

GASTAR EXPLORATION LTD
Form DEFR14A
May 16, 2008
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SCHEDULE 14A

INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. 1)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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Gastar Exploration Ltd.

(Name of Registrant as Specified In Its Charter)

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3) Filing Party:

4) Date Filed:

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Gastar Exploration Ltd.

1331 Lamar Street, Suite 1080

Houston, Texas 77010

NOTICE OF THE 2008 ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

Friday, June 20, 2008

To our Shareholders:

The 2008 Annual General and Special Meeting of the Shareholders (the Annual Meeting) of Gastar Exploration Ltd., an Alberta, Canada corporation, will be held on Friday, June 20, 2008, 9:30 a.m. (central time), at The Downtown Club, Houston Center, 1100 Caroline Street, Houston, Texas 77002. At the Annual Meeting, shareholders will consider and vote on the following matters:

1. To fix our Board of Directors at four members;
2. To elect four members to our Board of Directors for the ensuing year;
3. To ratify the Audit Committee's appointment of BDO Seidman, LLP, as our independent registered public accounting firm for the year ending December 31, 2008;
4. To adopt a special resolution authorizing our Board of Directors, in its sole discretion, to effect a reverse stock split, or consolidation, of our issued and outstanding common shares on the basis of one (1) common share for up to a maximum of five (5) common shares outstanding; and

5. To transact any such other business as may properly be brought before the Annual Meeting or any adjournment thereof.

Shareholders who are unable to attend the Annual Meeting in person are requested to date and sign the enclosed form of Instrument of Proxy and return it in the envelope provided for that purpose.

The specific details of the matters proposed to be dealt with at the Annual Meeting are set forth in the Proxy Statement accompanying this notice. Our audited consolidated financial statements and the auditor's report for the year ended December 31, 2007 and other information concerning us is included in our Annual Report on Form 10-K for the year ended December 31, 2007, which is included in our 2007 annual report to shareholders, a copy of which accompanies this notice. The 2007 annual report to shareholders and this notice are being mailed to registered shareholders on or about May 27, 2008. Copies of the 2007 Annual Report on Form 10-K and this notice are also available at the Securities and Exchange Commission at www.sec.gov or on SEDAR at www.sedar.com.

Only holders of record of our common shares at the close of business on May 16, 2008 (the record date) are entitled to notice of and to attend the Annual Meeting or any adjournment(s) thereof and to vote. A list of shareholders will be available commencing June 10, 2008 and may be inspected at our offices during normal business hours prior to the Annual Meeting. The list of shareholders will also be available for review at the Annual Meeting.

If you are a shareholder whose common shares are registered in your name and are unable to attend the Annual Meeting in person, please date and sign the enclosed form of proxy and return it in the enclosed envelope. In order to be valid and acted upon at the Annual Meeting, forms of proxy must be received by our

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registrar and transfer agent, American Stock Transfer & Trust Company, Attention: Proxy Department, 6201 15th Avenue, Brooklyn, New York 11219 at least 24 hours before the time of the Annual Meeting or any adjournment thereof, excluding weekends and holidays.

If you are a shareholder whose common shares are held in a brokerage account or by a bank or other holder of record, you are considered the beneficial holder of shares held in street name. As the beneficial holder, you received these materials through your broker or through another intermediary. As the beneficial holder, you have the right to direct your broker, bank or other holder of record on how to vote your shares by using the voting instruction card included in the mailing or by following the instructions provided.

DATED this 27th day of May 2008.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ J. RUSSELL PORTER
J. Russell Porter

Chairman, President and Chief Executive Officer

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Gastar Exploration Ltd.

1331 Lamar Street, Suite 1080

Houston, Texas 77010

PROXY STATEMENT FOR

THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

Friday, June 20, 2008

This Proxy Statement contains information about the 2008 Annual General and Special Meeting of Shareholders (the Annual Meeting) of Gastar Exploration Ltd. The Annual Meeting will be held on Friday, June 20, 2008, 9:30 a.m. (central time), at The Downtown Club, Houston Center, 1100 Caroline Street, Houston, Texas 77002.

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Gastar Exploration Ltd., which is also referred to as Gastar , we , us or our in this proxy statement. All proxies will be voted in accordance with the instructions they contain. If no instruction is specified on a proxy, it will be voted in favor of the matters set forth in the notice of the Annual Meeting. A shareholder may revoke his or her proxy at any time before it is exercised by giving our secretary written notice to that effect.

Our annual report to shareholders for the year ended December 31, 2007 is being mailed to shareholders with the mailing of these proxy materials on or about May 27, 2008.

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the Securities and Exchange Commission (the SEC), will be furnished without charge to any shareholder upon request to Gastar Exploration Ltd., Attention: J. Russell Porter, President and Chief Executive Officer, 1331 Lamar Street, Suite 1080, Houston, Texas 77010.

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VOTING INFORMATION

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will consider and vote on the following matters:

1. To fix our Board of Directors at four members;
2. To elect four members to serve on our Board of Directors until the 2009 Annual Meeting;
3. To ratify the Audit Committee's appointment of BDO Seidman, LLP, as our independent registered public accounting firm for the year ending December 31, 2008;
4. To adopt a special resolution authorizing our Board of Directors, in its sole discretion, to effect a reverse stock split, or consolidation, of our issued and outstanding common shares on the basis of one (1) common share for up to a maximum of five (5) common shares outstanding; and
5. To transact any such other business as may properly be brought before the Annual Meeting or any adjournment thereof.

Who can vote?

To be able to vote, you must have been a shareholder of record at the close of business on May 16, 2008 (the record date). Shareholders of record on the record date are entitled to vote on each proposal at the Annual Meeting. As of the record date, there were 208,204,570 common shares outstanding. Each common share is entitled to one vote on each matter properly brought before the Annual Meeting.

How many votes do I have?

Each of our common shares that you own on the record date entitles you to one vote on each matter that is properly brought before the Annual Meeting.

Is my vote important?

Your vote is important regardless of how many shares you own. Please take the time to vote. Take a moment to read the instructions below. Choose the way to vote that is easiest and most convenient for you and cast your vote as soon as possible.

What constitutes a quorum and voting?

A quorum of shareholders is necessary for a valid Annual Meeting. The required quorum for the transaction of business at the Annual Meeting is the presence of a holder or holders of 5% of the total outstanding common shares entitled to vote at the Annual Meeting, either present in person or represented by proxy. Abstentions and proxies returned by brokerage firms for which no voting instructions have been received from their principals will be counted for the purpose of determining the presence of a quorum.

If a quorum is present at the Annual Meeting, the affirmative vote by the holders of a majority of common shares present and voting is required to fix our Board of Directors at four members. With respect to the election of the directors, the four director nominees who receive the greatest number of votes cast by common shares present in person or by proxy and entitled to vote shall be elected as directors. The affirmative vote by the holders of a majority of common shares present and voting is required to ratify the appointment of BDO Seidman, LLP, as our independent registered public accounting firm for 2008, provided such common shares voting affirmatively also constitute a majority of the number of common shares required for a quorum. In order to be effective, the adoption of the special resolution to authorize our Board of Directors, in its sole discretion, to effect a reverse split, or consolidation, of our issued and outstanding common shares on the basis of one

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(1) common share for up to a maximum of five (5) common shares outstanding requires approval by not less than two-thirds (2/3) of the votes cast by shareholders, in person or in proxy, in respect of the resolution. Unless otherwise directed, it is management's intention to vote the proxies in favor of the special resolution to authorize the discretionary reverse split proposal.

How do I vote?

If you are the record holder of your common shares, you may vote in one of two ways. You may vote by submitting your proxy by mail, or you may vote in person at the Annual Meeting.

You may vote by mail

You may vote by completing and signing the proxy card that accompanies this proxy statement and promptly mailing it in the enclosed envelope. The common shares you own will be voted according to the instructions on the proxy card you mail. If you return the proxy card but do not give any instructions on a particular matter described in this proxy statement, the common shares you own will be voted in accordance with the recommendations of our Board of Directors. In order to be valid and acted upon at the Annual Meeting, forms of proxy must be received by our registrar and transfer agent, American Stock Transfer & Trust Company, Attention: Proxy Department, 6201 15th Avenue, Brooklyn, New York 11219 at least 24 hours before the time of the Annual Meeting or any adjournment thereof, excluding weekends and holidays.

You may vote in person

If you attend the Annual Meeting, you may vote by delivering your completed proxy card in person or you may vote by completing a ballot. Ballots will be available at the Annual Meeting.

Can I change my vote after I have mailed my proxy card?

Yes. You can change your vote and revoke your proxy at any time before the polls close at the Annual Meeting by doing any one of the following things:

Signing another proxy with a later date;

Giving our secretary a written notice before or at the Annual Meeting that you want to revoke your proxy; or

Voting in person at the Annual Meeting.

Your attendance at the Annual Meeting alone will not revoke your proxy.

Can I vote if my shares are held in street name ?

If the shares you own are held in street name by a bank or brokerage firm, your bank or brokerage firm, as the record holder of your common shares, is required to vote your shares according to your instructions. In order to vote your common shares, you will need to follow the directions your bank or brokerage firm provides you.

How does the Board of Directors recommend that I vote on the proposals?

Our Board of Directors recommends that you vote:

FOR fixing our Board of Directors at four members;

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FOR the election of each of the four nominees to serve as directors on our Board of Directors;

FOR the ratification of our Audit Committee's appointment of BDO Seidman, LLP, as our independent registered public accounting firm for the year ending December 31, 2008; and

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FOR the adoption of a special resolution authorizing our Board of Directors, in its sole discretion, to effect a reverse split, or consolidation, of our issued and outstanding common shares on the basis of one (1) common share for up to a maximum of five (5) common shares outstanding.

Will any other business be conducted at the Annual Meeting or will other matters be voted on?

Our Board of Directors does not know of any other matters that may come before the Annual Meeting. If any other matter properly comes before the Annual Meeting, the persons named in the proxy card that accompanies this proxy statement, whether you submit your proxy in person or by mail will exercise their judgment in deciding how to vote, or otherwise act, at the Annual Meeting with respect to that matter or proposal.

Where can I find the voting results?

We will report the voting results in our quarterly report on Form 10-Q for the second quarter of 2008, which we expect to file with the SEC in August 2008.

Who will pay the costs of soliciting these proxies?

We will bear the costs of solicitation of proxies. Our directors, officers and regular employees may solicit proxies by telephone, email and personal interviews without additional remuneration. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of our common shares that they hold in their names. We will reimburse banks and brokers for their reasonable out-of-pocket expenses incurred in connection with the distribution of our proxy materials.

INFORMATION ABOUT DIRECTORS, DIRECTOR NOMINEES AND EXECUTIVE OFFICERS

Our Board of Directors is presently composed of four members: J. Russell Porter, Abby F. Badwi, Robert D. Penner and John M. Selser Sr. Messrs. Porter, Badwi and Selser were elected directors at our 2007 Annual Meeting of Shareholders. On July 16, 2007, Mr. Penner was elected by the Board of Directors by unanimous vote to serve as a director until the 2008 Annual Meeting of Shareholders. Messrs. Porter, Badwi, Penner and Selser have been nominated to stand for reelection. Thomas L. Crow resigned from our Board of Directors effective January 1, 2008 and is not standing for reelection. Biographical information about each nominee can be found beginning on page 38 in connection with Proposal 2. Election of Directors . Biographical information about certain of our officers (other than Mr. Porter) as of May 1, 2008 is set forth below.

Name	Age	Position
J. Russell Porter*	46	Chairman, President, Chief Executive Officer, Chief Operating Officer
Michael A. Gerlich*	54	Vice President and Chief Financial Officer
Jeffery C. Pettit*	50	Vice President and Chief Operating Officer
Henry J. Hansen	52	Vice President of Land
Frederick E. Beck, PhD	48	Vice President of Drilling
R. David Rhodes	49	Vice President of Completion and Production
Sara-Lane Ruzicki	40	General Corporate Canadian Counsel and Corporate Secretary

* Named executive officer. Biographical information about Mr. Porter appears on page 38.

Michael A. Gerlich joined us in May 2005, as Vice President and Chief Financial Officer. Mr. Gerlich has over 27 years of natural gas and oil accounting and finance experience. From 1994 until 1998, Mr. Gerlich served as Vice President and Chief Financial Officer of Sheridan Energy, Inc, an independent natural gas and oil exploration company traded on the NASDAQ. In 1999, Sheridan Energy, Inc. was acquired by Calpine Corporation, an independent electric power generation company listed on New York Stock Exchange, and Sheridan became a wholly-owned subsidiary of Calpine Corporation and changed its name to Calpine Natural

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Gas LP. Mr. Gerlich's last position at Calpine Natural Gas LP was Senior Vice President – Accounting and Finance, for the natural gas and oil operations of the wholly owned subsidiary. Over a 10-year period prior to joining Sheridan Energy, Mr. Gerlich held various accounting and finance positions with Trinity Resources, Ltd., an independent natural gas and oil exploration and production company, with his last position being Executive Vice President and Chief Financial Officer. Prior to that, Mr. Gerlich was also with a Big Four accounting firm, where the focus of his practice was with energy related clients. Mr. Gerlich is a Certified Public Accountant and graduated with honors from Texas A&M University with a Bachelor of Business Administration degree in Accounting.

Jeffery C. Pettit joined us in August 2007, as Vice President and Chief Operating Officer. Mr. Pettit has over 28 years of natural gas and oil operational experience. From 2001 until joining us, Mr. Pettit was General Manager – Gulf Coast Operations and Engineering with Dominion E&P, an independent natural gas and oil exploration and production company. Previous to his service at Dominion E&P, Mr. Pettit worked as a private engineering consultant for several independent oil and gas companies. During the twenty year period from 1979 until 1999, his employment included various operations, acquisitions, and reservoir engineering management positions with Burlington Resources, LL&E, Inexco Oil Company and Pennzoil. Mr. Pettit holds a Bachelor of Science degree in Petroleum Engineering from Mississippi State University.

Henry J. Hansen joined us in September 2005, as Vice President of Land. Mr. Hansen has over 28 years of land management experience. Prior to joining us, Mr. Hansen was Rocky Mountain Land Manager with El Paso Corporation, a natural gas and oil exploration, production and pipeline company, from 1999 until January 2003. He returned to El Paso Corporation in June 2004, where he was senior landman until joining us in September 2005. Mr. Hansen graduated from the University of Texas at Austin, Texas with a Bachelor of Business Administration in Petroleum Management.

Frederick E. Beck, PhD joined us in April 2002, as Vice President of Drilling. Dr. Beck has over 25 years of diversified experience in the natural gas and oil business. He has held positions as a drilling engineer and drilling supervisor for a major operator and was an assistant professor of petroleum engineering at the New Mexico School of Mines. From 1996 and prior to joining us as Vice President of Drilling, Dr. Beck was Vice President of the turnkey drilling division of Nabors Drilling USA LP, a domestic natural gas and oil drilling company. Dr. Beck holds a Bachelor of Science degree in Geology, Master of Science degree in Petroleum Engineering and Doctor of Philosophy Degree in Petroleum Engineering, all from Louisiana State University in Baton Rouge, Louisiana.

R. David Rhodes joined Gastar in March 2006, as Vice President of Completion and Production. Mr. Rhodes has over 25 years of petroleum engineering experience, focused primarily in the supervision and management of completion and production operations. Prior to joining Gastar, he managed Oil & Gas Operations and Consulting, Inc., an independent consulting firm he established in May 2001, where he worked as a petroleum engineering consultant for numerous natural gas and oil operators including us. Mr. Rhodes continues to maintain his relationship with Oil & Gas Operations and Consulting, Inc. From 1981 to 2001, Mr. Rhodes held various engineering and management/supervisory positions at Getty Oil Company and Marathon Oil Company (formerly Texas Oil & Gas Company), major integrated natural gas and oil companies. His last position was Operations Manager for East Texas and Northern Louisiana. Mr. Rhodes holds a Bachelor of Science degree in Petroleum Engineering from Louisiana Tech University.

Sara-Lane Ruzicki, LLB is an attorney in private practice, who has served as our Corporate Secretary and General Corporate Canadian Counsel since May 2000. From July 1993 to April 2001, she served as an attorney at the law firm of Armstrong Perkins Hudson LLP (formerly Ogilvie and Company) in Calgary, Alberta, Canada, becoming a partner in 1999. Specializing in corporate/securities law, she has acted for issuers, in all industry segments, in Canada, the United States and internationally, focusing on corporate reorganizations, commercial transactions and initial public offerings of junior emerging companies as well as equity and debt financings, mergers and acquisitions and commercial transactions of senior established companies. Ms. Ruzicki obtained her Bachelor of Laws degree at the University of Saskatchewan.

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Our Board of Directors believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the CSA) have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as us. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices*, which prescribes certain disclosure by us of our corporate governance practices.

This section sets out our approach to corporate governance and addresses our compliance with NI 58-101 and the applicable listing standards of the American Stock Exchange.

Board Mandate

The Board of Directors has no written mandate at this time but is generally responsible for managing our business affairs. The primary responsibility of the Board of Directors is to promote our best interests and the best interests of our shareholders. This responsibility includes: (i) approving annual capital expenditure budgets and general and administrative expense budgets and reviewing fundamental operating, financial and other corporate plans, strategies and objectives; (ii) outlining key operating parameters including debt levels and ratios; (iii) evaluating our performance and the performance of our senior management; (iv) determining, evaluating and fixing the compensation of executive officers; (v) adopting policies of corporate governance and conduct; (vi) considering risk management matters; (vii) reviewing the process of providing appropriate financial and operational information to shareholders and the public generally; and (viii) evaluating the overall effectiveness of the Board of Directors. The Board of Directors explicitly acknowledges its responsibility for our stewardship. The Board of Directors reviews with management matters of strategic planning, business risk identification, succession planning, communications policy and integrity of internal control and management information systems. The Board of Directors fulfils its responsibilities through regular meetings.

Board of Directors

Our Board of Directors is comprised of four members whose names and committee memberships are set forth below. Our Board of Directors has determined that a majority of the members of the Board of Directors have no material relationship with us (either directly or as partners, shareholders or officers of an organization that has a relationship with us) and are independent within the meaning of the American Stock Exchange and of National Instrument 58-101 director independence standards. Mr. Porter, as our President and Chief Executive Officer, is not considered to be independent. Furthermore, the Board has determined that each of the members of the Audit Committee, the Remuneration Committee, the Nomination and the Governance Committee has no material relationship to us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us) and is independent within the meaning of the American Stock Exchange and of National Instrument 58-101 director independence standards.

Name and Position	Independence	Committee Membership
J. Russell Porter, Chairman, President and Chief Executive Officer	No	
Abby F. Badwi, Director	Yes	Governance * Audit Remuneration * Nomination Reserve

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	Name and Position	Independence	Committee Membership
	Robert D. Penner, Director (1)	Yes	Governance Audit * Remuneration Nomination Reserve
	John M. Selser Sr., Director	Yes	Governance Audit Remuneration Nomination* Reserve *

* Indicates chairmanship of committee.

(1) Mr. Penner was elected by the Board of Director as a director effective July 16, 2007.

Meetings

The Board of Directors meets a minimum of four times per year. In addition, the Board of Directors meets at such other times as may be required if it is not possible to deal with our business at a regularly scheduled quarterly meeting.

The Board of Directors facilitates its independent supervision over management in a number of ways including by holding regular meetings at which members of management or non-independent directors are not in attendance and by retaining independent consultants where it deems necessary.

Other Directorships

The following table gives details of the directorships upon other reporting issuers which each director currently maintains:

Name of Director	Directorships of Other Reporting Issuers
J. Russell Porter Abby F. Badwi	Caza Oil & Gas, Inc. Bankers Petroleum Ltd. Fairmont Energy
Robert D. Penner	Sustainable Energy Technologies Ltd. Corridor Resources Ltd. Storm Cat Energy Corporation Sustainable Energy Technologies Ltd. Terra Energy Corp.
John M. Selser Sr. <i>Orientation and Continuing Education</i>	Unbridled Energy Corporation None

When new directors are appointed, they receive orientation, commensurate with their previous experience, on our properties, business, operations and industry and on the responsibilities of directors. Board meetings may also include presentations by our management and employees to give the directors additional insight into our business. New directors are provided with access to our recent publicly filed documents, technical reports and internal financial information and given copies of all Board minutes and corporate governance materials. Directors are encouraged to ask questions and communicate with management, auditors and technical consultants to keep themselves current

with industry trends and developments and changes in the legislation.

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Nomination of Directors

The Board of Directors has delegated the responsibility of identifying new candidates to the Nomination Committee. The process and responsibility of the Nomination Committee is set forth below under the heading *Committee Information Nomination Committee* on page 8.

Compensation

The Board of Directors has delegated the responsibility of determining compensation strategies for us and recommending the forms and amounts of compensation for directors, officers, consultants and employees to the Remuneration Committee. Please refer to the disclosure under the heading *Committee Information Remuneration Committee* on page 11.

Position Descriptions

Our Board of Directors have developed written position descriptions for the chair of the Board of Directors or the chair of the committees of the Board of Directors.

The roles and responsibilities of the Chief Executive Officer are established each year through the discussion and recommendation between the Chief Executive Officer, the remuneration committee and the Board of Directors. The roles and responsibilities of the Chief Executive Officer are reviewed, discussed and further defined on an ongoing basis through meetings of the Board of Directors and the committees of the Board of Directors.

Lead Director

Mr. Badwi acts as lead director of the Board of Directors. As lead director, Mr. Badwi is responsible for ensuring the appropriate organization, content and flow of information to the Board of Directors, that all concerns of the directors are addressed and that the Board of Directors acts independently of the our management.

Board Evaluations/Assessments

We have established procedures and surveys for assessing and evaluating the performance of the Board of Directors. The surveys completed by each director are summarized and discussed by the Board of Directors as a whole with the objective of making changes to policies or procedures to address comments aimed at greater Board of Directors effectiveness.

Code of Ethics

We adopted a Code of Ethics for senior management including our principal executive officer and principal financial officer on December 15, 2005. A copy of our Code of Ethics is available on our internet website at www.gastar.com. A copy of our Code of Ethics will be provided to any person without charge, upon request. Such requests should be directed to our Secretary at 1331 Lamar Street, Suite 1080, Houston, Texas 77010.

Communications with the Board

Shareholders or other interested parties may send communications to the Board of Directors by writing to our Secretary at 1331 Lamar Street, Suite 1080, Houston, Texas 77010. Our Secretary will forward to the directors all communications that, in his or her judgment, are appropriate for consideration by the directors. Comments or complaints relating to our accounting, internal accounting controls or auditing matters will also be

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referred to members of our Audit Committee. Our Audit Committee has procedures for (a) receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters and (b) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. The Whistleblower procedure adopted by the Audit Committee is available on our internet website at www.gastar.com.

Attendance at the Annual Meeting of Shareholders

We have not adopted a formal policy in relation to director attendance at annual meetings of shareholders. In 2007, Mr. Porter attended our General and Special Meeting of Shareholders.

COMMITTEE INFORMATION

Each of the following Committees of our Board of Directors have Terms of Reference approved by the Board of Directors, which provide descriptions of the role of the Chairman of such committee and the roles and responsibilities of the Committee as a whole. The Terms of Reference function as a charter for the respective committees and are available on our internet website at www.gastar.com.

Nomination Committee

In March 2006, the Board of Directors established a Nomination Committee. The role of the Nomination Committee is to assist the Board of Directors in ensuring that the Board of Directors is comprised of individuals who are best able to discharge the responsibilities of directors, having an understanding of our industry, stage of growth, the law and the highest standards of governance. The tasks and responsibilities of the Nomination Committee are defined in its Terms of Reference, which was approved by the Board of Directors. The Nomination Committee is comprised of Mr. Selser (Chairman) and Messrs. Badwi and Penner.

The Board does not currently have a policy relating to consideration of director nominees by our shareholders. The Board may consider such a policy in the future. At present, the Board believes that the Nomination Committee is in the best position to identify and evaluate director candidates. New candidates are identified by the Nomination Committee whose responsibility it is to develop, and annually update and recommend to the Board for approval, a long-term plan of the Board composition that takes into consideration the following: (a) the independence of each director; (b) the competencies and skills the Board, as a whole, should possess; (c) the current strengths, skills and experience represented by each director, as well as each director's personality and other qualities as they affect Board dynamics; and (d) our strategic direction. From time to time the Nomination Committee has used a third party to assist it in identifying and evaluating potential director candidates.

Corporate Governance Committee

The Corporate Governance Committee is comprised of Mr. Badwi (Chairman) and Messrs. Penner and Selser. It has the responsibility of monitoring our overall approach to corporate governance issues which include:

Responding to governance recommendations or guidelines from various regulatory authorities;

Ensuring that there are adequate policies and procedures in effect to allow us to meet all continuous disclosure requirements; and

Ensuring that adequate policies and procedures are in effect to identify and manage principal risks of our business; and reviewing annually our strategic planning process.

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Audit Committee

Composition

The Audit Committee currently is comprised of Mr. Penner (Chairman) and Messrs. Badwi and Selser, each of whom is independent under the rules of the American Stock Exchange and Section 10A of the Securities Exchange Act of 1934, as amended (the Exchange Act). In accordance with its Terms of Reference, the Audit Committee examines and reviews on behalf of the Board of Directors, internal financial controls, financial and accounting policies and practices, the form and content of financial reports and statements, and the work of the external auditors. The Audit Committee has the responsibility for hiring, overseeing and terminating the independent registered public accounting firm and determining the compensation of such accountants. The Chief Financial Officer attends the meetings of the Audit Committee by invitation.

Relevant Education and Experience

The following summarizes relevant experience and education of the Audit Committee members:

Mr. Penner, Audit Committee Chairman, is designated as the audit committee financial expert , as that term is defined under Securities and Exchange Commission rules. He became a member of our Board of Directors effective July 16, 2007. Mr. Penner is a retired senior partner with KPMG LLP, whose career of advising public and private clients on tax and accounting matters has spanned almost 40 years.

Mr. Badwi is an Audit Committee member. Through experience actively supervising a principal financial officer, principal accounting officer, controller or persons performing similar function, he has an understanding of generally accepted accounting principles and financial statements, the ability to assess the general application of such principles, experience preparing, auditing, analyzing or evaluating financial statements, and understanding of internal controls over financial reporting, an understanding of audit committee functions and other relevant experience. He obtained a Bachelor of Science degree in Geology and Chemistry from University of Alexandria, Egypt in 1969 and a Management Development Certificate (Professional Engineers, Geologists and Geophysicists Program) from University of Calgary in 1985 (this program included courses in accounting principles and financial accounting). As current and past president and chief executive officer, director and audit committee member of several Canadian public and private companies, Mr. Badwi has been closely involved in reviewing, analyzing and evaluating financial statements (including the preparation and implementation of internal controls and procedures and the analysis of financial statements for the purposes of acquisitions or mergers).

Mr. Selser, Audit Committee member, has been a partner at Maple Leaf Partners, a Baton Rouge, Louisiana based hedge fund since 2003. From 1992 to 2002 Mr. Selser was an energy equity analyst for several sell-side firms during which time frame he covered independent exploration and production companies, integrated oil companies, refiners, coal and shipping. From 1984 to 1991, Mr. Selser was a drilling and reservoir engineer for a major oil and gas company. Mr. Selser holds a Bachelor of Science in both Civil Engineering and Petroleum Engineering from Louisiana State University, Baton Rouge, Louisiana, and a Masters of Business Administration from Tulane University, New Orleans, Louisiana.

Reliance on Certain Exemptions

At no time since the commencement of our most recently completed fiscal year have we relied on the exemptions in section 2.4 (De Minimis Non-audit Services), section 3.2 (Initial Public Offerings), section 3.4 (Events Outside Control of Member), section 3.50 (Death, Disability or Resignation of Audit Committee member) or Part 8 (Exemptions) of Canadian Multilateral Instrument 52-110 (MI 52-110).

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Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of our most recently completed fiscal year have we relied on the exemption in subsection 3.3(2) (Controlled Companies) or section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances) of MI 52-110.

Reliance on Section 3.8

At no time since the commencement of our most recently completed fiscal year have we relied on Section 3.8 (Acquisition of Financial Literacy).

Audit Committee Oversight

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

Audit Committee Charter

A copy of the Terms of Reference for the Audit Committee, which functions as its charter, is attached to this Proxy Statement as Appendix A.

Audit Committee Report

The Audit Committee assists our Board of Directors in overseeing matters relating to our accounting and financial reporting practices, the adequacy of its internal controls and the quality and integrity of its financial statements and is responsible for selecting and retaining the independent auditors. The Audit Committee's responsibilities are more fully described in its Terms of Reference. Our management is responsible for preparing our financial statements and the independent auditors are responsible for auditing those financial statements. The Committee does not provide any expert or special assurance as to our financial statements or any professional certification as to the independent auditors' work. The Committee met four times, all in person, during the year ended December 31, 2007.

In fulfilling its oversight responsibilities, the Audit Committee reviewed our audited financial statements as of and for the year ended December 31, 2007 and discussed them with management and BDO Seidman, LLP, our independent registered public accounting firm. The Committee discussed and reviewed with BDO Seidman, LLP all matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, all Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from BDO Seidman, LLP required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as adopted by the Public Company Accounting Oversight Board (United States) in Rule 3600T, and has discussed with BDO Seidman, LLP its independence from us and our management.

Based on the review and discussions referred to above, the Audit Committee recommended to our Board of Directors that our audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2007.

GASTAR EXPLORATION LTD.

AUDIT COMMITTEE

/s/ Robert D. Penner

/s/ Abby F. Badwi

/s/ John M. Selser Sr.

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This report of the Audit Committee shall not be deemed soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act.

* * *

Remuneration Committee

During the year ended December 31, 2007, the compensation committee of our Board of Directors, which we refer to as the Remuneration Committee, was comprised of Messrs. Badwi (Chairman), Crow, Kapuscinski and Selser, who replaced Mr. Kapuscinski upon his resignation as a director of our Board of Directors on June 19, 2007. Mr. Crow resigned from the Board of Directors effective January 1, 2008. Currently, our Remuneration Committee is comprised of Messrs. Badwi, Penner and Selser. None of our named executive officers serves as a member of the board of directors or compensation committee (or committee performing similar functions) of any other entity, one or more of whose executive officers serve on our Board of Directors or Remuneration Committee.

The aim of the Remuneration Committee is to award and compensate our officers and employees in a manner which provides incentives for the enhancement of shareholder value, for the successful implementation of our business plan and for continuous improvement in corporate and personal performance. The compensation program is based on a pay-for-performance philosophy and consists of three components: base salary, annual incentive (bonus) paid in cash and long-term equity based incentive.

The Remuneration Committee reviews and recommends the compensation philosophy and guidelines for us which include reviewing the compensation philosophy and guidelines (a) for executive management, for recommendation to the Board for its consideration and approval, and (b) relating to all employees, including annual salary and incentive policies and programs, and material new benefit programs, or material changes to existing benefit programs.

The Remuneration Committee reviews on an annual basis the cash compensation, performance and overall compensation package for each executive officer. It then submits to the Board recommendations with respect to the basic salary, bonus and participation in share compensation arrangements for each executive officer. Receiving recommendations from management for the salaries for our Executive Management and employees, the Remuneration Committee made its recommendations to the Board for approval. In conducting its review of management's recommendations, the Remuneration Committee was satisfied that all recommendations complied with the Remuneration Committee's philosophy and guidelines. Additionally the Remuneration Committee at the request of the Board of Directors, has undertaken to retain a firm to prepare a summary regarding current executive compensation environment practices in today's market and investor expectations.

Reserves Review Committee

The Reserves Review Committee is comprised of Mr. Selser (Chairman) and Messrs. Badwi and Penner. Its responsibilities include:

Reviewing our procedures for providing information to the independent qualified reserve evaluator;

Annual meetings with the independent qualified reserve evaluator to determine whether there are any restrictions that could affect the ability of the evaluator to report without reservation; and

Reviewing our reserve data with management and the independent qualified reserve evaluator.

Table of Contents**Attendance at Board and Committee Meetings**

For the year ended December 31, 2007, each member of our Board of Directors and each director that was a member of a committee attended at least 75% of all meetings held by the Board of Directors and each committee of which he was a member at the time of the meeting. In addition to the Board of Directors and committee meeting listed above, the Board of Directors held nine special meetings during 2007 to address various corporate issues. Each member of our Board of Directors attended at least 75% of all such meetings held by the Board of Directors if he were a director at the time of the meeting. The following chart discloses the number of Board and Committee meetings held during 2007 and the attendance of each director member.

Director	Board Meetings	Audit Committee	Remuneration Committee	Corporate Governance Committee	Reserves Review Committee
J. Russell Porter	9 of 10 (1)	(2)	(2)	(2)	(2)
Abby F. Badwi	9 of 10	4 of 4	(3)	1 of 1	1 of 1
Robert D. Penner (4)	8 of 8	2 of 2	(3)	(5)	(4)
John M. Selser Sr.	8 of 8	3 of 4	(3)	1 of 1	(5)
Thomas L. Crow (6)	5 of 8	2 of 4	(3)	1 of 1	1 of 1
Richard Kapuscinski (7)	2 of 2	(2)	(3)	1 of 1	1 of 1

- (1) One meeting during 2007 was for independent directors only.
- (2) Not a Committee member.
- (3) No meetings of the Remuneration Committee were held 2007.
- (4) Mr. Penner became a member of our Board of Directors on July 16, 2007.
- (5) Not a Committee member when meeting was held during 2007.
- (6) Mr. Crow resigned from the Board of Directors effective January 1, 2008.
- (7) Mr. Kapuscinski resigned from the Board of Directors effective June 19, 2007

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis explains our compensation objectives, philosophy and practices with respect to our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, who are referred to as named executive officers. These individuals are our only executive officers.

Compensation Philosophy

Our compensation programs for our named executive officers are designed to achieve the following objectives:

Attract and retain highly talented individuals who will engage in behavior essential to our success;

Motivate and reward employee performance that is critical to our success;

Align the interests of our named executive officers and our shareholders by motivating our named executive officers to increase shareholder value and rewarding them based on operational and financial success and when shareholder value increases; and

Balance annual cash payments and longer term equity compensation.

Our executive compensation is structured to achieve these goals through our mix of short-term cash payments and long-term equity compensation.

Elements of Executive Compensation and Rationale

There are three key elements to our compensation: base salary, annual cash bonus awards and stock-based compensation. We believe that a combination of these three elements balances rewards for current performance and longer term corporate objectives as measured, among other things, by operational successes, common share performance and creation of shareholder value. The terms of the named executive officers employment, including their compensation and other benefits, are set forth in employment agreements, described below.

Role of the Remuneration Committee, its Consultant and Management

Executive compensation is the responsibility of the Remuneration Committee (for purposes of this analysis, the Committee). The Committee operates under a written charter, or the Terms of Reference, adopted by the Board of Directors. Abby F. Badwi, Robert D. Penner and John M. Selser Sr. are members of the Board of Directors and members of the Committee. Mr. Badwi is the Committee Chairman. Each member of the Committee qualifies as an independent director under the American Stock Exchange listing standards and under the Exchange Act.

The aim of the Committee is to award and compensate officers and employees in a manner which provides incentives for the enhancement of shareholder value, for the successful implementation of our business plan and for continuous improvement in corporate and personal performance. The compensation program is based on a pay-for-performance philosophy.

The Committee reviews and recommends the compensation philosophy and guidelines for us, which include reviewing the compensation philosophy and guidelines (a) for executive management, for recommendation to the Board for its consideration and approval, and (b) relating to all employees, including annual salary and incentive policies and programs, and material new benefit programs or material changes to existing benefit programs.

During 2007, the Committee engaged Thomas J. Reno & Associates, Inc. (TJR), a consulting firm experienced in executive compensation, which has access to national compensation surveys and our compensation information. TJR's responsibilities include

Providing recommendations on compensation based on review of the compensation of our peer group (as described below);

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Gathering and analyzing publicly available proxy data from the peer group and other peer group data;

Analyzing pay survey data and analyses provided by our management;

Reviewing and advising on the performance measures to be used in bonus formulas and equity awards; and

Reviewing and advising on target bonus levels, actual year end bonus calculations and the design and size of equity awards.

These peer companies reviewed by TJR included Abraxas Petroleum Corp., Exploration Company of Delaware, Gasco Energy Inc., GMX Resources Inc., Harvest Natural resources Inc., NGAS Resources Inc., Toreador Resources Corp., Transmeridian Exploration Inc. and Warren Resources Inc. TJR reviewed the amount or form of executive and director compensation, as well as periodic detailed analyses of peer group executive salaries, cash bonus awards and other incentive compensation bonus awards and other incentive compensation awards, such as stock options and restricted common stock grants. This information is used by the Committee to insure that base salaries and other benefits are reasonable and competitive with those offered by our peer group to their executives.

Our Chief Executive Officer also plays an important role in the executive compensation process and is closely involved in assessing the performance of our named executive officers and making recommendations regarding base salary, bonus targets, performance measures and weighting and equity compensation for these executive officers. The compensation of our Chief Financial Officer and Chief Operating Officer is determined by the Committee, after receiving the recommendations of the Chief Executive Officer as to what he considers to be fair compensation for our named executive officers. The recommendations are based on an assessment of the Chief Financial Officer's and Chief Operating Officer's responsibilities and performance, our performance and the market in which we compete for executive talent. The Chief Executive Officer attends those portions of the meetings of the Committee that are related to the Chief Financial Officer's and Chief Operating Officer's compensation. The compensation of our Chief Executive Officer is determined by the Committee. In determining the compensation of the Chief Executive Officer, the Committee takes into account the Chief Executive Officer's responsibilities and performance, our performance and the market in which we compete for executive talent. The Chief Executive Officer does not attend any meetings related to his compensation.

Our Chief Financial Officer also plays an important role in our executive compensation process. Our Chief Financial Officer makes recommendations to the Committee regarding the structure of the annual cash bonus awards program and the size of such awards. These recommendations are drawn from our Chief Financial Officer's previous work experience and informal surveys of the annual cash bonus programs of other similar sized companies and other oil and natural gas companies.

Benchmarking of Compensation

When making compensation decisions, we also look to the compensation of our named executive officers relative to the compensation paid to similarly-situated executives at other organizations that are similar in size and operations to us. During 2007, TJR provided us with competitive compensation data from our peer group as well as business and technical considerations. In 2007, we used three primary resources to identify competitive compensation relevant to our named executive officers:

TJR;

2007 U.S. Energy Compensation Survey; and

SEC disclosure data for similarly sized organizations within the natural gas and oil industry.

Third-party survey data, such as that provided by TJR and information from other resources and industry contacts, is considered when evaluating external competitiveness. We use this data to ensure that we are maintaining a level of compensation that is both commensurate with our size and sufficient to retain personnel

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we consider essential. In reviewing comparative data, we do not engage in benchmarking for the purpose of establishing compensation levels relative to any predetermined point. In the Committee's view, third-party survey data provides insight into external competitiveness but is not an appropriate single basis for establishing compensation levels. This is primarily due to the differences in the size of comparable companies and the lack of sufficient appropriate matches to provide statistical relevance. Our preference is that performance, rather than third party survey data, should drive executive compensation. The Committee seeks the input of our Chief Executive Officer in evaluating the performance of all of our executive officers, excluding himself. Our Chief Financial Officer assists in the gathering of information regarding the employment market assessment.

In the processes used by the Committee to establish and adjust executive compensation levels, third party-survey data is considered, along with performance, experience and the potential of the individual to contribute to our operations and growth. The Committee can exercise both positive and negative discretion in relation to the compensation awards and its allocation between cash and non-cash awards. The Committee has the authority to approve, deny and suggest alternative compensation packages.

Elements of Executive Compensation and Rationale

We entered into employment agreements with J. Russell Porter, our President and Chief Executive Officer, and Michael A. Gerlich, our Chief Financial Officer, effective February 24, 2005 and May 17, 2005, respectively. The agreements with Messrs. Porter and Gerlich set forth, among other things, annual compensation, and adjustments thereto, minimum bonus payments, termination provisions, fringe benefits, termination and severance provisions. The agreements automatically renew annually; however, they may be terminated at any time with or without cause. We and Jeffery C. Pettit, our Chief Operating Officer, entered into a letter agreement on August 21, 2007. The letter agreement sets forth, among other things, Mr. Pettit's initial base salary, a guaranteed 2007 bonus, fringe benefits, such as vacation and medical insurance coverage, and severance provisions for his at will employment, which may be terminated at any time by us or Mr. Pettit with or without cause. See Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table for additional information on employment agreement to the named executive officers.

Base Salary. Base salary represents the fixed element of the named executive officers' cash compensation. The base salary reflects economic consideration for each individual's level of responsibility, expertise, skills, knowledge, experience and performance. Base salaries for our named executive officers are reviewed annually. Each of our named executive officer's initial annual salary is set for the terms of their respective employment agreement but may be adjusted upward or downward at each anniversary date of each officer's employment at the discretion of the Committee. The base salary amounts for Messrs. Porter and Gerlich have been set at \$450,000 and \$275,000 respectively. Mr. Pettit's letter agreement with us set his initial base salary at \$285,000. A description of the material terms of each named executive officer's employment agreement is provided in Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements .

In 2007, the Committee made no changes to the base salary amounts for any of our named executive officers, based on the Committee's determination that the existing base salaries were competitive and appropriate in light of the named executive officers' tenure with us and the overall level of corporate activity.

Annual Cash Bonus Awards. Our cash bonus awards reflect our philosophy to pay for performance. These awards provide our named executive officers, as well as our other employees on the same basis, with an opportunity to earn an annual cash bonus based on an evaluation of individual performance and us achieving certain operational and financial performance targets. At the beginning of each year, the Committee approves a target cash bonus pool, which equals the sum of a bonus target percentages of each employee times each employee's annual salary. The targeted bonus percentages for named executive officers was determined using the experiences of the members of the Committee, the review of cash bonus awards of named executive officers with other companies, many of which have substantially more resources to evaluate such matters, and on informal

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surveys with other companies. At the end of each year, our performance is evaluated against certain specific operational and financial target criteria. Each criterion is given a certain weighting, with a majority of the weighting allocated to operational factors. In developing the appropriate target criteria and their respective weightings, the Committee analyses the relative importance of each of the target criteria to our business strategy for the upcoming fiscal year. Criteria and weightings used in 2007 were:

Achieving a target average annual production per day for the year (20%);

Achieving a target total proved reserves (20%);

Achieving specific Texas average (per Mcfe) finding and development costs and controllable lifting costs (20%);

Achieving specific overall per Mcfe average cash general and administrative expense (5%);

Achieving specific level of operating cash flow (25%); and

Accomplishing certain financing goals during the year (10%).

Performance above or below the targeted criteria results in a calculated increase or decrease in the cash bonus pool. Certain minimum targets are also established for the individual criteria which, if not met, results in no bonus being earned for that criterion. At the end of the year, an approved bonus pool is calculated based on the bonus pool criteria accomplishments. The amount of the calculated bonus pool is subject to adjustment and final approval by the Committee. As a result of our 2007 operational and financial performance, we surpassed all of the performance targets except one operational criterion. This would have resulted in a calculated bonus pool of an amount equal to 250% of the target cash bonus pool. In its discretion, the Committee reduced the calculated bonus pool to an amount equal to 150% of the target cash bonus pool.

For 2007, the Committee determined that Mr. Porter's target cash bonus would be 50% of his annual compensation based on the reasons described above. As a result of our operational and financial performance, he was awarded a cash bonus of \$337,500, or 75% of his base salary in 2007, which is equal to 150% of his target bonus. He received an amount based on the same formula applicable to all employees of 1.5 times targeted cash bonus. His 2007 bonus reflected his leadership in raising significant debt and equity capital to finance our expanded exploration activities in East Texas and Australia, as well as us meeting and exceeding the operational and financial targets described above.

For 2007, the Committee determined that Mr. Gerlich's target cash bonus would be 35% of his annual compensation based on the reasons described above. As a result of our operational and financial performance, he was awarded a cash bonus of \$145,000, or 53% of his base salary in 2007, which is equal to 150% of his target bonus. He received an amount based on the same formula applicable to all employees of 1.5 times targeted cash bonus. His 2007 bonus recognized his financial skills used to successfully raise significant debt and equity capital to finance our expanded exploration activities in East Texas and Australia, providing the leadership in the successful completion of the Sarbanes Oxley compliance process, including IT compliance, as well as us meeting and exceeding the operational and financial targets described above.

For 2007, the Committee determined that Mr. Pettit's target cash bonus would be 25% of his annual compensation based on the reasons described above. In 2007, he was awarded a cash bonus of \$40,000, or 38% of his base salary, pro rated for the period he was employed by us during the year. He received an amount based on the same formula applicable to all employees of 150% of targeted cash bonus. His 2007 bonus recognized his contribution to the overall improvement in operational activities since becoming our Chief Operating Officer, as well as us meeting and exceeding the operational and financial targets described above.

In 2007, a significant factor in determining the 150% of multiplier to calculate the level of cash bonus awards was our substantially improved exploration and operational results, as compared to those of 2006, and the substantial increase in year end proved reserves.

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Cash Retention Payment Award. We are involved in a number of litigation matters, where an adverse ruling could have a material adverse effect on us. Retention of our named executive officers and all other employees has become a meaningful consideration in our overall compensation package. As a result of the uncertainties created by this situation, the Board of Directors at the Committee's recommendation approved cash retention payment awards for the named executive officers, as well as all other employees. Each named executive officer and other of our current employees who are still employed by us on January 31, 2009 will receive a cash retention payment equal to their target bonus. The cash incentive bonus awards for Messrs. Porter, Gerlich and Pettit are calculated to be \$225,000, \$96,250 and \$71,250.

Stock-based Compensation. We believe that equity compensation is the most effective means of linking compensation provided to our named executive officers with long-term operational success and increases in shareholders' value. The Board of Directors has discretionary authority to determine granting and vesting periods of stock option and restricted common share grants. We use stock-based compensation as a long-term vehicle because we believe:

Stock-based compensation align the interests of named executive officers and our other employees with those of the shareholders;

The vesting period incorporated into stock-based compensation fosters a longer term perspective necessary for staff retention, stability and continuity; and

Stock-based compensation helps to provide a longer term balance to our overall compensation program.

Historically, we used stock options as the equity compensation vehicle. In mid-2007, we began using grants of restricted common shares to employees as a compensation vehicle, rather than stock options. This change occurred in response to the Committee's judgment that to retain and attract qualified employees we needed a more definable deferred monetary incentive than was being provided by stock option grants. Currently, restricted common shares are granted to new hires at the time of employment and to all others, including our named executive officers, in the first half of the year, as determined by the Committee. The 2007 grants of restricted common shares vest one-third on the second, third and fourth anniversaries of the grant. This vesting schedule was based on the Chief Executive Officer's belief that a vesting schedule that delayed the initial vesting of shares until the second anniversary of the grant provides more incentive for retention of employees than might be provided by a shorter initial vesting period.

Although we do not anticipate using stock option grants for employees in the future, we have utilized stock option grants as the equity compensation vehicle for our directors, although this may change in the future.

In July 2007, Messrs. Porter and Gerlich received a restricted common share grant for an aggregate of 225,000 and 137,500 of our restricted common shares, respectively. The restricted common shares granted to Messrs. Porter and Gerlich were part of a larger annual grant of restricted common shares to employees designed to retain and provide additional employee incentives.

The number of restricted common shares is calculated by multiplying 50% times the employee's base salary. For 2007, TJR recommended that the target bonus percentage be 100% of base salary based on their review of the compensation practices of our peer companies. The Committee determined that the target bonus percentage for 2007 would be 50% of each employee's base salary. In making this determination, the committee also considered other factors, such as Mr. Porter's leadership and his success during the year in raising significant debt and equity capital to finance our expanded exploration activities in East Texas and Australia, Mr. Gerlich's contribution during the year in raising significant equity capital to finance our expanded exploration activities in East Texas and Australia and our successful completion and compliance with the Sarbanes Oxley Act, and Mr. Pettit's guidance in the overall improvement in our operational activities.

Mr. Pettit joined us as Chief Operating Officer in August 21, 2007. As a part of his employment package, Mr. Pettit received a restricted common share grant for an aggregate of 112,500 restricted common shares.

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Perquisites. The named executive officers are eligible to participate in the same comprehensive benefits as are offered to all full-time employees. Additionally, Mr. Porter's employment agreement provides that we will pay or reimburse him up to \$25,000 for his membership dues in clubs and/or organizations as are reasonable and customary for a senior executive officer and will reimburse him for the cost of a yearly executive physical examination and all required or recommended medical testing in connection with that yearly examination. During 2007, we paid, or reimbursed, Mr. Porter a total of \$73,138. See footnote 3 to Summary Compensation Table for details of payment of perquisites to Mr. Porter in 2007.

During 2007, other than the comprehensive benefits offered to all full-time employees, neither Mr. Gerlich nor Mr. Pettit received any perquisites having a value over \$10,000 in aggregate.

Post Termination or Change of Control Compensation and Benefits

On March 23, 2007, our Board of Directors approved a change of control severance plan, as amended February 15, 2008, covering all employees, including the named executive officers. The purpose of the severance plan is to promote stability and continuity of management and employees in the event a change of control transaction should occur. Pursuant to the terms of their respective employment agreements and the provisions of our change of control severance plan, Messrs. Porter, Gerlich and Pettit are entitled to receive certain post termination compensation and benefits. These benefits were determined in the negotiations with each individual and were based on what the Board of Directors determined were elements of a competitive compensation arrangement at the time or as set forth in the Employee Change of Control Severance Plan. See Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table and Potential Payments upon Termination or Change of Control below.

REMUNERATION COMMITTEE REPORT

Board of Directors of Gastar Exploration Ltd.

The Remuneration Committee has reviewed and discussed the Compensation Discussion and Analysis with management and based on the review and discussions referred to above, the Remuneration Committee recommends to the Board of Directors that the Compensation Discussion and Analysis be included in the Annual Report on Form 10-K for the year ended December 31, 2007 and in this proxy statement on Schedule 14A.

GASTAR EXPLORATION LTD.

REMUNERATION COMMITTEE

/s/ ABBY F. BADWI
Abby F. Badwi

/s/ ROBERT D. PENNER
Robert D. Penner

/s/ JOHN M. SELSER SR.
John M. Selser Sr.

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The above Report of the Remuneration Committee of the Board of Directors does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other of our filings under the Securities Act or the Securities Exchange Act, except to the extent we specifically incorporates this proxy statement by reference therein.

Summary Compensation and Awards

The following table and discussion below sets forth information about the compensation awarded to, earned by or paid to our named executive officers during the years ended December 31, 2007 and 2006.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Option Awards (1)	Restricted Common Shares (2)	All Other Compensation (3)	Total
J. Russell Porter Chairman, President and Chief Executive Officer	2007	\$ 450,000	\$ 337,500	\$ 770,030	\$ 89,152	\$ 73,138	\$ 1,719,820
	2006	\$ 450,000	\$ 225,000	\$ 944,655	\$	\$ 95,892	\$ 1,715,547
Michael A. Gerlich Vice President and Chief Financial Officer	2007	\$ 275,000	\$ 145,000	\$ 441,507	\$ 54,482	\$	\$ 915,989
	2006	\$ 275,000	\$ 96,000	\$ 583,221	\$	\$	\$ 954,221
Jeffery C. Pettit (4) Vice President and Chief Operating Officer	2007	\$ 104,865	\$ 40,000	\$	\$ 22,558	\$	\$ 167,423

- (1) The fair values of stock option awards are determined by using the Black-Scholes-Merton valuation model as of the date of grant, as set forth in SFAS 123R. See Note 8 Equity Compensation Plans Determining Fair Value under SFAS 123R to our consolidated financial statements, which begins on Page F-1 of our Annual Report on Form 10-K for the year ended December 31, 2007, for a discussion of assumptions made in the valuation of option awards. The fair value at the date of grant is amortized using the graded-vesting method, which recognizes compensation costs over the requisite service period for each separately vesting tranche of an award as though the award were, in substance, multiple awards. The amounts shown in these column represent the stock-based compensation expense for the years ended December 31, 2007 and 2006, prior to a 5.0% deduction for estimated forfeitures, attributable to stock options and restricted common share grants that was attributable to all stock options and restricted common shares granted to the named executive officer and outstanding during each respective year that is recognized by us in that respective year. During 2007, total fair value attributable to restricted common share grants to Messrs. Porter, Gerlich and Pettit as of the date of grant was \$495,000, \$302,500 and \$187,875, respectively. During 2006, total fair value attributable to stock options granted to Messrs. Porter and Mr. Gerlich as of the date of grant was \$1,677,646 and \$1,035,262, respectively.
- (2) Grant date fair value of restricted common share awards is equal to the closing price of our common shares on the day prior to the date of grant times the number of common shares granted. This fair value is used to determine the stock-based compensation expense, as shown in our consolidated financial statements. The amounts shown in these column represent the stock-based compensation expense for the year ended December 31, 2007 prior to a 5.0% deduction for estimated forfeitures, attributable to restricted common share grants that was attributable to all restricted common shares granted to the named executive officer and outstanding during each respective year that is recognized by us in that respective year. During 2007, total fair value attributable to restricted common share grants to Messrs. Porter, Gerlich and Pettit as of the date of grant was \$281,250, \$171,875 and \$140,625, respectively.
- (3) Of the \$73,138 shown for Mr. Porter in 2007, \$16,610 related to the rental and related utility costs for an apartment in Houston, Texas; \$10,800 related to the rental of an office in Miami, Florida (our Chief Executive Officer's city of residence); \$13,569 related to the use of a rental car while in Houston; \$18,821 related to airfare between Houston and Miami, \$9,000 related to our contribution to Mr. Porter's 401-K plan

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and the balance of \$4,338 was for club dues. Each of the items was incurred by or on behalf of Mr. Porter in the ordinary course of business or for his convenience and was considered a reasonable perquisite for a senior executive officer. Of the \$95,892 shown for Mr. Porter during 2006, \$19,962 related to the rental and related utility costs for an apartment in Houston, Texas; \$41,264 related to the rental of an office in Miami, Florida (our Chief Executive Officer's city of residence); and \$13,274 related to the use of a rental car while in Houston. The balance of \$21,392 was related to airfare between Houston and Miami, club dues, an executive health physical examination and our contribution to Mr. Porter's 401(k) plan. Each of the items was incurred by or on behalf of Mr. Porter in the ordinary course of business or for his convenience and was considered reasonable and customary perquisites for a senior executive officer.

As permitted by the rules promulgated by the SEC, no amounts are shown for Messrs. Gerlich and Pettit with respect to all other compensation received in 2007 and 2006, as the total value of all perquisites and personal benefits during the year was less than \$10,000 per year.

(4) Mr. Pettit commenced his employment with us on August 21, 2007.

The following table shows certain information about the number of restricted common shares granted to our named executive officers during the year ended December 31, 2007. There were no stock option grants to named executive officers in 2007.

Grants of Plan-Based Awards Table

For the Year Ended December 31, 2007

Name	Grant Date	Number of Restricted Shares of Stock	Number of Securities Underlying Options	Exercise or Base Price of Awards	Grant Date Fair Value of Awards (1)
J. Russell Porter (2)	07/03/07	225,000		\$ 2.20	\$ 495,000
Michael A. Gerlich (2)	07/03/07	137,500		\$ 2.20	\$ 302,500
Jeffery C. Pettit (3)	08/27/07	112,500		\$ 1.67	\$ 187,875

- (1) Grant date fair value of restricted common share awards is equal to the closing price of our common shares on the day prior to the date of grant times the number of common shares granted. This fair value is used to determine the compensation expense, as shown in our consolidated financial statements.
- (2) The 07/03/07 grant of restricted common shares to Messrs. Porter and Gerlich vest 33.3% on 07/03/09, 07/03/10 and 07/03/11.
- (3) The 08/27/07 grant of restricted common shares to Mr. Pettit vest 33.3% on 08/27/09, 08/27/10 and 08/27/11.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

The following is a narrative of our various compensation plans and the general terms of each:

2002 Stock Option Plan. Our 2002 Stock Option Plan was approved and ratified by our shareholders in July 2002. It authorizes the our Board of Directors to issue stock options to directors, officers, employees and our consultants and our subsidiaries to purchase a maximum of 25.0 million common shares. Stock option grant expirations vary between five and 10 years. The vesting schedule has varied from two years to four years but generally has occurred over a four-year period at 25% per year beginning on the first anniversary date of the grant. Stock options issued pursuant to our 2002 Stock Option Plan have an exercise price determined by the Board of Directors, but that exercise price cannot be less than the market price on the date immediately prior to

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the date of grant as reported by any stock exchange on which our common shares are listed. If a stock option granted under our 2002 Stock Option Plan expires or terminates for any reason in accordance with the terms of our Stock Option Plan, the unpurchased common shares subject to that stock option become available for other stock option grants.

In April 2004, the Board of Directors amended the provisions of our 2002 Stock Option Plan to specifically incorporate a provision to provide for stock options to be exercised on a cashless basis, whereby we issue to the optionee the number of common shares equal to the stock option exercised, less the number of common shares which when multiplied by the market price at the date of exercise equals the aggregate exercise price for all of the common shares exercised. As of December 31, 2007, stock option grants covering the issuance of 10,173,750 common shares were outstanding under the 2002 Stock Option Plan.

2006 Gatar Long-Term Stock Incentive Plan. On June 1, 2006, our shareholders approved the 2006 Gatar Long-Term Stock Incentive Plan. The 2006 Gatar Long-Term Stock Incentive Plan authorizes our Board of Directors to issue stock options, stock appreciation rights, bonus stock awards and any other type of award established by the Committee which is consistent with the Plan's purposes to our directors, officers and employees and our subsidiaries covering a maximum of 5.0 million common shares. The contractual life and vesting period for a grant will be determined by the Board of Directors at the time grant is awarded. The vesting period for restricted common stock grants during 2007 was over four years, with one-third vesting on the second, third and fourth anniversaries of the date of grant. As of December 31, 2007, only grants covering the issuance of 1,096,000 restricted common shares were outstanding under the 2006 Gatar Long-Term Stock Incentive Plan.

All stock options incorporate the following features:

Existing grants have a term of five or 10 years;

Grant price is not less than the closing market price on the date immediately prior to the date of grant;

Grants do not include reload provisions;

Repricing of options is prohibited, unless approved by the shareholders; and

Stock options vest over a period of time that is determined by the Board of Directors.

In 2006 and a portion of 2007, stock options were granted to new hires at the time of employment and to all other employees, including our named executive officers, around the time of our annual meeting of shareholders. The Board of Directors has discretionary authority to determine granting and vesting periods of stock options. Typically, vesting periods have been over a four-year period with 25% vesting on the first, second, third and fourth anniversary dates. Certain stock options granted in 2006 to our Chief Executive Officer and certain technical managers vest over two years. Other stock options granted on the same date to the Chief Financial Officer and other employees vest over three years. The stock option awards having shorter vesting periods were granted to provide additional shorter term incentive to our named executive officers, certain technical and other employees.

Pursuant to our incentive plans, the Board of Directors has designated the Remuneration Committee as the entity to administer the granting of stock options, restricted common stock grants and other forms of stock-based compensation. Grants are determined by the Committee, based on the recommendations of our Chief Executive Officer, except in the case of grants awarded to the Chief Executive Officer. In determining a grant to named executive officers, the Committee has taken into account the named executive officer's position, the scope of his responsibilities, his ability to affect profits and shareholder value and the individual's past and current individual performance and corporate performance.

Employee Change of Control Severance Plan. A change of control is defined in the severance plan to mean (1) the consummation of a merger, consolidation, reorganization or other transaction whereby our shareholders

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retain less than 50% control, directly or indirectly, of us or the surviving company, (2) our incumbent directors cease to constitute a majority of the board of directors or (3) a sale or other disposition of all or substantially all of our assets. The change of control severance plan does not change the specific, non-change of control severance payments in place under the existing employment agreements with our named executive officers but does provide change of control severance benefits to the named executive officers only if they are greater than the severance benefits provided under the employment agreement. The change of control severance plan does not allow for any duplication of severance benefits.

For the named executive officers, the change of control severance plan provides that if a named executive officer's employment is terminated within two years following a change of control for any reason other than (i) death, (ii) disability, (iii) by us for cause or (iv) by the named executive officer for other than a good reason, the named executive officer will receive a lump-sum payment equal to a multiple that is equal to the applicable severance period, as set forth in the change of control severance plan, times the sum of (1) his annual salary and (2) annual target bonus.

The following summarizes the severance periods and target bonus percentages for the named executive officers set forth in the change of control severance plan:

	Severance Period in Years	Target Bonus Percentage
Chief Executive Officer	3.00	50%
Chief Financial Officer	2.50	35%
Vice President (Chief Operating Officer)	2.00	25%

Additionally, during the applicable severance period, named executive officers would receive reimbursement for the cost of COBRA continuation health care coverage, less the amount charged at the time of termination to the employee for their medical coverage.

If the named executive officer receives a payment or benefit that is subject to the golden parachute excise tax, the named executive officer will receive an additional payment under the severance plan to make him or her whole for that excise tax and any taxes on the additional parachute tax gross-up payment.

If the individual's employment is terminated within six months prior to a change of control and it is reasonably shown to have been in connection with the change of control, then the change of control will be treated with respect to that employee as having occurred prior to his or her termination.

Employment Agreements. We entered into employment agreements with J. Russell Porter, our President and Chief Executive Officer; and Michael A. Gerlich, our Chief Financial Officer, effective February 24, 2005 and May 17, 2005, respectively. The agreements with Messrs. Porter and Gerlich set forth, among other things, annual compensation, and adjustments thereto, minimum bonus payments, fringe benefits, termination and severance provisions. The agreements renew annually; however, they may be terminated at any time with or without cause. Jeffery C. Pettit, our Chief Operating Officer, entered into an employment letter agreement on August 21, 2008. The letter agreement sets forth, among other things, Mr. Pettit's initial base salary, a guaranteed 2007 bonus, fringe benefits and severance provisions for Mr. Pettit's, which may be terminated at any time by us or Mr. Pettit with or without cause.

Mr. Porter's employment agreement provides that he is entitled to an annual bonus in an amount that may take the form of cash compensation, the award of stock or stock options, royalty rights or otherwise and that he shall receive an annual cash bonus equal to at least 20% of his annual base salary. The employment agreement further provides that the bonuses shall reflect not only the results of our operations and business, but his contribution as President and Chief Executive Officer.

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Mr. Porter's employment agreement also provides that his employment shall terminate (i) without notice upon his death; (ii) without notice upon his Disability, as defined in his employment agreement; (iii) upon six month's written notice to us by Mr. Porter for any or no reason, with or without cause; (iv) upon one year's written notice to Mr. Porter by us for any or no reason, with or without cause; or (v) by us without prior notice upon a showing of Reasonable Cause, as defined in his employment agreement. If he is terminated by us for any reason other than cause, he will receive severance pay of two years total compensation. The severance payment will consist of the payment of Mr. Porter's W-2 compensation earned in the calendar year coincident with or immediately preceding Mr. Porter's termination of employment, payable over the appropriate number of weeks after termination of employment (the Severance Pay Period) and continuation of health insurance for Mr. Porter and his family at our expense during the Severance Pay Period. If Mr. Porter dies during the Severance Pay Period, severance pay and health benefits will continue for the benefit of his eligible beneficiary during the remainder of the Severance Pay Period.

Mr. Gerlich's employment agreement provides that the Committee may on a yearly basis, or more frequently, award Mr. Gerlich a discretionary bonus or bonuses based not only on the positive results of our operations and business, but Mr. Gerlich's contribution as Chief Financial Officer. Such bonuses may take the form of cash compensation, the award of stock or stock options, royalty rights or otherwise. Mr. Gerlich's employment agreement also provides that his employment shall terminate (i) without notice, upon his death; (ii) without notice, upon his Disability, as defined in his employment agreement; (iii) upon two month's written notice to us by Mr. Gerlich for any or no reason, with or without cause; (iv) if there is a change of control, as defined in his employment agreement and that change in control results in a material change in the scope of Mr. Gerlich's duties and responsibilities such that he terminates his employment; (v) upon two month's written notice to Mr. Gerlich by us for any or no reason, with or without cause and (vi) or by us without prior notice, upon a showing of Reasonable Cause, as defined in his employment agreement. If he is terminated by us for any reason other than cause, he will receive severance pay of two years annual gross salary, exclusive of bonuses received, stock options granted or exercised, or other non cash compensation. The severance payment will be calculated on the basis of his then current annual salary, to be earned in Mr. Gerlich's then current employment year coincident with or immediately preceding the notice of termination of employment, payable in equal amounts over 100 weeks (the Severance Pay Period). There will be continuation of health insurance for Mr. Gerlich and his family at our expense during the Severance Pay Period. If Mr. Gerlich dies during the Severance Pay Period, severance pay and health benefits will continue for the benefit of his eligible beneficiary during the remainder of the Severance Pay Period.

Mr. Pettit's employment agreement provides that he or us may terminate his employment and any time, with or without cause. If he is terminated by us for cause (as defined in his employment agreement), he will not be eligible for severance or other compensation; except for, accrued annual salary to the date of termination. If he is terminated by us without cause during his first two years, he will receive 1.0 times his annual salary plus stock options or restricted common shares vested prior to the date of termination. If he is terminated by us without cause after his second year of employment, he will receive 1.5 times his annual salary plus stock options or restricted common shares vested prior to the date of termination. Any severance or other compensation shall be paid over the termination period. We may terminate Mr. Pettit's employment if a disability results in Mr. Pettit being unable to work for more than 90 days; provided, however, this will not apply to injury occurring while performing job duties.

Salary and Cash Bonus in Proportion to Total Compensation

The following table sets forth the percentage of each named officer's total compensation that we paid in the form of base salary and cash bonus for the year 2007.

	Percentage of Total Compensation
J. Russell Porter	46%
Michael A. Gerlich	46%
Jeffery C. Pettit	87%

Table of Contents**Outstanding Equity Awards at Fiscal Year-End Table**

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares of Restricted Stock That Have Not Vested	Market Value of Shares of Restricted Stock That Have Not Vested (1)
J. Russell Porter (2)	750,000	250,000	\$ 3.48	08/04/09	225,000	\$ 281,250
	37,500	112,500	\$ 4.89	04/05/16		
	500,000	500,000	\$ 2.32	07/14/16		
Michael A. Gerlich (3)	125,000	125,000	\$ 3.57	06/24/10	137,500	\$ 171,875
	62,500	187,500	\$ 5.11	01/16/16		
	25,000	75,000	\$ 4.89	04/05/16		
	100,000	200,000	\$ 2.32	07/14/16		
Jeffery C. Pettit (4)					112,500	\$ 140,625

- (1) The closing price of our common share on December 31, 2007 was \$1.25.
- (2) The 250,000 unexercisable stock options granted to Mr. Porter that expire on 08/04/09 (grant date of 08/04/04) vest 100% on 08/04/08. The exercise price was denominated at CDN\$3.41. At the exchange rate on 12/31/07, this exercise price equates to \$3.48. The 112,500 unexercisable stock options granted to Mr. Porter that expire on 04/05/16 (grant date of 04/05/06) vest 33.3% on 04/05/08, 04/05/09 and 04/05/10. The exercise price was denominated at CDN\$4.80. At the exchange rate on 12/31/07, this exercise price equates to \$4.89. The 500,000 unexercisable stock options granted to Mr. Porter that expire on 07/14/16 (grant date of 07/14/06) vest 50% on 07/14/08 and 07/14/09. The exercise price was denominated in United States dollars at \$2.32. The 225,000 restricted common shares granted to Mr. Porter on 07/03/07 vest 33.3% on 07/03/09, 07/03/10 and 07/03/11.
- (3) The 125,000 unexercisable stock options granted to Mr. Gerlich that expire on 06/24/10 (grant date of 06/24/05) vest 50% on 06/24/08 and 06/24/09. The exercise price was denominated at CDN\$3.50. At the exchange rate on 12/31/07, this exercise price equates to \$3.57. The 187,500 unexercisable stock options granted to Mr. Gerlich that expire on 01/16/16 (grant date of 01/16/06) vested 33.3% on 01/16/08, 06/16/09 and 06/16/10. The exercise price was denominated at CDN\$5.01. At the exchange rate on 12/31/07, this exercise price equates to \$5.11. The 75,000 unexercisable stock options granted to Mr. Gerlich that expire on 04/05/16 (grant date of 04/05/06) vest 33.3% on 04/04/08, 04/04/9 and 04/04/10. The exercise price was denominated at CDN\$4.80. At the exchange rate on 12/31/07, this exercise price equates to \$4.89. The 200,000 unexercisable stock options granted to Mr. Gerlich that expire on 07/14/16 (grant date of 7/14/06) vest 50% on 07/14/08 and 07/14/09. The exercise price was denominated in United States dollars at \$2.32. The 137,500 restricted common shares granted to Mr. Gerlich on 07/03/07 vest 33.3% on 07/03/09, 07/03/10 and 07/03/11.
- (4) Mr. Pettit joined us as our Chief Operating Officer on August 27, 2007. He was granted 112,500 restricted common shares as a condition of his employment that vest 33.3% on 08/27/09, 08/27/10 and 08/27/11.

Option Exercises and Stock Vested

During the year ended December 31, 2007, no restricted common shares that were granted to the named executive officers vested, and no stock options were exercised by the named executive officers. The named executive officers have no other outstanding stock awards other than those shown above.

Potential Payments Upon Termination or Change of Control

The table below discloses the amount of compensation and/or other benefits due to the named executive officers in the event of their termination of employment, including, but not limited to, in connection with a

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change in control. The amounts shown assume that such termination was effective as of December 31, 2007, and thus include amounts earned through such date and are estimates of the amounts which would be paid to the named executive officers upon their respective termination. The actual amounts to be paid out can only be determined at the time the executive is terminated.

Named Executive Officer and Post Termination Benefits	Termination for Other than Reasonable Cause (1)	Constructive Termination and Termination in Connection with Change of Control (2)	Termination for Reasonable Cause (3)	Death (4)	Disability (4)
J. Russell Porter					
Salary	\$ 1,350,000	\$ 2,025,000	\$	\$ 1,350,000	\$ 1,350,000
Accrued vacation	51,924	51,924	51,924	51,924	51,924
Paid health and medical	27,265	27,265		22,474	27,265
Parachute tax gross-up payment (5)		847,832			
Equity compensation (6)		281,250			
Total	\$ 1,429,189	\$ 3,233,271	\$ 51,924	\$ 1,424,398	\$ 1,429,189
Michael A. Gerlich					
Salary	\$ 550,000	\$ 928,126	\$	\$ 550,000	\$ 550,000
Accrued vacation	15,865	15,865	15,865	15,865	15,865
Paid health and medical	27,265	27,265		22,474	27,265
Parachute tax gross-up payment (5)		340,861			
Equity compensation (6)		171,875			
Total	\$ 593,130	\$ 1,483,992	\$ 15,865	\$ 588,339	\$ 593,130