

INFORMATION CIRCULAR – PROXY STATEMENT
for the Annual Meeting of Midnight Oil Exploration Ltd.
to be held on May 5, 2005

MIDNIGHT OIL EXPLORATION LTD.

Midnight Oil Exploration Ltd. (“Midnight” or the “Corporation”) was incorporated on September 10, 2004. Midnight was capitalized on November 29, 2004 by way of an initial private placement of 4,666,666 Common Shares for gross proceeds of \$7 million and 2,333,333 warrants to purchase Common Shares for gross proceeds of \$47,000, the warrants being exercisable at \$3.00 per share subject to a three year vesting period provided certain specific performance conditions are met. Midnight effectively commenced operations on November 30, 2004 pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) (the “Plan of Arrangement”) whereby Midnight Oil & Gas Ltd., following the acquisition of Vintage Petroleum Canada, Inc. was reorganized into Daylight Energy Trust and Midnight Oil Exploration Ltd. and pursuant to which, (i) certain assets of Midnight Oil & Gas Ltd. and Vintage Petroleum Canada, Inc. were transferred to Midnight, and (ii) former shareholders of Midnight Oil & Gas Ltd. and Series U subscription receipt holders of Daylight Energy Trust received: (A) trust units of Daylight Energy Trust and/or exchangeable shares of Daylight Energy Ltd.; and (B) Common Shares of Midnight.

SOLICITATION OF PROXIES

This Information Circular – Proxy Statement is furnished in connection with the solicitation of proxies by the management of Midnight for use at the Annual Meeting of the shareholders of Midnight (the “Meeting”) to be held on May 5, 2005 at 2:00 p.m. (Calgary time) in the Conference Centre at the 140 – 4th Avenue S.W., Calgary, Alberta, and at any adjournment thereof, for the purposes set forth in the Notice of Annual Meeting. Instruments of Proxy must be received by the President of Midnight c/o Valiant Trust Company 310, 606 – 4th Street S.W., Calgary, Alberta, T2P 1T1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding of the Meeting or any adjournment thereof. The Board of Directors of Midnight has fixed the record date for the Meeting at the close of business on March 24, 2005 (the “Record Date”). Only shareholders of record as at that date are entitled to receive notice of the Meeting. Shareholders of record will be entitled to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established ownership of such shares, 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.

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or the shareholder’s 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/or officers of Midnight. Each shareholder has the right to appoint a proxyholder other than the persons designated above, who need not be a shareholder, to attend and to act for the shareholder at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder’s appointee should be legibly printed in the blank space provided.

ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES

The information set forth in this section is provided to beneficial holders of common shares (“Common Shares”) of Midnight who do not hold their Common Shares in their own name (“Beneficial Shareholders”). Beneficial Shareholders should note that only proxies deposited by shareholders whose names appear on the records of Midnight as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those shares will not be registered in the Beneficial Shareholder’s name on the records of Midnight. Such shares will more likely be registered under the name of the Beneficial 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 Limited, which acts as nominees for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting shares for their clients. Midnight does not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). ADP typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to ADP. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction request or a proxy with an ADP sticker on it cannot use that instruction request or proxy to vote Common Shares directly at the Meeting as the proxy must be returned as directed by ADP well in advance of the Meeting in order to have the shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by ADP well in advance of the Meeting.**

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 (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote 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 (or agent), well in advance of the Meeting.

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 at which such proxy is to be voted, 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 the shareholder's 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 registered office of Midnight 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 with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

PERSONS MAKING THE SOLICITATION

The solicitation is made on behalf of the management of Midnight. The costs incurred in the preparation and mailing of the Instrument of Proxy, Notice of Annual Meeting and this Information Circular - Proxy Statement will be borne by Midnight. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of Midnight, who will not be specifically remunerated therefor.

EXERCISE OF DISCRETION BY PROXY

The shares represented by proxy in favour of management nominees shall be voted on any ballot at the Meeting and, where the shareholder specifies a choice with respect to any matter to be acted upon, the shares shall be voted on any ballot in accordance with the specification so made.

In the absence of such specification, the shares will be voted in favour of the matters to be acted upon. The persons appointed under the Instrument of Proxy furnished by Midnight are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Proxy and

Notice of Annual Meeting. At the time of printing this Information Circular - Proxy Statement, management of Midnight knows of no such amendment, variation or other matter.

MATTERS TO BE ACTED UPON AT MEETING

Election of Directors

At the Meeting it is proposed that five (5) directors be elected to hold office until the next annual meeting or until their successors are elected or appointed. There are presently five (5) directors of Midnight, each of whom retire from office at the Meeting.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of the election as directors of the five (5) nominees hereinafter set forth:

Fred Woods
Anthony Lambert
Paul Moynihan
Jay Squiers
Tom Medvedic

The names and municipalities of residence of the persons nominated for election as directors, the number of voting securities of Midnight beneficially owned, directly or indirectly, or over which each exercises control or direction, the offices held by each in Midnight, the period served as director and the principal occupation of each are as follows:

<u>Name and Municipality of Residence</u>	<u>Number of Common Shares Beneficially Owned⁽¹⁾⁽²⁾</u>	<u>Offices Held and Time as Director</u>	<u>Principal Occupation</u>
Fred Woods Calgary, Alberta	1,180,895	President and CEO; Director since October 1, 2004	President and Chief Executive Officer of Midnight and Executive Chairman of Daylight Energy Trust
Anthony Lambert Calgary, Alberta	825,473	Vice-President, Operations and COO ; Director since November 30, 2004	President of Daylight Energy Trust and Vice-President Operations and Chief Operating Officer of Midnight
Paul Moynihan ⁽³⁾⁽⁴⁾⁽⁵⁾ Calgary, Alberta	190,508	Chairman of the Board and Director since November 30, 2004	Managing Director and Partner of Mustang Capital Partners Inc.
Jay Squiers ⁽³⁾⁽⁴⁾⁽⁵⁾ Dallas, Texas	12,378	Director since November 30, 2004	Senior Vice-President, Prudential Capital Group
Tom Medvedic ⁽³⁾⁽⁴⁾⁽⁵⁾ Calgary, Alberta	66,667	Director since November 30, 2004	Vice-President, Finance and Chief Financial Officer of Calfrac Well Services Ltd.

Notes:

- (1) Information as to common shares beneficially owned directly or indirectly or over which control or direction is exercised as at March 15, 2005, is based on data furnished to Midnight by the nominees.
- (2) Fred Woods has 553,333 warrants, Anthony Lambert has 425,000 warrants and each of Messrs. Moynihan, Squiers and Medvedic have 70,000 warrants to purchase Common Shares of Midnight which were acquired as part of an initial private placement of an aggregate 2,333,333 warrants prior to the effective time of the Plan of Arrangement. Each warrant is exercisable into one Midnight Common Share at an exercise price of \$3.00 per share subject to the achievement of certain performance criteria. One-third of the warrants will vest on November 29, 2005 and will only

be exercisable if the 10 day weighted average trading price of Midnight Common Shares is equal to or greater than \$3.00 per share. An additional one-third of the warrants will vest on November 29, 2006 and will only be exercisable if the 10 day weighted average trading price of the Midnight Common Shares is equal to or greater than \$3.75 per share. The balance of the warrants will vest on November 29, 2007 and will only be exercisable if the 10 day weighted average trading price of the Midnight Common Shares is equal to or greater than \$4.50 per share. The warrants 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.

Each of the above individuals has been engaged in the principal occupation indicated opposite his name for the last five years, except: Mr. Fred Woods who, from March 1997 to May 17, 2000 was the President and Chief Operating Officer of Ulster Petroleum Ltd. and prior thereto, from July 2000 to November 30, 2004, was the President and Chief Executive Officer of Midnight Oil & Gas Ltd.; Anthony Lambert who, from July 1992 to May 17, 2000 was the Vice-President Operations of Ulster Petroleum Ltd. and prior thereto, from July 2000 to November 30, 2004, was the Vice-President Operations and Chief Operating Officer of Midnight Oil & Gas Ltd.; Paul Moynihan who, prior to December 2002, was a Managing Director in the Investment Banking division of TD Securities Inc.; and Mr. Medvedic who was appointed Chief Financial Officer of Calfrac Well Services Ltd. in December 2004 and prior to July 2004, was the Treasurer of Ensign Resource Service Group Inc. from December 1994 to July 2004.

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 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).

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, Chartered Accountants, Calgary, Alberta, to serve 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 have been Midnight's auditors since October 28, 2004.

Fees paid or payable to Midnight's auditors for professional services rendered to Midnight in 2004 are as follows:

• Audit Services – Services rendered in connection with the audit of Midnight's financial statements for the period ended December 31, 2004 and for services provided in connection with statutory and regulatory filings	\$ 30,000
• Audit Related Services	Nil
• Tax Related Services	Nil
Total	\$ 30,000

INFORMATION CONCERNING THE CORPORATION

Voting Shares and Principal Holders Thereof

As at March 15, 2005, Midnight had 26,327,829 Common Shares issued and outstanding, each such share carrying the right to one vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting is not less than two persons present, holding or representing not less than 5% of the shares entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of Midnight, as at March 15, 2005, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, voting securities of Midnight carrying more than 10% of the voting rights attached to any class of voting securities of Midnight, other than:

Name of Shareholder	Number of Common Shares Owned Directly or Indirectly	Percentage of Outstanding Common Shares
Libra Advisors, LLC	2,767,350	10.51%

STATEMENT OF EXECUTIVE COMPENSATION

Compensation

For the year ended December 31, 2004, the only Named Executive Officers in accordance with National Instrument 51-102 were Fred Woods, President and Chief Executive Officer, , Anthony Lambert, Vice-President, Operations and Chief Operating Officer and Judy Stripling, Vice-President, Finance and Chief Financial Officer (the "Named Executive Officers"). The Named Executive Officers provided services to Midnight pursuant to an Administrative and Technical Services Agreement with Daylight Energy Ltd. ("Daylight Energy") described in greater detail under the heading "Administrative and Technical Services Agreement" and the annual compensation of such Named Executive Officers disclosed below is paid by Daylight Energy. Under the terms of the Administrative and Technical Services Agreement, a portion of the Named Executive Officers' time is allocated to the affairs of Midnight based on relative production and capital spending levels between the two companies.

Summary Compensation Table

The following table and notes set forth certain information concerning the compensation paid to the Named Executive Officers by Midnight for the one month period from the commencement of operations on November 30, 2004 to December 31, 2004.

Annual Compensation					Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year Ended December 31	Salary (\$) ⁽¹⁾	Bonus (\$)	Other Annual Compensation	Common Shares Under Option/SARs Granted	Shares or Units Subject to Resale Restrictions (\$) ⁽²⁾	LTIP Payouts (\$)	All Other Compensation (\$) ⁽³⁾
Frederick N. Woods, President and Chief Executive Officer	2004	\$14,483	N/A	N/A	N/A	-	-	-
Anthony Lambert, Vice-President, Operations and Chief Operating Officer	2004	\$12,500	N/A	N/A	N/A	-	-	-
Judith A. Stripling, Vice-President, Finance and Chief Financial Officer	2004	\$12,500	N/A	N/A	N/A	-	-	-

Notes:

- (1) The annual salary for Fred Woods is \$175,000 and for each of Anthony Lambert and Judy Stripling is \$150,000. The amount disclosed represents 1/12th of the annual salary of such Named Executive Officers based upon the one month of operations of Midnight in 2004 from November 30, 2004 to December 31, 2004.
- (2) Fred Woods has 553,333 warrants and each of Anthony Lambert and Judy Stripling have 425,000 warrants to purchase Common Shares of Midnight which were acquired as part of an initial private placement of an aggregate 2,333,333 warrants prior to the effective time of the Plan of Arrangement. Each warrant is exercisable into one Midnight Common Share at an exercise price of \$3.00 per share subject to the achievement of certain performance criteria. One-third of the warrants will vest on November 29, 2005 and will only be exercisable if the 10 day weighted average trading price of Midnight Common Shares is equal to or greater than \$3.00 per share. An additional one-third of the warrants will vest on November 29, 2006 and will only be exercisable if the 10 day weighted average trading price of the Midnight Common Shares is equal to or greater than \$3.75 per share. The balance of the warrants will vest on November 29, 2007 and will only be exercisable if the 10 day weighted average trading price of the Midnight Common Shares is equal to or greater than \$4.50 per share. The warrants expire on November 29, 2008.
- (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.

Stock Option Plan

Midnight has adopted a stock option plan effective November 29, 2004 which was amended effective January 1, 2005 upon the Toronto Stock Exchange (the "TSX") amending certain parts of the TSX Company Manual including amendments to share compensation arrangements (collectively the "TSX Amendments") which amendments provide, among other things, for the removal of the requirement for a fixed maximum number of securities issuable under a share compensation arrangement, thereby allowing issuers to have a rolling maximum number of securities based on a percentage of its outstanding securities. At the special meeting of shareholders of Midnight held on November 29, 2004 at which the stock option plan of Midnight was originally approved, the shareholders of Midnight also passed a resolution approving a 10% rolling maximum number of Common Shares issuable under Midnight's stock option plan to be effective upon the TSX Amendments becoming effective and accordingly, Midnight's stock option plan has been amended by: (i) changing the number of authorized

but unissued Common Shares that may be subject to options granted under the Midnight's stock option plan at any time to 10% of the number of outstanding Common Shares from time to time; and (ii) providing that: (A) any increase in the issued and outstanding Common Shares will result in an increase in the available number of Common Shares issuable under Midnight's stock option plan; and (B) any increase in the number of options granted under Midnight's stock option plan will, if exercised, make new grants available under Midnight's stock option plan.

The stock option plan of Midnight, as amended, is hereinafter referred to as the "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 March 15, 2005 of 26,327,829 Common Shares, the number of Options which may be issued under the Stock Option Plan is currently limited to 2,632,783 Common Shares of which Options to purchase 160,000 Common Shares (0.61% of those outstanding as at March 15, 2005) are outstanding and 2,472,783 Common Shares are available for future grants (93.9% of those outstanding as at March 15, 2005). No Common Shares have been issued to date on exercise of options.

Midnight intends to limit option grants under the Stock Option Plan to 5% of the outstanding issue of Midnight Common Shares until November 30, 2005 and option grants under the Stock Option Plan will be limited to 7.5% of the outstanding issue of Midnight Common Shares until November 30, 2006. In addition, Midnight does not intend to issue any options to any individuals that received warrants to purchase Common Shares of Midnight in connection with Midnight's initial private placement of Common Shares and warrants on November 29, 2004 until November 30, 2006.

Administration of the Stock Option Plan

The Stock Option Plan is administered by the Board and options may be granted to directors, officers, key employees or consultants of Midnight or any subsidiaries of Midnight and, certain other persons providing services on an ongoing basis to Midnight and its subsidiaries, including through the Administrative and Technical Services Agreement. Options granted under the Stock Option Plan are non-assignable.

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.

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 stock options granted pursuant to the Stock Option Plan.

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 5 years from the date of grant without the approval of the TSX.

Amendment or Discontinuance of Stock Option Plan

The Board may amend or discontinue the Stock Option Plan at any time without the consent of the optionees thereunder provided that such amendment shall not alter or impair any option previously granted under the Stock Option Plan except in certain permitted circumstances. Any amendment of the Stock Option Plan will require the prior approval of the TSX.

Stock Options Granted to Executive Officers

No stock options were granted to executive officers of Midnight during the financial period from the commencement of operations of November 30, 2004 to December 31, 2004 and as at December 31, 2004, there were no options to purchase Midnight Common Shares outstanding.

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under Midnight's equity compensation plans as at March 15, 2005. As at December 31, 2004, Midnight had no options outstanding and 2,625,000 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	160,000	\$3.75	2,472,783
Stock Option Plan not approved by shareholders	N/A	N/A	N/A
Total⁽¹⁾	160,000	\$3.75	2,472,783

Notes:

- (1) Midnight has an aggregate of 2,333,333 warrants to purchase Common Shares outstanding at an exercise price of \$3.00 per share subject to the achievement of certain performance criteria of which an aggregate of 1,403,333 warrants have been issued to Named Executive Officers. See Note (2) 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 March 15, 2005, Midnight had an aggregate of 160,000 options outstanding which were granted to three employees of Midnight on February 14, 2005 at an exercise price of \$3.75 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. Based on 26,327,829 Midnight Common Shares outstanding as at March 15, 2005 and 160,000 options outstanding as at that date, a further 2,472,783 options are available for issuance under the Stock Option Plan.

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

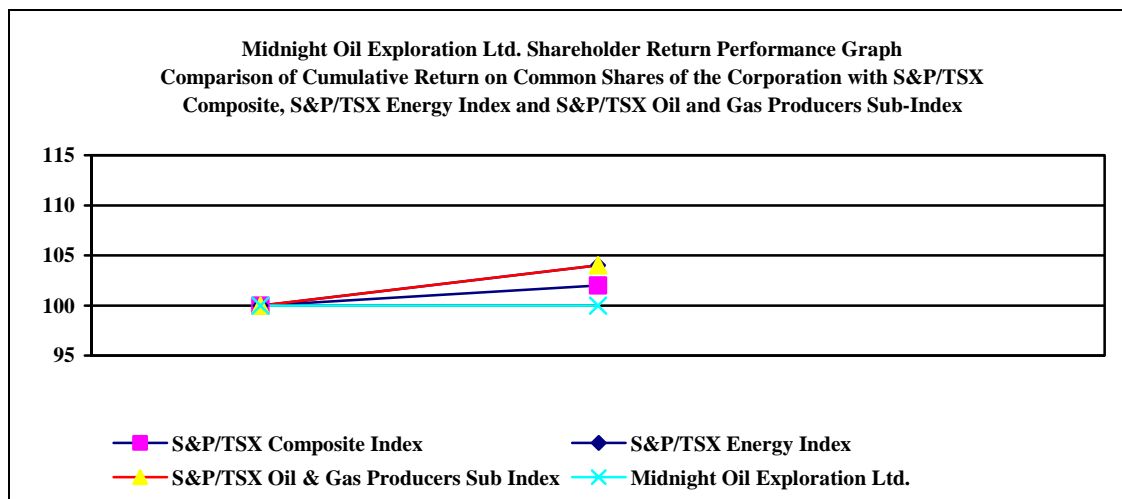
The directors of Midnight currently do not receive any fees for meetings of the Board or any committee thereof attended but are entitled to be reimbursed for traveling and other expenses properly incurred in the performance of their duties as directors of Midnight. During the year ended December 31, 2004, no fees were paid to the directors of Midnight.

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 Note (1) below) with the cumulative shareholder return of the S&P/TSX Composite Index, the S&P/TSX Energy Index and the S&P/TSX Oil and Gas Producers Sub Index for the period commencing December 2, 2004 and ending December 31, 2004 (see Note (2) below).



	December 2, 2004	December 2 to December 31, 2004
S&P/TSX Composite Index	100	102
S&P Energy Index	100	104
S&P/TSX Oil & Gas Producers Sub Index	100	104
Midnight Oil Exploration Ltd.	100	100

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 2, 2004.
- (2) Midnight was initially capitalized on November 29, 2004 pursuant to a private placement of 4,666,666 Common Shares at a price of \$1.50 per share for gross proceeds of \$7 million. Pursuant to the Plan of Arrangement, shareholders of Midnight Oil & Gas Ltd. and Series U subscription receipt holders of Daylight Energy Trust received Midnight Common Shares at a deemed value of \$1.50. 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. The closing trading price of the Midnight Common Shares on the TSX on March 15, 2005 was \$4.05.

REPORT ON EXECUTIVE COMPENSATION

Composition and Role of the Compensation Committee

The Board has appointed a Compensation Committee comprised of Jay Squiers (Chairman), Paul Moynihan and Tom Medvedic, each of whom is a "non-management related" director. The committee's mandate is to formally make recommendations to the Board in respect of compensation issues relating to directors, senior management and staff of Midnight, including recommending performance objectives and the compensation package for the Chief Executive Officer. Midnight has no employees as it is staffed through an Administrative and Technical Services Agreement with Daylight Energy. The Compensation Committee monitors the compensation practices of Daylight Energy to ensure that their compensation practices facilitates the attraction and retention of a strong executive and employees.

Report of the Compensation Committee

Midnight's compensation philosophy is aimed at attracting and retaining quality 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, Midnight may award cash bonuses 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 Board establishes bonus levels for Vice-Presidents and the Compensation Committee in consultation with the Board 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 reducing costs and the employees' contribution to the achievement of overall corporate goals. As Midnight is an emerging oil and gas company, no cash bonuses were awarded in 2004.

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.

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)
Paul Moynihan
Tom Medvedic

ADMINISTRATIVE AND TECHNICAL SERVICES AGREEMENT

Midnight entered into an Administrative and Technical Services Agreement with Daylight Energy concurrently with the completion of the Plan of Arrangement pursuant to which Midnight commenced business. Under this agreement, Daylight Energy personnel provide services in respect of the management, development, exploitation and operation of Midnight's assets. Daylight Energy also provides various administrative services, as well as access to geological and technical data relating to Midnight's assets. Pursuant to this agreement, Midnight pays its proportionate share of Daylight Energy's general administrative costs, after all recoveries, based upon the respective level of oil and natural gas production of each company relative to the combined level of oil and natural gas production and the respective level of capital expenditures of each company relative to the combined capital spending. The Administrative and Technical Services Agreement has no set termination date and will continue until terminated by either party with three (3) months prior notice. Pursuant to the agreement, from November 30, 2004 to December 31, 2004, \$110,000 in fees were charged relating to general administrative activities and \$99,000 in fees were charged relating to capital expenditures for the period. As a result of this technical services arrangement, the majority of Midnight's account receivable and accounts payable as at December 31, 2004 were due from (to) Daylight Energy.

CORPORATE GOVERNANCE

The Board has the obligation to oversee the conduct of our business and to supervise senior management who are responsible for the day-to-day conduct of the business. The Toronto Stock Exchange (the "TSX") has established guidelines (the "Guidelines") for effective corporate governance matters. The Guidelines address such matters as the constitution and independence of boards of directors, the functions to be performed by boards and their committees, and the relationship among a corporation's board, management and shareholders. Midnight's disclosure with respect to the Guidelines is set forth in Schedule "A" hereto. The corporate governance of Midnight forms part of the overall mandate of the Board and has not been delegated to a separate committee.

Under the Guidelines, an "unrelated" director is one who is independent of management and is free from any interest and any business or other relationship (other than interests and relationships arising from shareholding) which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Midnight. The Guidelines also make an informal distinction between inside and outside directors, an inside director being one who is an officer or employee of Midnight or any of its affiliates, and who is thus a "management" director. Two of the directors, Fred Woods and Anthony Lambert, are "management" directors and therefore are "related" directors.

Board Committees

The Board has constituted three committees: the Reserves Committee, the Compensation Committee and the Audit Committee.

Compensation Committee

The Compensation Committee is comprised of Jay Squiers (Chairman), Paul Moynihan and Tom Medvedic each of whom is an "outside" director.

The mandate of the Compensation Committee is to formulate and make recommendations to the Board in respect of compensation issues relating to directors, senior management and staff of Midnight, including reviewing and recommending performance objectives and the compensation package for the President and Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of Midnight.

Reserves Committee

The Reserves Committee is comprised of Paul Moynihan (Chairman), Jay Squiers and Tom Medvedic, each of whom is an "outside" director.

The Reserves Committee's mandate with respect to reserves includes: (i) reviewing management's recommendations for the appointment of the independent engineers; (ii) meeting with such independent engineers for the purpose of satisfying themselves that the independent engineers act independently and are not unduly

influenced by management; (iii) reviewing the terms of the independent engineers engagement and the appropriateness and reasonableness of the proposed fees; (iv) reviewing the scope and methodology of the independent engineers evaluation; (v) reviewing any significant new discoveries, additions, revisions and acquisitions; (vi) reviewing assumptions and consistency with prior years; (viii) reviewing any problems experienced by the independent engineer preparing the reserve report, including any restrictions imposed by management or significant issues on which there was a disagreement with management; and (ix) reviewing all public disclosure documents containing reserve information prior to its release, including, the annual report, the annual information form and management's discussion and analysis.

Audit Committee

The Audit Committee is comprised of Tom Medvedic, (Chairman), Paul Moynihan and Jay Squiers, each of whom is an "outside" director.

The Audit Committee meets quarterly each year and among other things, with the assistance of the external auditors, is responsible for reviewing management programs and policies regarding the adequacy and effectiveness of the internal controls over the accounting and financial reporting systems within Midnight, including management's response to internal control recommendations of the external auditors. The committee reviews management plans regarding changes in accounting practices and policies and the financial impact thereof and is responsible for reviewing the major areas of management judgment and estimates that have a significant effect upon the financial statements. The Audit Committee is also charged with reviewing and approving all bank credit facilities and other borrowing strategies presented by senior management including hedging and foreign currency risk strategies of Midnight. The committee receives a yearly report from Midnight's external auditors highlighting any material deficiencies with respect to Midnight's financial control and information systems which comes to their attention during the course of conducting the year-end audit. Results of those reports are relayed by the committee to the full Board for its consideration. Quarterly, the Audit Committee meets with Midnight's external auditors without management being present and may do so at any time throughout the rest of the year. All financial statements, quarterly reports, and other financial information that are publicly disseminated are reviewed for approval by the committee prior to their release.

In addition, the Audit Committee meets on a yearly basis with the independent engineers of Midnight following their preparation of Midnight's year-end reserve and economic evaluation. This meeting takes place prior to finalization and shareholder dissemination of the reserve results at which time the engineers are required to review, in detail, their reserve analysis and to discuss, among other things, the qualifications of the engineers responsible for the reserve analysis, the process and methodology utilized in evaluating Midnight's reserves and Midnight's compliance with any emerging issues related to the preparation of reserve analysis. Following such meeting, management of Midnight is invited to attend the meeting for the purpose of engaging in a complete property-by-property discussion with the Audit Committee and the independent engineers.

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, directly or indirectly, or exercises control or direction 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 AND 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 financial statements for the year ended December 31, 2004 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., 1000, 140 – 4th Avenue S.W., Calgary, Alberta, T2P 3N3 Attention: Judy Stripling, Vice-President, Finance 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.

APPROVAL

The contents and sending of this Information Circular - Proxy Statement has been approved by the directors of Midnight.

DATED: March 15, 2005.

SCHEDULE "A"

To the Information Circular - Proxy Statement of Midnight Oil Exploration Ltd.

Dated March 15, 2005

MIDNIGHT OIL EXPLORATION LTD.		
GUIDELINES	COMPLIANCE	COMMENTS
(1) The Board should explicitly assume responsibility for the stewardship of the Corporation, including:		
(a) the adoption of a strategic planning process;	Yes	The Board has a strategic planning process which involves ongoing meetings of the Board to discuss strategic planning issues, with and without members of management. Strategic planning is a continuous process and consequently the board meets from time to time during the year as plans evolve which require its consideration and approval.
(b) the identification of the principal risks of the Corporation's business and the implementation of appropriate systems to manage these risks;	Yes	Directly and through the Audit Committee, the Board monitors and receives monthly and quarterly reports respecting operations, internal controls and business risks from management and the external auditors. The Corporation has identified business risks and the systems in place to manage these risks in its annual and interim reports to shareholders and in its Annual Information Form. The identification of the principal risks of the Corporation's business and the implementation of appropriate systems to manage these risks are addressed in the ongoing strategic planning process.
(c) succession planning, including appointing, training and monitoring senior management;	Yes	The Board, from time to time, reviews the performance of its senior officers. As the majority of senior officers are founders of the Corporation, training has not been applicable to these positions. The Board has reviewed the evaluation of the CEO, COO and CFO with discussions of goals and objectives for future years.

MIDNIGHT OIL EXPLORATION LTD.		
GUIDELINES	COMPLIANCE	COMMENTS
(d) the Corporation's communications policy; and	Yes	The Board or individual members approve all of the Corporation's major compliance and communication documents, including annual and quarterly reports, financing documents and other disclosure documents. In addition, the Board has delegated the responsibility for direct shareholder communications to the Chief Executive Officer and the Chief Financial Officer, who are available to shareholders and the investment community to discuss the Corporation's business and operations.
(e) the integrity of the Corporation's internal control and management information systems.	Yes	The Board uses both direct enquiry of management and the Corporation's auditors to assess the integrity of the Corporation's internal control and management information system.
(2) The Board should be constituted with a majority of individuals who qualify as unrelated directors.	Yes	The majority of the members of the Board are unrelated directors.
(3) The analysis of the application of the principles supporting the conclusion in paragraph 2 above.		Of the five members of the Board, two are members from management. The remaining three members of the Board are independent of management and are free from any interest and any business or other relationship (other than interests and relationships arising from shareholdings), which could, or could reasonably be perceived to, materially interfere with such directors' ability to act in the best interests of the Corporation.
		<p>Paul Moynihan Unrelated, non-management. Modest advisory fees are occasionally paid by Midnight to Mustang Capital Partners Inc. in connection with financial advisory services.</p> <p>Jay Squiers Unrelated, non-management with no business relationships with Midnight other than as a director.</p> <p>Tom Medvedic Unrelated, non-management. Midnight periodically utilizes the oilfield services of Calfrac Well Services Ltd. in its operations, of which Mr. Medvedic is the Vice-President, Finance and Chief Financial Officer.</p> <p>Fred Woods Related, employee and officer of Midnight.</p> <p>Anthony Lambert Related, employee and officer of Midnight.</p>

MIDNIGHT OIL EXPLORATION LTD.		
GUIDELINES	COMPLIANCE	COMMENTS
(4) The Board should appoint a committee of directors composed exclusively of outside, i.e., non-management directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.	No	The Board as a whole is responsible for proposing new nominees to the Board and for assessing directors on an ongoing basis.
(5) The Board should implement a process to be carried out by the Nominating Committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.	No	Due to the size of the board, the assessment of the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors on an ongoing basis, is accomplished through informal discussions and evaluations.
(6) The existence of an orientation and education program for new recruits to the Board.	No	There is no specific education and orientation program for new Board members. Regular Board meetings include meetings with management, where new Board members can familiarize themselves with the Corporation's operations. The Board ensures that any new directors will be provided with suitable materials and training to assist in their orientation to the Corporation and to their roles within the Board. New Board members are provided with the mandate and terms of reference for all committees and for the Board in general. The external auditors have provided the Board with literature on the roles of Directors.
(7) The size of the Board and the impact of the number of directors upon the Board's effectiveness.	Yes	The Board is currently comprised of five directors, which the Board believes is large enough to permit a diversity of views and to staff the various committees of the Board, without being too large to detract from the Board's efficiency and effectiveness.
(8) The adequacy and form of the compensation of directors should realistically reflect the responsibilities and risk involved in being an effective director.	Yes	Directors were entitled to participate in the issuance of warrants to purchase Common Shares at an exercise price of \$3.00 per warrant with the vesting thereof subject to the achievement of certain performance criteria in connection with an initial private placement of the Corporation prior to the completion of the Plan of Arrangement and are compensated by the grant of stock options under the Corporation's Stock Option Plan, although no directors that received warrants are entitled to any stock options prior to November 30, 2006. Compensation levels are reviewed periodically by the Compensation Committee. Directors' liability insurance is provided. The Board believes that the compensation currently offered to directors, in form and in amount, adequately reflects the responsibilities and risk assumed by each member.

MIDNIGHT OIL EXPLORATION LTD.		
GUIDELINES	COMPLIANCE	COMMENTS
(9) Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors.	Yes	The members of each of the Board's committees are "unrelated" directors except the corporate governance matters for which the entire Board assumes responsibility.
(10) The Board's responsibility for (or a committee of the Board's general responsibility for) developing the Corporation's approach to governance issues.	Yes	The entire Board assumes responsibility for corporate governance issues.
(11) The Board has developed:		
(a) position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities; and	Yes	The Board retains all powers not delegated by the Board to management or Board Committees. The Board remains responsible for directing the Corporation's business and affairs and for supervising management. Charters have been adopted for each of the committees outlining their principal responsibilities. The mandate of the Board of Directors outlines the roles and responsibilities of the Board and the CEO.
(b) the corporate objectives for which the CEO is responsible for meeting.	Yes	The corporate objectives of the CEO include maximizing shareholder value, implementing the business plan for the Corporation pursuant to the Board's strategic planning process, developing and staffing the Corporation's management structure and providing effective communication between the Board, management and shareholders. Under the mandate of the Board of Directors, the CEO's performance is evaluated. The Board reviews his goals and objectives and reviews with him his performance against previous years objectives.
(12) The structures and procedures ensuring that the Board can function independently of management.	Yes	The Board believes that its size and the nature of the Corporation's activities allow it to function independently of management. The Chairman of the Board, Mr. Paul Moynihan, is an unrelated director and ensures the information presented to the Board is adequate.
(13) (a) The Audit Committee of the Board should be composed only of outside directors.	Yes	The Audit Committee consists of Messrs. Tom Medvedic, Paul Moynihan and Jay Squiers, all of whom are outside directors.
(b) The roles and responsibilities of the Audit Committee should be specifically defined.	Yes	The charter of the Audit Committee specifically defines the Committee's roles and responsibilities.
(c) The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.	Yes	The Audit Committee (i) reviews with the Corporation's auditors and with management, the Corporation's accounting principles, policies and practices, (ii) reviews the Corporation's annual and interim financial statements along with the related Management Discussion and Analysis with the auditors prior to their submission to the Board for approval, and (iii) reviews with the auditors the

MIDNIGHT OIL EXPLORATION LTD.		
GUIDELINES	COMPLIANCE	COMMENTS
		adequacy of the Corporation's accounting, financial and operating controls. The Corporation does not have an internal auditor.
(d) The Audit Committee's duties should include oversight responsibility for management reporting on internal controls and should ensure that management has designed and implemented an effective system of internal controls.	Yes	The Audit Committee, with the assistance of the Corporation's auditors, reviews the adequacy and effectiveness of the system of internal controls.
(14) The existence of a system, which enables an individual director to engage an outside adviser at the expense of the Corporation in appropriate circumstances.	Yes	A director or a group of directors may engage outside advisors at the expense of the Corporation, subject to Board approval. As well, each committee charter specifically authorizes such committee to engage outside experts, as it deems necessary to carry out their duties.