

GASTAR EXPLORATION LTD
Form DEF 14A
May 15, 2008
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SCHEDULE 14A

INFORMATION

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

(Amendment No.)

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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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 19, 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 19, 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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CORPORATE GOVERNANCE

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.	Unbridled Energy Corporation
<i>Orientation and Continuing Education</i>	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. Selsor 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.

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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

