



**Annual Meeting of Shareholders
to be held on Wednesday, May 14, 2008**

**NOTICE OF MEETING
and
INFORMATION CIRCULAR**

April 9, 2008



NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting (the "Meeting") of the holders ("Shareholders") of common shares ("Common Shares") of Midnight Oil Exploration Ltd. ("Midnight" or the "Corporation") will be held at the Sun Life Plaza Conference Centre, Sun Life Plaza, Second Floor, 140 – 4th Avenue S.W., Calgary, Alberta, on Wednesday, the 14th day of May, 2008 at 10:00 a.m. (Calgary time). The purpose of the Meeting is to:

1. receive and consider the audited consolidated financial statements of the Corporation for the year ended December 31, 2007, together with the auditors' report thereon;
2. to fix the number of Directors of the Corporation to be elected at the Meeting at five (5) members;
3. elect directors of the Corporation for the ensuing year;
4. appoint auditors of the Corporation for the ensuing year at a remuneration to be determined by the board of directors of the Corporation;
5. transact such other business as may properly be brought before the Meeting.

Shareholders are referred to the accompanying Information Circular dated April 9, 2008 (the "Information Circular") for more detailed information concerning the matters to be considered at the Meeting.

The management and board of directors ("Board" or "board of directors") of Midnight encourage you to participate by ensuring that your shareholdings are represented and that your wishes are made known at the Meeting. If you are unable to attend the Meeting in person, we request that you date and sign the enclosed form of proxy and mail it to or deposit it with the President of the Corporation c/o Valiant Trust Company 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1, Fax No. (403) 233-2857. In order to be valid and acted upon at the Meeting, forms of proxy must be returned to the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or any adjournment thereof. Shareholders are cautioned that the use of the mails to transmit proxies is at each shareholder's risk.

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting is the close of business on April 14, 2008 (the "Record Date"). Shareholders of record will be entitled to vote those shares included on the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers his shares after the Record Date and the transferee of those shares establishes that he owns the shares and demands, not later than 10 days before the Meeting, that the transferee's name be included on the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

DATED at Calgary, Alberta, this 9th day of April, 2008.

**BY ORDER OF THE BOARD OF DIRECTORS OF
MIDNIGHT OIL EXPLORATION LTD.**

(signed) *"Fred Woods"*
Fred Woods
President and Chief Executive Officer

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INFORMATION CIRCULAR

For the Annual Meeting of Shareholders

to be held at 10:00 a.m. (Calgary time) on Wednesday, May 14, 2008 at
the Sun Life Plaza Conference Centre, Sun Life Plaza, Second Floor, 140 – 4th Avenue S.W. Calgary, Alberta, Canada

GENERAL PROXY INFORMATION

This Information Circular dated April 9, 2008 is furnished to holders ("Shareholders") of common shares ("Common Shares") of Midnight Oil Exploration Ltd. ("Midnight" or the "Corporation") by management of Midnight, in connection with the solicitation by management of proxies to be used at the annual meeting of Shareholders (the "Meeting") to be held at 10:00 a.m. (Calgary time) on Wednesday, May 14, 2008 at the Sun Life Plaza Conference Centre, Sun Life Plaza, Second Floor, 140 – 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 Midnight. The persons named in the enclosed proxy form are executive officers of Midnight. A Shareholder entitled to vote at the Meeting that wishes to appoint some other person (who need not be a Shareholder) to represent them at the Meeting may do so either by inserting such other person's name in the blank space provided in the enclosed proxy form or by completing another proper instrument of proxy.

The proxy must be dated and signed by the registered Shareholder or by his attorney authorized in writing or by the intermediary. If the proxy is not dated it will be deemed to bear the date on which it was received by our management. In the case of a corporation, the proxy must be executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation with proof of authority accompanying the proxy.

In order to be valid and acted upon at the Meeting, the completed proxy form or other proper instrument of proxy must be deposited with Valiant Trust Company (Attention: Proxy Department) at Suite 310, 606 - 4th Street S.W., Calgary, Alberta T2P 1T1 (Fax No: (403) 233-2857) at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or any adjournment thereof, or delivered to the chair of the Meeting on the day thereof prior to commencement.

Solicitation of proxies 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 Midnight at a nominal cost. The cost of solicitation will be borne by the Corporation.

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 Midnight located at Suite 2100, 144 – 4th Avenue S.W. Calgary, Alberta T2P 3N4, 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 chair of the Meeting on the day of the Meeting or an adjournment thereof, or (b) in any other manner permitted by law, including by attending the Meeting in person and registering with the scrutineers as a Shareholder personally present.

Advice to Beneficial Shareholder

The foregoing information regarding the appointment and revocation of proxies is generally applicable only to registered Shareholders, being persons who are recorded as holders of Common Shares in the securities register maintained by or on behalf of Midnight by its registrar and transfer agent.

The information in this section is of significant importance to many Shareholders, as a substantial number do not hold their Common Shares in their own name. Shareholders who beneficially own Common Shares but do not appear on the records of Midnight as the *registered* holder of such shares are referred to in this section as "Beneficial Shareholders". Common Shares owned by Beneficial Shareholders are typically registered in the name of a broker or other intermediary (including trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans) or in the name of a depository of which the intermediary is a participant.

Beneficial Shareholders should note that only proxies deposited by a person whose name appears on the records of Midnight as the *registered* holder of Common Shares will be recognized and acted upon at the Meeting. Common Shares listed in an account statement provided by a broker will, in most cases, *not* be registered in the person's own name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the person'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).

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 such shares for the broker's clients. **Beneficial Shareholders should therefore ensure that instructions regarding the voting of their Common Shares are properly communicated to the appropriate person well in advance of the Meeting.**

Applicable Canadian regulatory policy requires brokers and other intermediaries holding Common Shares on behalf of others to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have different mailing and delivery 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. In some cases, the instrument of proxy supplied to a Beneficial Shareholder by its broker (or the broker's agent or nominee) is very similar or even identical to the proxy form provided to registered Shareholders by the Corporation. Its purpose, however, is limited to instructing the registered Shareholder (the broker or its agent or nominee) how to vote on behalf of the Beneficial Shareholder.

In Canada, most brokers now delegate responsibility for obtaining instructions from their clients to Broadridge Financial Solutions, Inc. ("Broadridge"). Broadridge typically sends to Beneficial Shareholders a machine-readable voting instruction form in lieu of the proxy form provided by the Corporation, and asks Beneficial Shareholders to return the voting instruction form to or otherwise communicate their voting instructions to Broadridge by following specified telephone or internet-based voting procedures. Broadridge then tabulates the results of all instructions received and provides appropriate instructions regarding the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder who receives a voting instruction form from Broadridge cannot use that form to vote Common Shares directly at the Meeting. The voting instruction form must instead be returned to Broadridge well in advance of the Meeting in order to have the Common Shares to which the instructions relate voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares that are registered in the name of their broker or other intermediary (or an agent or nominee thereof), a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote their 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 voting instruction form or form of proxy provided to them and return the document to their broker or other intermediary (or its agent) in accordance with the instructions provided by such broker or other intermediary (or agent) well in advance of the Meeting.

Beneficial Shareholders should contact their broker or other intermediary through which they hold Common Shares if they have any questions regarding the voting of such Common Shares.

Exercise of Discretion by Proxyholders

On any vote of ballot that may be called for at the Meeting or any adjournment thereof, the persons named in the enclosed proxy form will vote or withhold from voting the Common Shares in respect of which they are appointed proxyholder in accordance with the instructions of the Shareholder appointing them. In the absence of any such direction, the Common Shares to which the proxy relates will be voted FOR each of the matters referred to in the Notice of Meeting and in this Information Circular.

The enclosed proxy form confers discretionary authority on the persons named therein to vote Common Shares and otherwise act in the proxyholder's discretion with respect to any amendments or variations to matters identified in the Notice of Meeting and with respect to any other matters that may properly come before the Meeting or any adjournment thereof.

At the time of printing this Information Circular, Midnight's management knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting and in this Information Circular. If any such amendment, variation or other matter properly comes before the Meeting, the Common Shares represented by proxies in favour of management will be voted in accordance with the proxyholder's best judgment.

Record Date

The record date ("Record Date") for the determination of Shareholders entitled to receive notice of and to vote at the Meeting and at any adjournment thereof is April 14, 2008.

In accordance with the provisions of the *Business Corporation Act* (Alberta), the Corporation will prepare a list of the Shareholders recorded as holders of Common Shares on its register of shareholders as of the close of business on the Record Date, each of whom shall be entitled to vote the Common Shares shown opposite their name on the list at the Meeting or any adjournment thereof, except to the extent that: (a) any such Shareholder has transferred ownership of any of their Common Shares subsequent to the Record Date; and (b) the transferee produces properly endorsed share certificates evidencing the transfer or otherwise establishes that the transferee owns the transferred Common Shares and demands, not later than 10 days before the Meeting, that they be included on the list of Shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote the transferred Common Shares at the Meeting or any adjournment thereof.

In addition, persons who are Beneficial Shareholders as of the Record Date will be entitled to exercise their voting rights in accordance with the procedures established under National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer*.

Voting Securities and Principal Holders Thereof

As at the date hereof, there are 47,422,629 Common Shares outstanding, each carrying the right of one vote on any matter properly coming before the Meeting or any adjournment thereof.

To the knowledge of the directors and executive officers of Midnight, as at the date hereof, no person or company beneficially owns, or controls or directs, directly or indirectly, securities carrying more than 10% of the voting rights attached to all issued and outstanding voting securities of the Corporation.

BUSINESS TO BE ACTED UPON AT THE MEETING

1. Financial Statements and Auditors' Report

The audited consolidated financial statements of Midnight for the year ended December 31, 2007, together with the auditors' report thereon have been mailed and will be placed before the Shareholders at the Meeting. The financial statements are also available through the internet via the System for Electronic Document Analysis and Retrieval (SEDAR) maintained by the Canadian Securities Administrators at www.sedar.com. No formal action will be taken at the Meeting to approve the financial statements, which have been approved by the board of directors of the Corporation in accordance with applicable corporate and securities legislation. Any question regarding the financial statements may be brought forward at the Meeting.

2. Election of Directors

At the Meeting, the shareholders will be asked to fix the number of directors of the Corporation to be elected at five (5) members. The Corporation currently has five (5) directors:

- Fred Woods
- Anthony Lambert
- Jay Squiers
- Tom Medvedic
- Peter Harrison

Each of the current directors is proposed to be nominated for re-election at the Meeting. Management does not propose to nominate any other person for election as a director at this time. Each person elected as a director of the Corporation will hold office until the next annual meeting of the Shareholders or until his successor is duly elected or appointed or his office is vacated earlier in accordance with the *Business Corporations Act* (Alberta) and the articles and by-laws of the Corporation.

Management of Midnight expects that each of the nominees will be willing and able to serve as a director of the Corporation. However, if any vacancies occur in the nominee slate, because any nominee does not stand for election at the Meeting or is unable, or not willing to serve, or for any other reason, proxies will be voted for another nominee at the proxyholder's discretion unless the Shareholder giving the proxy has specified that their Common Shares are to be withheld from voting on the election of directors or has withheld discretionary authority.

At the Meeting, management of the Corporation proposes to nominate for election as directors of the Corporation the nominees identified below. **Unless otherwise directed by the Shareholders appointing them as proxyholder, the persons named in the enclosed proxy form intend to vote FOR the election of such persons as directors of the Corporation.**

The following table sets forth the name and jurisdiction of residence of each person proposed to be nominated for election as a director, their principal occupation, business or employment currently and during the past five years, the date each first became a director of the Corporation, and the number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, by each of them as at April 9, 2008:

Name and Jurisdiction of Residence	Principal Occupation	Director Since	Common Shares Held ⁽¹⁾	Options/Performance Warrants ⁽²⁾ Beneficially Owned Directly or Indirectly
Fred Woods Calgary, Alberta, Canada	Mr. Woods has over 30 years of experience in the petroleum industry. Mr. Woods is the President, Chief Executive Officer and Chairman of Midnight or its predecessor since May 2000. From March 1997 to May 2000, Mr. Woods was President and Chief Operating Officer of Ulster Petroleum Ltd. (an intermediate oil and gas company). Mr. Woods served on the Board of Governors of the Canadian Association of Petroleum Producers (CAPP). Mr. Woods serves as the Chairman of the Board of Daylight Energy Ltd., administrator of Daylight Resources Trust.	October 1, 2004	1,300,379	500,000/553,333
Anthony Lambert ⁽⁴⁾⁽⁵⁾⁽⁶⁾ Calgary, Alberta, Canada	Mr. Lambert has been President, Chief Executive Officer and a Director of Daylight Energy Ltd. or its predecessors since November 2004. On August 3, 2005 he resigned as Vice-President, Operations, and Chief Operating Officer of Midnight. Mr. Lambert has been a Director of Midnight or its predecessor since July 2000. Mr. Lambert also sits on the board of Daylight Energy Ltd., administrator of Daylight Resources Trust.	November 30, 2004	905,839	62,500/425,000
Jay Squiers ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ Dallas, Texas, United States of America	Mr. Squiers has been a Principal of American Capital in the Dallas based Energy Group since October 2007. Prior thereto Mr. Squiers was a Managing Director of Fortress Investment Group, LLC, an investment and asset management firm starting in August 2005. From August 2002 until July 2005, he was a Senior Vice-President of Prudential Capital Group, a private capital lender. Mr. Squiers began his career at Prudential Capital Group in 1991. Mr. Squiers holds a Bachelor of Economics from Princeton University and a law degree from the University of Texas, and he is also a Chartered Financial Analyst.	November 30, 2004	26,335	62,500/70,000
Tom Medvedic ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ Calgary, Alberta, Canada	Mr. Medvedic is Senior Vice-President, Finance and Chief Financial Officer of Calfrac Well Services Ltd. Mr. Medvedic was appointed Chief Financial Officer of Calfrac Well Services Ltd. in December 2004. Prior to July 2004, Mr. Medvedic was Treasurer of Ensign Resource Service Group Inc. Mr. Medvedic is a Chartered Accountant with a specialization in tax.	November 30, 2004	66,667	62,500/70,000
Peter Harrison ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ Brossard, Québec Canada	Mr. Harrison is a Senior Vice-President of Montrusco Bolton Investments Inc. (Montreal) since December 1997. Mr. Harrison has significant financial experience, he holds a Bachelor of Commerce degree from McGill University, and an MBA from the University of Western Ontario, and is a Chartered Financial Analyst. Mr. Harrison serves on the Board of Montrusco Bolton Investments Inc. and Freehold Resources Ltd., administrator of Freehold Royalty Trust.	April 9, 2007	22,697	62,500/0

Notes:

- (1) Information as to common shares beneficially owned, or controlled or directed, directly or indirectly as at April 9, 2008, is based on data furnished to Midnight by the nominees and may include shares held by spouses, family trusts and related corporations of the respective directors.
- (2) Each warrant is exercisable into one Midnight Common Share at an exercise price of \$3.00 per share. The warrants vest equally over three years and expire on November 29, 2008.
- (3) Member of the Audit Committee, which committee is required pursuant to the *Business Corporations Act* (Alberta).
- (4) Member of the Compensation Committee.
- (5) Member of the Reserves Committee.
- (6) Member of the Corporate Governance Committee.

Corporate Cease Trade Orders or Bankruptcies

No director, officer or promoter of Midnight has, within the last ten (10) years, been a director, officer or promoter of any reporting issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemption for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person.

Penalties or Sanctions

No director, officer or promoter of Midnight, within the last ten (10) years, has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

Personal Bankruptcies

No director, officer or promoter of Midnight, or, to the knowledge of Midnight, a shareholder holding sufficient securities of Midnight to affect materially the control of Midnight, or a personal holding company of any such persons, has, within the last ten (10) years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Conflicts of Interest

The directors and officers of Midnight may, from time to time, be involved with the business and operations of other oil and gas issuers, in which case a conflict of interest may arise between their duties as officers and directors of Midnight and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such procedures and remedies, as applicable, under the *Business Corporations Act* (Alberta).

3. Appointment of Auditors

Unless otherwise directed, it is management's intention to vote the proxies in favour of an ordinary resolution to re-appoint the firm of KPMG LLP, as auditors of Midnight until the next annual meeting of the shareholders and to authorize the directors to fix their remuneration as such. KPMG LLP has been Midnight's auditors since October 28, 2004.

Fees paid or payable to Midnight's auditors for professional services rendered to Midnight in 2007 are described in the adjacent table.

Appointment of Auditors Audit Related Services rendered in connection with the audit of Midnight's financial statements for the period ended December 31, 2007 and for services provided in connection with statutory and regulatory filings	\$ 124,500
Audit Related Services	-
Tax Related Services	8,500
Total	\$ 133,000

STATEMENT OF EXECUTIVE COMPENSATION

Summary Compensation Table

For the year ended December 31, 2007, the Named Executive Officers in accordance with National Instrument 51-102 were Fred Woods, President and Chief Executive Officer, Judy Stripling, Executive Vice President and Chief Financial Officer, Thomas Moslow, Senior Vice President, Exploration, Andrew Weldon, Vice President, Business Development and C. Donald Leitch, Vice President, Operations (the "Named Executive Officers").

The following table and notes set forth certain information concerning the compensation paid to the Named Executive Officers by Midnight:

Name and principal position	Fiscal year	ANNUAL COMPENSATION		LONG-TERM COMPENSATION					All other compensation ⁽⁴⁾⁽⁵⁾ (\$)
		Salary (\$)	Bonus (\$)	Other annual compensation ⁽⁴⁾ (\$)	Awards		Payouts		
					Common Shares Under option/SARs granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP payouts (\$)		
Fred Woods <i>President and Chief Executive Officer</i>	2007	250,000	nil	25,000	-	-	-	22,500	
	2006 ⁽¹⁾	62,500	nil	-	500,000	-	-	5,625	
	2005 ⁽²⁾	nil	nil	-	nil	-	-	nil	
Judy Stripling <i>Executive Vice President and Chief Financial Officer</i>	2007	200,000	25,000	-	-	-	-	18,000	
	2006 ⁽¹⁾	50,000	nil	-	350,000	-	-	4,500	
	2005 ⁽²⁾	nil	nil	-	nil	-	-	nil	
Thomas Moslow <i>Senior Vice President, Exploration</i>	2007	180,000	15,000	-	-	-	-	13,425	
	2006 ⁽¹⁾	43,750	nil	-	225,000	-	-	3,938	
	2005 ⁽²⁾	nil	nil	-	nil	-	-	nil	
Andrew Weldon <i>Vice President, Business Development</i>	2007	180,000	15,000	-	-	-	-	16,200	
	2006 ⁽¹⁾	43,750	nil	-	225,000	-	-	3,938	
	2005 ⁽²⁾	nil	nil	-	nil	-	-	nil	
C. Donald Leitch <i>Vice President, Operations</i>	2007	175,000	15,000	-	-	-	-	15,750	
	2006 ⁽¹⁾	43,750	-	-	175,000	-	-	3,938	
	2005	n/a	-	-	-	-	-	-	

Notes:

- (1) Compensation is provided for the Named Executive Officers only for the period October 1, 2006 to December 31, 2006, as the process to separate operations between Daylight Energy Ltd. and Midnight and to dissolve the Administration and Technical Services Agreement with Daylight Energy Ltd. commenced on October 1, 2006. The Midnight compensation committee set the Named Executive Officers' 2006 annualized salaries as follows: Fred Woods \$250,000, Judy Stripling \$200,000, Thomas Moslow \$175,000, Andrew Weldon \$175,000 and Donald Leitch \$175,000.
- (2) The Named Executive Officers received compensation from Daylight Energy Ltd. for services provided to Midnight under the Administration and Technical Services Agreement discussed under this Information Circular's heading "Shared Services with Daylight Energy Ltd." until September 30, 2006. Fred Woods and Judy Stripling's 2006, 2005 and 2004 compensation is disclosed in Daylight Resources Trust's information circular dated April 10, 2007, which is available on the SEDAR system and may be viewed at www.sedar.com.
- (3) The aggregate value of perquisites and other personal benefits, securities or property received was not greater than \$50,000 and 10% of the aggregate annual salary and bonus of the Named Executive Officer for the financial year.

- (4) Fred Woods has 553,333 warrants, Judy Stripling has 425,000 warrants, Thomas Moslow has 150,000 warrants and Andrew Weldon has 150,000 warrants to purchase Common Shares of Midnight which were acquired as part of an initial private placement of an aggregate 2,333,333 warrants on November 29, 2004. Each warrant is exercisable into one Midnight Common Share at an exercise price of \$3.00 per share and vest equally over three years. No warrants have been exercised to date. The warrants expire on November 29, 2008.
- (5) The value of the Employee Savings Plan contributions paid by Midnight on behalf of the Named Executive Officers.

Stock Option Plan

Midnight adopted a stock option plan effective November 29, 2004 which was amended effective January 1, 2005 to allow for a 10% rolling maximum number of Common Shares issuable under the Stock Option Plan and which was further amended and restated effective May 11, 2007 (the stock option plan as amended and restated hereinafter referred to as the "Stock Option Plan") at Midnight's annual and special general meeting, at which Shareholders of Midnight approved the grant of unallocated Options to purchase Midnight Common Shares pursuant to the Stock Option Plan as well as certain amendments to the Stock Option Plan allowing for (i) the extension of the expiry date of any option normally expiring within any "Blackout Period" or within 10 business days following the end a "Blackout Period" to 10 days following the end of the "Blackout Period"; (ii) inserting provisions in the Stock Option Plan allowing for the "cashless exercise" of Options; and (iii) amending the amending provisions of the Stock Option Plan.

Summary of Stock Option Plan

The Stock Option Plan limits the number of Common Shares granted thereunder at any time to 10% of the number of outstanding Midnight Common Shares from time to time, subject to certain restrictions as set forth below. Based on the number of issued and outstanding Common Shares as at April 9, 2008 of 47,422,629 Common Shares, the number of Options which may be issued under the Stock Option Plan is currently limited to 4,742,262 Common Shares of which Options to purchase 2,994,500 Common Shares (6.3% of the outstanding Common Shares) are outstanding and 1,747,762 Options are available for future grants (3.7% of the outstanding Common Shares). No Common Shares have been issued to date on exercise of Options.

Under the Stock Option Plan:

"Blackout Period" means the period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;

"Options" means options granted under the Stock Option Plan; and

"Weighted Average Market Price" means at any date the weighted average price per share for five (5) consecutive trading days preceding the determination of the Weighted Average Market Price, such weighted average price per share to be determined by dividing the aggregate sale price of all Common Shares sold on the Toronto Stock Exchange (the "TSX") during the said five (5) consecutive trading days by the total number of shares so sold.

The following is a summary of the principal terms of the Stock Option Plan:

Restrictions on the Grant of Options

The grant of Options pursuant to the Stock Option Plan are subject to the following limitations: (a) 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 Midnight, must not exceed 5% of the outstanding issue of Common Shares (on a non-diluted basis); (b) in the aggregate, no more than 10% of the issued and outstanding Common Shares (on a non-diluted basis) may be reserved at any time for "insiders" of Midnight under the Stock Option Plan, together with all other share compensation arrangements of Midnight; (c) the aggregate number of Common Shares issued to "insiders" of Midnight pursuant to the Stock Option Plan and all other share compensation arrangements of Midnight, within a one-year period, shall not exceed 10% of the outstanding issued Common Shares (on a non-diluted basis); (d) the aggregate number of Common

Shares issued to any one "insider" of Midnight and such insider's associates pursuant to the Stock Option Plan and all other share compensation arrangements of Midnight, within a one-year period, shall not exceed 5% of the outstanding issue of Common Shares (on a non-diluted basis); and (e) non-employee directors, in the aggregate, shall not be entitled to receive in any calendar year, Options to acquire, in the aggregate, in excess of 250,000 Common Shares.

If the normal expiry date of any Option falls within any Blackout Period or within 10 business days (being a day other than a Saturday, Sunday or other than a day when banks in Calgary, Alberta are not generally open for business) following the end of any Blackout Period (the "Restricted Options"), then the expiry date of such Restricted Options shall, without any further action, be extended to the date that is 10 business days following the end of such Blackout Period. The foregoing extension applies to all Options whatever the date of grant and shall not be considered an extension of the term of the Options as referred to in the Stock Option Plan.

Option Price

The option price shall be fixed by the Board but under no circumstance shall any option price at the time of the grant be lower than the market price per Common Share or such other minimum price as may be required by any stock exchange on which the Common Shares are listed at the time of grant. Notwithstanding the foregoing, in certain circumstances, such as when an option is offered to an individual as an inducement to secure employment, the option price may be otherwise determined, but only with the prior consent of stock exchanges on which the Common Shares are at that time listed.

Term of Options

The term of Options granted shall be determined by the Board in its discretion, to a maximum of five (5) years from the date of the grant of the option. The vesting period or periods within this period during which an option or a portion thereof may be exercised by any participant in the Stock Option Plan shall be determined by the Board.

Put Right

The Stock Option Plan provides that optionees have the right (the "Put Right") to request that Midnight purchase each of their vested Options for a price (the "Purchase Price") equal to the excess of the Current Market Price (as defined in the Stock Option Plan), determined on the date (the "Notice Date") of receipt of written notice of exercise (the "Put Notice") by Midnight, over the exercise price for each option being purchased under the Put Right. Upon the exercise of the Put Right, Midnight will cause to be delivered to the optionee a cheque representing the Purchase Price within three business days of the Notice Date. Notwithstanding the foregoing, (a) the Board or the optionee may select all or a portion of the Purchase Price to be satisfied wholly or in part by the issuance of Common Shares from treasury; and (b) the Board, or any committee of the Board to whom the operation of the Stock Option Plan has been delegated, may at its sole discretion decline to accept the exercise of a Put Right at any time.

The total number of Common Shares reserved for issuance pursuant to a Midnight stock option surrendered in connection with the exercise of the Put Right and accepted by Midnight shall be available for inclusion in any other Midnight Options granted pursuant to the Stock Option Plan.

Cashless Exercise

Subject to the provisions of the Stock Option Plan, with the consent of Midnight, an optionee may elect to exercise an Option by surrendering such Option in exchange for the issuance of Common Shares equal to the number determined by dividing the Weighted Average Market Price (calculated as at the date that is two (2) business days prior to the date of exercise) into the difference between the Weighted Average Market Price and the exercise price of such Option. An Option may be exercised pursuant to the Stock Option Plan from time to time by delivery to Midnight at its head office in Calgary, Alberta or such other place as may be specified by Midnight, of a written notice of exercise specifying that the optionee has elected the cashless exercise of such Option and the number of Options to be exercised. Midnight will not be required, upon the exercise of any Options pursuant to the Stock Option Plan, to issue fractions of Common Shares or to

distribute certificates which evidence fractional Common Shares. In lieu of fractional Common Shares, there will be paid to the optionee by Midnight upon the exercise of such Options pursuant to the Stock Option Plan, within ten (10) business days after the exercise date, an amount in lawful money of Canada equal to the then fair market value of such fractional interest (as determined by the Committee), provided that Midnight will not be required to make any payment, calculated as aforesaid, that is less than \$10.00.

Termination of Employment/Death

If an optionee is terminated by Midnight (with or without cause), then an option, and all rights to purchase Common Shares pursuant thereto, shall expire and terminate immediately at the earlier of 5:00 p.m. on the 90th day after the later of the optionee ceasing to be an officer, director, employee or consultant of Midnight or a subsidiary of Midnight, as the case may be, and the expiry of the option.

If an optionee resigns from Midnight, then all rights to purchase Common Shares pursuant thereto shall expire and terminate immediately at 5:00 p.m. on the date of such resignation or the date on which the optionee ceases to be an officer, director, employee or consultant of Midnight or a subsidiary of Midnight. Thereafter, all of such optionee's Options shall immediately expire and be of no further force and effect and the optionee shall have no further rights in respect of any Options.

If before the expiry of an option in accordance with the terms thereof, an optionee ceases to be an employee, officer, director or consultant by reason of his permanent physical or mental disability, or death of the optionee, any unvested portion of such option shall immediately vest. In addition, such option may, subject to the terms thereof and any other terms of the Stock Option Plan, be exercised by the legal personal representative(s) of the optionee's estate or at any time before 5:00 p.m. (Calgary time) on the 90th day after the date of death of the optionee, subject to, at the discretion of the Board, to extension of the expiry date. Notwithstanding the foregoing, in no event will an option be exercisable at a date in excess of five years from the date of grant without the approval of the TSX.

Amendment or Discontinuance of Stock Option Plan

Subject to the restrictions set out in the Stock Option Plan, the Board may amend or discontinue the Stock Option Plan or Options granted thereunder at any time without shareholder approval; provided any amendment to the Stock Option Plan that requires approval of any stock exchange on which the Common Shares are listed for trading may not be made without approval of such stock exchange. Without the prior approval of the shareholders, as may be required by the TSX, the Board may not:

- (a) make any amendment to the Stock Option Plan to increase the percentage or the maximum number of Common Shares issuable pursuant to the Stock Option Plan on exercise of outstanding Options at any time pursuant to the Stock Option Plan;
- (b) reduce the exercise price of any outstanding Options held by insiders;
- (c) extend the term of any outstanding Option held by insiders beyond the original expiry date of such Option;
- (d) make any amendment to increase the maximum limit on the number of securities that may be issued to insiders pursuant to the Stock Option Plan;
- (e) make any amendment to the Stock Option Plan to increase the maximum number of Common Shares issuable on exercise of Options to directors who are not officers or employees of Midnight;
- (f) make any amendment to the Stock Option Plan that would permit an optionee to transfer or assign Options to a new beneficial optionee other than in the case of death of the optionee; or
- (g) amend the Stock Option Plan.

In addition, no amendment to the Stock Option Plan or Options granted pursuant to the Stock Option Plan may be made without the consent of the optionee, if it adversely alters or impairs any Option previously granted to such optionee under the Stock Option Plan.

Stock Options Granted During Most Recently Completed Financial Year

The following table sets forth certain information concerning stock options granted to the Named Executive Officers during the financial year ended December 31, 2007:

Name	Securities Under Options Granted (#) ⁽¹⁾	% of Total Options Granted to Employees in 2007	Exercise Price (\$/Security)	Market Value of Securities Underlying Options at the Time of Grant (\$/Security)	Expiration Date
Fred Woods	nil	-	-	-	-
Judy Stripling	nil	-	-	-	-
Thomas Moslow	nil	-	-	-	-
Andrew Weldon	nil	-	-	-	-
C. Donald Leitch	nil	-	-	-	-
Other Employees	309,500	100%	\$1.31 - \$2.10	\$1.31 - \$2.10	Feb. 6, 2012 – Oct. 9, 2012
Total Options	309,500	100%	\$1.31 - \$2.10	\$1.31 - \$2.10	Feb. 6, 2012 – Oct. 9, 2012

Note:

- (1) The securities consist of Midnight Common Shares. The options vest as to one-third on the first, second and third anniversaries of the date of the grant.

Aggregated Options Exercised During the Year Ended December 31, 2007 and Financial Year-End Option Values

Midnight did not issue any options to any Named Executive Officers in 2007. Information respecting options exercised by the Named Executive Officers during the year ended December 31, 2007 and the numbers and accrued value of unexercised stock options held by the Named Executive Officers as at December 31, 2007 are set forth in the following table:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2007 (#)		Value of Unexercised in-the-money Options at December 31, 2007 ⁽¹⁾ (\$)	
			Exercisable	Unexercisable	Exercisable ⁽¹⁾	Unexercisable ⁽¹⁾
Fred Woods	-	-	166,667	333,333	-	-
Judy Stripling	-	-	108,334	216,666	-	-
Thomas Moslow	-	-	75,000	150,000	-	-
Andrew Weldon	-	-	75,000	150,000	-	-
C. Donald Leitch	-	-	58,334	116,666	-	-

Note:

- (1) For the purpose of calculating the value of unexercised in-the-money options as at December 31, 2007, the exercise price of each option exceeded the closing trading price per common share on December 31, 2007 of the Corporation, which was \$1.08.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information in respect of securities authorized for issuance under Midnight's equity compensation plans as at December 31, 2007. As at April 9, 2008, Midnight had 2,994,500 options outstanding and 1,747,762 options available for future issuance. Midnight's only equity compensation plan is the Stock Option Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)⁽¹⁾	Weighted average exercise price of outstanding options, warrants and rights (b)⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)⁽¹⁾
Stock Option Plan approved by shareholders	2,992,000	\$2.56	1,767,512
Stock Option Plan not approved by shareholders	n/a	n/a	n/a
Total⁽¹⁾	2,992,000	\$2.56	1,767,512

Note:

- (1) Midnight has an aggregate of 2,013,333 warrants to purchase Common Shares outstanding at an exercise price of \$3.00 per share of which an aggregate of 1,278,333 warrants have been issued to Named Executive Officers, which warrants have not been included in the above table. See Note (4) to "Statement of Executive Compensation – Summary Compensation Table" for a description of the vesting provisions of the warrants. The warrants expire on November 29, 2008.

Stock Options Outstanding

As at April 9, 2008, Midnight had an aggregate of 2,994,500 options outstanding at an average exercise price of \$2.55 per share, vesting as to one-third of the total options granted on the first, second and third anniversaries of the date of the grant and expiring on the fifth anniversary of the date of the grant.

Employment Arrangements

There are no employment contracts or other compensation plans or arrangements with regard to any of the executive officers which provide for specific compensation in the event of resignation, retirement, other termination of employment or from a change of control of Midnight or from a change in an executive officer's responsibilities following a change of control.

Directors' Remuneration

The directors of Midnight currently receive an annual retainer fee of \$15,000 plus \$500 per meeting for regular meetings of the Board or any committee meetings thereof attended and are entitled to be reimbursed for traveling and other expenses properly incurred in the performance of their duties as directors of Midnight. In addition, if a need arises for a Special Committee, the Special Committee Chairman receives a retainer of \$15,000 and committee members receive a retainer of \$10,000 plus a \$1,000 per special committee meeting fee. The directors may be paid in cash or Common Shares purchased on the open market by the Corporation. During 2007, directors' fees were \$113,500. Fred Woods, the President and CEO of Midnight did not receive remuneration as a director.

On April 19, 2007, the Corporation granted an aggregate of 62,500 options to purchase Common Shares at an exercise price of \$1.87 to Peter Harrison as a new director.

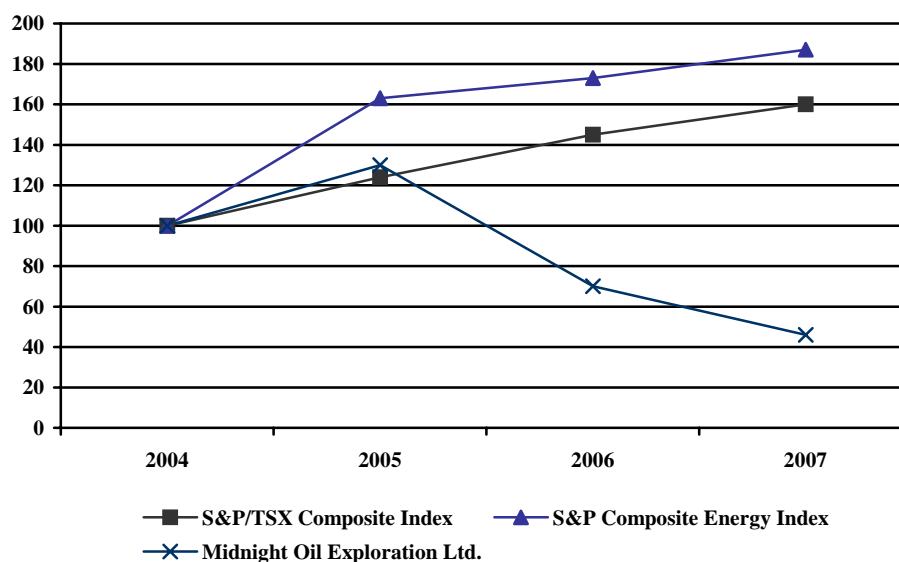
Indebtedness of Directors and Senior Officers

Management of Midnight is not aware of any indebtedness outstanding by directors or senior officers of Midnight to Midnight or its subsidiaries at any time since the commencement of the last completed financial year of Midnight.

Performance Graph

The chart below compares the cumulative total shareholder return of Midnight's Common Shares (see Notes (1) and (2) below) with the cumulative shareholder return of the S&P/TSX Composite Index and the S&P/TSX Composite Energy Index for the period commencing December 31, 2004 and ending December 31, 2007 (see Note (2) below).

**Midnight Oil Exploration Ltd. Shareholder Return Performance Graph
Comparison of Cumulative Return on Common Shares of the Corporation with
S&P/TSX Composite and S&P/TSX Composite Energy Index**



	December 31, 2004	December 31, 2005	December 31, 2006	December 31, 2007
S&P/TSX Composite Index	100	124	145	160
S&P Composite Energy Index	100	163	173	187
Midnight Oil Exploration Ltd.	100	130	70	46

Notes:

- (1) Assumes that the initial value of the investment in Midnight's Common Shares, in the S&P/TSX Composite Index, the S&P/TSX Energy Index and the S&P/TSX Oil & Gas Producers Sub Index was \$100 on December 31, 2004.
- (2) Midnight's Common Shares began trading on the TSX on December 2, 2004 and the closing price of the Common Shares on that day was \$3.40. The closing trading price of Midnight Common Shares on the TSX on December 31, 2004 was \$3.40, on December 31, 2005 was \$4.42, on December 31, 2006 was \$2.37 and on December 31, 2007 was \$1.08.

Report of Compensation Committee

Composition and Role of the Compensation Committee

The 2007 Board of Directors of Midnight has appointed a compensation committee composed of non-management directors, Messrs. Squiers (Chairman), Harrison, Lambert and Medvedic (the "Compensation Committee").

The Compensation Committee meets from time to time during the year for the purpose of, among other things, reviewing the overall employee and executive officer compensation policy. The Compensation Committee makes specific recommendations to the Board on stock option grants and other share incentive rights allocations, employee savings plan contributions and directors' compensation. The Compensation Committee ensures the total compensation package facilitates the attraction and retention of a strong executive management team and employees. The board of directors reviews all recommendations of the Compensation Committee relating to compensation matters before final approval.

Compensation Strategy

Our compensation philosophy is aimed at attracting and retaining qualified and experienced people, which is critical to the success of Midnight. Employee compensation, including executive officer compensation, is comprised of three elements: base salary, short-term incentive compensation (being cash bonuses) and long-term incentive compensation (being stock options).

The Compensation Committee makes recommendations for executive compensation to the full Board for approval.

Base Salaries

Midnight's approach to base compensation is to offer salaries which are competitive when compared to those within Midnight's peer group of companies. Base salary ranges are determined following a review of comparative data of Midnight's peer group.

Short-Term Incentive Compensation - Bonuses

In addition to base salaries, cash bonuses may be awarded to employees of Midnight, including executive officers. The award of a bonus is determined, in the case of employees, by senior management of Midnight and approved by the Compensation Committee.

The Compensation Committee, in consultation with the President, establishes bonus levels for Vice-Presidents and establishes the President's bonus. In the case of non-executive employees, bonuses are based on the employee's contribution in adding share value and the employee's contribution to the achievement of overall corporate goals.

Long-Term Incentive Compensation - Stock Options

Individual stock options are granted by the Board on the recommendation of senior management, in the case of employees, and by the Compensation Committee, in the case of executive officers including the Chief Executive Officer. Stock options are intended to align executive and shareholder interests by attempting to create a direct link between compensation and shareholder return. Participation in Midnight's stock option plan rewards overall corporate performance, as measured through the underlying value of Midnight's Common Shares.

Stock options are normally awarded by the Board upon the commencement of employment with Midnight based on the level of responsibility within Midnight. Additional grants may be made periodically to ensure that the number of options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within Midnight.

Employee Savings Plan

Midnight has an employee savings plan whereby all employees, including Midnight's executive officers, are encouraged to contribute up to a maximum of 9% of their salary to the employee savings plan. The contributions by employees are matched by the Corporation 100%. The funds are used to purchase Midnight Common Shares in the open market. Since the plan is available to all employees it has been successful in encouraging employees to become shareholders of Midnight and promoting the principle of alignment with shareholders.

Summary

Midnight's compensation policies have allowed Midnight to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. The Compensation Committee and the Board will continue to review compensation policies to ensure that they are competitive within the oil and natural gas industry and consistent with the performance of Midnight.

Submitted By:

Jay Squiers (Chairman)
Peter Harrison
Anthony Lambert
Tom Medvedic

Shared Services with Daylight Energy Ltd. ("Daylight")

Prior to December 31, 2006, Midnight and Daylight established and operated under an Administrative and Technical Services Agreement, which provided for the shared services required to manage the activities of Midnight and Daylight and governed the allocation of general and administrative expenses between the entities. Under this agreement, Daylight was the employer on behalf of the parties and received payment for certain technical and administrative services provided to Midnight. The Administrative and Technical Services Agreement was terminated effective December 31, 2006. Certain administrative services which provide reasonable economy and do not involve competitive issues continue to be provided to Midnight by Daylight on a negotiated fixed fee basis, which is considered comparable to the fee an independent third party would charge for the services, and which arrangement may be cancelled by either party.

As a result of the termination of the Administrative and Technical Services Agreement, all Midnight stock options granted to Daylight employees were cancelled. None of the Midnight stock options originally granted to Daylight employees were exercised prior to cancellation.

Although the Administrative and Technical Services Agreement has been terminated, Midnight and Daylight continue to be considered related, as Daylight's Chairman of the Board is the President, Chief Executive Officer and a director of Midnight. In addition, Daylight's President, Chief Executive Officer and director is also a director of Midnight and Daylight's Corporate Secretary is also Midnight's Corporate Secretary. Although this relationship exists, Midnight operates independently from Daylight. Operating, financing and investing decisions are conducted independently without the advice or influence of the other party and each company's strategic direction is set by their respective Boards, both of which have a majority of independent directors. Midnight and Daylight remain joint venture partners in certain properties, and as a result revenues and costs related to these properties are allocated to each partner under standard joint venture billing arrangements. Each partner's costs and revenues are based on the exchange amounts which reflect actual third party costs incurred and revenue received. All transactions are conducted under standard business terms and are considered within the normal course of Midnight's business activities and operations.

CORPORATE GOVERNANCE POLICIES AND PRACTICES

Board of Directors

The majority of the board of directors is independent. Our board of directors has determined that Jay Squiers, Tom Medvedic and Peter Harrison are independent. Anthony Lambert is not considered independent as he held the position of Chief Operating Officer of the Corporation from November 2004 until August 2005. Fred Woods is not considered independent in that Mr. Woods is the President and Chief Executive Officer of Midnight. On October 1, 2006, the process to separate operations between Daylight Energy Ltd. and Midnight and to dissolve the Administration and Technical Services Agreement commenced with compensation being directly paid by Midnight to Fred Woods. Effective December 31, 2006, the Administrative and Technical Services Agreement was terminated.

Although our independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance, in accordance with the mandate of the board of directors, at the end of, or during each regularly scheduled meeting of our board of directors, the members of management who are present at such meeting leave the meeting in order that the independent directors can discuss any necessary matters without management being present. In addition, in camera sessions comprising only independent directors are held at the end of each Audit Committee meeting with the external auditors of Midnight and at the Reserve Committee meetings when Midnight's independent qualified reserves evaluator attend.

Our board of directors has determined that Fred Woods our Chairman is not independent. Mr. Woods became Chairman of the Board on May 11, 2007. The Board does not have a lead director. As our Chairman, Mr. Woods provides overall leadership to our Board. Among other things, our Chairman maintains a liaison and communication with all of our directors and the committee chairs to co-ordinate input from directors and optimize the effectiveness of our Board and its committees and provides updates on all issues important to the welfare and future of the Corporation. The Chairman is also responsible for assisting the Board to function independently of management and arranges for the independent directors to meet without non-independent directors or management present. The Board relies upon the strength of its members to provide leadership to its independent members, each of the Board committees and to the entire board.

The following directors are presently directors of other reporting issuers (or the equivalent). Fred Woods and Anthony Lambert are each directors of Daylight Energy Ltd., administrator of Daylight Resources Trust and Peter Harrison is a director of Freehold Resources Ltd., administrator of Freehold Royalty Trust.

Board and Committee Meetings and Meeting Attendance

The following is a summary of attendance of our directors at meetings of our Board and its committees for 2007:

Name	Board Meetings Attended	Audit Committee Meetings Attended	Reserve Committee Meetings Attended	Compensation Committee Meetings Attended	Governance Committee Meetings Attended
Tom Medvedic	6/6	4/4	4/4	1/1	1/1
Jay Squiers	6/6	4/4	4/4	1/1	1/1
Peter Harrison ⁽¹⁾	4/4	3/3	3/3	1/1	n/a
Fred Woods	6/6	n/a	n/a	n/a	n/a
Anthony Lambert	6/6	n/a	4/4	1/1	1/1

Notes:

- (1) Mr. Harrison was first appointed to the Midnight Board on April 9, 2007.
- (2) In addition to the above stated meetings, one special committee meeting was held and attended by Messrs. Medvedic (Chairman), Squiers and Harrison.

Board Mandate

The mandate of our board of directors is attached as Schedule "A" hereto.

Board Committees

Our Board has four (4) committees; the Audit Committee, the Compensation Committee, the Reserves Committee and the Corporate Governance Committee, all members of which are comprised of independent directors. The Board has accepted overall responsibility for health, safety and environment matters and no separate committee has been established to deal with these issues.

Audit Committee

The members of our Audit Committee are Tom Medvedic (Chairman), Peter Harrison and Jay Squiers, all of whom are independent and financially literate. Our Audit Committee's mandate includes:

- reviewing and approving the annual audited consolidated financial statements and the Auditors' Report thereon prior to submission to the Board for approval;
- reviewing and approving the quarterly consolidated financial statements prior to submission to the Board for approval;
- reviewing and approving of all other financial information that is publicly disseminated prior to its release;
- reviewing and approving all bank credit facilities and other borrowing strategies presented by senior management including hedging and foreign currency risk strategies;
- reviewing the scope of external audits;
- reviewing, discussing and approving accounting and reporting policies and all changes in accounting principles and policies;
- reviewing internal control systems and procedures; and
- meeting with the external auditors independently of management.

See "Mandate and Terms of Reference of the Audit Committee" attached as Schedule "C" to our Annual Information Form for the period ended December 31, 2007 dated March 18, 2008 for the complete text of the Audit Committee's mandate.

Compensation Committee

The members of our Compensation Committee are Jay Squiers (Chairman), Peter Harrison, Anthony Lambert and Tom Medvedic. The Compensation Committee meets to review and discuss the compensation for the senior management and staff of Midnight. The Compensation Committee's mandate includes:

- formulating and making recommendations to the Board in respect of compensation issues relating to directors, senior management and staff of Midnight;
- reviewing and monitoring the compensation practices of the Corporation to ensure that the compensation practice in respect of the employees and executive officers of Midnight both in terms of salaries and bonus payments facilitates the attraction and retention of a strong executive and management team and employees;
- reviewing and recommending to the Board the retainer and fees to be paid to members of our Board;
- reviewing the performance objectives and compensation and benefits package for our CEO and CFO and reviewing, on the direction of our CEO, the compensation and benefits package for other senior management positions; and
- administering the stock option plan in accordance with its terms including the grant of stock options in accordance with the terms thereof and reviewing other incentive plans of the Corporation.

Reserves Committee

The members of our Reserves Committee are Anthony Lambert (Chairman), Tom Medvedic, Peter Harrison and Jay Squiers. Our Reserves Committee's mandate includes:

- reviewing management's recommendations for the appointment of our independent reserves evaluator;
- meeting with our independent reserves evaluator for the purposes of the Committee satisfying itself that the independent engineers act independently and are not unduly influenced by management;
- reviewing the terms of the engagement of our independent reserves evaluators;
- reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities law requirements;
- reviewing the Corporation's procedures for providing information to the independent reserves evaluator;
- reviewing the scope and methodology of the independent reserve evaluators' valuation;
- reviewing any significant new discoveries, additions, revisions and acquisitions;
- reviewing assumptions and consistency with prior years; and
- reviewing any problems experienced by our independent reserves evaluator preparing the reserve report, including any restrictions imposed by management or significant issues on which there was a disagreement with management.

Corporate Governance Committee

The members of our Corporate Governance Committee are Peter Harrison (Chairman), Tom Medvedic, Anthony Lambert and Jay Squiers. Our Corporate Governance Committee's mandate includes:

- formulating and making recommendations to the Board in respect of governance issues and assessing and updating the Corporation's corporate governance practices to protect the interests of shareholders;
- reviewing on at least an annual basis, the mandates of the Board and its committees and recommending to the Board such amendments to those mandates as the committee believes are necessary or desirable;
- assisting in identifying individuals qualified to become Board members as well as reviewing the effectiveness of the Board, its committees and its individual members.

Orientation and Continuing Education

Due to the size of the Corporation, no formal education program currently exists for the orientation of new directors. Existing directors provide orientation and education to new members on an informal and ad hoc basis. In addition, new directors of the Corporation are given the following: a copy of the mandate of the board of directors, a copy of the mandate of each of our committees, a manual of our corporate policies, our by-laws as well as agendas and minutes for Board and committee meetings for a preceding period of time considered relevant. In addition, each new director receives a presentation by management respecting the nature and operations of our business.

Each of our directors has the responsibility for ensuring that they maintain the skill and knowledge necessary to meet their obligations as a director.

Ethical Business Conduct

Our Board has adopted a code of ethics (the "Code") applicable to all members of the Corporation, including directors, officers and employees, a copy of which is available for review at www.sedar.com. Each employee, officer and director is required to confirm annually that he or she has read, understood and complied with the Code. Any reports of variance from the Code will be reported to the board of directors. There have been no material change reports filed since the beginning of the year ended December 31, 2007, that pertain to any conduct of a director or executive officer that constitutes a departure from our Code.

Our Board has also adopted a whistleblower policy which provides employees with the ability to report, on a confidential and anonymous basis, any violations within our organization including (but not limited to), falsification of financial records, unethical conduct, harassment or theft. The Board believes that providing a forum for employees, officers and directors to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct.

In accordance with the Business Corporations Act (Alberta), directors who are a party to or are a director or an officer of a person who is a party to a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction.

Nomination of Directors

Our Corporate Governance Committee, which is comprised by a majority of independent directors, has, as part of its mandate, the responsibility for selecting nominees for election to the Board. At present, the Corporate Governance Committee does not have a process by which it identifies new candidates for Board nomination but rather the identification of new candidates is done on an informal basis.

Assessments

We have not commenced a formal process of assessing the Board and its committees or the individual directors. To date, our Board as a whole has satisfied itself that the Board, its committees and individual directors are performing effectively through informal discussions.

Position Descriptions

Our Board has developed written positions descriptions for our Chief Executive Officer, our Chairman of the Board and the Chairman of each of our committees.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors and senior officers of Midnight, nominees for director, any shareholder who beneficially owns, or controls or directs, directly or indirectly, over more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in National Instrument 51-102), or any known associate or affiliate of such persons in any transaction since the commencement of Midnight's last completed financial year or in any proposed transaction which has materially affected or would materially affect Midnight or any of its subsidiaries, which has not been previously disclosed herein or otherwise in an information circular of Midnight.

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

Management of Midnight is not aware of any material interest of any director or nominee for director, or senior officer or any one who has held office as such since the beginning of Midnight's last financial year 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 and other than as disclosed herein.

ADDITIONAL INFORMATION

Additional information relating to Midnight is available on SEDAR at www.sedar.com. Financial information in respect of Midnight and its affairs is provided in Midnight's annual audited consolidated financial statements for the years ended December 31, 2007 and 2006 and the related management's discussion and analysis. Copies of Midnight's financial statements and related management discussion and analysis are available upon request from Midnight at Midnight Oil Exploration Ltd., 2100, 144 – 4th Avenue S.W., Calgary, Alberta, T2P 3N4 Attention: Judy Stripling, Executive Vice-President and Chief Financial Officer by telephone at (403) 303-8500 or by email at jstripling@midnightoil.ca. This information is also accessible on our website www.midnightoil.ca.

OTHER MATTERS

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

SCHEDULE "A"	MANDATE OF THE BOARD OF DIRECTORS
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To the Information Circular - Proxy Statement of Midnight Oil Exploration Ltd. dated April 9, 2008

The board of directors (the "Board") of Midnight Oil Exploration Ltd. (the "Corporation") is responsible for the stewardship of the Corporation, the other subsidiaries, and partnerships of the Corporation to the extent delegated to the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of the Corporation. In general terms, the Board will:

- in consultation with the chief executive officer of the Corporation (the "CEO"), define the principal objectives of the Corporation;
- supervise the management of the business and affairs of the Corporation with the goal of achieving the Corporation's principal objectives as defined by the Board;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will perform the following duties:

Strategic Direction and Capital and Financial Plans

- ◆ require the CEO to present annually to the Board a longer range strategic plan and a shorter range business plan for the Corporation's business, which plans must:
 - be designed to achieve the Corporation's principal objectives;
 - identify the principal strategic and operational opportunities and risks of the Corporation's business; and
 - be approved by the Board as a pre-condition to the implementation of such plans;
- ◆ review progress towards the achievement of the goals established in the strategic, operating and capital plans;
- ◆ identify the principal risks of the Corporation's business and ensure policies and procedures are in place to appropriately manage these risks;
- ◆ approve the annual operating and capital plans;
- ◆ approve acquisitions and dispositions in excess of which require approval pursuant to expenditure limits established by the Board;
- ◆ approve the establishment of credit facilities; and
- ◆ approve issuances of additional Shares or other instruments to the public.

Monitoring and Acting

- ◆ monitor the Corporation's progress towards achieving its goals, and to revise and alter its direction through management in light of changing circumstances;
- ◆ monitor overall human resources policies and procedures, including compensation and succession planning

- ◆ appoint the CEO and determine the terms of the CEO's employment with the Corporation;
- ◆ ensure systems are in place for the implementation and integrity of the Corporation's internal control and management information systems;
- ◆ in consultation with the CEO, develop a position description for the CEO;
- ◆ evaluate the performance of the CEO at least annually;
- ◆ in consultation with the CEO, establish the limits of management's authority and responsibility in conducting the Corporation's business;
- ◆ in consultation with the CEO, appoint all officers of the Corporation and approve the terms of each officer's employment with the Corporation;
- ◆ develop a system under which succession to senior management positions will occur in a timely manner;
- ◆ approve any proposed significant change in the management organization structure of the Corporation;
- ◆ in consultation with the CEO, establish a disclosure policy for the Corporation;
- ◆ generally provide advice and guidance to management; and
- ◆ approve all matters relating to a takeover bid for the securities of the Corporation.

Finances and Controls

- ◆ review the Corporation's systems to manage the risks of the Corporation's business and, with the assistance of management, the Corporation's auditors and others (as required), evaluate the appropriateness of such systems;
- ◆ monitor the appropriateness of the Corporation's capital structure;
- ◆ ensure that the financial performance of the Corporation is properly reported to shareholders, other security holders and regulators on a timely and regular basis;
- ◆ in consultation with the CEO, establish the ethical standards to be observed by all officers and employees of the Corporation and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;
- ◆ require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by the Corporation and its officers and employees;
- ◆ require the CEO institute and maintain the integrity of internal control and information systems, including maintenance of all required records and documentation;
- ◆ approve material contracts to be entered into by the Corporation;
- ◆ recommend to shareholders of the Corporation a firm of chartered accountants to be appointed as the Corporation's auditors;
- ◆ ensure the Corporation's oil and gas reserve report(s) fairly represents the quantity and value of corporate reserves in accordance with generally accepted engineering principles and applicable securities laws; and

- ◆ take reasonable actions to gain reasonable assurance that all financial information made public by the Corporation (including the Corporation's annual and quarterly financial statements) is accurate and complete and represents fairly the Corporation's financial position and performance

Governance

- ◆ in consultation with the Corporate Governance Committee, develop a position description for the Chairman of the Board;
- ◆ in consultation with the Corporate Governance Committee, select nominees for election to the Board;
- ◆ facilitate the continuity, effectiveness and independence of the Board by, amongst other things:
 - appointing a Chairman of the Board;
 - appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate;
 - defining the mandate of each committee of the Board;
 - ensuring that processes are in place and are utilized to assess the effectiveness of the Chairman of the Board, the Board as a whole, each committee of the Board and each director; and
 - establishing a system to enable any director to engage an outside adviser at the expense of the Corporation;
- ◆ in consultation with the Corporate Governance Committee, review annually the composition of the Board and its committees and assess Directors' performance on an ongoing basis, and propose new members to the Board; and
- ◆ in consultation with the Compensation Committee, review annually the adequacy and form of the compensation of directors.

Delegation

- ◆ the Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.

Composition

- ◆ the Board should be composed of at least 5 individuals elected by the shareholders at the annual and/or special meeting(s);
- ◆ a majority of Board members should be independent Directors (within the meaning of Multilateral Instrument 52-110) and free from any business or other relationship that could impair the exercise of independent judgment;
- ◆ members should have or obtain sufficient knowledge of the Corporation and the oil and gas business to assist in providing advice and counsel on relevant issues; and
- ◆ board members should offer their resignation from the Board to the Chairman of the Corporate Governance Committee following:
 - change in personal circumstances which would reasonably interfere with the ability to serve as a Director; and

- change in personal circumstances which would reasonably reflect poorly on the Corporation (for example, finding by a Court of fraud, or conviction under Criminal Code or securities legislation)
- ◆ the Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair;
- ◆ the Board shall meet at the end of its regular quarterly meetings without members of management being present;
- ◆ minutes of each meeting shall be prepared;
- ◆ the CEO and Chief Financial Officer shall be available to attend all meetings of the Board upon invitation by the Board; and
- ◆ Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board.

Authority

- ◆ the Board shall have the authority to review any corporate report or material and to investigate activity of the Corporation and to request any employee to cooperate as requested by the Board; and
- ◆ the Board may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation.