretary (the "CFO") and the three other most highly compensated officers of the Corporation in 2008 (collectively, the "Named Executive Officers") and the directors of the Corporation. For 2008, the Named Executive Officers are the CEO, the CFO, the Vice President, Land, the Vice President, Exploration and the Vice President, Engineering.

Compensation Discussion and Analysis

The Compensation Discussion and Analysis section of this Management Information Circular discusses the role of the Corporate Governance and Compensation Committee, the Corporation's philosophy for executive compensation, the elements of compensation and the objectives for such elements.

Corporate Governance and Compensation Committee

The Board of Directors initially established the executive compensation arrangements as well as approving an overall compensation philosophy for the entire organization of ProspEx following the reorganization of Esprit Exploration Ltd. The Corporate Governance and Compensation Committee assumed this role effective as of January 5, 2005. In general, the Corporate Governance and Compensation Committee considers and makes recommendations to the Board of Directors regarding the compensation arrangements for executive officers, including salaries, benefits, the establishment of bonus targets and allocation of bonuses and grants of stock options, in each case taking into account information supplied by management and obtained by the Corporate Governance and Compensation Committee members independently.

The Corporate Governance and Compensation Committee presently consists of Brian E. Hiebert (Chair), Kyle D. Kitagawa and Ian MacGregor.

Compensation Philosophy

The Corporate Governance and Compensation Committee, guided by the Corporation's compensation philosophy, attempts to ensure that the compensation of senior executives provides a competitive base compensation package and a strong link between corporate performance and compensation, in order to attract, retain and motivate highly qualified personnel. By placing more emphasis on variable compensation, the compensation program results in a greater portion of the compensation of the executive officers being at risk and dependent upon increases in the performance and stock price of the Common Shares.

Elements of Compensation

The Corporation's compensation structure includes four elements: base salary, annual bonus, long-term incentive and benefits.

(i) Base Salary

The Corporation pays a base salary to each Named Executive Officer in recognition of the officer's exclusive, full time employment with ProspEx. The Corporation's philosophy is that Named Executive Officers should be paid at the median level of a group of companies considered to be a peer group to ProspEx. Companies selected for inclusion in this peer group are publicly traded, junior oil and gas exploration companies of a similar size to ProspEx with operations considered to be analogous to those of ProspEx. Salary information for this peer group was collected from public disclosure for the year 2007, and inflated using average salary increases derived from industry salary surveys to provide a benchmark for 2008 salaries.

Companies included in this peer group include:

Alberta Clipper Energy Inc.	Delphi Energy Corp.	Sabretooth Energy Ltd.
Anderson Energy Ltd.	Fairborne Energy Ltd.	Storm Exploration Inc.
Berens Energy Ltd.	Grey Wolf Exploration Inc.	Twin Butte Energy Ltd.
BirchCliff Energy Ltd.	Iteration Energy Ltd.	Vero Energy Inc.
Breaker Energy Ltd.	Kereco Energy Ltd.	West Energy Ltd.
Celtic Exploration Ltd.	NuVista Energy Ltd.	Yoho Resources Inc.
Cordero Energy Inc.	Orleans Energy Ltd.	
Crew Energy Inc.	ProEx Energy Ltd.	

(ii) Annual Bonus

An annual bonus is paid to incent and reward corporate performance as measured by three broad criteria during the period in question:

- growth metrics; typically production and reserves growth on a per share basis;
- value creation metrics; typically finding and development costs and the cost to add production; and
- achievement of subjective milestones considered to be important in the longer term development of the business.

The range of annual bonus to be paid is zero to 50% of base salary for Named Executive Officers. Achievement in these areas is measured relative to performance of the peer group of companies described previously under the heading "Base Salary". Bonuses approaching the upper end of the bonus range are paid when the performance of the Corporation is equivalent to the top quartile of the peer group, while bonuses towards the lower end of the range are paid when performance is equivalent to the bottom quartile of the peer group.

Subsequent to the 2008 year-end, the Board of Directors accepted a recommendation from the Corporate Governance and Compensation Committee that no payments be made to employees under the cash bonus program of ProspEx in recognition of 2008 corporate and individual performance.

(iii) Long-Term Incentive

The long-term incentive element of the compensation program is intended to align the interests of the Named Executive Officers with that of the Corporation's shareholders over the longer term, and to provide a retention incentive for each Named Executive Officer. This component of the compensation package consists of grants of options to purchase Common Shares ("Options") as permitted under the Stock Option Plan of the Corporation (the "Stock Option Plan") and applicable stock exchange rules. Numerous factors are taken into consideration by the Corporate Governance and Compensation Committee in determining grants of Options, including: a review of previous grants including the vested and unvested value both at current share prices and potential future prices, the remaining vesting period and time to expiry, overall corporate performance, peer company performance, share price performance, the business environment and labour market, and the role and performance of the individual in question.

A total of 907,500 Options were granted to ProspEx employees in 2008, to both new and existing employees of ProspEx, including the Named Executive Officers.

(iv) Benefits

The final element of the compensation program is comprised of benefits including: medical and dental benefits; life insurance; short-term disability and long-term disability insurance; vacation days; vehicle and parking allowance; and a group registered retirement savings plan. These benefits are intended to be comparable with those that the Named Executive Officers would enjoy if employed elsewhere in the industry.

Summary Compensation

The following table sets forth the compensation for the Named Executive Officers in 2008. Compensation is shown, where applicable, for services rendered during the financial period ended December 31, 2008.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) ^(a)	Non-equity incentive plan compensation (\$)			All other compensation (\$)	Total Compensation (\$)
					Annual incentive plans	Long-term incentive plans	Pension Value (\$)		
John W. Rossall <i>President and Chief Executive Officer</i>	2008	190,000	Nil	44,799	30,000	Nil	Nil	6,000	270,799
George D.K. Yee <i>Vice President, Finance, Chief Financial Officer & Corporate Secretary</i>	2008	175,000	Nil	52,186	30,000	Nil	Nil	4,800	261,986
Jean-Paul H. Lachance <i>Vice President, Engineering</i>	2008	175,000	Nil	74,349	10,000	Nil	Nil	4,800	264,149
R. Bruce McFarlane <i>Vice President, Exploration</i>	2008	175,000	Nil	30,023	22,500	Nil	Nil	4,800	232,323
Peter C. Parkinson ^(b) <i>Vice President, Land</i>	2008	169,375	Nil	174,597	17,500	Nil	Nil	4,200	365,672

Notes:

(a) The option based awards dollar amount was calculated using the Black Scholes model. Under this method of calculating the option based awards, the risk free rate used was the Bank of Canada 3 year bond rate, an estimate forfeiture rate of 10% and a volatility rate based on 252 days of ProspEx Common Share trading prior to the option award.

(b) Mr. Parkinson was appointed an officer of the Corporation on February 15, 2008.

Other than the Stock Option Plan, ProspEx has no other long term incentive, benefit or actuarial plans in place. ProspEx also does not currently have a stock appreciation rights plan for its employees.

Stock Options

The following table sets forth details with respect to Options granted pursuant to the Stock Option Plan to the Named Executive Officers as at December 31, 2008.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options ^(a)	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
	(#)	(\$)		(\$)	(#)	(\$)
John W. Rossall	20,000	1.25	November 11, 2013	Nil	n/a	n/a
	20,000	3.28	February 7, 2013	Nil	n/a	n/a
	309,152	3.22	October 14, 2009	Nil	n/a	n/a
George D.K. Yee	20,000	1.25	November 11, 2013	Nil	n/a	n/a
	25,000	3.28	February 7, 2013	Nil	n/a	n/a
	50,000	4.25	February 8, 2012	Nil	n/a	n/a
	40,000	3.91	January 13, 2011	Nil	n/a	n/a
	160,096	3.22	October 14, 2009	Nil	n/a	n/a
Jean-Paul H. Lachance	20,000	1.25	November 11, 2013	Nil	n/a	n/a
	40,000	3.28	February 7, 2013	Nil	n/a	n/a
	50,000	4.25	February 8, 2012	Nil	n/a	n/a
	100,000	3.91	January 13, 2011	Nil	n/a	n/a
	110,411	3.22	October 14, 2009	Nil	n/a	n/a
R. Bruce McFarlane	20,000	1.25	November 11, 2013	Nil	n/a	n/a
	10,000	3.28	February 7, 2013	Nil	n/a	n/a
	400,000	3.89	March 20, 2012	Nil	n/a	n/a
Peter C. Parkinson	20,000	1.25	November 11, 2013	Nil	n/a	n/a
	15,000	3.28	February 7, 2013	Nil	n/a	n/a
	100,000	3.10	January 14, 2013	Nil	n/a	n/a
	250,000	4.18	April 30, 2012	Nil	n/a	n/a

Note:

(a) Based on the closing price of the Common Shares on the TSX on December 31, 2008 of \$0.60.

Name	Option-based awards – Value vested during the year ^(a)	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
	(\$)	(\$)	(\$)
John W. Rossall	Nil	Nil	Nil
George D.K. Yee	Nil	Nil	Nil
Jean-Paul H. Lachance	Nil	Nil	Nil
R. Bruce McFarlane	Nil	Nil	Nil
Peter C. Parkinson	Nil	Nil	Nil

Note:

(a) The value vested during the year for option-based awards has been calculated by determining the difference between the trading price of the Common Shares and the exercise price of the vested Options on the applicable vesting dates.

The Corporation does not have a pension plan in place, but it does have a group registered retirement savings plan (the "RRSP") which is available to all employees of the Corporation. The Corporation will match contributions made by an employee up to 5% of the employee's salary.

Common Share Ownership Guidelines for Executive Officers

The Board of Directors has established share ownership guidelines for each of the Named Executive Officers. The guideline level of ownership (excluding Options) is the lesser of 12,500 Common Shares or \$50,000 of Common Shares. This level of ownership is required within two years of assuming a position as an Officer of ProspEx. As at the date hereof, each of the Named Executive Officers, is in compliance with the share ownership guidelines. Although Mr. Parkinson holds Common Shares below the thresholds set out above, Mr. Parkinson became an officer of the Corporation on February 15, 2008 and has until February 15, 2010 to acquire the necessary Common Shares. He currently owns 12,400 Common Shares.

Executive Employment Contracts and Change in Control Arrangements

Each of the Named Executive Officers has entered into an employment agreement with ProspEx. Pursuant to the terms of each employment agreement, each individual is entitled to (i) an annual base salary, (ii) a discretionary annual bonus as determined by the Board of Directors, (iii) receive or participate in all employee group benefit plans of ProspEx, (iv) receive a car allowance and a parking stall or parking allowance, and (v) the granting from time to time of Options. In the event of termination of employment by ProspEx without just cause, each executive is entitled to a sum of money equal to the amount of the executive's then current annualized base salary, plus the value of all employer paid, group employee benefits. Additionally, all outstanding Options held by the executive as at the date of termination which are vested, or which may become vested during the one (1) year notice period, may be exercised by the executive pursuant to the Stock Option Plan.

In addition, in the event of a change of control of ProspEx, each of the Named Executive Officers shall be entitled, within 90 days of such change of control, to terminate his employment with ProspEx. In such circumstances, ProspEx shall pay a sum of money equal to the amount of the executive's then current annualized base salary, plus the value of all employer paid, group employee benefits, all unvested Options shall become fully vested and be immediately exercisable until the earlier of the expiry date of such Options and one (1) year from the effective date of such change of control. A change of control occurs upon the happening of any of the following: (i) the acceptance by the holders of Common Shares representing more than 30% of the Common Shares of any offer for all Common Shares, provided that no change of control shall have occurred if upon completion of such transaction individuals who were members of the Board of Directors immediately prior to such transaction constitute a majority of the Board of Directors following such transaction; (ii) the acquisition, by whatever means, of ownership or control of more than 30% of the Common Shares; (iii) the entering into of an agreement by ProspEx to merge, consolidate, restructure, amalgamate or initiate an arrangement or be absorbed by, into or with another corporation, provided that no change of control shall have occurred if upon completion of such transaction individuals who were members of the Board of Directors immediately prior to such transaction constitute a majority of the Board of Directors following such transaction; (iv) the approval by the Board of Directors or shareholders of ProspEx to substantially liquidate the assets or wind-up the business of ProspEx; or (v) individuals who were members of the Board of Directors immediately prior to a meeting of shareholders of ProspEx involving a contest for or an item of business relating to the election of directors, not constituting a majority of the Board of Directors following such election.

The estimated incremental payment obligation of the Corporation related to the termination entitlements set forth above for each of the Named Executive Officers, assuming that the triggering event took place on December 31, 2008, are as follows:

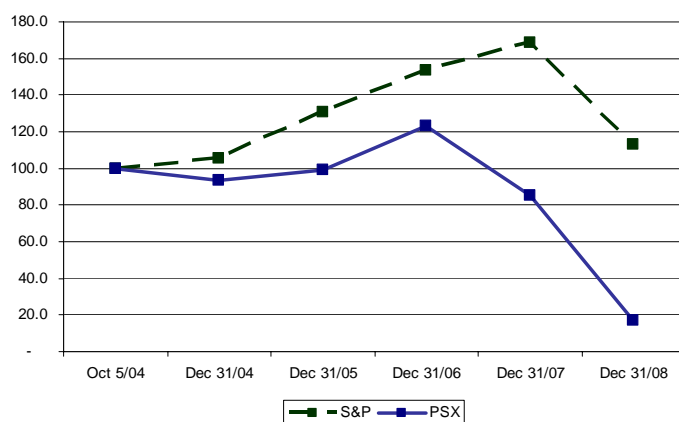
Named Executive Officer	Payment on Termination or Change of Control
	(\$)
John W. Rossall	233,349.76
George D.K. Yee	204,144.17
Jean-Paul H. Lachance	205,314.89

Payment on Termination or Change of Control

Named Executive Officer	(\$)
R. Bruce McFarlane	206,675.93
Peter C. Parkinson	206,675.93

Performance Graph

The following graph and table compare the percentage change (converted into a fixed investment) in the cumulative shareholder return on the Common Shares (assuming a \$100 investment was made on October 5, 2004) with the cumulative total return of the S&P TSX Composite Index for the period which commenced on October 5, 2004 and ended on December 31, 2008, assuming reinvestment of dividends.



Cumulative Total Return

	October 5, 2004	December 31, 2004	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008
Prospx Resources Ltd.	100	93.7	99.4	123.1	85.2	17.0
S&P TSX Composite Index	100	105.4	130.8	153.4	168.5	112.9

The overall performance of Prospx share price has lagged behind the S&P/TSX Composite Index. This trend in underperformance has translated into payment of annual bonuses lower than the maximum contemplated under the Corporation's bonus plan, and has also resulted in Named Executive Officers realizing less value from the long-term incentive component of the compensation program.

Compensation of Directors

Name	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Brian E. Hiebert	31,500	Nil	Nil	Nil	Nil	Nil	31,500
Kyle D. Kitagawa	32,500	Nil	Nil	Nil	Nil	Nil	32,500
Ian MacGregor	27,500	Nil	Nil	Nil	Nil	Nil	27,500
John W. Rossall	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Stephen J. Savidant	50,000	Nil	Nil	Nil	Nil	Nil	50,000

The Chairman of the Board of Directors received an annual fee of \$50,000 in 2008.

Each other non-employee director of ProspEx received an annual fee of \$35,000, effective July 1, 2008. Directors are reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors.

Directors of ProspEx are eligible to be granted Options and non-employee directors currently hold an aggregate of 220,824 Options with an exercise price of \$3.22 per share. No Options were granted to non-employee directors in 2008.

Mr. Rossall was the only director that was also an employee of ProspEx during 2008 and he received no compensation in his capacity as a director.

Common Share Ownership Guidelines for Directors

The Board of Directors has established share ownership guidelines for the directors of ProspEx. The guideline level of ownership (excluding Options) is 25,000 Common Shares for each director. These shares must be acquired within two years of the director joining the board and 12,500 of the total amount of Common Shares shall have been acquired in the first year of being a director. As at the date hereof, each of the directors is in compliance with the share ownership guidelines.

EQUITY COMPENSATION PLAN INFORMATION

Under the Stock Option Plan, the Board of Directors or the Corporate Governance and Compensation Committee may from time to time designate directors, officers, employees of, or providers of services to, ProspEx to whom Options may be granted and the number of Common Shares to be optioned to each. Options are generally granted for a term expiring on the fifth anniversary of the date of grant and vest as to one-third on each of the first, second and third anniversaries following the date of grant. The details of the Stock Option Plan as at December 31, 2008 is set forth below.

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by securityholders			
Stock Option Plan	5,160,387	\$3.44	484,955
Equity compensation plans not approved by securityholders			
	Nil	Nil	Nil
Total	5,160,387	\$3.44	484,955

Note:

- (a) The maximum number of Common Shares issuable under the Stock Option Plan is 10% of the issued and outstanding Common Shares (calculated on a non-diluted basis).

The aggregate number of Common Shares reserved for issuance under the Stock Option Plan is currently fixed at a rolling maximum of 10% of the total number of issued and outstanding Common Shares (calculated on a non-diluted basis). The Common Shares in respect of which Options are not exercised shall be available for subsequent Option grants. The term of Options granted shall be determined by the Board of Directors in its discretion, to a maximum of five years from the date of the grant.

The aggregate number of Common Shares reserved for issuance to any one person under the Stock Option Plan, together with all other share compensation arrangements of ProspEx, shall not exceed 5% of the outstanding issue of Common Shares (on a non-diluted basis). In addition, no more than 10% of the outstanding issue of Common Shares (on a non-diluted basis), in the aggregate, may be reserved at any time for insiders under the Stock Option Plan. Further, the number of Common Shares issued to insiders under the Stock Option Plan, within a one year period, shall not exceed 10% of the total number of issued and outstanding Common Shares (on a non-diluted basis). The Stock Option Plan also provides that the aggregate number of Common Shares issued to any one insider and such insider's associates pursuant to the Stock Option Plan, within a one year period, shall not exceed 3% of the outstanding issue of Common Shares (on a non-diluted basis). As of December 31, 2008, 5,160,387 Options are

outstanding under the Stock Option Plan (representing 8.9% of the outstanding Common Shares at that time), 231,864 Common Shares have been issued pursuant to Options granted (representing 0.4% of the outstanding Common Shares at that time) and 484,955 Options remain issuable under the Stock Option Plan (representing approximately 0.8% of the outstanding Common Shares).

The price per share at which Common Shares may be purchased under the Stock Option Plan (the "Option Price"), as may be adjusted pursuant to the provisions of the Stock Option Plan, shall be fixed by the Board of Directors but under no circumstances shall any Option Price at the time of the grant be lower than the "Market Price" (as defined in the Stock Option Plan) per Common Share. For purposes of the Stock Option Plan, the Market Price means the closing price of the Common Shares on the TSX (or if the Common Shares are not listed on such exchange, on the stock exchange on which the Common Shares are traded) on the first day preceding the date of grant on which at least one board lot of Common Shares is traded.

If the recipient of an Option ceases to be an eligible participant under the Stock Option Plan for any reason other than cause, death, permanent disability or normal retirement, then options held by such a recipient will terminate either 90 days after they cease to be an eligible participant or the expiration of such Options, whichever is earlier.

In the event of a "change of control" (as defined in the Stock Option Plan), all Options shall immediately vest and be exercisable upon the earlier of the expiry date of the stock option and the date that is 90 days after the date of the change of control.

The Stock Option Plan includes customary anti-dilution provisions.

If the recipient of an Option ceases to be an eligible participant under the Stock Option Plan by reason of cause, death, permanent disability or normal retirement, then Options held by such a recipient will terminate either 12 months after they cease to be an eligible participant or the expiration of such Options, whichever is earlier.

The Board of Directors may amend the Stock Option Plan, subject to obtaining all regulatory and stock exchange approvals and, when required by the TSX or the Stock Option Plan, shareholder approval, provided that no amendment may materially adversely affect the rights of any participant already granted Options under the Stock Option Plan without the consent of such a participant. Options granted under the Stock Option Plan are not transferable or assignable by the recipient other than by the recipient's will or applicable law in the event of the death or permanent disability of such a recipient.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No executive officer, director, employee, former executive officer, former director or former employee is, or has been since inception, indebted to ProspEx or its affiliates.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as set forth herein, there were no material interests, direct or indirect, of directors or executive officers of the Corporation, any shareholder of the Corporation who beneficially owns, directly or indirectly, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons in any transaction since January 1, 2008 or in any proposed transaction which has materially affected or would materially affect the Corporation or its subsidiary.

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

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of Common Shares or otherwise, of any director or executive officer, or anyone who has held office as such since January 1, 2008 or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors.

CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board of Directors of ProspEx and the structures, traditions and processes of leadership and stewardship that assign power, define roles and responsibilities governing communications with the shareholders and ensure accountability. ProspEx believes that corporate governance is about creating a culture of openness among all of the ProspEx stakeholders.

The Board of Directors recognizes that effective corporate governance is critical to the continued and long-term success of ProspEx by helping to maximize shareholder value over time. ProspEx continues to update and modify its governance practices in these changing times, but the Board of Directors is also of the view that the general approach by ProspEx to corporate governance is appropriate and entirely consistent with National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201") and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"). A description of the approach of ProspEx to corporate governance with reference to the items required to be disclosed by NI 58-101 is attached to this Management Information Circular as Appendix "A" – Statement of Corporate Governance Practices. Additional information on the Board of Directors and its Committees is set forth below.

In addition, the Corporation has adopted a Code of Business Ethics and Conduct (the "Code") which applies to all directors, officers, employees and consultants. The Code affirms the Corporation's policy that the conduct of every director, officer, employee and consultant is based upon the highest ethical standards. The Code also contains the Corporation's "whistle blower" policy which sets forth the procedure for individuals to make complaints regarding accounting and financial reporting matters or any other matter on a confidential and anonymous basis. Complaints regarding accounting and financial reporting matters are handled by the Chair of the Audit Committee, an independent member of the Board of Directors and complaints other than accounting and financial reporting matters are handled by the appropriate senior officer of ProspEx. Complaints relating to matters other than accounting and financial reporting but involving a senior officer of the Corporation are handled by the Chairman of the Board of Directors, who is also an independent member of the Board.

Board of Directors

Structure and Composition

The Board of Directors is currently composed of five directors, a size that the Board of Directors believes is commensurate with the complexity of the business of ProspEx. The Board of Directors has established criteria for the selection of new directors, and to evaluate current directors, in an effort to foster a diversity of viewpoints and to ensure a depth of business and other valuable experience.

Mandate and Charter of the Board of Directors

The Board of Directors fundamental objectives are to enhance and preserve long-term shareholder value, to ensure ProspEx meets its obligations on an ongoing basis and that ProspEx operates in a reliable and safe manner. In performing its functions, the Board of Directors also considers the legitimate interests of its other stakeholders such as employees, customers and communities may have in ProspEx. In broad terms, the stewardship of ProspEx involves the Board in strategic planning, financial reporting, risk management and mitigation, senior management determination, communication planning and internal control integrity.

The mandate of the Board of Directors, as prescribed by corporate statute, is to manage or supervise the management of the business and affairs of ProspEx, and to act honestly and in good faith with a view to the best interests of ProspEx. The Board of Directors has adopted a written mandate which sets forth the responsibilities and obligations of the Board. The full text of the Board's mandate is attached to this Management Information Circular as Appendix "B". The Board of Directors annually reviews its mandate and considers changes as appropriate.

Meetings of the Board of Directors

The Board of Directors meets in person at least five times annually. In addition to its regular quarterly meetings, the Board meets with the entire management team once per year for a longer session of business discussions and

strategy planning. The Board of Directors holds additional unscheduled meetings from time-to-time as business needs require. The Board of Directors had 15 meetings during the year ended December 31, 2008.

Standing Committees of the Board of Directors

The standing committees of the Board of Directors are an integral part of the governance structure of ProspEx as they facilitate effective decision-making by providing recommendations to the Board of Directors on matters within their respective responsibilities. The Board of Directors has two standing committees: the Audit Committee and the Corporate Governance and Compensation Committee. Both of the standing committees have a written mandate which has been approved by the Board of Directors and are comprised of only independent directors within the meaning of NP 58-201.

Members of ProspEx management and the directors that are not committee members are frequently invited to participate in meetings of the standing committees in order to provide insight and information to standing committee deliberations. As a matter of practice, the standing committees conduct a portion of each meeting without management present to facilitate their functioning independently of management.

Committee Composition

Each committee consists of a minimum of three directors and there is a requirement that all committee members be independent. The Board of Directors designates one member of each committee as its Chair. Each member of the Audit Committee is required to be "financially literate" (i.e. possess the ability to read and understand financial statements). The Board of Directors gives consideration to the periodic rotation of membership of each committee and, from time to time as the Board of Directors sees fit, chairmanship of the committees.

Committee Meetings Membership and Attendance

Regular meetings of the committees are to be held throughout the year as required, and the Audit Committee is to meet at least four times per year in conjunction with the review and approval of annual and quarterly financial statements, management discussion and analysis and reports to shareholders. Each committee can hold unscheduled additional meetings from time to time as business needs require or as may be requested by a member of the Board of Directors.

The following table reflects the attendance of each of the directors for the year ended December 31, 2008 for meetings of the Board of Directors.

Director	Number of Board Meetings Attended
Brian E. Hiebert	13/15
Kyle D. Kitagawa	15/15
Ian MacGregor	13/15
John W. Rossall	15/15
Stephen J. Savidant	15/15

A summary of the activities and responsibilities of each of the committees is set out below.

Audit Committee

The Audit Committee assists the Board of Directors of ProspEx in carrying out its oversight responsibility for the internal controls, financial reporting and risk management processes of ProspEx. The Audit Committee has unrestricted access to the personnel and documents of ProspEx and is provided with the resources necessary to carry out its responsibilities. The Audit Committee and the external auditors are to meet at least quarterly without the presence of ProspEx management to review any areas of material disagreement between ProspEx management and the external auditors or other issues of concern, including assessing the cooperation received by the auditors in the

conduct of their audit and their access to all requested records, data and information. As necessary or desirable, any member of the Audit Committee may also request that the external auditors be present at any other meetings of the Audit Committee. The Audit Committee is charged with, among other responsibilities, the following specific responsibilities:

- identifying and monitoring the management of the principal risks that could impact the financial reporting of ProspEx;
- monitoring the integrity of the financial reporting process and system of internal controls of ProspEx regarding financial reporting and accounting compliance;
- monitoring the independence and performance of the external auditors of ProspEx;
- dealing directly with the external auditors to approve external audit plans, other services (if any) and fees;
- directly overseeing the external audit process and results;
- providing an avenue of communication among the external auditors, management and the Board of Directors;
- implementing an effective "whistle blowing" procedure to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual;
- reviewing the Code of Conduct for employees and directors and suggesting amendments as necessary;
- engaging independent counsel and other advisors as it determines necessary to carry out its duties;
- reporting to the Board of Directors the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate;
- discussing with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;
- reviewing with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
- reviewing any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
- reviewing with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
- before release, reviewing and if appropriate, recommending for approval by the Board of Directors, all public disclosure documents containing audited or unaudited financial information;
- evaluating the independence and performance of the external auditors and annually recommending to the Board the appointment of the external auditor or the discharge of the external auditor when circumstances are warranted;
- pre-approving all non-audit services to be provided to ProspEx or its subsidiary entities by its external auditors, or the external auditors of its subsidiary entities;
- reviewing with management, at least annually, the financing strategy and plans of ProspEx;
- reviewing the amount and terms of any insurance to be obtained or maintained by ProspEx with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities;
- reviewing the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process; and
- reviewing with legal counsel to ProspEx, as required but at least annually, any legal matter that could have a significant impact on the financial statements of ProspEx, and any enquiries received from regulators, or government agencies.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee assists the Board of Directors of ProspEx in carrying out its responsibility for ensuring that the mission and strategic direction of ProspEx is reviewed annually and that the Board and each of the committees carries out and functions in accordance with due process. The Corporate Governance and Compensation Committee is also responsible for assessing the effectiveness of the Board of

Directors as a whole, each committee of the Board, and the contribution of each individual director. The Corporate Governance and Compensation Committee has the responsibility to address governance issues and also holds the responsibility for identifying, recruiting, nominating, endorsing, recommending appointment of, and orienting new directors. In connection therewith, the Corporate Governance and Compensation Committee is responsible for making such rules and regulations as may be necessary to carry out its responsibilities which include the following:

- recommending to the Board of Directors a person or persons for appointment as a director to fill any vacancies that may occur;
- based upon a consideration of his or her performance in office and any other factors considered relevant, recommending to the Board of Directors whether a director should be nominated for election or re-election at any annual meeting of shareholders at which he or she is eligible to be elected a director;
- giving consideration to other nominations or proposing, appointing, electing or nominating any person to fill any vacancy on the Board of Directors or the committee;
- implementing an appropriate, formal and comprehensive orientation program and continuing education program for new and current directors, respectively; and
- making recommendations from time to time to the Board of Directors concerning such other matters, including matters related to corporate governance, as the committee may deem appropriate or as may be referred to it from time to time by the Board of Directors.

The Corporate Governance and Compensation Committee annually reviews and evaluates the role of the Board of Directors and its committees and the methods and processes by which the Board of Directors fulfills its duties and responsibilities, including the methods and processes for evaluating board effectiveness.

The Corporate Governance and Compensation Committee monitors and reviews corporate insider trading policy, continuous disclosure policy, and corporate guidelines for maintaining confidentiality, and recommends changes and action required to deal with breaches of policy or guidelines.

The Corporate Governance and Compensation Committee is also responsible for the human resources and compensation policies and processes of ProspEx. The primary duties and responsibilities of the Corporate Governance and Compensation Committee in this regard are to review and make recommendations to the Board of Directors in respect of:

- human resource policies, practices and structures (to monitor consistency with the goals and near and long-term strategies of ProspEx, support of operational effectiveness and efficiency, and maximization of human resources potential);
- compensation policies and guidelines;
- management incentive and perquisite plans and any non-standard remuneration plans;
- senior management, executive and officer appointments and their compensation;
- management succession plans, management training and development plans, termination policies and termination arrangements;
- the senior human resource (organizational) structure of ProspEx; and
- director compensation matters.

In carrying out its duties and responsibilities, the Corporate Governance and Compensation Committee:

- annually assesses and makes a recommendation to the Board of Directors with regard to the competitiveness and appropriateness of the compensation package of the Chief Executive Officer, all other officers of ProspEx and such other key employees of ProspEx as may be identified by the Chief Executive Officer and approved by the Committee (collectively, the "Designated Employees"); annually reviews the performance goals and criteria for the Chief Executive Officer and evaluates the performance of the Chief Executive Officer against such goals and criteria and recommends to the Board of Directors the amount of regular and incentive compensation to be paid to the Chief Executive Officer;
- annually reviews and makes a recommendation to the Board of Directors regarding the Chief Executive Officer's performance evaluation of Designated Employees and the Chief Executive Officer's recommendations with respect to the amount of regular and incentive compensation to be paid to such Designated Employees; reviews and makes a recommendation to the Board of Directors regarding any

employment contracts or arrangements with each of the Designated Employees, including any retiring allowance arrangements or any similar arrangements to take effect in the event of a termination of employment;

- periodically, reviews the compensation philosophy statement of ProspEx and makes recommendations for change to the Board of Directors as considered necessary;
- annually, in conjunction with the general and administrative budget of ProspEx, reviews and makes recommendations to the Board of Directors regarding compensation guidelines for the forthcoming budget period;
- when requested by the Chief Executive Officer, reviews and makes recommendations to the Board regarding incentive stock option plans or any other long-term incentive plans and to the extent delegated by the Board of Directors, approve grants to participants and the magnitude and terms of their participation; and
- periodically, but at least every third year, reviews and makes a recommendation to the Board of Directors regarding the compensation of the Board of Directors.

ADDITIONAL INFORMATION

Additional information relating to ProspEx is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. Information relating to the Audit Committee's Charter, the composition of the Audit Committee, whether such members are independent and financially literate, their relevant education and experience and the service fees paid by ProspEx to its external auditor is provided in the Annual Information Form of ProspEx for the most recently completed financial year under the section "Audit Committee Matters". Financial information of ProspEx is provided in the comparative financial statements and management discussion and analysis of ProspEx for the most recently completed financial year. Copies of the financial statements and management discussion and analysis of ProspEx may be obtained from the Corporate Secretary of ProspEx at 2500, 255 – 5th Avenue S.W., Calgary, Alberta T2P 3G6 or by facsimile at (403) 268-3987.

The Board of Directors of the Corporation is aware of its responsibility for corporate governance and recognizes the importance of enhancing the corporate governance practices of the Corporation. As part of the Corporation's commitment to effective corporate governance, the Board, with the assistance of the Corporate Governance and Compensation Committee, monitors changes in corporate governance practices and regulatory requirements.

Pursuant to National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") the Corporation is required to disclose certain information relating to its corporate governance practices. This information is set forth below.

Governance Disclosure Guideline under NI 58-101	Corporate Governance Practices of the Corporation				
<p>1. Board of Directors</p> <p>(a) Disclose the identity of directors who are independent.</p>	<p>The Board has determined that four of the five directors are "independent", within the meaning of NI 58-101. The four independent directors are:</p> <ul style="list-style-type: none"> • Kyle D. Kitagawa; • Brian E. Hiebert; • Ian MacGregor; and • Stephen J. Savidant 				
<p>(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.</p>	<p>Mr. John W. Rossall is the President and Chief Executive Officer of the Corporation and is therefore not considered to be an independent director.</p>				
<p>(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of Directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.</p>	<p>The Board has determined that a majority of the directors are "independent", within the meaning of NI 58-101.</p>				
<p>(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>	<p>The following directors currently serve on the board of other issuers that are reporting issuers (or equivalent) which are set out below:</p> <table border="0" style="width: 100%;"> <tr> <td style="text-align: center; vertical-align: top;"> <u>Director</u> Stephen J. Savidant </td> <td style="text-align: center; vertical-align: top;"> <u>Directorships</u> Empire Company Limited Toromont Industries Ltd. </td> </tr> <tr> <td style="text-align: center; vertical-align: top;"> Kyle D. Kitagawa </td> <td style="text-align: center; vertical-align: top;"> Canadian Energy Services L.P. Zargon Energy Trust </td> </tr> </table>	<u>Director</u> Stephen J. Savidant	<u>Directorships</u> Empire Company Limited Toromont Industries Ltd.	Kyle D. Kitagawa	Canadian Energy Services L.P. Zargon Energy Trust
<u>Director</u> Stephen J. Savidant	<u>Directorships</u> Empire Company Limited Toromont Industries Ltd.				
Kyle D. Kitagawa	Canadian Energy Services L.P. Zargon Energy Trust				
<p>(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held during the preceding 12 months. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.</p>	<p>The Board regularly conducts an "in camera" session, at which members of management of ProspEx are not in attendance. During the year ended December 31, 2008, the Board held six in camera sessions.</p> <p>In addition, all of the members of the committees of the Board are independent directors and management of ProspEx is not present for a portion of each the meetings of such committees.</p>				
<p>(f) Disclose whether or not the chair of the board is independent. If the board has a chair or lead director who is independent, disclose the identity of the</p>	<p>Mr. Stephen J. Savidant, the Chairman of the Board, is independent of the Corporation.</p> <p>The role of the Chair of the Board includes:</p> <ul style="list-style-type: none"> • ensuring that the Board discharges its duties independently of 				

Governance Disclosure Guideline under NI 58-101	Corporate Governance Practices of the Corporation
<p>independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.</p>	<p>management of the Corporation;</p> <ul style="list-style-type: none"> • providing independent advice and counsel to the President and Chief Executive Officer and other members of the senior management team; • ensuring that the directors are properly informed and that sufficient information is provided to enable the directors to form appropriate judgments; and • developing and setting the agendas for meetings of the Board, in concert with the President and Chief Executive Officer of the Corporation.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	Please refer to "Corporate Governance – Board of Directors" in the Management Information Circular.
<p>2. Mandate of the Board of Directors</p> <p>Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.</p>	The full text of the written mandate of the Board of Directors is attached to this Management Information Circular as Appendix "B".
<p>3. Position Descriptions</p> <p>(a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.</p>	<p>The Board has developed written position descriptions for the Chair of the Board and the Chair of each of the Audit Committee and Corporate Governance and Compensation Committee. The primary role of the chair of each such committee is managing the affairs of the committee, including ensuring the committee is organized properly, functions effectively and meets its obligations and responsibilities.</p> <p>The Chair of the Audit Committee also maintains on-going communications with the Corporation's external auditors in order to lead the committee in performing its oversight and other audit-related functions. For further information regarding the Corporation's Audit Committee, including the relevant education and experience of the committee members, see the Corporation's Annual Information Form for the financial year ended December 31, 2008 which is available on SEDAR at www.sedar.com.</p>
<p>(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.</p>	The Board has developed a written position description for the Chief Executive Officer of the Corporation.
<p>4. Orientation and Continuing Education</p> <p>(a) Briefly describe what measures the Board takes to orient new directors regarding (i) the role of the Board, its committees and its directors, and (ii) the nature and operation of the issuer's business.</p>	<p>Immediately following appointment, new directors are provided with historic information and current strategic plans and issues relating to the Corporation. New directors are also briefed by the Chairman of the Corporation and by the chairpersons of the various committees of the Board.</p> <p>In addition, each Board member is supplied with a Directors' Manual providing information on the Corporation and the core requirements of being a director.</p>
<p>(b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	Annually, the Board reviews changes to corporate governance and changes in securities regulations with outside parties including its legal counsel.

Governance Disclosure Guideline under NI 58-101	Corporate Governance Practices of the Corporation
<p>5. Ethical Business Conduct</p> <p>(a) Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code: (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>	<p>The Board has adopted a Code of Business Conduct for the Corporation (the "Code"). The Code has been filed on and is accessible through SEDAR at www.sedar.com. A copy of the Code may also be obtained, upon request, from the Corporation at 2500 Bow Valley Square III, 255 – 5th Avenue S.W., Calgary, Alberta T2P 3G6, Attention: Chief Financial Officer.</p> <p>The Board expects the Corporation's directors and employees to act ethically at all times and to acknowledge their adherence to the policies comprising the Code. Any suspected violations of the Code are to be reported to the Chief Financial Officer or, if the matter involves a senior officer of the Corporation, the Chair of the Board or the Chair of the Audit Committee. Any material issues regarding compliance with the Code are brought forward by management at either the Board or appropriate committee meetings. The Board and/or appropriate committee determine what remedial steps, if any, are required. Any waivers from the Code that are granted for the benefit of a director or an officer employee may be granted only by the Board. The Board has not granted any such waivers since the adoption of the Code.</p>
<p>(b) Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>Each director must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In addition, the director must excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest.</p>
<p>(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>The Corporation has also adopted a disclosure policy.</p>
<p>6. Nomination of Directors</p> <p>(a) Describe the process by which the Board identifies new candidates for Board nomination.</p>	<p>The Corporate Governance and Compensation Committee is mandated to recruit and consider director candidates and to make recommendations to the Board. In so doing, the Corporate Governance and Compensation Committee considers, in addition to any other factors it deems relevant: (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole to possess; (ii) the competencies and skills that the Board considers each existing director to possess; and (iii) the competencies and skills each nominee will bring to the Board. Directors are encouraged to identify potential candidates. An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the Chair or the Chair's delegate.</p>
<p>(b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.</p>	<p>The Corporate Governance Committee is composed of Messrs. Kitagawa, Hiebert and MacGregor, all of whom are independent.</p>
<p>(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p>	<p>In addition to recruiting and considering director candidates, the Corporate Governance and Compensation Committee's mandate includes annually reviewing the competencies, skills and personal qualities applicable to candidates to be considered for nomination to the Board. The objective of this review is to maintain the composition of the Board in a way that provides, in the judgment of the Board, the best mix of competencies, skills and experience to provide for the overall stewardship of the Corporation.</p>

Governance Disclosure Guideline under NI 58-101	Corporate Governance Practices of the Corporation
<p>7. Compensation</p> <p>(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.</p>	<p>See "Compensation of Directors and Executive Officers – Compensation Discussion and Analysis" for a description of how the compensation for the directors and officers of the Corporation is determined.</p>
<p>(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.</p>	<p>The Corporate Governance and Compensation Committee is composed of Messrs. Kitagawa, Hiebert and MacGregor, all of whom are independent.</p>
<p>(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the Compensation Committee.</p>	<p>Please see "Corporate Governance – Corporate Governance and Compensation Committee" for a description of the responsibilities, powers and operations of the Corporate Governance and Compensation Committee.</p>
<p>(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>ProspEx has not, at any time since January 1, 2008 retained a compensation consultant or advisor.</p>
<p>8. Other Board Committees</p> <p>If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Audit Committee and Corporate Governance and Compensation Committee are currently the only standing committees of the Board.</p>
<p>9. Assessments</p> <p>Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.</p>	<p>The Corporate Governance and Compensation Committee is responsible for making regular assessments of the overall performance, effectiveness and contribution of the Board and each committee, the Chair of the Board, each committee chair and each director, and reporting on such assessments to the Board. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Corporate Governance and Compensation Committee deems relevant, the assessments will consider in the case of the board or a committee, the applicable mandate or charter, and in the case of individual directors, the applicable position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board.</p>

MANDATE OF THE BOARD OF DIRECTORS**1. Policy Statement**

The Board of Directors (the "Board") of ProspEx Resources Ltd. (the "Corporation") has the responsibility to oversee the conduct of the business of the Corporation and to oversee the activities of management who are responsible for the day-to-day conduct of the business of the Corporation.

2. Composition and Operation

The Board is to be constituted of a majority of individuals who qualify as unrelated directors. An unrelated director is one who is independent of management and is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Corporation other than interests and relationships arising from shareholdings.

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility of managing its own affairs including selecting its Chairman, nominating candidates for election to the board, constituting committees of the full Board and determining compensation for the directors. Subject to the Articles and By-Laws of the Corporation and the *Business Corporations Act (Alberta)* (the "ABCA"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

3. Responsibilities

The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests its other stakeholders such as employees, customers and communities may have in the Corporation. In broad terms, the stewardship of the Corporation involves the Board in strategic planning, financial reporting, risk management and mitigation, senior management determination, communication planning and internal control integrity.

4. Specific Duties***Legal Requirements***

- (a) The Board has the oversight responsibility for meeting the Corporation's legal requirements and for properly preparing, approving and maintaining the Corporation's documents and records.
- (b) The Board has the statutory responsibility to:
 - (i) manage the business and affairs of the Corporation;
 - (ii) act honestly and in good faith with a view to the best interests of the Corporation;
 - (iii) exercise the care, diligence and skill that responsible, prudent people would exercise in comparable circumstances; and
 - (iv) act in accordance with its obligations contained in the ABCA and the regulations thereto, the Articles and By-Laws of the Corporation, and other relevant legislation and regulations.
- (c) The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:
 - (i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
 - (ii) the filling of a vacancy among the Directors;
 - (iii) the issuance of securities;
 - (iv) the declaration of dividends;

- (v) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
- (vi) the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
- (vii) the approval of management proxy circulars; and
- (viii) the approval of any take-over bid circular or directors' circular.

Independence

The Board shall have the responsibility to:

- (a) implement appropriate structures and procedures to permit the Board to function independently of management;
- (b) implement a system which enables an individual director to engage an outside advisor at the expense of the Corporation in appropriate circumstances; and
- (c) provide an orientation and education program for newly appointed members of the Board.

Strategy Determination

The Board shall:

- (a) adopt and annually review a strategic planning process and approve the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the business; and
- (b) annually review operating and financial performance results relative to established strategy, budgets and objectives.

Managing Risk

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to confirm that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

Appointment, Training and Monitoring of Senior Management

The Board shall:

- (a) appoint the Chief Executive officer ("CEO") and senior officers, approve (upon recommendations from the Corporate Governance and Compensation Committee) their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value;
- (b) ensure that a process is established that adequately provides for succession planning including the appointment, training and monitoring of senior management; and
- (c) establish limits of authority delegated to management.

Reporting and Communication

The Board has the responsibility to:

- (a) verify that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
- (b) verify that the financial performance of the Corporation is reported to shareholders, other security holders and regulators on a timely and regular basis;

- (c) verify that the financial results are reported fairly and in accordance with generally accepted accounting standards;
- (d) verify the timely reporting of any other developments that have a significant and material impact on the value of the Corporation; and
- (e) report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year.

Monitoring and Acting

The Board has the responsibility to:

- (a) review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements;
- (b) verify that the Corporation operates at all time within applicable laws and regulations to the highest ethical and moral standards;
- (c) approve and monitor compliance with significant policies and procedures by which the Corporation is operated;
- (d) monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
- (e) take such action as it determines appropriate when performance falls short of its goals and objectives or when other special circumstances warrant; and
- (f) verify that the Corporation has implemented adequate internal control and information systems which ensure the effective discharge of its responsibilities.

Disclosure of Oil and Gas Activities

The Board shall appoint and maintain direct contact with the independent reserves evaluators of the oil and gas assets of the Corporation. The Board shall also review and approve filings relating to disclosure of its oil and gas activities prescribed by National Instrument 51-101 in a timely manner to ensure compliance with National Instrument 51-101.

Environmental, Health and Safety Matters

The Board shall review the effectiveness and adequacy of safety and environmental control, reporting, training and response procedures which may include:

- (a) discussing the Corporation's safety and environmental policies with management;
- (b) discussing safety and environment standards with management in relation to current regulations;
- (c) reviewing the Corporation's procedures for identifying, controlling, reporting and responding to safety and environmental incidents;
- (d) monitoring the Corporation's safety and environmental training and staff evaluation practices;
- (e) reviewing the Corporation's system of record keeping and obtaining base-line environmental data;
- (f) reviewing the Corporation's methods of evaluating compliance with the Corporation's policies and regulatory requirements and discussing the results with management; and
- (g) reviewing the Corporation's accounting and reporting of environmental costs, liabilities and contingencies.

Other Activities

- (a) The Board shall prepare and distribute the schedule of Board meetings for each upcoming year.
- (b) The Board may perform any other activities consistent with this mandate, the by-laws of the Corporation and any other governing laws as the Board determines necessary or appropriate.

PROSPEX RESOURCES LTD.

2500 Bow Valley Square III
255 – 5th Avenue S.W.
Calgary, Alberta, Canada
T2P 3G6

Telephone: (403) 268-3940
Facsimile: (403) 268-3987