

EMERALD BAY ENERGY INC.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

to be held at:
The offices of TingleMerrett LLP
Suite 1250, Standard Life Building
639 - 5th Avenue S.W.
Calgary, Alberta T2P 0M9

Tuesday, September 19, 2006

3:00 p.m.

MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT

EMERALD BAY ENERGY INC.

EXECUTIVE OFFICE
#1505, 777 - 8th Avenue S.W.
Calgary, Alberta T2P 3R5

NOTICE OF AN ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF EMERALD BAY ENERGY INC.

NOTICE IS HEREBY GIVEN THAT an Annual General and Special Meeting of holders of shares of Emerald Bay Energy Inc. (the "Corporation") will be held at the offices of TingleMerrett LLP, Suite 1250, 639 - 5th Avenue S.W., Calgary, Alberta, at 3:00 p.m., on September 19, 2006, for the following purposes:

1. To review the audited financial statements of the Corporation for the fiscal year ended December 31, 2005 and the Auditors' Report thereon. Shareholder approval is not required in relation to these statements.
2. To elect the board of directors for the ensuing year.
3. To appoint MacKay LLP, Chartered Accountants, of Calgary, Alberta as the auditors of the Corporation for the ensuing year and to authorize the board of directors to fix their remuneration.
4. To approve the stock option plan, the form of which is set out in the accompanying Information Circular.
5. To transact such other business as may be properly brought before the meeting.

DATED at the City of Calgary, in the Province of Alberta, this 15th day of August, 2006.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) *Shelby D. Beattie*
President, Chief Executive Officer and Director

IMPORTANT

It is desirable that as many securities as possible be represented at the meeting. If you do not expect to attend and would like your securities represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. All proxies, to be valid, must be deposited at the office of the Registrar and Transfer Agent of the Corporation, Computershare Trust Company of Canada, 600, 530 - 8th Avenue S.W., Calgary, Alberta, T2P 3S8, at least forty-eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the meeting or any adjournment thereof.

EMERALD BAY ENERGY INC.

INFORMATION CIRCULAR

For the Annual General and Special Meeting of Shareholders
to be held on Tuesday, September 19, 2006

PROXIES

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of Emerald Bay Energy Inc. (the "Corporation") for use at the Annual General and Special Meeting of the holders of securities (the "Shareholders") of the Corporation to be held on Tuesday, September 19, 2006, at the offices of TingleMerrett LLP, Suite 1250, 639 - 5th Avenue S.W., Calgary, Alberta, at 3:00 p.m. (Calgary time) and at any adjournment thereof (the "Meeting"), for the purposes set forth in the Notice of Meeting. Proxies must be delivered to Computershare Trust Company of Canada at the address shown on the envelope not less than 48 hours before the time for holding the Meeting. Only a Shareholder of record at the close of business on August 15, 2006, will, unless that Shareholder has transferred any securities subsequent to that date and the transferee Shareholder establishes ownership to the securities and demands at least ten days before the Meeting that his or her name be included on the list of Shareholders, be entitled to vote at the Meeting.

The instrument appointing a proxy shall be in writing and shall be executed by the Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

The persons named in the enclosed Form of Proxy are directors and executive officers of the Corporation. A Shareholder submitting the proxy has the right to appoint a person (who need not be a Shareholder) other than the persons named in the enclosed Form of Proxy to represent him or her at the Meeting. To exercise this right, the Shareholder should insert the name of the desired representative in the blank space provided in the Form of Proxy and strike out the other names, or submit another appropriate proxy.

Revocability of Proxy

A Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to 4:30 p.m. (Calgary time) the last business day before the day of the Meeting, or with the Chairman of the Meeting on the day of the Meeting, and upon either of such deposits, the proxy is revoked.

Persons Making the Solicitation

This solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of the Form of Proxy, Notice of Meeting and this Information Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, or by other means of communication or by the directors, officers and employees of the Corporation, who

will not be remunerated therefor. In accordance with National Instrument 54-101, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the common shares (as defined below) held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so.

Exercise of Discretion by Proxy

The securities represented by proxies in favour of management nominees will be voted on any poll at the Meeting and where the Shareholder specifies a choice with respect to any matter to be acted upon, the securities will be voted on any poll in accordance with the specification so made.

In the absence of such specification, such securities will be voted in favour of the matters to be acted upon as set out herein. The persons appointed under the Form of Proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Form of Proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting, it is the intention of the persons designated in the enclosed Form of Proxy to vote in accordance with their best judgment on such matter or business. At the time of printing this Information Circular, the management of the Corporation knows of no such amendment, variation, or other matter.

Advice to Beneficial Shareholders

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

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor

Communications ("ADP") in Canada. ADP typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to ADP, or otherwise communicate voting instructions to ADP (by way of Internet or telephone, for example). ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting shares to be represented at the Meeting. **A Beneficial Shareholder who received an ADP voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to ADP (or instructions respecting the voting of Common Shares must otherwise be communicated to ADP) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

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

MATTERS TO BE ACTED UPON AT THE MEETING

1. Annual Report, Financial Statements and Auditors' Report

Pursuant to the *Business Corporations Act* (Alberta), the directors will place before the shareholders at the Meeting the audited financial statements of the Corporation for the year ended December 31, 2005 and the Auditors' Report thereon. Shareholder approval is not required in relation to these statements.

2. Election of Directors

At the Meeting, the Shareholders will be asked to elect five directors to serve until the next annual general meeting, or until their respective successors have been elected or appointed. Unless otherwise directed, the shares represented by proxy in favour of management nominees will be voted for the nominees herein listed.

Management does not contemplate that any of the nominees will be unable to serve as a director. In the event that prior to the Meeting any vacancies occur in the slate of nominees herein listed, it is intended that discretionary authority shall be exercised by the person named in the proxy as nominee to vote the shares represented by proxy for the election of any other person or persons as directors.

Management nominees for the Board of Directors and information concerning them as furnished by the individual nominees are set out below:

Name, Residence and Office(s) held	Principal Occupation or Employment for the Last Five Years	Became a Director / Officer	Common Shares Beneficially Owned	Percentage of Issued and Outstanding Common Shares
Leonard D. Rice Calgary, Alberta Director and Promoter	Chairman and Chief Executive Officer of the Corporation from August 1997 to February 2005. Currently the President and Chief Executive Officer of Prairie Oil and Gas, Inc.	August 18, 1997	997,128	3.6%
Shelby D. Beattie ⁽¹⁾ San Antonio, Texas President and Chief Executive Officer and Director	President of the Corporation since September 2001, Chief Executive Officer of the Corporation since February 2005, and Chief Financial Officer of the Corporation from August 1997 to February 2005. Consultant with DVA Group, Inc. since 1997. Prior thereto, Vice President of Phoenix Oil & Gas Inc. since 1982.	August 18, 1997	282,389	1.0%
Gibson C. Scott Edmonton, Alberta Chief Operating Officer and Director	Chief Operating Officer of the Corporation since February 2005. Currently the President of TrueBore Consulting Inc. Prior thereto, Mr. Scott was employed with Sperry-Sun Drilling Services, a global oilfield service provider.	April 15, 2003	405,000	1.5%
Richard D. Tingle ⁽¹⁾ Calgary, Alberta Director	Partner, TingleMerrett LLP, Barristers and Solicitors since 1993.	August 18, 1997	150,078	0.5%
Howard Blacker ⁽¹⁾ Calgary, Alberta Director	Currently the Chief Financing Officer of Zapata Energy Corporation. Chief Financial Officer of three corporations in the energy services sector from 1990 to 2004.	May 18, 2004	50,000	0.2%

Note:

- (1) The Corporation's Audit Committee is currently comprised of Messrs. Blacker, Beattie and Tingle.
- (2) The Corporation's Compensation Committee is comprised of the entire board of directors.

(See "Management of the Corporation" herein for a more detailed biographical description of the officers and directors of the Corporation).

All directors hold office until the earlier of their resignation or the date of the Corporation's next annual general meeting of Shareholders at which directors are elected, unless a director ceases to hold office or his office is vacated.

3. Appointment of Auditors

At the Meeting the shareholders will be asked to appoint MacKay LLP, Chartered Accountants, of Calgary, Alberta as auditors of the Corporation to serve until the close of the next annual meeting of shareholders of the Corporation and to authorize the directors to fix their remuneration. MacKay LLP was appointed as auditor on December 20, 2005.

4. Approval of Stock Option Plan

At the 2005 Annual General and Special Meeting of shareholders of the Corporation, the Corporation's current stock option plan was adopted and is attached hereto as Schedule "A". Pursuant to Policy 4.4 of the TSX Venture Exchange (the "Policy"), Corporations that have a rolling stock option plan reserving a maximum of 10% of the issued and outstanding shares of the Corporation must receive yearly shareholder approval of the stock option plan. That approval is being sought at the Meeting.

Management of the Corporation will place before the Meeting the following resolution relating to the approval of the Stock Option Plan:

BE IT RESOLVED THAT:

1. The Stock Option Plan of the Corporation be and is hereby ratified and approved in substantially the form attached as Schedule "A" to the Information Circular prepared for the purposes of this Meeting;
2. Any director or officer be and is hereby authorized to amend the Stock Option Plan should such amendments be required by applicable regulatory authorities including, but not limited to, the TSX Venture Exchange;
3. Any director or officer be and is hereby authorized to execute and deliver all such deeds, documents and other writings and perform such acts as may be necessary in order to effect the Stock Option Plan and the Board of Directors of the Corporation from time to time, be authorized to grant options in the capital stock of the Corporation pursuant to and in accordance with the provisions of the Stock Option Plan;
4. Notwithstanding the approval of the shareholders of the Corporation as herein provided, the Board of Directors of the Corporation may, in its sole discretion, revoke this resolution before it is acted upon, without further approval of the shareholders of the Corporation.

In order to be effective, this ordinary resolution requires the affirmative vote of a simple majority of votes cast in person or by proxy by the shareholders of the Corporation at the Meeting.

INFORMATION CONCERNING THE CORPORATION

Voting Shares and Principal Holders Thereof

As of August 15, 2006, the Record Date for the Annual General and Special Meeting of the shareholders of the Corporation, (the "Record Date"), the Corporation had outstanding 27,903,277 Common Shares. The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. At the Meeting, upon a show of hands, every holder of Common Shares present in person or represented by proxy and entitled to vote shall have one vote, subject to certain restrictions

imposed on the ability of a proxyholder to vote by show of hands where such proxyholder has conflicting instructions from more than one Shareholder. On a poll or ballot, every Shareholder present in person or by proxy has one vote for each Common Share of which he or she is the registered holder. A Shareholder present in person or represented by proxy may demand a ballot either before or after any vote by show of hands.

To the knowledge of the directors and officers of the Corporation, no person or corporation beneficially owns or exercises the control or discretion over Common Shares or Preferred Shares carrying more than 10% of the votes attached to the securities of the Corporation.

The directors have determined that any person holding securities of record as of the Record Date shall be entitled to vote at the Meeting, except to the extent that the person has transferred the ownership of the securities after the Record Date and the transferee of those securities establishes ownership of the securities and demands at least ten days before the Meeting to be included on the list of those entitled to vote at the Meeting, in which case the transferee is entitled to vote those securities at the Meeting.

Quorum

Pursuant to the By-Laws of the Corporation, a quorum of Shareholders is present at the Meeting irrespective of the number of persons actually present if Shareholders holding not less than 10% of the outstanding securities of the Corporation entitled to vote at the Meeting are present or are represented by proxyholders or representatives entitled to vote at the Meeting. Pursuant to the *Business Corporations Act* (Alberta) and the By-Laws, if a quorum is present at the opening of the Meeting, the Shareholders present may proceed with the business of the Meeting notwithstanding that a quorum is not present throughout the Meeting. If a quorum is not present at the opening of the Meeting, the Shareholders present may adjourn the Meeting to a fixed time and place but may not transact any other business.

MANAGEMENT OF THE CORPORATION

The following is a brief biographical description of the officers and directors of the Corporation:

Leonard D. Rice - Director

Leonard D. Rice has over 30 years experience in the oil and gas industry and is currently the President and CEO of Prairie Oil and Gas, Inc. In addition to Emerald Bay Energy, Mr. Rice has been a successful co-founder of other start-up corporations including Bomod Oils Ltd, Canada Lear Jet Inc., Fraser & Rice Construction, Ltd., Phoenix Oil and Gas, and C.T.F. Systems Inc., a successful medical technology company. Mr. Rice has attained membership in the National Society of Professional Engineers of America and the Professional Engineers of Canada. Mr. Rice has a Bachelor of Science degree in Civil Engineering from the University of Alberta.

Shelby D. Beattie - President, Chief Executive Officer, and Director

Shelby D. Beattie has been involved in the oil and gas business as a director or member of executive management since 1980. Working as a landman from 1980 to 1982, he was Vice President of mineral leasing for Newport Oil & Gas, Inc., a private oil and gas company. From 1982 to 1992, he was Director, Vice President of Phoenix Oil and Gas, and project-managed the development of over 200 oil and gas wells and associated mineral leases. While remaining a member of the Board of Phoenix, from 1992 to 2002 Mr. Beattie consulted as a Sr. Project Manager and Special Liaison for companies such as Maximum Video Systems, AT&T Broadband, and Microsoft. Mr. Beattie's varied and extensive

experience in the oil and gas and technology sectors have been instrumental as he has served as a Director of Emerald Bay since 1998, as President since September 2001 and President and CEO since March 2005.

Richard D. Tingle, O.C. - Director

Richard D. Tingle has practiced law in Calgary, Alberta, Canada since 1964 and was a partner of a medium sized Calgary law firm until 1993 when he left to begin TingleMerrett LLP. He received his Queen's Counsel designation in 1981. He has served as a director of several public companies and is currently a director of Intermap Technologies Ltd., Venpath Investments inc. and Zi Corporation. Mr. Tingle provides legal services to the Corporation. Mr. Tingle received his B.A. in 1962 and LL.B. in 1963 from the University of Alberta and did postgraduate work at the London School of Economics in 1964.

Gibson C. Scott – Chief Operating Officer and Director

Gibson C. Scott has more than 29 years of global business experience as a senior management professional with Sperry-Sun Drilling Services, including more than 18 years at an executive level in international and national based operations. Between 2000 and 2003 he held the position of Country Manager, Canada with Sperry-Sun Drilling Services. Prior to 2000, he held various other managerial positions with that company since 1974. Mr. Scott is also currently President of TrueBore Consulting Inc., a company involved in project management of oil and gas related operations.

Howard Blacker – Director

W. Howard Blacker has over 16 years of industry experience and is currently the Chief Financial Officer of Zapata Energy Corporation. Mr. Blacker earned his chartered accountant's designation in Alberta in 1987 and remained in public practice until 1990 when he left to become the Chief Financial Officer of a company specializing in oil and gas basin evaluations. Over the past 16 years, he has been the Chief Financial Officer of three corporations, primarily in the energy services sector. All of these companies had significant involvement in research and development. Mr. Blacker earned his B. Comm. in 1983 from the University of Calgary.

Audit Committee

Please see the attached Schedule "B" for information on the Audit Committee (Form 52-110F1).

Corporate Governance

Please see the attached Schedule "C" for information on the Corporate Governance (Form 58-101F2).

EXECUTIVE COMPENSATION

Cash

On December 31, 2005, the Corporation had three executive officers. The aggregate cash compensation paid to the executive officers of the Corporation was \$576,652 for services rendered during the fiscal year ended December 31, 2005. The following table sets forth the remuneration of the Leonard Rice, Chief Executive Officer of the Corporation, Shelby Beattie, President and Chief Financial Officer of the Corporation, and Gibson Scott, Chief Operating Officer of the Corporation, (collectively the "Named Executive Officers") for each of the last three fiscal years.

Compensation Summary

<u>Name and Principal Position</u>	ANNUAL COMPENSATION				LONG-TERM COMPENSATION			
	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Other Annual Compensation</u>	AWARDS		PAYOUTS	<u>All Other Compensation (\$)</u>
					<u>Securities Under Options/SARs Granted (#)</u>	<u>Restricted Shares or Restricted Share Units (%)</u>	<u>LTIP Payouts (\$)</u>	
Leonard D. Rice ⁽¹⁾ Chief Executive Officer	2005	28,700	--	106,062	--	--	--	--
	2004	77,900	57,800	62,495 ⁽³⁾	--	--	--	--
	2003	83,200	--	--	--	--	--	--
Shelby D. Beattie ⁽²⁾ President and Chief Financial Officer	2005	159,800	35,000	--	--	--	--	--
	2004	134,050	3,000	13,500 ⁽⁴⁾	--	--	--	--
	2003	86,250	--	--	--	--	--	--
Gibson Scott Chief Operating Officer ⁽⁵⁾	2005	26,875	--	220,215 ⁽⁶⁾	--	--	--	--
	2004	--	--	127,810 ⁽⁶⁾	--	--	--	--
	2003	--	--	108,605 ⁽⁶⁾	--	--	--	--

Note:

- (1) Mr. Rice ceased to be the Chief Executive Officer of the Corporation on February 25, 2005. \$106,062 represents the compensation paid to Mr. Rice after February 25, 2005, for services rendered to the Corporation in his capacity as employee and director.
- (2) Mr. Beattie was appointed President and Chief Executive Officer of the Corporation on February 25, 2005.
- (3) Mr. Rice was paid \$62,495 in 2004 for services to the Corporation completed in prior years.
- (4) Mr. Beattie was paid \$13,500 in 2004 for services to the Corporation completed in prior years.
- (5) Mr. Scott was appointed Chief Operating Officer of the Corporation on February 25, 2005.
- (6) Gibson Scott, Chief Operating Officer, is also the President of TrueBore Consulting Inc. which has provided consulting services to the Corporation. TrueBore Consulting Inc. ("TrueBore") was paid \$220,215 for these services in 2005, including \$25,715 for moving and relocation expenses. In 2004, Mr. Scott was paid \$39,000 for services rendered to the Corporation as an employee and TrueBore received \$88,810. In 2003, TrueBore was paid \$108,605 in consulting fees.

Management Contracts

The Corporation is currently negotiating employment agreements with Shelby Beattie and Gibson Scott.

Stock Options Granted During the Most Recently Completed Financial Year

Option Grants During the Most Recently Completed Financial Year

There were 300,000 options granted to Named Executive Officers during the financial year ended December 31, 2005:

<u>NEO Name</u>	<u>Securities Under Options/SARs Granted (#)</u>	<u>Per cent of Total Options/SARs Granted to Employees in Financial Year</u>	<u>Exercise or Base Price (\$/Security)</u>	<u>Market Value of Securities Underlying Options on the Date of Grant (\$/Security)</u>	<u>Expiration Date</u>
Leonard D. Rice	100,000	15.38%	\$0.25	\$0.21	June 21, 2010
Shelby D. Beattie	100,000	15.38%	\$0.25	\$0.21	June 21, 2010
Gibson Scott	100,000	15.38%	\$0.25	\$0.21	June 21, 2010

Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year End Option Values

The following table sets forth the aggregated option exercises during the financial year ended December 31, 2005 as well as the financial year-end values for options granted to the Named Executive Officers.

<u>Name</u>	<u>Securities Exercised</u>	<u>Aggregate Value Realized (\$)</u>	<u>Unexercised Options at Year-End Exercisable/Unexercisable</u>	<u>Value of Unexercised in-the-Money Options at Year-End Exercisable/Unexercisable⁽¹⁾ (\$)</u>
Leonard D. Rice	--	--	100,000/-- 100,000/--	36,904/--
Shelby D. Beattie	--	--	100,000/-- 100,000/--	25,000/--
Gibson Scott	--	--	100,000/-- 100,000/--	--/--

Notes:

(1) Value is calculated upon the difference between the exercise price of the options and the closing price of the Common Shares on the TSX Venture Exchange on December 30, 2005, which closing price was \$0.24.

COMPENSATION OF DIRECTORS

Directors' Fees

During the financial year ended 2005, an aggregate sum of \$31,000 was paid to the non-employee directors of the Corporation for their services as directors. The amount to be paid to directors of the Corporation for 2006 is currently under review.

Directors' Options

The following table shows the aggregate number of options exercised, the value realized upon exercise of the options, the number of unexercised options held at year end and the year end value of the unexercised options held by directors of the Corporation.

*Aggregated Option Exercises During the Most Recently
Completed Financial Year and Financial Year End Option Values
for Options held by Directors*

<u>Name</u>	<u>Securities Exercised</u>	<u>Aggregate Value Realized</u> (\$)	<u>Unexercised Options at FY-End Exercisable/ Unexercisable</u> (#)	<u>Value of Unexercised in- the-Money Options at FY-End Exercisable/ Unexercisable⁽¹⁾</u> (\$)
Leonard D. Rice	--	--	200,000/--	36,904/--
Shelby D. Beattie	--	--	200,000/--	25,000/--
Richard D. Tingle	--	--	100,000/--	14,000/--
Gibson C. Scott	--	--	200,000/--	--/--
Howard Blacker	--	--	100,000/--	--/--

Note:

(1) Value is calculated upon the difference between the exercise price of the options and the closing price of the Common Shares on the TSX Venture Exchange on December 30, 2005, which closing price was \$0.24.

Indebtedness of Directors and Officers

An officer of the Corporation as of December 31, 2005 was indebted to the Corporation in the amount of \$218,500. Security has been obtained by the Corporation in connection with such indebtedness over 393,300 Common Shares of the Corporation and such indebtedness is also secured by a personal guarantee from another officer of the Corporation.

Shareholdings of Directors and Officers

Directors and executive officers of the Corporation hold in aggregate 1,884,595 Common Shares of the Corporation.

INTERESTS OF DIRECTORS AND OFFICERS

Interest of Insiders in Material Transactions

Except as discussed herein, none of the directors or executive officers of the Corporation, or associate of any director or executive officer, has had an interest in any material transaction with the Corporation since its inception. Richard Tingle, Q.C., a director, is a partner in the law firm of TingleMerrett LLP which also provides legal services to the Corporation. The fees paid for legal services in 2005 amounted to \$60,745. Gibson Scott, Chief Operating Officer, is also the President of TrueBore Consulting Inc. which has provided consulting services to the Corporation. TrueBore Consulting Inc. was paid \$220,215 for these services in 2005, including \$25,715 for moving and relocation expenses.

Interest of Certain Persons and Companies in Matters to be Acted Upon

Management is not aware of a material interest of any director or executive officer or anyone who has held office as such or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting, except as otherwise disclosed herein.

Additional Information

Additional Information relating to the Company is on SEDAR at www.sedar.com.

OTHER MATTERS

As of the date of this Information Circular, the Board of Directors and management know of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matter properly comes before the Meeting, proxies in favour of management nominees will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

The proposed shareholder resolutions and the delivery of this Information Circular have been approved by the directors of the Corporation.

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

(signed) *Shelby D. Beattie*
President, Chief Executive Officer and Director

(signed) *Gibson C. Scott*
Chief Operating Officer

Dated August 15, 2006.

**SCHEDULE "A" TO MANAGEMENT INFORMATION CIRCULAR AND PROXY STATEMENT OF
EMERALD BAY ENERGY INC.**

EMERALD BAY ENERGY INC.

**STOCK OPTION PLAN
FOR
DIRECTORS, OFFICERS, EMPLOYEES AND CONSULTANTS**

PART 1 – INTRODUCTION

1.1 Purpose

The purpose of this Stock Option Plan (the "Plan") is to establish a plan pursuant to which Designated Participants, as herein defined, are granted options ("Options") to purchase common shares ("Common Shares") in the capital of EMERALD BAY ENERGY INC. (the "Corporation") on the terms and conditions set forth in this Plan and in a resolution of either the board of directors or the shareholders of the Corporation.

1.2 Designated Participants

"Designated Participants" entitled to participate in the Plan shall be those directors, officers, employees or consultants of the Corporation, or any of its affiliates, who are designated as Designated Participants by resolution of the board of directors of the Corporation from time to time.

PART 2 – TERMS RELATING TO THE PLAN

2.1 Participants

The participants in the Plan will be Designated Participants who must be bona fide directors, officers, employees or consultants of the Corporation, or of an affiliate, provided, in the case of a consultant, he is engaged on an ongoing basis to provide services of value to the Corporation or to an affiliate. In the case of a consultant, a stock exchange on which the Corporation's shares are listed may require shareholder approval before exercise.

2.2 Number and Price of Optioned Common Shares

The number of Common Shares subject to an Option to a Designated Participant and the Option Price per Common Share shall be determined in the resolution of the board of directors, provided that: (a) Options may be granted for no more than 10% of the issued and outstanding Common Shares of the Corporation (on a non-diluted) basis; (b) no Designated Participant (excluding Consultants) shall be granted an Option which exceeds 5% of the issued and outstanding Common Shares of the Corporation (on a non-diluted basis) in any 12 month period and no consultant or employee conducting investor relations activities shall be granted an Option which exceeds 2% of the issued and outstanding Common Shares of the Corporation in any 12 month period; and (c) the Option price per Common Share shall not be less than such Option price as may be acceptable to any stock exchange on which the Corporation's shares are listed.

2.3 Option Period, Consideration and Payment

- (a) The Option Period shall be a maximum of five years from the date the Option is granted, provided that the Option Period shall be reduced with respect to any Option as provided in sections 2.5 and 2.6 covering cessation as a director, officer, employee or consultant of the Corporation or death of the Designated participant.
- (b) An Option shall vest and may be exercised (in each case to the nearest full Common Share) in whole or in part during the Option Period at any time after the date of the grant provided in the

resolution of the board of directors of the Corporation. To the extent required by the TSX Venture Exchange, no Options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Corporation.

- (c) Except as set forth in sections 2.5 and 2.6, no Option may be exercised unless the Designated Participant is at the time of such exercise a director, officer, employee or consultant to the Corporation or an affiliate.
- (d) The exercise of any Option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Common Shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft payable to the Corporation for the full purchase price of such Common Shares with respect to which the Option is exercised. No Designated Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Common Shares subject to an Option under this Plan, unless and until certificates for such Common Shares are issued to him or them under the terms of the Plan.

2.4 Transferability

All benefits, rights and Options accruing to any Designated Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein. During the lifetime of a Designated Participant any benefits, rights and Options may only be exercised by the Designated Participant.

2.5 Ceasing to be a Director, Officer, Employee or Consultant

If a Designated Participant shall cease to be a director, officer or employee of the Corporation or of an affiliate for any reason (other than death), he may exercise his Option to the extent that he was entitled to exercise it at the date of such cessation, but only within the ninety (90) days following his ceasing to be a director, officer or employee.

Nothing contained in the Plan, nor in any Options granted pursuant to the Plan, shall as such confer upon any Designated Participant any right with respect to continuance as a director, officer or employee of the Corporation or of any affiliate.

If a consultant shall cease to be a consultant or if the Optionholder was engaged in investor relation activities, his Option shall expire thirty (30) days following the date he ceases to act as a consultant and is thereafter void and of no effect.

2.6 Death of Designated Participant

In the event of the death of a Designated Participant, the Option previously granted to him shall be exercisable only within the twelve (12) months next succeeding such death and then only:

- (a) by the person or persons to whom the Designated Participant's rights under the Option shall pass by the Designated Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that he was entitled to exercise the Option at the date of his death.

2.7 Adjustment in Common Shares Subject to the Plan

In the event there is any change in the Common Shares of the Corporation through the declaration of stock dividends or stock subdivisions or consolidations or reconstruction, reorganization or recapitalization of the Corporation (other than issuance of additional shares), the number of Common Shares available for Option, the Common Shares subject to any Option, and the Option price thereof shall be adjusted appropriately by the board of directors of the Corporation and such adjustment shall be effective and binding for the purposes of the Plan.

2.8 Amendment or Termination of the Plan

The board of directors of the Corporation reserves the right to amend, modify or terminate the Plan at any time if and when it is advisable in the absolute discretion of the board of directors, except with respect to any Options then outstanding under the Plan.

2.9 Adjustment of Option Price

Any reduction in the Option price originally established in a grant of Options hereunder to an Insider (as that term is defined in applicable securities legislation) of the Corporation must be approved by a vote of the disinterested shareholders at a regularly constituted meeting of the shareholders of the Corporation.

PART 3 – GENERAL

3.1 Record Keeping

The Corporation shall maintain a register in which shall be recorded the name and address of each Designated Participant and the number of Options granted to a Designated Participant and the number of Options outstanding.

3.2 Necessary Approvals

The obligation of the Corporation to issue and deliver Common Shares in accordance with the Plan is subject to any approvals which may be required from any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Common Shares cannot be issued to any Designated Participant for whatever reason, the obligation of the Corporation to issue such Common Shares shall terminate and any funds paid to the Corporation by the Designated Participant for the exercise of such Options will be returned to the Designated Participant.

3.3 Common Shares

As used in the Plan, "Common Shares" means common shares without nominal or par value in the capital of the Corporation as constituted June 30, 1997, subject to sections 2.7 and 3.4.

3.4 Amalgamation or Merger

If the Corporation amalgamates or merges with or into another corporation, which it reserves the right to do, any Option granted under the Plan shall continue in full force and effect unless the amalgamation agreement otherwise provides, in which event the Option shall expire and be of no further force or effect immediately prior to the record date applicable to such amalgamation or merger.

3.5 Decision of Directors

For the purposes of the Plan, but subject to applicable corporate law, those Designated Participants who are eligible for selection as persons to whom Common Shares may be issued or to whom Options or rights may be granted pursuant to the Plan entitling the participants therein to acquire Common Shares, shall be eligible to and may participate in the decision of the board of directors of the Corporation to issue any Common Shares or grant any Options under the Plan.

3.6 Administration of the Plan

The Plan will be administered by the senior officers of the Corporation subject to direction and supervision by the board of directors. The Corporation shall effect the grant of Options under the Plan by execution of an option agreement in the form approved by the signing officers of the Corporation thereto, and which shall give effect to the provisions of this Plan. The board of directors is authorized to interpret the Plan and may, from time to time, amend or rescind rules and regulations required for carrying out the Plan. Any such interpretation or construction of any

provision of the Plan shall be final and conclusive. All administration costs of the Plan shall be paid by the Corporation. The senior officers of the Corporation are authorized and directed to do all things and execute and deliver all instruments, undertakings and applications and writing as they in their absolute discretion consider necessary for the implementation of the rules and regulations established for administering the Plan.

3.7 No Representation or Warranty

The Corporation makes no representation or warranty as to the future market value of any Common Shares issued in accordance with the provision of the Plan nor in regard to the tax implications thereof.

3.8 Interpretation

The Plan will be governed by and construed in accordance with the laws of Canada and of the Province of Alberta.

3.9 Stock Exchange Rules

The rules of any stock exchange upon which the Corporation's Common Shares are listed shall be applicable relative to options granted to Designated Participants.

3.10 Escrow and Restriction on Transferability

Common Shares to be issued upon exercise of an Option shall be escrowed or legended as to restrictions on transferability if required by any applicable legislation, regulatory body or stock exchange, and the Designated Participant shall, upon request by the Corporation, execute an escrow agreement in form required or requested by such legislation, regulatory body, stock exchange or the Corporation, and no Common Shares shall be issued on exercise of an Option if a required escrow agreement is not entered into by the Designated Participant.

3.11 Affiliate

The term "affiliate" when used herein shall have the same meaning as the definition thereof in the *Securities Act* (Alberta).

3.12 Approval of Directors and Shareholders

This Stock Option Plan was originally approved by the board of directors of Emerald Bay Energy Inc. effective June 30, 1997. The following resolution was approved by its shareholders on June 30, 1997:

"RESOLVED that the Stock Option Plan in the form attached be approved whereby, without further approval of the shareholders, the board of directors may issue directors, officers, employees and consultants options of up to 10% of the number of issued shares from time to time outstanding on such terms and conditions as they may deem appropriate."

CERTIFIED this 30th day of June, 1997.

EMERALD BAY ENERGY INC.

Per: _____

SCHEDULE "B" TO THE INFORMATION CIRCULAR OF EMERALD BAY ENERGY INC.

AUDIT COMMITTEE

1. Audit Committee Charter

A. Audit Committee Overview, Purpose and Authority

The Audit Committee (the "**Committee**") is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities and is responsible to the Board of Directors. The Committee monitors, evaluates, advises or makes recommendations, in accordance with this Charter and any other directions of the Board of Directors, on matters affecting the external, internal or special audits of the financial and operational control policies and practices relating to the Corporation.

The Committee has the authority to investigate any activity of the Corporation. The primary purpose of the Committee includes:

- recommending to the Board of Directors the external auditors to be nominated for the purpose of preparing or issuing audit reports for the Corporation and the compensation for such services;

- directly overseeing the work of the Corporation's external auditors engaged for the purpose of preparing or issuing auditors' reports;

- reviewing the Corporation's financial statements, MD&A and annual and interim earnings press releases prior to public disclosure;

- overseeing and monitoring the integrity of the Corporation's financial reporting process and systems of internal controls regarding finance, accounting, legal and regulatory compliance;

- assessing the processes related to identification of the Corporation's risks and effectiveness of the Corporation's response to control or otherwise mitigate these risks; and

- providing an avenue of communication among the external auditors, management, internal audit staff and the Board of Directors.

The Committee shall have unrestricted access to Company personnel and documents and will be provided with the resources necessary to carry out its responsibilities.

The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any such advisors and to communicate directly with internal and external auditors.

B. Audit Committee Structure

The Committee shall be composed of three members or such other number of members as may be specified by the Board of Directors. A majority of the Committee members shall be independent directors within the meaning of Multilateral Instrument 52-110 ("**MI 52-110**"), such that they shall have no direct or indirect material relationship with the Corporation. In addition, a majority of the members of the Committee must be "unrelated directors" – an unrelated director is a director 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 shareholding.

At least one member of the Committee shall be financially literate such that he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to those raised in the Corporation's financial statements.

All members of the Board of Directors shall be free to attend any meetings of the Committee and participate but only those members of the Committee shall be entitled to vote on any questions before the Committee. Other than members of the Board of Directors, entitlement to attend all or a portion of any Committee meetings shall be determined by the Chair of the Committee or its members.

The Committee shall meet at least four times per year and may call special meetings as required. A quorum at meetings of the Committee shall be a majority of the members. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting.

The minutes of the Committee meetings shall accurately record the decisions reached by the Committee and shall be distributed to Committee members and Board members, with copies to the Chief Financial Officer (CFO), the external auditors and others as directed by the Committee

C. Audit Committee Duties and Responsibilities

I. Review Procedures – General

Review and assess the adequacy of this Charter at least annually. Submit the Charter to the Board of Directors for approval.

Review the Corporation's audited annual financial statements together with the MD&A thereon before such statements are submitted to the Board of Directors for approval. Review should include discussion with management and external auditors of significant issues regarding accounting principles, practices and judgments.

In consultation with management, external auditors and internal audit staff, consider the integrity of the Corporation's financial reporting processes and controls. Discuss financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the external auditors and the internal audit staff together with management responses.

Review and recommend for approval by the Board of Directors the quarterly financial statements of the Corporation along with related MD&A communication and any related press releases.

Review the financial content of the Corporation's annual report and any other reports of a financial nature which require approval by the Board of Directors prior to the release thereof.

Review annually with management, the external auditors and, if necessary, legal counsel, any material litigation, claim or other contingency that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these will be disclosed in the financial statements.

Review annually the adequacy of the Corporation's procedures relating to the review of all public disclosure documents containing audited or unaudited financial information before its release, including any prospectus, offering memorandum, annual information form or other report.

Monitor the appropriateness of accounting policies, especially critical accounting policies and financial reporting used by the Corporation to review any actual and prospective significant changes in financial reporting and accounting policies and practices to be adopted by the Corporation and to review and assess any new or proposed developments in accounting and reporting standards that may affect or have an impact on the Corporation.

Review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of its present and any former external auditors.

II. Review Procedures - External Auditors

The external auditors are ultimately accountable to the Audit Committee and the Board of Directors, as representatives of the shareholders. Review the annual appointment of external auditors for recommendation to the Board of Directors for approval, giving consideration to matters such as:

their independence and whether to retain such auditors for each future fiscal year after consultation with appropriate management;

the fees paid to the external auditors on an annual basis; and

any non-auditing services performed by the external auditors.

On an annual basis, review and discuss with the external auditors all significant relationships they have with the Corporation that could impair such auditors' independence.

Review the planning and results of the external audit, including:

the auditors' engagement letter;

the reasonableness of the estimated audit fees;

the scope of the audit, including materiality, audit reports required, areas of audit risk, deadlines and coordination with internal audit staff;

the post-audit management letter together with management's responses; and

any other matters the external auditors bring to the attention of the Committee.

Meet with the external auditors, at least annually and preferably at each Committee meeting, or as requested by the auditors, without management representatives present.

Receive and review all follow-up action or status reports relating to the recommendations of the external auditors and internal audit staff.

III. Internal Audit Function

The Committee should periodically request from management a review of the need for an internal audit function, and, on the basis of this review, determine whether such a function should be instituted.

IV. Risk Management Oversight

Assess whether management has implemented policies ensuring that the Corporation's risks are identified and that controls are adequate, in place and functioning properly.

V. Legal Compliance

On at least an annual basis, review with the Corporation's counsel any legal matters that could have a significant impact on the Corporation's financial statements, the Corporation's compliance with applicable laws and regulations and inquiries received from regulators or government agencies.

Review all reports concerning any significant fraud or regulatory non-compliance that occurs at the Corporation. This review should include consideration of the internal controls that should be strengthened to reduce the risk of a similar event in the future.

VI. Non-Audit Services

The Committee must pre-approve all non-audit services to be provided to the Corporation by its external auditors.

VII. Whistle-Blowing

The Committee must annually establish and review procedures relating to the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

The Corporation's current policy in this regard is as follows. The Committee will establish the following procedure for the receipt and treatment of any complaint received by the Corporation regarding accounting, internal accounting controls or auditing matters:

The Corporation will distribute to all of its employees and field contractors the name and contact information of an independent member of the Committee for the purpose of receiving complaints regarding accounting, internal accounting controls or auditing matters;

Copies of complaints received will be sent to the members of the Committee;

All complaints will be investigated by the Corporation's finance and legal staff in the normal manner, except as otherwise directed by the Committee. The Committee may request that outside advisors be retained to investigate any complaint; and

The status of each complaint will be reported on a quarterly basis to the Committee and, if the Committee so directs, to the board of directors.

VIII. Reporting Requirements

The Audit Committee shall include in the Corporation's Information Circular and, if applicable, Annual Information Form, the information required by MI 52-110 and any applicable forms thereto.

IX. Other Responsibilities

Periodically perform a self-assessment of Committee performance.

Review financial and accounting personnel succession planning within the Corporation.

Annually review policies and procedures as well as audit results associated with directors' and officers' expense accounts and perquisites; annually review a summary of director and officers' related party transactions and potential conflicts of interest.

Perform any other activities consistent with this Charter, the Corporation's by-laws and governing law as the Committee or the Board of Directors deems necessary or appropriate.

D. Audit Committee Meetings

Committee meetings may be called by the Committee Chair or by a majority of the Committee members. In addition, the external auditors have the right to call a Committee meeting, usually through the Committee Chair. The Chair of the Committee shall be a voting member and questions will be decided by a majority of votes.

Meetings may be called with one day's notice, which notice may be waived by members. All members of the Committee are entitled to receive notice of every meeting. However, it should be standard practice to give Committee members at least five business days' notice of all meetings.

Meetings are chaired by the Committee Chair or in the Chair's absence, by a member chosen by the Committee amongst themselves.

Agendas will be set by the Chair of the Committee with assistance from management, other Committee members, external auditors and internal audit staff, if requested or required. Agendas should be circulated with the materials for consideration at the meeting to all members, the Chair of the Board of Directors, the President and CEO and the CFO no later than the day prior to the date of the meeting. However, it should be standard practice to deliver the agenda and the materials for consideration at the meeting at least five business days prior to the proposed meeting, except in unusual circumstances.

Except as herein provided, the Chair of the meeting may establish rules of procedures to be followed at meetings.

Meetings may be conducted with the participation of a member by telephone or any other voice and/or video teleconferencing device which permits all persons participating in the meeting to communicate with each other. A member participating in a meeting by that means is deemed to be present at the meeting.

The duties of the Committee may be exercised at a meeting at which a majority of the members of the Committee are present or by resolution in writing signed by all members of the Committee who would have been entitled to vote on the resolution at the meeting of the Committee. In case of an equality of votes, the person acting as Chair of the Committee meeting shall be entitled to a second or casting vote.

A resolution in writing may be signed and executed in separate counterparts by members and the signing or execution of a counterpart shall have the same effect as the signing or execution of the original. An executed copy of a resolution in writing or counterpart thereof transmitted by any means of recorded electronic transmission shall be valid and sufficient.

Attendance at all or a portion of Committee meetings by Company personnel will be determined by the Committee and may, at the request of the Committee, include the President and CEO, CFO and a recording Secretary.

The Recording Secretary shall keep minutes of the proceedings of all meetings of the Committee which following Committee approval are available to any member of the Board of Directors. All minutes will at a minimum be circulated to the Chair of the Board of Directors and should be circulated to all those receiving the agenda. Minutes will be retained by the Board of Directors.

E. Effective Date

In compliance with clause 9.1 (2) of Multilateral Instrument 51-110, this Charter is made effective June 28, 2005.

2. Composition of Audit Committee

The Audit Committee of the Corporation is currently comprised of Shelby D. Beattie, Richard D. Tingle and W. Howard Blacker.

3. Relevant Education and Experience

All members of the Audit Committee are considered to be independent and financially literate:

Shelby D. Beattie

Shelby D. Beattie has been involved in the oil and gas business as a director or member of executive management since 1980. Working as a landman from 1980 to 1982, he was Vice President of mineral leasing for Newport Oil & Gas, Inc., a private oil and gas company. From 1982 to 1992, he was Director, Vice President of Phoenix Oil and Gas, and project-managed the development of over 200 oil and gas wells and associated mineral leases. While remaining a member of the Board of Phoenix, from 1992 to 2002 Mr. Beattie consulted as a Sr. Project Manager and Special Liaison for companies such as Maximum Video Systems, AT&T Broadband, and Microsoft. Mr. Beattie's varied and extensive experience in the oil and gas and technology sectors have been instrumental as he has served as a Director of Emerald Bay since 1998, as President since September 2001 and President and CEO since March 2005.

Richard D. Tingle, Q.C.

Richard D. Tingle has practiced law in Calgary, Alberta, Canada since 1964 and was a partner of a medium sized Calgary law firm until 1993 when he left to begin TingleMerrett LLP. He received his Queen's Counsel designation in 1981. He has served as a director of several public companies and is currently a director of Intermap Technologies Ltd., Venpath Investments Inc. and Zi Corporation. Mr. Tingle provides legal services to the Corporation. Mr. Tingle received his B.A. in 1962 and LL.B. in 1963 from the University of Alberta and did postgraduate work at the London School of Economics in 1964.

W. Howard Blacker

W. Howard Blacker has over 16 years of industry experience and is currently the Chief Financial Officer of Zapata Energy Corporation. Mr. Blacker earned his chartered accountant's designation in Alberta in 1987 and remained in public practice until 1990 when he left to become the Chief Financial Officer of a company specializing in oil and gas basin evaluations. Over the past 16 years, he has been the Chief Financial Officer of three corporations, primarily in the energy services sector. All of these companies had significant involvement in research and development. Mr. Blacker earned his B. Comm. in 1983 from the University of Calgary.

4. Audit Committee Oversight

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

5. Reliance on Certain Exemptions

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

7. External Auditor Service Fees (By Category)

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

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2005	\$53,000 ⁽¹⁾	\$39,5000 ⁽²⁾	Nil	Nil
2004	\$39,300	\$35,550 ⁽²⁾	Nil	Nil

(1) The auditors of the Corporation changed in December, 2005. \$35,000 was paid to BDO Dunwoody LLP for services rendered in 2005 and MacKay LLP accrued \$18,000 in fees from its date of appointment to December 31, 2005.

(2) The Corporation retained the services of Pricewaterhousecoopers LLP to assist in the preparation of the Corporation's financial statements.

8. Exemption

The Corporation is relying on the exemption provided in Section 6.1 of MI 52-110.

SCHEDULE "C" TO THE INFORMATION CIRCULAR OF EMERALD BAY ENERGY INC.

CORPORATE GOVERNANCE

Pursuant to National Policy 58-101 *Disclosure of Corporate Governance Practices* the Corporation is required to and hereby discloses its corporate governance practices as follows.

1. Board of Directors

The Board of Directors of the Corporation facilitates its exercise of independent supervision over the Corporation's management through frequent meetings of the Board.

The following directors are "independent" in that they are independent and 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 the best interests of the Corporation, other than the interests and relationships arising from shareholding: Howard Blacker and Richard Tingle.

The following directors are members of management and thus are not independent: Leonard Rice, Shelby Beattie and Gibson Scott.

2. Directorships

Director	Other Issuer
Leonard D. Rice	Prairie Oil and Gas, Inc.
Shelby D. Beattie	--
Richard D. Tingle	Intermap Technologies Ltd., Venpath Investments Inc. and Zi Corporation
Gibson C. Scott	--
Howard Blacker	--

3. Orientation and Continuing Education

The Board of Directors of the Corporation takes the following measures to ensure that all new directors receive a comprehensive orientation regarding the role of the Board, its committees and its directors, and the nature and operation of the Corporation:

- a. each new director brings a different skill set and professional background, and with this information, the Board is able to determine what orientation to the nature and operations of the Corporation's business will be necessary and relevant to each new director; and
- b. the Corporation is currently drafting a Board Policy Manual, which will provide a comprehensive introduction to the Board and its committees.

The Board takes the following measures to provide continuing education for its directors in order that they maintain the skill and knowledge necessary for them to meet their obligation as directors:

- a. the Board Policy Manual will be reviewed on an annual basis and a revised copy will be given to each director; and
- b. there is a technical presentation at Board meetings, focusing on either a particular property or a summary of various properties. The question and answer portions of these presentations are a valuable learning resource for the non-technical directors.

4. Ethical Business Conduct

The Board of Directors of the Corporation intends to adopt a written Code of Business Conduct & Ethics (the

“Code”) for its directors, officers, employees and consultants. As one measure to ensure compliance with the proposed Code, the Board has established a whistleblower policy which details complaint procedures for financial concerns.

The Board must comply with the conflict of interest provisions of the Alberta *Business Corporations Act* and British Columbia *Business Corporations Act*, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transaction and agreements in respect of which a director or executive officer has a material interest.

In addition to the Code, the Board intends to adopt a Communications and Corporate Disclosure Policy, a Policy on Stock Trading and Use of Material Information, and a Code of Employee Conduct to encourage and promote a culture of ethical business conduct.

5. Nomination of Directors

In order to identify new candidates for nomination to the Board, the Board of Directors of the Corporation considers the advice and input of the entire board of directors, the members of which are listed under “Particulars of Matters to be Acted Upon – 2. Election of Directors, regarding:

- a. the appropriate size of Board, the necessary competencies and skills of the Board as a whole and the competencies and skills of each director individually; and
- b. the identification and recommendation of new individuals qualified to become a new Board member. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Corporation, the ability to devote the time required and a willingness to serve.

6. Compensation

The Compensation Committee, the members of which are listed under “Particulars of Matters to be Acted Upon – 2. Election of Directors”, recommends to the Board of Directors of the Corporation the compensation of the Corporation’s directors and the CEO which the Committee feels is suitable, primarily by comparison of the remuneration paid by other reporting issuers that the Committee feels are similarly placed within the same business of the Corporation.

7. Other board Committees

Other than the Audit and Compensation Committees, the Corporation does not have any other Board Committees.

8. Assessments

The entire Board of Directors will evaluate the effectiveness of the Board, its committees and individual directors. To facilitate this evaluation, each committee will conduct an annual assessment of its performance, consisting of a review of its Charter, the performance of the committee as a whole and the performance of the committee Chair. In addition, the Board will conduct an annual review of its performance.