

IVANHOE ENERGY INC
Form 6-K
April 16, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
April 15, 2008
Commission File Number: 000-30586
IVANHOE ENERGY INC.

(Translation of Registrant's Name into English)
Suite 654 999 Canada Place, Vancouver, British Columbia, V6C 3E1, CANADA

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

*

Form 20-F ☐ Form 40-F ☐

* The registrant
files annual
reports under
cover of
Form 10-K

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes: ☐ No: ☒

If ☒ Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-_____.

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This Report on Form 6-K incorporates by reference the exhibit attached hereto.

Exhibit	Title
1	Management Proxy Circular
2	Proxy
3	Electronic Shareholder Consent
4	Supplemental Return Card
5	Notice of Meeting

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SIGNATURES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IVANHOE ENERGY INC.

Date: April 15, 2008

By: /s/ Beverly A. Bartlett
Beverly A. Bartlett
Vice President & Corporate Secretary

Exhibit 1

**Notice of Annual Meeting of the Shareholders
and
Management Proxy Circular
of
IVANHOE ENERGY INC.
DATED: April 15, 2008**

IVANHOE ENERGY INC.

654 999 Canada Place

Vancouver, BC V6C 3E1

Telephone: 604-688-8323 Fax: 604-682-2060

Notice of Annual General Meeting of Shareholders

May 29, 2008

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of **IVANHOE ENERGY INC.** (the Company) will be held in Suite 629 999 Canada Place, Vancouver, British Columbia on Thursday, May 29, 2008, at 9:00 AM local time (the Meeting) for the following purposes:

1. to receive the report of the directors;
2. to receive the Company's audited financial statements for the financial year ended December 31, 2007 and the auditor's report thereon;
3. to elect directors for the ensuing year;
4. to appoint auditors for the Company for the ensuing year and to authorize the directors to fix the auditors remuneration;
5. to consider and, if thought advisable, to pass an ordinary resolution authorizing the Company to: (a) amend its Employees and Directors Equity Incentive Plan (the Equity Incentive Plan) by (i) increasing the maximum number of common shares available for issuance thereunder from 24,000,000 common shares to 29,250,000 common shares; (ii) increasing the maximum number of common shares of the Company which may be allocated for issuance under the Bonus Plan component of the Equity Incentive Plan from 2,400,000 common shares to 2,900,000 common shares, (iii) making certain technical amendments to the Equity Incentive Plan; and (b) ratifying the grant of excess stock options made pursuant to the Equity Incentive Plan all as more particularly described in the Management Proxy Circular that accompanies this Notice; and
6. to transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed April 11, 2008 as the record date for the determination of shareholders entitled to notice of, and to vote at, this Annual General Meeting and at any adjournment thereof.

A Management Proxy Circular and a form of proxy accompany this Notice. The Management Proxy Circular contains details of matters to be considered at the Meeting. The audited consolidated financial statements of the Company for the year ended December 31, 2007, and the auditor's report thereon, are expected to be mailed to shareholders on or about April 24, 2008.

A shareholder who is unable to attend the Meeting in person and who wishes to ensure that such shareholder's shares will be voted at the Meeting, is requested to complete, date and execute the enclosed form of proxy and deliver it by facsimile, by hand or by mail in accordance with the instructions set out in the form of proxy and in the Management Proxy Circular.

DATED at Vancouver, British Columbia, this 15th day of April, 2008.

**BY ORDER OF THE BOARD OF
DIRECTORS**

Beverly A. Bartlett

Beverly A. Bartlett
Vice President & Corporate Secretary

**IVANHOE ENERGY INC.
Suite 654 999 Canada Place
Vancouver, British Columbia V6C 3E1
MANAGEMENT PROXY CIRCULAR**

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the management of IVANHOE ENERGY INC. (the Company) for use at the annual meeting (the Meeting) of its shareholders to be held on May 29, 2008, at the time and place and for the purposes set forth in the accompanying Notice of Meeting. Unless otherwise stated, this Management Proxy Circular contains information as at March 31, 2008.

SOLICITATION OF PROXIES

The solicitation of proxies by management will be primarily by mail, but proxies may be solicited by directors, officers and regular employees of the Company personally, by telephone or by means of electronic communication. All costs of this solicitation will be borne by the Company.

APPOINTMENT OF PROXYHOLDERS

A shareholder entitled to vote at the Meeting may, by means of a proxy, appoint a proxyholder or one or more alternate proxyholders, who need not be shareholders, to attend and act at the Meeting for the shareholder and on the shareholder's behalf.

The individuals named in the accompanying form of proxy are directors and/or officers of the Company. **A shareholder may appoint, as proxyholder or alternate proxyholder, a person or persons other than any of the persons designated in the accompanying form of proxy, and may do so either by inserting the name or names of such persons in the blank space provided in the accompanying form of proxy or by completing another suitable form of proxy.**

An appointment of a proxyholder or alternate proxyholder will not be valid unless a form of proxy making the appointment, signed by the shareholder or by an attorney of the shareholder authorized in writing, is deposited with CIBC Mellon Trust Company by facsimile to (416) 368-3976 or 1-866-781-3111, by mail to P.O. Box 1900, Vancouver, British Columbia, V6E 3X1 or P.O. Box 721, Agincourt, Ontario, M1S 0A1, or by hand to The Oceanic Plaza, 1600 1066 Hastings Street, Vancouver, British Columbia, V6E 3K9 or 320 Bay Street, Banking Hall Level, Toronto, Ontario, M5H 4A6, and received by CIBC Mellon Trust Company not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or any adjournment thereof at which the form of proxy is to be used.

REVOCATION OF PROXIES

A shareholder who has given a proxy may revoke it:

- (a) by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing:
 - (i) with CIBC Mellon Trust Company, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or an adjournment thereof, at which the form of proxy is to be used;
 - (ii) at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or an adjournment thereof, at which the form of proxy is to be used;

- (iii) with the chairman of the Meeting on the day of the Meeting or an adjournment thereof; or
- (b) in any other manner provided by law.

The revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

EXERCISE OF DISCRETION

On a poll, the nominees named in the accompanying form of proxy will vote or withhold from voting the common shares represented thereby in accordance with the instructions of the shareholder. The form of proxy will confer discretionary authority on the nominees named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of auditors and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the form of proxy, the nominees named in the accompanying form of proxy will vote the common shares represented by the form of proxy at their own discretion for the approval of such matter.

As of the date of this Management Proxy Circular, management of the Company knows of no amendment, variation or other matter that may come before the Meeting, but if any amendment, variation or other matter properly comes before the Meeting, each nominee named in the accompanying form of proxy intends to vote thereon in accordance with the nominee's best judgment.

VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered shareholders of the Company or the persons they appoint as their proxyholders are permitted to vote at the Meeting. Most shareholders of the Company are non-registered shareholders (Non-Registered Shareholders) because the common shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the common shares. Common shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an

Intermediary) that the Non-Registered Shareholder deals with in respect of the shares of the Company (Intermediaries include, among others, banks, trust companies, securities dealers, securities brokers and trustees or administrators of self-administered RRSPs, RRIFFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies of the Notice of Meeting, this Management Proxy Circular, the form of proxy and other materials, if any (collectively, the Meeting Materials) to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either be given:

- (a) a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its service company, will constitute voting instructions (often called a voting instruction form) which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the

one page pre-printed form, the voting instruction form will consist of a regular form of proxy accompanied by a page of instructions which contains a removable label with a bar code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or

- (b) a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of common shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the form of proxy. In this case, the Non-Registered Shareholder who wishes to submit a form of proxy should properly complete the form of proxy and deposit it with the Company, c/o CIBC Mellon Trust Company, Suite 1600, The Oceanic Plaza, 1066 Hastings Street, Vancouver, British Columbia, V6E 3K9 or 320 Bay Street, Banking Hall Level, Toronto, Ontario, M5H 4A6.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the common shares of the Company they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy and insert the Non-Registered Shareholder or such other person's name in the blank space provided. In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.

A Non-Registered Shareholder may revoke a proxy or voting instruction form given to an Intermediary by contacting the Intermediary through which the Non-Registered Shareholder's common shares of the Company are held and following the instructions of the Intermediary respecting the revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a proxy or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

VOTES NECESSARY TO PASS RESOLUTIONS

The Company's by-laws provide that the quorum for the transaction of business at the Meeting is at least one individual present at the commencement of the Meeting holding, or representing by proxy the holder or holders of, common shares carrying, in the aggregate, not less than thirty-three and one-third percent (33-1/3%) of the votes eligible to be cast at the Meeting.

Under the *Yukon Business Corporations Act* (the "YBCA") a majority of the votes cast by shareholders at the Meeting is required to pass an ordinary resolution and a majority of two-thirds of the votes cast at the Meeting is required to pass a special resolution.

Shareholders will be asked to elect directors and appoint auditors for the ensuing year. If there are more nominees for election as directors or appointment as the Company's auditors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

At the Meeting, shareholders will be asked to consider and, if warranted, to pass an ordinary resolution, the full text of which is set out as Schedule A hereto (the "Equity Incentive Plan Amendment Resolution"), (a) authorizing the Company to amend its existing Equity Incentive Plan by (i) increasing the maximum number of common shares of the Company which may be allocated for issuance thereunder

from 24,000,000 common shares to 29,250,000 common shares; (ii) increasing the maximum number of common shares issuable under the Bonus Plan component of the Incentive Plan from 2,400,000 common shares to 2,900,000 common shares; (iii) making other technical amendments to the existing Equity Incentive Plan; and (b) ratifying the grant of excess stock options made pursuant to the Equity Incentive Plan all as more particularly described in this Management Proxy Circular under the heading "Particulars of Matters To Be Acted Upon - Amendment of Equity Incentive Plan". The Equity Incentive Plan Amendment Resolution is an ordinary resolution and, as such, requires approval by a majority of the votes cast by shareholders at the Meeting.

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

The Company is unaware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Company or is a proposed nominee for election as a director of the Company (or an associate or affiliate of such director, director nominee or executive officer) at any time since the beginning of the Company's last financial year in any matter to be acted upon at the Meeting other than the proposed amendment of the Equity Incentive Plan.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company has an authorized capital consisting of an unlimited number of common shares without par value and an unlimited number of preference shares without par value.

As of March 31, 2008 the Company had outstanding 244,873,349 fully paid and non-assessable common shares without par value, each carrying the right to one vote. As of such date, there were no preference shares issued and outstanding.

A holder of record of one or more common shares on the securities register of the Company at the close of business on Friday, April 11, 2008, (the "Record Date") who either attends the Meeting personally or deposits a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have such common shares voted at the Meeting, except to the extent that

- (a) the shareholder has transferred the ownership of any such common shares after the Record Date, and
- (b) the transferee produces a properly endorsed share certificate for, or otherwise establishes ownership of, any of the transferred common shares and makes a demand to CIBC Mellon Trust Company no later than 10 days before the Meeting that the transferee's name be included in the list of shareholders in respect thereof.

To the knowledge of the Company's directors and executive officers, as at March 31, 2008 the only person who beneficially owns, directly or indirectly, or exercises control or direction over common shares carrying more than 10% of the voting rights attached to all outstanding common shares of the Company, the approximate number of common shares so owned, controlled or directed, and the percentage of voting shares of the Company represented by such shares and the share ownership by the current directors and executive officers of the Company as a group are:

Name and Address	Number of Shares⁽¹⁾	Percentage of Shares Outstanding⁽¹⁾
Robert M. Friedland Singapore	51,511,725 ⁽²⁾⁽³⁾	20.36%
Directors and Executive Officers as a Group	64,951,628 ⁽⁴⁾⁽⁵⁾	25.67%

(1) Beneficial ownership is determined in accordance with applicable securities laws and generally includes voting or investment power with respect to securities. Unissued common shares subject to options, warrants or other convertible securities currently exercisable or convertible, or exercisable or convertible within 60 days, are deemed outstanding for the purpose of computing the beneficial ownership of common shares of the person holding such convertible security but are not deemed outstanding for computing the beneficial ownership of common shares of any other person.

(2) 917,105
common shares

are held directly
by
Mr. Friedland.
50,594,620
common shares
are held
indirectly,
through Newstar
Securities SRL,
Premier Mines
SRL and
Evershine SRL,
companies
controlled by
Mr. Friedland.

(3) Includes
2,200,000
unissued
common shares
issuable to
Mr. Friedland
upon the
exercise of
outstanding
share purchase
warrants and
500,000 vested
options.

(4) Includes
8,145,407
unissued
common shares
issuable to
directors and
executive
officers upon
exercise of
incentive stock
options and
outstanding
share purchase
warrants.

(5) Includes
51,511,725
commons shares
beneficially
owned, directly
and indirectly,

by Robert M.
Friedland.

ELECTION OF DIRECTORS

The Company's articles provide that the number of directors of the Company will be a minimum of three and a maximum of thirteen. The term of office of each of the current directors will end at the conclusion of the Meeting. Unless a director's office is earlier vacated in accordance with the provisions of the YBCA, each director elected will hold office until the conclusion of the next annual meeting of the Company or, if no director is then elected, until a successor is elected.

The following tables provide information on the nominees proposed for election to the Company's board of directors. Included in these tables is information relating to each nominee's committee memberships, meeting attendance, public board memberships, equity ownership, principal occupation, business or employment and the period of time during which each has been a director of the Company. This information is as at March 31, 2008.

Management's nominees for election as directors are as follows:

A. Robert Abboud

Barrington Hills, IL, USA

Age: 78

Director Since: 2006

Director Status:

Independent⁽²⁾
Areas of Experience:

Board

Banking

International Finance

International Project Management

Public Capital Markets

Robert Abboud is President of A. Robert Abboud and Company, a private investment company, and has enjoyed a 45-year career in oil and gas, banking and foreign affairs. He was previously President and Chief Operating Officer of Occidental Petroleum Corporation, Chairman of First Chicago Corporation and The First National Bank of Chicago, Chairman of First City Bancorporation of Texas, Chairman of ACB International, Ltd., a joint venture which included the Bank of China and a subsidiary of the Chinese Ministry of Foreign Relations and Trade. Mr. Abboud has served as a member of the Board of Directors of AMOCO and as Audit Committee Chairman for AAR Corporation, Alberto-Culver Company, Hartmarx Corporation, ICN Pharmaceuticals Inc. and Inland Steel Industries.

Mr. Abboud was appointed as Independent Co-Chairman and Lead Director of the Company in May 2006 and serves as a member of the Audit and Business Development Committees.

B.A. (Cum Laude), 1951, Harvard College; J.D., 1956, Harvard Law School; M.B.A., 1958 Baker Scholar, Harvard Business School; Certified Commercial Lender, 1975, American Bankers Association; Member Illinois, Massachusetts and Federal Bar and the American Bar Association.

Principal Occupation, Business or Employment

President, A. Robert Abboud and Company (1984 present)

Board/Committee
Membership:
Attendance:

Board of Directors	13 of 13	100%
Audit (member since Nov, 2007)	1 of 1	100%
Business Development	3 of 3	100%
Compensation (ex officio) ⁽¹⁰⁾	5 of 5	100%
Nominating and Corporate Governance (ex officio) ⁽¹⁰⁾	7 of 7	100%
Non-Management Directors	7 of 7	100%

Public Board Membership
Company:
Since:

n/a

n/a

Common Shares Beneficially Owned, Controlled or Directed:

Year	Common Shares ⁽³⁾	Total Market Value of Common Shares ⁽⁴⁾	Minimum Required ⁽⁸⁾ (by Mar. 8/09)
		Shares ⁽⁴⁾	U.S.\$
2008	200,000	\$ 376,000	U.S.\$ 72,000
2007	400,000 ⁽¹¹⁾	\$ 480,000(Shares)	U.S.\$ 750,000

Options Held:

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Date Granted	Expiry Date	Number Granted	Vested / Unvested	Exercise Price ⁽⁵⁾	Total Unexercised	Value of Options Unexercised ⁽⁶⁾
May 15, 2006	May 15, 2011	580,000	232,000/348,000	US\$2.85	580,000	\$ 0

Robert M. Friedland

Singapore

Age: 57

Director Since: 1995

Director Status:Non-Independent⁽¹⁾**Areas of Experience:**

CEO/Board

Finance

Mining Industry

Public Capital Markets

Managing/Leading Growth

Robert Friedland, a co-founder of Ivanhoe Energy Inc., has been a director of the Company since 1995 and Deputy Chairman since 1999. Mr. Friedland was appointed as Deputy Chairman Capital Markets in May 2006. Mr. Friedland is the founder and Executive Chairman of Ivanhoe Mines Ltd., a Canadian public company with extensive operating, development and exploration interests in several countries in the Asia Pacific region.

Mr. Friedland is also Chairman and President of Ivanhoe Capital Corporation, his family's private, Singapore and Beijing-based company that specializes in providing venture capital and project financing for international business enterprise, predominantly in the resources sector.

Mr. Friedland was named 2006 Mining Person of the Year by the Northern Miner publishing group of Canada.

Following his role in the discovery and sale of the Voisey's Bay nickel-copper-cobalt deposit in Eastern Canada, Mr. Friedland was named Developer of the Year in 1996 by the Prospectors and Developers Association of Canada for his work in establishing and financing companies engaged in mineral exploration and development around the world.

B.A., 1974, Political Science, Reed College.

Principal Occupation, Business or Employment

Chairman, Ivanhoe Mines Ltd. (March 1994 – present); Chief Executive Officer, Ivanhoe Mines Ltd. (March 1994 2006); Chairman and President, Ivanhoe Capital Corporation (1998 – present)

Board/Committee**Membership:****Attendance:**

Board of Directors	10 of 13	77%
Business Development	0 of 3	
Non-Management Directors	0 of 7	

Public Board Membership**Company:****Since:**

Ivanhoe Mines Ltd.
(TSX; NYSE; NASDAQ) 1994

Common Shares Beneficially Owned, Controlled or Directed:

Year	Common Shares ⁽³⁾	Total Market Value of Common		Minimum Required ⁽⁸⁾
		Shares ⁽⁴⁾		
2008	51,011,725 ⁽¹²⁾	\$ 91,766,043		n/a
2007	51,011,725 ⁽¹²⁾	\$ 117,148,140		n/a

Options Held:

Date Granted	Expiry Date	Number Granted	Vested / Unvested	Exercise Price ⁽⁵⁾	Total Unexercised	Value of Options Unexercised ⁽⁶⁾
		2,500,000	500,000/2,000,000	Cdn.\$1.61	2,500,000	\$675,000

Mar. 5,
2008

Mar. 5,
2013

Dr. Robert G. Graham

Ottawa, ON, Canada

Age: 54

Director Since: 2005

Director Status:Non-Independent⁽¹⁾**Areas of Experience:**

CEO/Board

Chemical Engineering

Petroleum Engineering

Project Management

Oil and Gas Industry

Dr. Robert Graham is the co-founder and Chairman of Ensyn Corporation. He has been working on the commercial development of the RTP biomass refining and petroleum upgrading technologies since the early 1980's. This work culminated in the development of commercial RTP applications in the wood industry in the late 1980's and the establishment of Ensyn Renewables Inc. to capitalize on commercial projects for this business. In 1997, Dr. Graham initiated the application of this commercial RTP technology in the petroleum industry.

Dr. Graham has been a director with the Company since April, 2005 and was the Company's Chief Technology Officer from April 1 to September 30, 2007. Dr. Graham serves as a member of the Business Development Committee.

B.Sc., 1974, Carleton University; B.Sc. Honours, 1976, Carleton University; M.Eng., 1978, University of Western Ontario; Ph.D., 1993, Chemical Engineering University of Western Ontario.

Principal Occupation, Business or Employment

Chairman of Ensyn Corporation (June 2007 – Present); President and Chief Executive Officer, Ensyn Corporation (April 2005 – June 2007); Chairman and Chief Executive Officer, Ensyn Group (October 1984 – April 2005)

Board/Committee**Membership:****Attendance:****Public Board Membership****Company:****Since:**

Board of Directors

9 of 13

69%

Business Development (member since Sept. 2007)

1 of 1

100%

n/a

n/a

Common Shares Beneficially Owned, Controlled or Directed:

Year	Common Shares ⁽³⁾	Total Market Value of Common Shares ⁽⁴⁾	Minimum Required ⁽⁸⁾
2008	4,725,112	\$ 8,883,211	U.S.\$72,000
2007	5,218,755	\$ 12,525,012	U.S.\$72,000

Options Held:

Date Granted	Expiry Date	Number Granted	Vested / Unvested	Exercise Price ⁽⁵⁾	Total Unexercised	Value of Options Unexercised ⁽⁶⁾
Mar. 8, 2007	Mar. 8, 2012	200,000	140,000/60,000	Cdn\$2.29	200,000	\$ 0
May 4, 2006	May 4, 2011	50,000	20,000/30,000	Cdn\$3.12	50,000	\$ 0
		150,000	90,000/60,000	Cdn\$3.01	150,000	\$ 0

May 5,
2005

May 5,
2010

Robert A. Pirraglia

Boca Raton, Fl., USA

Age: 58

Director Since: 2005

Director Status:Independent⁽²⁾ (7)**Areas of Experience:**

Board

Law

Finance

International Project Management

Public Capital Markets

Robert Pirraglia is an engineer and attorney with more than 25 years of experience in the development of energy projects and projects employing innovative technologies. He currently serves as Executive Vice President and director of Enslyn Corporation and is also a director of Pirraglia Associates, Inc. and RRP Development Holdings, LLC. In addition to being a founder and manager of several energy and waste processing companies, Mr. Pirraglia provided management and business consulting services to various U.S., Canadian and European companies.

Mr. Pirraglia has been a director of the Company since April 2005 and is the Chair of the Business Development Committee and a member of the Nominating and Corporate Governance Committee.

B.E.E., 1969, New York University; J.D., 1974, Fordham University School of Law.

Principal Occupation, Business or Employment

Executive Vice President, Enslyn Corporation (October 2007 – Present); Chief Operating Officer and Vice President, Enslyn Corporation (April 2005 – October 2007); Chief Operating Officer and Vice President, Enslyn Group, Inc. (September 1998 – April 2005)

Board/Committee**Membership:****Attendance:**

Board of Directors	13 of 13	100%
Audit (resigned as member Nov. 2007)	3 of 3	100%
Nominating and Corporate Governance	7 of 7	100%
Business Development	3 of 3	100%
Non-Management Directors	7 of 7	100%

Public Board Membership**Company:****Since:**

n/a

n/a

Common Shares Beneficially Owned, Controlled or Directed:

Year	Common Shares ⁽³⁾	Total Market Value	
		of Common Shares ⁽⁴⁾	Minimum Required ⁽⁸⁾
2008	223,396	\$ 419,984	(by Mar. 8/09) U.S.\$72,000
2007	226,266	\$ 543,038	U.S.\$72,000

Options Held:

Date Granted	Expiry Date	Number Granted	Vested / Unvested	Exercise Price ⁽⁵⁾	Total Unexercised	Value of Options Unexercised ⁽⁶⁾
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May 3, 2007	May 3, 2012	50,000	0/50,000	US\$2.06	50,000	\$ 0
May 4, 2006	May 4, 2011	50,000	20,000/30,000	US\$2.80	50,000	\$ 0
May 5, 2005	May 5, 2010	200,000	120,000/80,000	US\$2.42	200,000	\$ 0

Howard Balloch

Beijing, China

Age: 56

Director Since: 2002

Director Status:

Independent⁽²⁾

Areas of Experience:

CEO/Board

Finance

Governance

Compensation

International Politics

Public Capital Markets

Howard Balloch is President and founding member of the investment advisory firm, The Balloch Group. A veteran Canadian diplomat, Mr. Balloch began serving as Canada's ambassador to the People's Republic of China, Mongolia and the Democratic People's Republic of Korea in 1996 after a 20-year career in the Government of Canada's Department of Foreign Affairs and International Trade. Mr. Balloch was the President and Chief Executive Officer of the Canada China Business Council from 2001 until 2006.

Mr. Balloch has been a director of the Company since January, 2002. Presently, Mr. Balloch is the Chair of both the Nominating and Corporate Governance and Compensation and Benefits Committees and a member of the Audit and Business Development Committees.

Université Laval, 1969; B.A.(Honours) Political Science and Economics, McGill University, 1971; M.A. International Relations, McGill University, 1972; Ph.D. Studies, University of Toronto; Fondation Nationale de Sciences Politiques, Paris, 1973-76.

Principal Occupation, Business or Employment

President, The Balloch Group (July 2001 – present); President, Canada China Business Council (July 2001 – 2006); Canadian Ambassador to China, Mongolia and Democratic Republic of Korea (April 1996 – July 2001)

Board/Committee

Membership:

Attendance:

Public Board Membership

Company:

Since:

Board of Directors	11 of 13	85%	Ivanhoe Mines Ltd. (TSX; NYSE; NASDAQ)	2005
Audit	4 of 4	100%	Methanex Corporation	2004
Compensation Chair	5 of 5	100%	(TSX; NASDAQ)	2003
Nominating and Corporate Governance Chair	7 of 7	100%	Tiens Biotech Group USA Inc. (AMEX; OTCBB) (Audit Committee Chair 2005-Present)	2006
Business Development	3 of 3	100%	East Energy Corp.	
Non-Management Directors	7 of 7	100%	(TSX-V)	

Common Shares Beneficially Owned, Controlled or Directed:

Year	Common Shares ⁽³⁾	Total Market Value	
		of Common Shares ⁽⁴⁾	Minimum Required ⁽⁸⁾
2008	50,000	\$ 94,000	(by Mar. 8/09) U.S.\$72,000

2007 nil \$ 0 U.S.\$72,000
Options Held:

Date Granted	Expiry Date	Number Granted	Vested / Unvested	Exercise Price ⁽⁵⁾	Total Unexercised	Value of Options Unexercised ⁽⁶⁾
May 3, 2007	May 3, 2012	50,000	0/50,000	Cdn\$2.30	50,000	\$ 0
May 4, 2006	May 4, 2011	50,000	20,000/30,000	Cdn\$3.12	50,000	\$ 0
May 5, 2005	May 5, 2010	50,000	30,000/20,000	Cdn\$3.01	50,000	\$ 0
Dec. 2, 2003	Dec. 2, 2008	50,000	50,000/0	Cdn\$5.37	50,000	\$ 0

Brian F. Downey

Lake in the Hills, IL, USA

Age: 66

Director Since: 2005

Director Status:Independent⁽²⁾**Areas of Experience:**

CEO/Board

Banking

Finance

Public Capital Markets

From 1986 to 1995, Mr. Downey was President and CEO of Credit Union Central of Canada, the national trade association and national liquidity facility for all credit unions in Canada. Mr. Downey went on to become a partner and the CEO of Lending Solutions, Inc., a full-service loan call centre located in the U.S. whose clients are primarily U.S. and Canadian financial institutions.

Mr. Downey joined the Board of Directors in July, 2005 and was appointed Chairman of the Audit Committee at that time. Mr. Downey also serves as a member of the Compensation and Benefits and Business Development Committees.

C.M.A., 1972, University of Manitoba; Member of the Society of Management Accountants of Ontario.

Principal Occupation, Business or Employment

President, Downey & Associates Management Inc. (July 1986 – present); Partner/Owner, Lending Solutions, Inc. (November 1995 – January 2002); Financial Advisor, Lending Solutions Inc. (January 2002 – present).

Board/Committee**Membership:****Attendance:**

Board of Directors	13 of 13	100%
Audit Chair	4 of 4	100%
Compensation	5 of 5	100%
Business Development	3 of 3	100%
Non-Management Directors	7 of 7	100%

Public Board Membership**Company:****Since:**

			n/a	n/a
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Common Shares Beneficially Owned, Controlled or Directed:

Year	Common Shares ⁽³⁾	Total Market Value	
		of Common Shares ⁽⁴⁾	Minimum Required ⁽⁸⁾
2008	50,000	\$ 94,000	(by Mar. 8/09) U.S.\$72,000
2007	nil	\$ 0	U.S.\$72,000

Options Held:

Date Granted	Expiry Date	Number Granted	Vested / Unvested	Exercise Price ⁽⁵⁾	Total Unexercised	Value of Options Unexercised ⁽⁶⁾
May 3, 2007	May 3, 2012	50,000	0/50,000	US\$2.06	50,000	\$ 0
		50,000	20,000/30,000	US\$2.80	50,000	\$ 0

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May 4, 2006	May 4, 2011					
Jul. 22, 2005	Jul. 22, 2010	150,000	90,000/60,000	US\$2.32	150,000	\$ 0

Peter Meredith

Vancouver, British
Columbia, Canada

Age: 64

Director Since: 2007

Director Status:

Independent⁽²⁾

Areas of Experience:

CEO/Board

Finance

Mining Industry

Financially Literate

Public Capital Markets

Mr. Peter Meredith joined the Board of Directors of the Company in December, 2007 and serves as a member of the Business Development Committee.

Presently, Mr. Meredith is the Deputy Chairman of Ivanhoe Mines Ltd. since May, 2006 and oversees the business development and corporate relations of the company. Mr. Meredith was the Chief Financial Officer of Ivanhoe Mines Ltd. from May, 2004 to May, 2006 and from June, 1999 to November, 2001. He served as a director of the Company from 1996 to 1999 and as its Chief Financial Officer from 1999 to 2000. He has been the Chief Executive Officer of SouthGobi Energy Resources Ltd. since June, 2007.

Prior to joining the Ivanhoe Mines Ltd., Mr. Meredith spent 31 years with Deloitte & Touche LLP, chartered accountants, and retired as a partner in 1996. Mr. Meredith is a Chartered Accountant and a Certified Management Accountant.

Member of the Canadian Institute of Chartered Accountants (1968), member of the Society of Industrial Accountants (1971).

Principal Occupation, Business or Employment

Deputy Chairman, Ivanhoe Mines Ltd. (May 2006 – present); Chief Executive Officer, SouthGobi Energy Resources Ltd. (June 2007 – present); Chief Financial Officer, Ivanhoe Capital Corporation (1996 – present)

Board/Committee
Membership:
Attendance:
Public Board Membership
Company:
Since:

Board of Directors (member since Dec. 2007)	1 of 1	100%	Ivanhoe Mines Ltd. (TSX; NYSE; NASDAQ)	2005
			Jinshan Gold Mines Inc. (TSX)	2004
			SouthGobi Energy Resources Ltd. (TSX-V)	2003
			Entrée Gold Inc. (TSX; AMEX)	2002
			Great Canadian Gaming Corporation (TSX)	2000

Common Shares Beneficially Owned, Controlled or Directed:

Year	Common Shares ⁽³⁾	Total Market Value of Common Shares ⁽⁴⁾	Minimum Required ⁽⁸⁾ (by Dec. 19/09)
2008	nil	\$ 0	U.S.\$72,000
2007	nil	\$ 0	n/a

Options Held:

Date Granted	Expiry Date	Number Granted	Vested / Unvested	Exercise Price ⁽⁵⁾	Total Unexercised	Value of Options Unexercised ⁽⁶⁾
Dec. 19, 2007	Dec. 19, 2012	150,000	30,000/120,000	Cdn\$1.52	150,000	\$ 54,000
Mar. 11, 2008	Mar. 11, 2013	100,000	20,000/80,000	Cdn\$1.68	100,000	\$ 20,000

- (1) See the section entitled Corporate Governance starting on page 29 for a description of the reasons why the Company does not consider this nominee to be independent.
- (2) Independent refers to the standards of independence established under Canadian Securities Administrators National Instrument 58-101 and the NASDAQ Marketplace Rules.
- (3) Common Shares refers to the number of Common Shares beneficially owned, or over which control or direction is exercised, by the nominee as of March 31,

2008 and
March 14, 2007,
respectively.

Unissued
common shares
subject to
warrants or
other
convertible
securities
currently
exercisable or
convertible, or
exercisable or
convertible
within 60 days,
are deemed
outstanding for
the purpose of
computing the
beneficial
ownership of
common shares
of the person
holding such
convertible
security but are
not deemed
outstanding for
computing the
beneficial
ownership of
common shares
of any other
person.

- (4) Total Market
Value is
calculated by
multiplying the
Canadian dollar
closing price of
the common
shares on the
Toronto Stock
Exchange on
each of
March 31, 2008
(\$1.88) and
March 14, 2007
(\$2.40),

respectively,

by the number of common shares held by the nominee as of those dates, excluding any unissued common shares issuable pursuant to the exercise of share purchase warrants or other convertible securities.

(5) Exercise Price is an amount equal to not less than 100% of the weighted average price of the Company's shares during the five trading day period preceding the date of grant.

(6) For those options priced in Canadian dollars, the Value of Unexercised Options is calculated on the basis of the difference between the closing price of the common shares on the Toronto Stock Exchange on March 31, 2008 and the Exercise Price of the options multiplied by the number of unexercised

options on
March 31, 2008,
vested and
unvested. For
those options
priced in U.S.
dollars, the value
is calculated
using the closing
price of the
common shares
on the NASDAQ
on March 31,
2008.

- (7) Under the terms of the Company's April 2005 acquisition of Ensyn Group, Inc. ("Ensyn"), the Company granted to Ensyn the right to designate two individuals for appointment to the Company's board of directors and agreed to use reasonable best efforts to nominate Ensyn's designees for re-election to the board of directors annually for at least five years. Ensyn's designees, Dr. Robert Graham and Mr. Robert Pirraglia, were originally appointed to the board of directors on April 15, 2005.
- (8) The Company's policy requires that each

non-management director hold common shares having a Total Market Value equal to not less than 3 times his basic annual retainer. Each non-management director is required to meet this ownership requirement within 2 years of joining the Board or by March 8, 2009, whichever is later.

(9) Mr. Abboud acquired 200,000 warrants to purchase common shares for a period of two years as a participant in a private placement offering by the Company on April 15, 2005. Although the term of such warrants was extended for one year in 2007, Mr. Abboud, as an insider of the Company, did not participate in the extension and accordingly the warrants expired on April 15, 2007.

(10) As Lead Director, Mr. Abboud participates ex officio in the

meetings of all
committees of the
Board of
Directors of the
Company.

(11) Included 200,000
unissued common
shares issuable
pursuant to the
exercise of share
purchase warrants
which were not
exercised.

(12) Includes
2,200,000
common shares
issuable pursuant
to the exercise of
share purchase
warrants
exercisable
within 60 days of
the issuance of
the warrants.

Summary of Board and Committee Meetings Held

The following table summarizes Board and Committee meetings held during the year ended December 31, 2007:

Board of Directors	13
Audit Committee	4
Compensation and Benefits Committee	5
Corporate Governance and Nominating Committee	7
Business Development Committee	3
Non-Management Directors	7

During 2007, 7 of the 13 meetings of the Board were held by teleconference. In addition, there were 4 resolutions passed in writing by the Board in 2007. Resolutions in writing must be executed by all of the directors entitled to vote on a matter.

EXECUTIVE COMPENSATION

In accordance with the requirements of applicable securities legislation in Canada, the following executive compensation disclosure is provided in respect of the Company's Chief Executive Officer and Chief Financial Officer as at December 31, 2007, and each of the Company's three most highly compensated executive officers whose annual compensation exceeded Cdn.\$150,000 in the year ended December 31,

2007 (collectively, the Named Executive Officers). During the year ended December 31, 2007, the aggregate compensation paid to all of the Company's executive officers whose annual compensation exceeded Cdn.\$40,000 was U.S.\$2,353,067.

Summary Compensation Table

The following table sets forth a summary of all compensation paid during the years ending December 31, 2007, 2006 and 2005 to each of the Named Executive Officers:

SUMMARY COMPENSATION TABLE (U.S.\$)

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation	Long Term Compensation Awards			Payouts LTIP	All Other Compensation (4)
					Securities Under Options/ SARs Granted (#)	Shares or Share Units Subject to Resale Restriction			
Joseph I. Gasca	2007	313,750							20,500
President & Chief Executive Officer ⁽¹⁾	2006	152,417			1,000,000				9,200
	2005								
W. Gordon Lancaster	2007	243,600							
Chief Financial Officer	2006	231,000	80,000						
	2005	225,000							
David R. Martin	2007	281,250							20,500
Executive Co-Chairman	2006	270,000	90,000						20,000
	2005	270,000							16,200
E. Leon Daniel	2007	310,000							20,500
Deputy Chairman	2006	340,000	100,000						20,000
Projects and Engineering	2005	340,000			500,000				16,200
Edwin J. Veith	2007	194,877			158,000				15,500
Executive Vice President, Upstream ⁽²⁾	2006								
	2005								

(1) Mr. Gasca was appointed President and Chief Operating Officer effective July 2006 and was appointed the President and Chief Executive Officer on

January 29, 2007.

- (2) Mr. Veith was appointed as Executive Vice President, Upstream in September 2007.
- (3) Bonuses earned were paid in cash and common shares from the Company's Employees and Directors Equity Incentive Plan at fair market value on the date of approval by the Compensation Committee.
- (4) The Company's matching contribution to the 401(k) plan, a U.S. defined contribution retirement plan available to U.S. employees.
- (5) As of the date of this Management Proxy Circular, the Company's Compensation Committee has not made a final recommendation to the board of directors with respect to the payment of bonuses to the Company's executive officers in respect of 2007. Pending the

Compensation
Committee's
recommendation
and a decision by
the board of
directors to
award bonuses to
some or all of the
Company's
executive
officers, the
amount of any
bonuses payable
to the Named
Executive
Officers in
respect of 2007
cannot presently
be determined.

Long Term Incentive Plan

The Company does not presently have a long-term incentive plan for any of its executive officers, including its Named Executive Officers.

Options and Stock Appreciation Rights (SARs)

During the year ended December 31, 2007, the Company granted to one of its Named Executive Officers incentive stock options exercisable to purchase up to 158,000 common shares. No other incentive stock options or freestanding SARs were granted to any other Named Executive Officer during the year ended December 31, 2007. The following table provides details regarding the incentive stock options granted:

OPTION/SAR GRANTS IN LAST FISCAL YEAR

Name	Securities, Under Options/SARs Granted (#)	Percent of Total Options/ SARs Granted to Employees in Financial Year	Exercise or Base Price (U.S.\$/Security)	Market Value of Securities Underlying Options/ SARs on the Date of Grant (U.S.\$/Security)	Expiration Date
Edwin J. Veith	158,000 ⁽¹⁾	4.9%	\$1.92	\$303,360	October 4, 2012

(1) 80% of these incentive stock options vest and become exercisable incrementally as certain business development milestones are achieved.

On March 5, 2008, in anticipation of Robert M. Friedland's appointment as Chief Executive Officer, the Board awarded Mr. Friedland 2.5 million incentive stock options, at an exercise price of Cdn. \$1.61. Twenty percent of the incentive stock options vested on the date of the grant, with an additional 20% vesting upon the anniversary of the award date each year for the next four years.

AGGREGATED OPTION EXERCISES

During the year ended December 31, 2007, incentive stock options were exercised by a Named Executive Officer to acquire 1,091,195 common shares. The following table indicates for each of the Named Executive Officers the number and value of incentive stock options for common shares which were exercised during the year ended December 31, 2007, the number of exercisable and unexercisable incentive stock options held by each of the Named Executive Officers that remained unexercised as at December 31, 2007 and the value of all unexercised in-the-money incentive stock options as at that date.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALUES

Shares Acquired	Number of Securities Underlying Unexercised Options at December 31, 2007 (#)	Value of Unexercised In- the-Money Options at December 31, 2007 (U.S.\$)
----------------------------	---	---

Name	on Exercise (#)	Value Realized (U.S.\$)	Exercisable/ Unexercisable	Exercisable/ Unexercisable
Joseph I. Gasca			500,000 / 500,000	
W. Gordon Lancaster			250,000 / 0	
David R. Martin	1,091,195	1,917,154	2,062,500/0	2,198,158/0
E. Leon Daniel			466,667 / 200,000	177,629/0
Ed Veith			168,694 / 332,040	

- (1) The value of unexercised in-the-money options at financial year-end is the difference between the closing price of the Company's common shares on December 31, 2007 on the Toronto Stock Exchange (Cdn\$1.55) and the exercise prices. This value has not been, and may never be, realized. The actual gains, if any, on exercise will depend on the value of the Company's common shares on the date of option exercise.

Option and SAR Repricings

No options or freestanding SARS were re-priced during the year ended December 31, 2007.

Defined Benefit or Actuarial Plan Disclosure

The Company does not presently provide a pension plan for its employees. However, in 2001, the Company adopted a defined contribution retirement or thrift plan (401(k) Plan) to assist U.S. employees in providing for retirement or other future financial needs. Employees' contributions (up to the maximum allowed by U.S. tax laws) were matched 100% by the Company in 2007. The Company's matching contributions to the 401(k) Plan were U.S.\$0.5 million, U.S.\$0.4 million and U.S.\$0.3 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Employment Contracts, Termination of Employment and Change-In-Control Arrangements

The Company has written contracts of employment with the Chief Executive Officer, Joseph I. Gasca and the Chief Financial Officer, Gordon Lancaster. The Company does not currently have written employment contracts with any of its other Named Executive Officers.

Mr. Gasca's employment contract respecting his employment as President and Chief Operating Officer commenced on May 15, 2006. Mr. Gasca was elevated to the position of President and Chief Executive Officer on January 29, 2007 but his employment contract was not otherwise amended. Mr. Gasca's contract established his initial annual base salary and provides for a term of employment of three years unless terminated earlier in accordance with the provisions of the contract. The Company may terminate Mr. Gasca's employment for cause without payment of any compensation. The Company may terminate Mr. Gasca's employment without cause by making a lump sum payment equal to twelve monthly payments of Mr. Gasca's base salary. Under the terms of the contract, Mr. Gasca was granted incentive stock options exercisable to acquire 1,000,000 common shares which are exercisable for ten years and vest over three years. If Mr. Gasca's employment is terminated within twelve months of a change of control of the Company, Mr. Gasca is entitled to receive a lump sum payment in an amount equal to his annual base salary. At the discretion of the Company's board of directors, Mr. Gasca is eligible for an annual bonus in an amount determined by the board.

Mr. Lancaster's employment contract respecting his employment as Chief Financial Officer commenced on January 1, 2004. Mr. Lancaster's contract established his initial annual base salary but does not provide for a fixed term of employment. The Company may terminate Mr. Lancaster's employment for any reason upon six months' prior written notice. Under the terms of the contract, Mr. Lancaster was granted incentive stock options exercisable to acquire 250,000 common shares exercisable for five years and vesting over four years.

Director Compensation

Each non-management director receives director fees of \$2,000 per month. Mr. Brian Downey receives an additional payment of \$7,500 per annum for acting as the Chairman of the Audit Committee. The Chairman of the Compensation and Benefits Committee and the Chairman of the Nominating and Corporate Governance Committee, Mr. Howard Balloch, receives an additional payment of \$5,000 per annum per Committee for acting as such. Mr. Robert A. Pirraglia, receives an additional payment of \$5,000 per annum for acting as the Chairman of the Business Development Committee. Each non-management director receives a fee of \$1,000 for participation in each Board of Directors meeting and each Committee meeting attended in person or via conference call. The Company does not pay any other cash or fixed compensation to its directors for acting as such. The Company reimburses directors for expenses they reasonably incur in the performance of their duties as directors. Each of the Company's directors is also eligible to participate in the Employees' and Directors' Equity Incentive Plan.

The Company compensated certain of its non-management directors for acting as consultants. Details of these arrangements are as follows:

during the year ended December 31, 2007, the Company paid J. Steven Rhodes a monthly fee of U.S.\$4,950.00 for providing business development consulting services;

during the year ended December 31, 2007, the Company paid a company controlled by Dr. Robert Graham fees for certain technical consulting services provided personally by Dr. Graham. The Company also paid additional amounts to a company in which Dr. Graham is a significant shareholder for services rendered by that company. See Interest of Informed Persons in Material Transactions ; and

during the year ended December 31, 2007, the Company paid a company controlled by Shun-ichi Shimizu certain fees and expenses for providing business development consulting and other services. See Interest of Informed Persons in Material Transactions .

Equity Incentive Plan

For particulars on the Company's Equity Incentive Plan see Particulars of Matters to be Acted Upon at page 23.

Composition of Compensation Committee

The Company's Compensation Committee consists of Howard Balloch, J. Steven Rhodes and Brian F. Downey. None of Messrs. Balloch, Rhodes or Downey is, or at any time has been, an officer or employee of the Company or any of its subsidiaries. Since the beginning of the most recently completed financial year, which ended on December 31, 2007, none of Messrs. Balloch, Rhodes or Downey was indebted to the Company or any of its subsidiaries or had any material interest in any transaction or proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries. None of the Company's executive officers serve as a member of the compensation committee or board of directors of any entity that has an executive officer serving as a member of the Compensation Committee or board of directors of the Company.

Report on Executive Compensation

Compensation and Benefits Committee and Approach to Executive Compensation

The Company's executive compensation program is administered by the Compensation Committee. The members of the Compensation Committee are all independent, non-management directors. Following review and approval by the Compensation Committee, decisions relating to executive compensation are reported to, and approved by, the full Board of Directors. The Compensation Committee has directed the preparation of this report and has approved its contents and its submission to shareholders.

The Company's approach to executive compensation is motivated by a desire to align the interests of the Company's executive officers as closely as possible with the interests of the Company and its shareholders as a whole. In determining the nature and quantum of compensation for the Company's executive officers the Company is seeking to achieve the following objectives: to provide a strong incentive to management to contribute to the achievement of the Company's short-term and long-term corporate goals; to ensure that the interests of the Company's executive officers and the interests of the Company's shareholders are aligned; to enable us to attract, retain and motivate executive officers of the highest caliber in light of the strong competition in the Company's industry for qualified personnel; and to recognize that the successful implementation of the Company's corporate strategy cannot necessarily be measured, at this stage of its development, only with reference to quantitative measurement criteria of corporate or individual performance. The Company takes all of these factors into account in formulating the Company's recommendations to the Board of Directors respecting the compensation to be paid to each of the Company's executive officers.

The compensation that the Company pays to the Company's executive officers generally consists of cash, equity and equity incentives. The Company's compensation policy reflects a belief that an element

of total compensation for the Company's executive officers should be at risk in the form of common shares or incentive stock options, so as to create a strong incentive to build shareholder value. The Compensation Committee oversees and sets the general guidelines and principles for the implementation of the Company's executive compensation policies, assesses the individual performance of the Company's executive officers and makes recommendations to the Board of Directors. Based on these recommendations, the Board of Directors makes decisions concerning the nature and scope of the compensation to be paid to the Company's executive officers.

In 2007, the Company adopted a compensation program which outlines a series of quantitative and qualitative compensation parameters for the Company's executive officers, including the Company's CEO, and the Company's non-executive management personnel. This program is based on a report prepared by an external consultant in 2005 and an internal review of the Company's compensation policies and practices. The compensation program is designed to provide incentives to work for, and stay with, the Company and to drive strong Company performance, and to differentially reward skills more critical to the Company's business plans. Under the 2007 compensation program, the Company seeks to pay near term compensation, using a pay grade system consistent with industry practice, which is competitive with industry while providing incentive compensation that is designed to outperform other options that employees and prospective employees might find in the marketplace.

Base Salary

The base salaries of the Company's executive officers have traditionally been determined based on the requirements of an executive officer's employment contract as well as a subjective assessment of each individual's performance, experience and other factors the Company believes to be relevant, including prevailing industry demand for personnel having comparable skills and performing similar duties, the compensation the individual could reasonably expect to receive from a competitor and the Company's ability to pay. The Company has also considered recommendations from outside compensation consultants and used compensation data obtained from publicly available sources.

Salary levels are assessed using a pay grade system that is consistent with industry practice. Each of the Company's employees, including the Company's executive officers, are placed in a pay grade based upon his or her knowledge, skills and relevant experience and credentials. Annual salary increases are made based on performance and relative position within a pay grade. Performance will be assessed and rated based on agreed objectives and behaviors. A simple three-tiered rating system is used for salaries, with top performers rewarded the highest, regular performers rewarded consistent with average industry trends and bottom performers receiving little or no salary increases.

Annual Bonus

The intent of the Company's annual bonus program under the 2007 compensation program is to provide competitive near-term compensation. The Company uses the same pay grade system for determining the target and maximum bonus that is achievable by an employee. Target and maximum bonus award levels will be benchmarked on a regular basis to ensure they are competitive with the industry. Bonus award levels for executive officers and senior non-executive management personnel are determined based on job specific criteria in addition to overall performance rating. The composition of annual bonus awards is a combination of the Company's common shares and cash. In order to preserve cash, bonus awards consist predominantly of common shares with a significantly smaller cash component to facilitate the recipient's ability to pay applicable income taxes.

For executive officers, potential bonus amounts range from 50% of salary (target) and 70% of salary (maximum) for the Company's Chief Executive Officer, 40% of salary (target) and 60% of salary (maximum) for the Company's Chief Financial Officer and 25%-30% of salary (target) and 37.5%-45% of salary (maximum) for other executive officers. 75% of the targeted bonus amount is earned through the achievement of measurable defined corporate objectives, including share price, net income, net operating cash flow and net production, as well as other specific corporate and individual goals, and 25% of the targeted bonus is based on discretionary factors.

Although several of the Company's executive officers were successful in achieving individual corporate and business development goals, particularly in the areas of technology, financial management, investor relations and corporate governance, results were mixed with respect to more heavily weighted factors in the areas of business development, production, net income and operating expenses and the Compensation Committee has deferred making any quantitative recommendations to the Board of Directors respecting individual bonus awards pending a more thorough review and comparison of the defined performance targets against actual results.

Incentive Compensation

The relationship of corporate performance to executive compensation under the Company's executive compensation program is created, in part, through equity compensation mechanisms. Incentive stock options, which vest and become exercisable through the passage of time, link the bulk of the Company's equity-based executive compensation to shareholder return, measured by increases in the market price of the Company's common shares. All outstanding stock options that have been granted under the Company's Equity Incentive Plan were granted at prices not less than 100% of the fair market value of the Company's common shares on the dates such options were granted.

The Company continues to believe that stock-based incentives encourage and reward effective management that results in long-term corporate financial success, as measured by stock appreciation. Stock-based incentives awarded to the Company's executive officers have been traditionally based upon the Compensation Committee's subjective evaluation of each executive officer's ability to influence the Company's long-term growth and to reward outstanding individual performance and contributions to the Company's business. Other factors influencing the Company's recommendations respecting the nature and scope of the equity compensation and equity incentives to be awarded to the Company's executive officers in a given year have included: awards made in previous years and, particularly in the case of equity incentives, the number of incentive stock options that remain outstanding and exercisable from grants in previous years and the exercise price and the remaining exercise term of those outstanding stock options.

The intent of the Company's incentive compensation under the 2007 compensation program is to provide incentives that outperform other options that employees and prospective employees might find in the marketplace. In 2007 and in future, the Company intends to use the same pay grade system for outlining the target and maximum incentive compensation that is achievable for an executive or employee. For executives and higher pay grade employees, annual incentive compensation awards will be provided based on specific performance criteria, value to the Company in terms of skills, knowledge and experience, completion of specific projects as well as subjective criteria. Incentive compensation awards for executives and upper pay grade employees are expected to include stock options and may in the future include other securities such as restricted shares.

Option exercise periods and vesting schedules for options granted to executive officers are determined, on a case by case basis, by the Compensation Committee and the Board. Although the Company has traditionally taken an approach to vesting that is based on the effluxion of time, the Company has, in appropriate circumstances, granted options with vesting schedules based on the achievement of specified corporate objectives.

Chief Executive Officer Compensation

The base salary of the Company's current CEO was set by the terms of his employment contract, which are described under "Employment Contracts, Termination of Employment and Change-In-Control Arrangements". Under the terms of his employment contract, the Company's current CEO was granted incentive stock options to acquire 1,000,000 common shares which vest over three years and are exercisable for ten years.

The salary and stock option compensation offered to the Company's current CEO at the time of his appointment were based on competitive market factors, his level of experience and responsibility, the

compensation practices of other industry participants, and the negotiations that took place in connection with his appointment. The Company's CEO's employment contract also provides that he is eligible to receive an annual bonus at the discretion of the Board of Directors based on performance criteria determined by the Board.

The Company's current CEO's eligibility to receive a bonus in respect of the 2007 fiscal year is based on substantially the same performance criteria used to measure the bonus eligibility of the Company's other executive officers, with 75% of the targeted bonus amount to be earned through the achievement of measurable defined corporate objectives and 25% to be based on discretionary factors. As noted above, as of the date of this report, the Compensation Committee has not finalized its recommendations to the Board of Directors respecting individual bonus awards to the current CEO and the Company's other executive officers pending a more thorough review and comparison of the defined performance targets originally set for 2007 against actual results achieved during the year.

Submitted on behalf of the Compensation Committee:

Mr. Howard R. Balloch

Mr. J. Steven Rhodes

Mr. Brian F. Downey

Performance Graph

The following graph and table compares the cumulative shareholder return on a CDN\$100 investment in common shares of the Company to a similar investment in companies comprising the S&P/TSX Composite Index, including dividend reinvestment, for the period from December 31, 2002 to December 31, 2007.

	As at December 31, (in Canadian Dollars)					
	2002	2003	2004	2005	2006	2007
Ivanhoe Energy Inc.	\$100	\$674	\$422	\$171	\$218	\$215
TSX Composite Total Return Index	\$100	\$127	\$145	\$180	\$211	\$232

EQUITY COMPENSATION PLAN INFORMATION

Other than a specific grant of incentive stock options made during 2006 to Joseph I. Gasca as an inducement to accept the Company's offer of employment as President, all of the incentive stock options and equity compensation awards the Company grants are made under the Company's Equity Incentive Plan, the material terms of which are described below under "Particulars of Matters to be Acted Upon". The Equity Incentive Plan is the only equity compensation plan the Company has in effect and is intended to further align the interests of the Company's directors and management with the Company's long-term performance and the long-term interests of the Company's shareholders. The Company's shareholders have approved the Equity Incentive Plan and all amendments thereto other than the amendments for which shareholder approval will be sought at the Meeting. The following information is as at December 31, 2007:

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (CDN\$) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders	11,944,764	\$ 2.30	3,034,400
Equity compensation plans not approved by shareholders ⁽¹⁾	1,000,000	\$ 3.18	n/a
Total	12,944,764	\$ 2.37	3,034,400

(1) Consists of incentive stock options granted to Mr. Joseph Gasca as an inducement to accepting employment with the Company. These incentive stock options were not granted under the Company's Equity Incentive Plan previously approved by

shareholders
and the common
shares reserved
for issuance to
Mr. Gasca upon
the exercise
these incentive
stock options
are not included
in the total
number of
common shares
reserved for
issuance under
the Equity
Incentive Plan.
Under the rules
and policies of
the TSX,
security based
compensation
arrangements
offered as
inducements to
prospective
employees do
not require
shareholder
approval.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than routine indebtedness, at no time during the Company's most recently completed financial year was any director, executive officer or senior officer of the Company, any proposed management nominee for election as a director of the Company or any associate or affiliate of any such director, executive or senior officer or proposed nominee indebted to the Company or any of its subsidiaries or to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, other than routine indebtedness.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The Company is unaware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any informed person of the Company, any proposed director of the Company or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries other than the following:

1. The Company is party to cost sharing agreements with other companies wholly or partially owned by Mr. Robert M. Friedland. Through these agreements, the Company shares office space, furnishings, equipment, air travel and communications facilities in Vancouver, Beijing and Singapore. The Company also shares the costs of employing administrative and non-executive management personnel at these offices. During the year ended December 31, 2007, the Company's share of costs for the Vancouver and Singapore offices was \$978,694. Effective as of 2008, the Company has agreed, as part of the Company's cost sharing arrangements and in connection with Mr. Friedland's anticipated appointment as Chief Executive Officer, to share the costs of operating an aircraft owned by a private company of which Mr. Friedland is the sole shareholder.
2. During the year ended December 31, 2007, the Company has paid \$844,460 to a wholly owned subsidiary of Ensyn Corporation, an unaffiliated company that was spun off from Ensyn Group, Inc. as a result of the Company's acquisition of Ensyn Group, Inc. on April 15, 2005. Of this amount, \$109,825 was reimbursement of salary, benefits and travel expenses for one of the Company's directors, Dr. Robert Graham, in his position as Chief Executive Officer and President of Ensyn Corporation (a position from which he has since resigned). The remaining amount of \$734,635 was paid to Ensyn Corporation's wholly owned subsidiary during the year ended December 31, 2007 for technical services provided to us. Mr. Graham owns an approximate 24% equity interest in Ensyn Corporation. In addition, the Company paid Dr. Graham's private consulting company \$202,788 for his role as interim Chief Technology Officer and subsequent consulting services.
3. During the year ended December 31, 2007, a company controlled by Mr. Shun-ichi Shimizu, one of the Company's directors, received \$1,143,967 for consulting services and out of pocket expenses.

APPOINTMENT OF AUDITORS

Deloitte & Touche LLP, Chartered Accountants, will be nominated at the Meeting for re-appointment as the Company's auditors at a remuneration to be fixed by the directors. Deloitte & Touche LLP have been the Company's auditors since April 8, 1997.

PARTICULARS OF MATTERS TO BE ACTED UPON

Amendment of Equity Incentive Plan

Purpose

The Company is seeking authorization from its shareholders at the Meeting to: (a) amend the Company's existing Equity Incentive Plan to: (i) increase the maximum number of common shares available for issuance thereunder from 24,000,000 common shares to 29,250,000 common shares; (ii) increase the maximum number of common shares issuable under the Bonus Plan component of the Equity Incentive Plan from 2,400,000 to 2,900,000 common shares; and (iii) make certain technical amendments to the existing Equity Incentive Plan; and (b) to ratify the grant of excess stock options made pursuant to the Equity Incentive Plan.

Summary of the Equity Incentive Plan

Overview

The Equity Incentive Plan has three components: an Option Plan, which provides for the grant to eligible participants of incentive stock options exercisable to purchase common shares of the Company, a Bonus Plan, which provides for awards of fully paid common shares to eligible participants as and when determined to be warranted on the basis of past performance and a Purchase Plan, under which eligible

participants have the opportunity to purchase common shares through payroll deductions which are supplemented by additional contributions by the Company.

The eligible participants in the Equity Incentive Plan include directors of the Company or any affiliate, and any full time and part time employees (including officers) of the Company or any affiliate thereof that the board of directors determines to be employees eligible for participation in the Equity Incentive Plan. Furthermore, persons or companies engaged by the Company or any entity the Company controls, to provide management or consulting services are eligible for participation in the Equity Incentive Plan as the Company's board of directors determines.

The Equity Incentive Plan is, by its terms, to be administered the Company's board of directors. However, the board of directors has delegated to its Compensation Committee, to the extent permitted by law, responsibility for administering the Equity Incentive Plan.

Option Plan

Option Grants

The Option Plan authorizes the board of directors to grant options to purchase common shares. The number of common shares, the exercise price per common share, the vesting period and any other terms and conditions of options granted pursuant to the Option Plan, from time to time are determined by the board of directors at the time of the grant, subject to the defined parameters of the Option Plan.

Exercise Price

The exercise price of any option granted under the Option Plan cannot be less than the weighted average price of the common shares on the principal stock exchange on which the common shares trade for the five days on which common shares were traded immediately preceding the date of grant.

Exercise Period and Vesting

Options are exercisable for a period of time determined by the board of directors not exceeding ten years from the date the option is granted. Options may be earlier terminated in the event of death or termination of employment or appointment. Vesting of options is determined by the board of directors. Failing a specific vesting determination by the board of directors, options automatically become exercisable incrementally over a period of three years from the date of grant, as to one-third of the total number of shares under option in each such year. The right to exercise an option may be accelerated in the event a takeover bid in respect of the common shares is made.

Cashless Exercise

Ancillary share appreciation rights may also be granted, at the discretion of the board of directors, to an optionee in conjunction with, or at any time following the grant of, an option. This right effectively allows an optionee to exercise an option on a cashless basis by electing to relinquish the right to exercise the option and receive, in lieu thereof, a number of fully paid common shares. The number of common shares issuable pursuant to any such cashless exercise is equal to the quotient obtained by dividing the difference between the aggregate fair market value and the aggregate option price of all common shares subject to the option by the fair market value of one (1) common share.

Financial Assistance

The board of directors may, in its discretion but subject to applicable law, authorize the Company to make loans to employees to assist them in exercising options. The terms of any such loans include security, in favour of the Company, in the common shares issued upon exercise of the options, which security may be granted on a non-recourse basis. No such loans are currently outstanding.

Termination or Death

If an optionee dies while employed by the Company, any option held by him will be exercisable for a period of 6 months or prior to the expiration of the options (whichever is sooner) by the person to whom the rights of the optionee shall pass by will or applicable laws of descent and distribution. If an optionee is terminated for cause, no option will be exercisable unless the board of directors determines otherwise. If an optionee is terminated for any reason other than cause then the options will be exercisable for a period of up to 6 months thereafter, but in no event less than 30 days, subject to the prior expiration of the options.

Blackout Period

If the expiry date of any option should be determined to occur either during a blackout period or within ten business days following the expiry of the blackout period, the expiry date of such option shall be deemed to be the date that is the tenth business day following the expiry of the blackout period.

Bonus Plan

The Bonus Plan permits the board of directors to authorize the issuance, from time to time, of common shares to employees, directors, officers and service providers of the Company and its affiliates. The criteria for determining if and when such awards should be made and the quantum of such awards is within the discretion of the board of directors. The Bonus Plan currently provides for the issuance of a maximum of 2,400,000 common shares in respect of bonus awards. Common shares allocated to the Bonus Plan may be reallocated for issuance under the Option Plan or Purchase Plan and are then no longer available for issuance under the Bonus Plan.

Purchase Plan

Participation Criteria

Participants in the Purchase Plan must be full-time employees of the Company or its affiliates who have completed at least one year (or less, at the discretion of the board of directors) of continuous service and who elect to participate.

Contribution Limits

Eligible employees are entitled to contribute up to ten per cent (10%) of their annual basic salary to the Share Purchase Plan in semi-monthly instalments. The Company makes a contribution of up to one hundred per cent (100%) of the employee's contribution on a quarterly basis.

Number of Shares

Each participant receives, at the end of each calendar quarter during which he or she participates in the Purchase Plan, a number of common shares equal to the quotient obtained by dividing the aggregate amount of all contributions to the Purchase Plan by the participant, and by the Company on the participant's behalf, during the preceding quarter by the weighted average trading price of the common shares on the principal stock exchange on which the common shares trade during the quarter.

Termination of Employment

If the participant's employment with the Company is terminated for any reason, any portion of the participant's contribution then held in trust for a participant pending a quarterly purchase of common shares is returned to him or her or to his or her estate.

To date, the board of directors has not made the Purchase Plan available for participation by its employees.

Transferability

Benefits, rights and options under the Equity Incentive Plan are non-transferable and, during the lifetime of a participant, may only be exercised by such participant.

Amendment Procedure

The Equity Incentive Plan provides that the board of directors has the authority and discretion to amend the Incentive Plan and awards granted thereunder in respect of any matter, except for those matters specifically contemplated by section 5.7 of the Equity Incentive Plan as requiring shareholder approval. Accordingly, shareholder approval is required only for the following amendments:

- (i) an amendment to the aggregate number of common shares that may be reserved for issuance under the Incentive Plan;
- (ii) an amendment to the aggregate maximum number of common shares issuable under the Share Bonus Plan component of the Incentive Plan;
- (iii) an amendment to the limitations on the maximum number of Shares that may be reserved for issuance, or issued, to insiders of the Company under the Incentive Plan;
- (iv) an amendment that would reduce the exercise price, or extend the expiry date, of an outstanding option granted to an insider of the Company under the Incentive Plan; or
- (v) an amendment to the amending provisions under the Incentive Plan.

Share Issuance Limits

The aggregate maximum number of common shares which the Company may currently issue or reserve for issuance under the Equity Incentive Plan is 24,000,000 common shares. The aggregate number of common shares which the Company may at any time reserve for issuance under the Equity Incentive Plan to any one person may not exceed five per cent (5%) of the issued and outstanding common shares at such time. The aggregate number of common shares which the Company may at any time reserve for issuance to insiders of the Company under the Equity Incentive Plan (or when combined with all of the Company's other security based compensation arrangements) may not exceed ten per cent (10%), of the issued and outstanding common shares at such time. The aggregate number of common shares that may be issued to insiders of the Company for options granted under the Equity Incentive Plan (or when combined with all of the Company's other security based compensation arrangements) within any one-year period shall not exceed 10% of the Company's outstanding issue from time to time. The aggregate number of common shares that may be issued within any one-year period to any one insider of the Company and his or her associates may not exceed five per cent (5%) of the issued and outstanding common shares at such time.

Securities Issued and Unissued under the Equity Incentive Plan

There are currently 244,873,349 common shares of the Company issued and outstanding. Since the inception of the Equity Incentive Plan, the 24,000,000 common shares authorized for issuance under the Equity Incentive Plan have been issued or reserved for issuance as follows:

	Number of common shares	% of Issued and Outstanding common shares
Common shares previously issued upon exercise of options under Option Plan	7,052,517	2.88%
Options surrendered for exercise of share appreciation rights	493,206	0.20%
Common shares reserved for future issuance pursuant to unexercised options under Option Plan	14,978,764	6.12%
Common shares previously issued pursuant to Purchase Plan	n/a	n/a
Common shares previously issued pursuant to Bonus Plan	1,721,418	.71%
Unissued common shares available for future awards under Bonus Plan	678,582	.28%
Unissued common shares available for future option grants under Option Plan and purchases under Purchase Plan	400	0%
Maximum number of common shares available for issuance under Equity Incentive Plan	24,000,000	9.80%

There are no option grants, awards or other entitlements to common shares under the Equity Incentive Plan that remain subject to approval or ratification by the Company's shareholders except for the amendments proposed herein pertaining to the Excess Stock Options (as defined below).

Proposed Amendments

Maximum Number of Shares

The Equity Incentive Plan currently provides that the aggregate number of common shares that may be issued or reserved for issuance may not exceed 24,000,000 common shares.

The Company believes that incentive stock options are a valuable mechanism for incentivizing the Company's existing employees, attracting new employees and aligning their interests with those of the Company's shareholders. To provide the Company with the continued flexibility of granting incentive stock options under the Option Plan, the Company is seeking approval from the shareholders at the Meeting to increase the number of common shares of the Company issuable under the Equity Incentive Plan to a maximum of 29,250,000 common shares, which would represent 11.95% of the common shares currently issued and outstanding.

Maximum Number of Bonus Shares

The Equity Incentive Plan currently provides that the aggregate maximum number of shares that may be issued pursuant to the Bonus Plan may not exceed 2,400,000 common shares. The Company is seeking

approval from the shareholders at the Meeting to increase the number of common shares of the Company issuable in respect of bonus awards to a maximum of 2,900,000 common shares,

Ratification of Excess Stock Option Grants

Through an administrative error, the Company granted options (the Excess Stock Options) that exceeded the maximum number available for issuance under the Equity Incentive Plan. At the time that the Excess Stock Options were granted, the aggregate maximum number of shares that could be issued or reserved for issuance under the Equity Incentive Plan was 24,000,000 common shares. However, the grant of the Excess Stock Options resulted in there being 24,245,905 common shares being issued or reserved for issuance.

All of the following incentive stock options, that include the Excess Stock Options, were granted on March 11, 2008 and have an exercise term of five years. Details of incentive stock options that include the Excess Stock Options are as follows:

Name of Optionee	Position with the Company	Number of Shares under Option	Option Exercise Price
Bill Trenaman	Employee/ Service Provider	70,000	Cdn.\$1.68
Beverly Bartlett	Officer	40,000	Cdn.\$1.68
Virginia Chan	Employee/ Service Provider	25,000	Cdn.\$1.68
Constance Ho	Employee/ Service Provider	25,000	Cdn.\$1.68
Clara Ng	Employee/ Service Provider	25,000	Cdn.\$1.68
Robert Saunders	Employee/ Service Provider	25,000	Cdn.\$1.68
Eoin Saadien	Employee/ Service Provider	25,000	Cdn.\$1.68
Mary Vincelli	Officer	25,000	Cdn.\$1.68
TOTAL:		260,000	

At the Meeting, shareholders will be asked to ratify the grant of the incentive stock options that include the Excess Stock Options as part of the Equity Incentive Plan Amendment Resolution.

Other Amendments

Under the existing terms of the Incentive Plan, if a holder of an incentive stock option is given, and exercises, the right to terminate his or her incentive stock option and exercises a share appreciation right in lieu thereof, the number of common shares available for issuance under the Equity Incentive Plan is reduced by the number of common shares to which the terminated incentive stock option relates rather than the number of shares issued upon exercise of the share appreciation right. The Company proposes to amend Section 2.6 of the Equity Incentive Plan such that if a holder of an incentive stock option is given, and exercises, the right to terminate his or her incentive stock option and exercises a share appreciation right in lieu thereof, the number of common shares available for issuance under the Equity Incentive Plan will be reduced by the number of common shares actually issued upon exercise of the share appreciation right rather than the number of common shares to which the terminated incentive

stock option relates. The proposed amendments to Section 2.6 of the Equity Incentive Plan (with amendments underlined and struck out) are as follows:

2.6 Share Appreciation Right

A Participant may, if at any time determined by the Board, on the recommendation of the Committee, have the right (the Right), when entitled to exercise an Option, to terminate such Option in whole or in part (the Terminated Option) by notice in writing to the Company and, in lieu of receiving the Shares (the Option Shares) to which the Terminated Option relates, to receive the number of Shares, disregarding fractions, which is equal to the quotient obtained by:

- (a) subtracting the Option exercise price per Share from the Fair Market Value per Share on the day immediately prior to the exercise of the Right and multiplying the remainder by the number of Option Shares; and
- (b) dividing the product obtained under Section 2.6(a) by the Fair Market Value per Share on the day immediately prior to the exercise of the Right.

If a Right is granted in connection with an Option, it is exercisable only to the extent and on the same conditions that the related Option is exercisable. For greater certainty, for purposes of the aggregate number of ~~shares~~Shares reserved for issuance under Section 5.1 of the Plan, in the event of an exercise of a Right in respect of an Option, the number of Shares available for issuance under the Plan will be reduced by the number of Shares ~~to which the Terminated Option relates rather than the number of Shares~~ issued upon exercise of the Right in respect of such Option rather than the number of Shares to which the Terminated Option relates.

At the Meeting, shareholders will be asked to approve the proposed amendment to Section&