

**ADVANTAGE OIL & GAS LTD.**  
**(the "Corporation")**

---

***INDEPENDENT RESERVE EVALUATION COMMITTEE***

---

**TERMS OF REFERENCE**

**COMPOSITION**

1. The Independent Reserve Evaluation Committee (the "Committee") will be composed of not less than three directors. In accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101") of the Canadian Securities Administrators, a majority of the members of the Committee must be:
  - (a) individuals who are not and have not been, during the preceding 12 months:
    - (i) an officer or employee of the Corporation or an affiliate of the Corporation;
    - (ii) a person who beneficially owns 10% or more of the outstanding voting securities of the Corporation; or
    - (iii) a relative of a person referred to in (i) or (ii), residing in the same house as that person; and
  - (b) free of any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgment.
2. Individuals having engineering or geological backgrounds would be desirable appointees to the Committee. A quorum will be a majority of the Committee members (the "Members").
3. The Board of Directors of the Corporation (the "Board") shall appoint the Committee's chairperson (the "Chairperson").

**MEETINGS**

1. The Committee shall meet prior to the approval by the Corporation of its annual financial statements and thereafter as may be directed by the Board, or, upon their own volition, as circumstances may warrant.
2. A member, officer or employee of the Corporation shall be appointed at each meeting to act as secretary for the purposes of recording the minutes of each meeting.

**REPORTING**

1. The Committee shall provide the Board with a summary of all meetings and of its recommendations, together with a copy of the minutes of such meeting. Where minutes have not yet been published, the Chairperson shall provide the Board with oral reports as requested.
2. All information reviewed and discussed by the Committee at any meeting shall be retained and made available for examination by the Board upon request to the Chairperson.

## RESPONSIBILITIES

The Committee shall have the general responsibility of overseeing the evaluation of the Corporation's petroleum and natural gas reserves, including the retention of one or more "qualified reserves evaluators or auditors" (as defined in NI 51-101) (the "Engineering Firm"), each of whom is "independent" (as defined in NI 51-101) of the Corporation, to report to the Committee (or, if requested, the Board) on the Corporation's "reserves data" (as defined in NI 51-101).

The Committee's general responsibilities shall be:

1. To discuss and review with management of the Corporation the selection of the Engineering Firm which is qualified to prepare a report (the "Report") of an evaluation of the Corporation's "reserves data" (as defined in NI 51-101);
2. To review, with reasonable frequency, the Corporation's procedures relating to the disclosure of information with respect to "oil and gas activities" (as defined in NI 51-101) including its procedures for complying with disclosure requirements and restrictions of NI 51-101;
3. To review the appointment of the Engineering Firm and, in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been any disputes between the Engineering Firm and management of the Corporation;
4. To review, with reasonable frequency, the reporting issuer's procedures for providing information to the Engineering Firm for the purposes of NI 51-101;
5. Before approving the filing of the "reserves data" and other information required by Form 51-101F1 under NI 51-101 ("Form 51-101F1"), meet with management and the Engineering Firm to:
  - (a) determine whether any restrictions affect the ability of the Engineering Firm to report on "reserves data" without reservation; and
  - (b) review the "reserves data" and other information required by Form 51-101F1;
6. Review and recommend to the Board, when appropriate:
  - (a) the content and filing with the appropriate securities regulatory authorities of the "reserves data" and other information specified in Form 51-101F1;
  - (b) the filing of the report of the Engineering Firm in accordance with Form 51-101F2 of NI 51-101; and
  - (c) the content and filing of the report of management and directors of the Corporation in accordance with Form 51-101F3 of NI 51-101;

(Forms 51-101F1, F2 and F3 are collectively referred to as the "NI 51-101 Reports");
7. At each scheduled meeting of the Committee, request a report from management as to the Corporation's compliance with NI 51-101, including the Corporation's compliance with Part 5 and Part 6 of NI 51-101 entitled "Requirements Applicable to all Disclosure" and "Material Change Disclosure", respectively;

8. To receive the Report and the NI 51-101 Reports and consider the principal assumptions upon which they are based;
9. To consider and review management's input into the Report and the NI 51-101 Reports and the key assumptions used therein;
10. To present a report (the "Committee Report") to the Board of the results of such review and to recommend whether the Report and the NI 51-101 Reports should be accepted by the Board as the Corporation's evaluation of its "reserves data".

Prior to presenting the Committee Report to the Board the Committee shall:

11. Consider the expertise of the Engineering Firm;
12. Meet with representatives of the Engineering Firm and management of the Corporation to discuss the Report and the NI 51-101 Reports;
13. To hold an *in camera* meeting (i.e., without the presence of management of the Corporation) with representatives of the Engineering Firm to discuss the Report and Form 51-101F1 and Form 51-101F2, and to ask such questions as the Committee deems appropriate, which questions may, without limitation, include the following:
  - (a) the scope of the Engineering Firm's engagement by the Corporation and, in particular, any restrictions thereon;
  - (b) the details of any relationship which the Engineering Firm has with the Corporation that may affect or might be viewed as affecting its independence;
  - (c) the process followed by the Engineering Firm in conducting its reserve analysis;
  - (d) the sources of information for the Report;
  - (e) whether the Engineering Firm has any reason to think that any of the information provided to it was not accurate or correct;
  - (f) whether the Engineering Firm had access to all information it thought relevant to complete its engagement;
  - (g) review and discussion of the price and cost forecasts used in the Report and whether the assumptions used would still be current;
  - (h) discussion of the assumptions made regarding oil and gas marketing and whether the Engineering Firm still considers these assumptions to be reasonable;
  - (i) discussion of the reserve additions and reserve revisions which occurred from the previous report of Corporation's reserves to that of the Report and the reasons for such revisions;
  - (j) consideration of future net revenues, operating costs, working interests, royalty burdens, required capital expenditures and timing, recovery rates and decline rates;

- (k) whether the Engineering Firm considered it necessary to carry out any on-site inspections as part of its reserve analysis; and
  - (l) what levels of oil and gas production were assumed in the Report and whether the Engineering Firm had access to information since the date of the Report which allows it to confirm or disaffirm the production profiles and other aspects of the Report since the date of the Report;
14. In reviewing the Report and the NI 51-101 Reports, meeting with representatives of the Engineering Firm and presenting the Committee Report to the Board, be entitled to retain, and rely upon, the advice of outside experts;
15. Do such other things within the scope of its responsibilities as it may, in its discretion, deem appropriate.

### **SCHEDULES**

Attached hereto as Schedule "A" is a copy of NI 51-101 together with Forms 51-101F1, F2 and F3.

**SCHEDULE "A"**