

October 27, 2011

ARÊTE INDUSTRIES, INC.

COMPENSATION COMMITTEE CHARTER

A. Purpose

The Committee is appointed by the Board of Directors of Arête Industries, Inc. (the “Company”) to discharge the Board of Directors’ responsibilities relating to compensation of the Company’s directors and executive officers. The Committee has overall responsibility for approving and evaluating the director and executive officer compensation plans, policies and programs of the Company.

B. Structure and Membership

1. Number. The Compensation Committee shall consist of at least three members of the Board of Directors.
2. Independence. Except as otherwise permitted by the applicable rules of any exchange upon which the securities of the Company may be listed, each member of the Compensation Committee shall be an “independent director” as defined by the applicable rules of any exchange upon which the securities of the Company may be listed and by applicable rules of the U.S. Securities and Exchange Commission (“SEC”).
3. Chair. Unless the Board of Directors elects a Chair of the Compensation Committee, the Compensation Committee shall elect a Chair by majority vote.
4. Compensation. The compensation, if any, of Compensation Committee members shall be as determined by the Board of Directors.
5. Selection and Removal. Members of the Compensation Committee shall be appointed by the Board of Directors. The Board of Directors may remove members of the Compensation Committee from such committee, with or without cause.

C. Authority and Responsibilities

General

The Compensation Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management in accordance with its business judgment.

Compensation Matters

1. Executive Officer Compensation. The Compensation Committee shall review and approve, or recommend for approval by a majority of the independent directors of the Board of Directors, executive officer (including the Company's Chief Executive Officer (the "CEO")) compensation, including, without limitation, salary, bonus and incentive compensation levels; deferred compensation; executive perquisites; equity compensation (including awards to induce employment); severance arrangements; change-in-control benefits and other forms of executive officer compensation. The Compensation Committee or the independent directors of the Board of Directors, as the case may be, shall meet without the presence of executive officers when approving CEO compensation but may, in its or their discretion, invite the CEO to be present during approval of other executive officer compensation.
2. Plan Recommendations and Approvals. The Compensation Committee shall periodically review and make recommendations to the Board of Directors with respect to incentive-compensation plans and equity-based plans. In addition to any recommendation provided by the Compensation Committee to the full Board of Directors, the Compensation Committee shall approve, or recommend for approval by a majority of the independent directors of the Board of Directors, any tax-qualified, non-discriminatory employee benefit plans (and any parallel nonqualified plans) for which shareholder approval is not sought and pursuant to which options or stock may be acquired by officers, directors, employees or consultants of the Company.
3. Incentive Plan Administration. The Compensation Committee shall exercise all rights, authority and functions of the Board of Directors under any and all Company stock option, stock incentive, employee stock purchase and other equity-based plans.
4. Director Compensation. The Committee shall have the sole authority to approve, amend or terminate for directors: (a) the annual compensation, and (b) any additional compensation for service on committees of the Board of Directors, service as a committee chairman, service as a lead director of the independent

director sessions of the Board of Directors, meeting fees or any other benefit payable by virtue of director's position as a member of the Board of Directors, except as provided in Paragraph Number 6 below.

5. Additional Powers. The Compensation Committee shall have such other duties as may be delegated from time to time by the Board of Directors.
6. Ratification Required by the Board of Directors. The following shall be presented as a recommendation to the full Board of Directors and approved by the full Board of Directors: (i) any action, including, but not limited to, the adoption or amendment of any non-qualified equity compensation plan that is required by law or regulation to be submitted to the shareholders of the Company for approval, and (ii) any approval, amendment or termination of change in control agreements/provisions related to the directors or officers of the Company. In the event the recommendation of the Committee is not approved by the Board of Directors, the recommended action must be returned to the Committee for further consideration. Any future Committee recommendation regarding such item must, again, be presented to the Board of Directors for its approval. For the purpose of this Charter, a "non-qualified equity compensation plan" shall mean any plan that does not meet the requirements of Section 401(a) or 423 of the Internal Revenue Code, as amended or the definition of an "excess benefit plan" within the meaning of Section 3(36) of the Employment Retirement Income Security Act.
7. Proxy Statement. The Committee shall assist the Company's management in reviewing executive compensation in disclosure in the Company's proxy statements to shareholders.
8. Competitive Compensation Position. The Committee may annually review market data to assess the Company's competitive position of each material component of executive compensation (especially base salary, annual incentives, long-term incentives, and supplemental executive benefit programs) by reviewing market data for appropriate peer companies.
9. Cash Effect The Committee shall monitor the cumulative cash effect on the Company caused by bonus and other cash-based incentive plans of the Company, especially in relation to the Company's net income for the applicable year(s).
- 10 Stock Ownership Policy. The Committee shall establish and monitor any stock ownership policy with regard to the officers and directors of the Company and monitor compliance with this policy.

D. Procedures and Administration

1. Meetings. The Compensation Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Compensation Committee may also act by unanimous written consent in lieu of a meeting. The Compensation Committee shall keep such records of its meetings as it shall deem appropriate. The Committee shall determine which officers of the Company or other visitors to invite to the Committee's meetings. In the sole discretion of the Committee, the Committee may meet in executive session at any time.
2. Reports to Board of Directors. Following each substantive action by the Committee, the Committee shall make a report to the full Board of Directors at the next regularly scheduled meeting of the full Board of Directors.
3. Charter. The Compensation Committee shall periodically review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.
4. Consulting Arrangements. The Compensation Committee shall have the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of executive officer compensation and shall have authority to approve the consultant's fees and other retention terms. The Compensation Committee shall also have authority to commission compensation surveys or studies as the need arises. The Compensation Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of such consultants as established by the Compensation Committee.
5. Independent Advisors. The Compensation Committee shall have the authority, without further action by the Board of Directors, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be the regular advisors to the Company. The Compensation Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of such advisors as established by the Compensation Committee.
6. Investigations. The Compensation Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Compensation Committee or any advisors engaged by the Compensation Committee.
7. Annual Self-Evaluation. At least annually, the Compensation Committee shall evaluate its own performance. The Committee shall annually review its own

performance by distributing to its members a self-assessment. The results of such self-assessment shall be presented to the Board of Directors at its next meeting.

8. Delegation. The Committee may form and delegate authority to subcommittees when it determines that such action is appropriate under the circumstances. The Committee may not delegate its duties except to a subcommittee of its members.
9. Additional Activities. The Committee shall perform any other activities consistent with this Charter, the Company's Bylaws and applicable law, as the Committee deems appropriate to carry out its assigned duties or as requested by the Board of Directors.
10. Education/Training. The Company is responsible for providing the Committee with educational resources related to topics pertinent to the work of the Committee and other material as may be requested by the Committee.