

PetroHunter Energy Corp
Form DEF 14A
January 28, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

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
- Soliciting Material Pursuant to §240.14a-12

PETROHUNTER ENERGY CORPORATION
(Name of Registrant As Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies: _____
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- 4) Proposed maximum aggregate value of transaction: _____
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1) Amount Previously Paid: _____

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3) Filing Party: _____

4) Date Filed: _____

PETROHUNTER ENERGY CORPORATION

1600 Stout Street, Suite 2000

Denver, Colorado 80202

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the holders of Common Stock of PetroHunter Energy Corporation:

The annual meeting (the "Annual Meeting") of stockholders of PetroHunter Energy Corporation (the "Company") will be held at the Denver Magnolia Hotel, 818 – 17th Street, Denver, Colorado 80202, on Monday, April 20, 2009, at 9:00 a.m., Mountain Time. The meeting will be convened for the following purposes:

- (1) To elect five directors to the Company's Board of Directors;
- (2) To approve our 2009 Performance Incentive Plan; and
- (3) To transact such other business as may properly come before the Annual Meeting and at any adjournments thereof.

Only holders of record of the Company's common stock at the close of business on January 27, 2009 are entitled to notice of and to vote at the Annual Meeting or any adjournments thereof.

Even if you now expect to attend the Annual Meeting, you are requested to mark, sign, date, and return the accompanying proxy in the enclosed addressed, postage-paid envelope. If you attend the Annual Meeting, you may vote in person, whether or not you have sent in your proxy. A proxy may be revoked at any time prior to the voting thereof.

By Order of the Board of Directors

/s/ David E. Brody
David E. Brody, Corporate Secretary

Denver, Colorado
January 28, 2009

PETROHUNTER ENERGY CORPORATION

1600 Stout Street, Suite 2000
Denver, Colorado 80202

PROXY STATEMENT

January 28, 2009

This Proxy Statement is furnished to the stockholders of PetroHunter Energy Corporation (the “Company”) in connection with the solicitation on behalf of the Board of Directors (the “Board”) of proxies for use at the annual meeting of stockholders (the “Annual Meeting”) to be held at the Denver Magnolia Hotel, 818 – 17th Street, Denver, Colorado 80202, on Monday, April 20, 2009, at 9:00 a.m., and at any adjournments thereof.

This Proxy Statement and the enclosed form of proxy are first being mailed to stockholders on or about February 20, 2009, and the cost of soliciting proxies in the enclosed form will be borne by the Company. In addition to the use of the mails, proxies may be solicited by personal interview, telephone, facsimile and electronic means. Banks, brokerage houses and other nominees or fiduciaries have been requested to forward the soliciting material to their principals and to obtain authorization for the execution of proxies, and the Company will, upon request, reimburse them for their expenses in so acting.

VOTING

Who Can Vote

Only stockholders of record as of the close of business on January 27, 2009 are entitled to notice of and to vote at the Annual Meeting or at any adjournments thereof. On January 27, 2009, the Company had outstanding 375,468,544 shares of common stock, \$0.001 par value per share (the “Common Stock”). Each share of Common Stock you own entitles you to one vote on each matter to be voted on at the Annual Meeting.

How You Can Vote

You may vote your shares in person by attending the Annual Meeting or you may vote by completing, signing, dating and mailing the enclosed proxy card in the envelope provided. If you return your signed proxy card before the Annual Meeting, the named proxy will vote your shares as you direct. If you send in your proxy card, but do not specify how you want to vote your shares, your shares will be voted (i) FOR the election of all nominees for director as described under “Election of Directors”; (ii) FOR approval of the 2009 Performance Incentive Plan, and (iii) in the discretion of the persons named in the enclosed proxy, on any other matters that may properly come before the Annual Meeting.

You May Revoke or Change Your Vote

You may revoke the enclosed proxy at any time prior to its exercise by filing with the Secretary of the Company a written revocation or a duly executed proxy bearing a later date. A stockholder who votes in person at the Annual Meeting in a manner inconsistent with a proxy previously filed on the stockholder’s behalf will be deemed to have revoked such proxy as it relates to the matter voted upon in person. Attendance at the Annual Meeting will not in and of itself constitute a revocation of a proxy.

PROPOSAL ONE
ELECTION OF DIRECTORS

The Company's Bylaws authorize the Board to determine from time to time by resolution the number of directors. The Board has fixed the number of directors to be elected at the Annual Meeting at five, and proxies cannot be voted for a greater number of persons. Unless authority is withheld, the persons named in the enclosed proxy will vote the shares represented by the proxies received for the election of the five nominees named below to each serve until the next Annual Meeting and thereafter until his successor is duly elected and qualified, or until his earlier death, resignation or removal.

NOMINEES:

Charles B.
Crowell
Carmen J. Lotito
Martin B. Oring
Matthew R.
Silverman
Dr. Anthony K.
Yeats

If any nominee should decline or be unable to serve for any reason, votes will instead be cast for a substitute nominee designated by the Board. The Board has no reason to believe that any nominee will decline to be a candidate or, if elected, will be unable or unwilling to serve. The Company's directors are elected by a plurality vote.

Information About Directors

The following sets forth certain information about the nominees for director of the Company.

- Charles B. Crowell, age 65, was appointed to serve as our Chairman of the Board and Chief Executive Officer in July 2007. Mr. Crowell has served as a director of the Company since February 2007 and was a member and chairman of the Audit and Compensation Committees. In addition to his service to the Company, Mr. Crowell has been a practicing attorney and an officer and consultant to oil and gas companies for 38 years. Mr. Crowell has held executive positions at several public and private companies, including manager and principal of Enigma Energy Company, LLC, Dallas, Texas, and Executive Vice President of Administration of Triton Energy Corporation. In addition to his services as a director of the Company, Mr. Crowell has also served and continues to serve as a director in several other public companies, including Gasco Energy, Inc., Denver Colorado (2002-present) and Vice Chairman of the Board (2003-present); Comanche Energy, Inc., Tulsa, Oklahoma (1999-2000); Arakis Energy Corporation, Calgary, Alberta, Canada (1997-1998); Aero Services International, Inc., Newtown, Pennsylvania (1989-1993) (Chairman of the Board 8/90-12/92); and Triton Europe, plc., The Hague, The Netherlands (1989-1993). Mr. Crowell holds a BA degree from John Hopkins and a JD from University of Arkansas. He was admitted to the practice of law in Texas in 1974.
- Carmen J. Lotito, age 64, has been a director of the Company since May 2006 and the Executive Vice President – Business Development since October 2007. He previously served as the Executive Vice President, Chief Financial Officer, Treasurer, and Secretary of the Company at various times from May 2006 to October 2007. Mr. Lotito is also the Executive Vice President – Business Development of PetroHunter Operating Company. Mr. Lotito has been a director and chairman of the audit and compensation committees of Gasco Energy, Inc. since April 2001, and was a director of Galaxy Energy Corporation from November 2002 to August 2006. He served as chief financial officer and treasurer of Galaxy Energy Corporation from November 2002 to July 2005, and as executive vice president

from August 2004 to July 2005. Gasco Energy is

PetroHunter Energy Corporation Proxy Statement - Page 2

subject to the reporting requirements of the Securities Exchange Act of 1934. Mr. Lotito served as vice president, chief financial officer, and director of Coriko Corporation, a private business development company, from November 2000 to August 2002. Prior to joining Coriko, Mr. Lotito was self-employed as a financial consultant. Mr. Lotito holds a B.S. degree in accounting from the University of Southern California.

- Martin B. Oring, age 63, became a director in July 2007. Mr. Oring is an executive in the financial services and energy industries. Prior to forming his current business in 2001, Wealth Preservation, LLC, he had extensive experience as a member of management in several companies, including Prudential Securities (Managing Director of Executive Services), Chase Manhattan Corporation (Manager of Capital Planning), and Mobil Corporation (Manager, Capital Markets & Investment Banking). He has served and will continue to serve as a director of Parallel Petroleum Corporation, located in Midland, Texas, and Searchlight Minerals Corp., located in Henderson, Nevada. Mr. Oring received a B.S. degree in mechanical engineering from the Carnegie Institute of Technology in 1966 and an M.B.A. degree from in production management, finance and marketing from Columbia University in 1968. Mr. Oring chairs the audit, compensation and nominating committees of our board of directors and is a qualified financial expert.
- Matthew R. Silverman, age 55, became a director in February 2007. Mr. Silverman is Exploration Manager with Robert L. Bayless, Producer LLC, an oil and gas company that is active in the central and southern Rocky Mountain regions. Such projects have included exploration for conventional oil and natural gas, tight gas, and coalbed methane development in several basins. Mr. Silverman directs Bayless's geology and land departments in its Denver offices. From 1989 to 2000, he was employed by Gustavson Associates, Inc., an international oil and gas consulting group, where he was responsible for technical evaluation and capital formation for exploration and production opportunities around the world. His work included appraising oil and gas assets (producing and exploratory), preparing on-site oil and gas field feasibility studies, and business development. Mr. Silverman was previously employed by TOTAL Minatome and its predecessors, CSX Oil & Gas and Texas Gas Exploration, from 1982 to 1989 in Denver, Colorado, and by Evans Energy from 1976 to 1982. He received an A.B. degree from Brown University in 1975 and an M.S. degree in Geological Sciences from the University of Colorado in 1983. Mr. Silverman is a Certified Petroleum Geologist.
- Dr. Anthony K. Yeats, age 62, became a director in February 2006. Dr. Yeats has participated in the development of numerous exploration ventures in oil and gas opportunities around the world. His career has included the role of Chief Geologist, Geophysicist and Team Leader for Royal Dutch Shell in the Middle East, Africa and the Far East, Exploration Coordinator for BP's Global Basin Group, and Chief Geologist for a number of regional acquisitions undertaken by British Petroleum at a variety of locations throughout the Middle East, Africa, Canada and Europe. Before joining the Company, in 1999 Dr. Yeats started Cambridge Earth Sciences Limited, which provides private research and consulting services for companies engaging in geology and exploration management, which Dr. Yeats continues to run. Prior to 1999, Dr. Yeats was Co-coordinator for World Wide New Ventures for Total in Paris and finally Exploration Manager for Total in the Former Soviet Union where he managed teams undertaking hydrocarbon exploration in Kazakhstan, Azerbaijan, and Russia. In this post he was responsible for the generation of new ventures, including the acquisition of already existing discoveries. Over the years he has developed extensive contacts with the financial community in Edinburgh and London, which specialize in the raising of capital for oil and gas ventures particularly from UK, French, Canadian and Middle East sources.

Director Independence Determinations

The Board has evaluated the independence of the members of the Board under the independence standards promulgated in the Nasdaq listing standards. In conducting this evaluation, the Board considered transactions and relationships between each director nominee or his immediate family and the Company to determine whether any such transactions or relationships were material and, therefore, inconsistent with a determination that each such director nominee is independent. Based upon that evaluation, the Board determined that Dr. Yeats and Messrs. Oring and Silverman have no material relationship with the Company and, thus, are independent.

Board Meetings and Committees

During the fiscal year ended September 30, 2008, the Board held 31 meetings and acted by written consent two times. Each director participated in at least 89% of the aggregate total number of meetings held by the Board and all committees of which he was a member that were held during the period in which he served.

The Board has an Audit Committee, Nominating Committee, and Compensation Committee. All of the members of these committees are non-employee, independent directors in accordance with the Nasdaq listing standards.

The Company does not maintain a formal policy regarding the Board's attendance at annual stockholder meetings.

Audit Committee

The current members of the Audit Committee are Martin B. Oring (Chairman), Matthew R. Silverman and Dr. Anthony K. Yeats. The Board has determined that Mr. Oring is the audit committee financial expert, as defined by the Securities and Exchange Commission ("SEC") rules and has accounting or related financial management expertise under the Nasdaq rules. All of the members of the Audit Committee are independent under the SEC rules pertaining to audit committee members. The Audit Committee met 37 times during the fiscal year ended September 30, 2008. The Audit Committee adopted an Audit Committee Charter. The Audit Committee is responsible for (i) making recommendations to the Board concerning the engagement of the Company's independent public accountants, (ii) consulting with the independent public accountants with regard to the audit plan, (iii) consulting with the Company's principal financial and accounting officers on any matter the Audit Committee or the principal financial and accounting officers deem appropriate in connection with carrying out the audit, (iv) reviewing the results of audits of the Company by its independent public accountants, (v) reviewing all material related party transactions and all other potential conflict of interest situations, (vi) discussing audit recommendations with management and reporting the results of its reviews to the Board and (vii) performing such other functions as may be prescribed by the Board. The Audit Committee Charter may be found on our website, at www.PetroHunter.com.

Nominating Committee

The Nominating Committee was formed in December 2007. The current members of the Nominating Committee are Martin B. Oring (Chairman), Matthew R. Silverman and Dr. Anthony K. Yeats. The Nominating Committee is responsible for (i) making recommendations to the Board about appropriate composition of the Board and its committees, (ii) evaluating potential director nominees and making recommendations to the Board regarding those director nominees that may be considered for election to the Board at the Annual Meeting, (iii) advising the Board on corporate governance practices and policies,

(iv) overseeing the evaluation of the Board and management of the Company, (v) making recommendations to the Board regarding succession planning, and (vi) performing such other functions as may be prescribed by the Board. The Nominating Committee Charter may be found on our website, at www.PetroHunter.com.

The Board's current criteria for selecting new directors do not include specific minimum qualifications, but include criteria relating to a candidate's business experience and accomplishments, lack of conflicts of interest, ability to commit the time to serve effectively, personal characteristics, the Board's needs for diversity of backgrounds and skills, and other pertinent considerations. The Nominating Committee periodically reviews the appropriate skills, experience, perspectives and characteristics required of Board members or candidates in the context of the perceived needs of the Board at the time.

The Committee will consider suggestions for potential director nominees from many sources, including members of the Board, management, advisors and stockholders. All of the nominees for director recommended for election by the stockholders at the 2009 Annual Meeting are current members of the Board. The Committee will consider nominees recommended by stockholders in the same manner as other candidates. Nominations of candidates for election to the Board may be made by any stockholder entitled to vote at a meeting of stockholders called for the election of directors. Stockholder recommendations for director nominees must be submitted in writing to Chairman, Nominating Committee, PetroHunter Energy Corporation, 1600 Stout Street, Suite 2000, Denver, Colorado 80202 by the deadline for stockholder proposals referred to at the end of this proxy statement. Unsolicited recommendations must contain all of the information that would be required in a proxy statement soliciting proxies for the election of the candidate as a director, a description of all direct and indirect arrangements or understandings between the recommending stockholder and the candidate, all other companies to which the candidate is being recommended as a nominee for director, and a signed consent of the candidate to cooperate with reasonable background checks and personal interviews, and to serve as a director of the Company, if elected.

Compensation Committee

The current members of the Compensation Committee are Martin B. Oring (Chairman), Matthew R. Silverman and Dr. Anthony K. Yeats. The Compensation Committee met 9 times during the fiscal year ended September 30, 2008. The Compensation Committee administers the Company's stock option plans, makes decisions concerning salaries and incentive compensation for the Company's executive officers, and performs such other functions as may be prescribed by the Board. The Compensation Committee Charter may be found on our website, at www.PetroHunter.com

Compensation Committee Interlocks and Insider Participation

None of members of the Compensation Committee is or was an officer of the company or any of its subsidiaries at any time now or in the past.

Code of Ethics

We have adopted a Code of Conduct and Standard of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, and persons performing similar functions. The text of this code is posted on our Internet website at www.PetroHunter.com. In the event that an amendment to, or a waiver from, a provision of this code is necessary, we intend to post such information on our website.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors, and persons who beneficially own more than 10% of our common stock to file reports of securities ownership and changes in such ownership with the Securities and Exchange Commission (“SEC”). Officers, directors and greater than 10% beneficial owners are also required by rules promulgated by the SEC to furnish us with copies of all Section 16(a) forms they file.

Based solely upon a review of the copies of such forms furnished to us, or written representations that no Form 5 filings were required, we believe that during the fiscal year ended September 30, 2008, there was compliance with all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners, except for the following: Thomas S. Ahlbrandt filed a Form 4 dated 8/25/08 on 8/28/08; David E. Brody filed a Form 4 dated 11/9/07 on 12/6/07 and a Form 4 dated 8/25/08 on 8/28/08; Marc A. Bruner filed Forms 4 dated 10/29/07 and 11/15/07 on 11/30/07 and Forms 4 dated 7/2/08 and 7/31/08 on 8/21/08; Charles B. Crowell filed a Form 4 dated 11/9/07 on 11/30/07 and a Form 4 dated 8/25/08 on 8/28/08; Charles A. Josenhans filed a Form 4 dated 8/25/08 on 8/29/08 and a Form 4 dated 10/9/08 on 10/14/08; Carmen J. Lotito filed a Form 4 dated 8/25/08 on 8/28/08; MAB Resources LLC filed Forms 4 dated 10/29/07 and 11/15/07 on 11/30/07 and Forms 4 dated 7/2/08 and 7/31/08 on 8/25/08; Lyle R. Nelson filed a Form 4 dated 7/19/07 on 7/31/07 and a Form 4 dated 8/25/08 on 8/28/08; Martin B. Oring filed a Form 4 dated 11/7/07 on 1/22/08 and a Form 4 dated 8/25/08 on 8/28/08; Lori Rappucci filed a Form 3 dated 10/17/07 on 10/29/07; Matthew R. Silverman filed a Form 4 dated 8/25/08 on 8/28/08; Kyle WhiteJohnson filed a Form 4 dated 8/25/08 on 8/28/08; Anthony K. Yeats filed a Form 4 dated 8/25/08 on 8/28/08.

Communications to the Board of Directors

Our board of directors maintains a process for stockholders and interested parties to communicate with the board. Stockholders may write to the board c/o Corporate Secretary, PetroHunter Energy Corporation, 1600 Stout Street, Suite 2000, Denver, Colorado 80202. Communications addressed to individual board members and clearly marked as stockholder communications will be forwarded by the Corporate Secretary unopened to the individual addressees. Any communications addressed to the board of directors and clearly marked as stockholder communications will be forwarded by the Corporate Secretary unopened to the Nominating Committee.

Recommendation of the Board

THE BOARD RECOMMENDS A VOTE “FOR” THE NOMINEES LISTED ABOVE.

PROPOSAL TWO APPROVAL OF THE PETROHUNTER ENERGY CORPORATION 2009 PERFORMANCE INCENTIVE PLAN

At the Annual Meeting, stockholders will be asked to approve the PetroHunter Energy Corporation 2009 Performance Incentive Plan (the “2009 Plan”), which was adopted, subject to stockholder approval, by the board of directors on January 28, 2009.

We believe that incentives and stock-based awards focus employees on the objective of creating stockholder value and promoting the success of the company, and that incentive compensation plans like

the proposed 2009 Plan are an important attraction, retention and motivation tool for participants in the plan.

We currently maintain the PetroHunter Energy Corporation 2005 Stock Option Plan (the “2005 Plan”). As of January 27, 2009, a total of 34,170,000 shares of our common stock were then subject to outstanding awards granted under the 2005 Plan, and an additional 5,830,000 shares of our common stock were then available for new award grants under the 2005 Plan. (The 2005 Plan is referred to in this proposal as the “Existing Plan.”)

The board of directors approved the 2009 Plan based, in part, on a belief that the number of our shares currently available under the 2005 Plan does not give the company sufficient authority and flexibility to adequately provide for future incentives. If stockholders approve the 2009 Plan, no new awards will be granted under the 2005 Plan after the Annual Meeting. In that case, the number of shares of our common stock that remain available for award grants under the 2005 Plan immediately prior to the Annual Meeting will become available for award grants under the 2009 Plan. An additional 15,000,000 shares of our common stock will also be made available for award grants under the 2009 Plan, so that if stockholders approve the 2009 Plan, a total of 20,830,000 shares will initially be available for award grants under that plan. In addition, if stockholders approve the 2009 Plan, any shares of common stock subject to stock option grants under the Existing Plan that expire, are cancelled or otherwise terminate after the Annual Meeting will also be available for award grant purposes under the 2009 Plan.

If stockholders do not approve the 2009 Plan, we will continue to have the authority to grant awards under the 2005 Plan. If stockholders approve the 2009 Plan, the termination of our grant authority under the 2005 Plan will not affect awards then outstanding under that plan.

Summary Description of the 2009 Performance Incentive Plan

The principal terms of the 2009 Plan are summarized below. The following summary is qualified in its entirety by the full text of the 2009 Plan, which appears as Appendix I to this Proxy Statement.

Purpose. The purpose of the 2009 Plan is to promote the success of the company and the interests of our stockholders by providing an additional means for us to attract, motivate, retain and reward directors, officers, employees and other eligible persons through the grant of awards and incentives for high levels of individual performance and improved financial performance of the company. Equity-based awards are also intended to further align the interests of award recipients and our stockholders.

Administration. Our board of directors or one or more committees appointed by our board of directors will administer the 2009 Plan. Our board of directors has delegated general administrative authority for the 2009 Plan to the compensation committee. A committee may delegate some or all of its authority with respect to the 2009 Plan to another committee of directors and certain limited award grant authority to grant awards to employees may be delegated to one or more officers of the company. (The appropriate acting body, be it the board of directors, a committee within its delegated authority, or an officer within his or her delegated authority, is referred to in this proposal as the “Administrator”.)

The Administrator has broad authority under the 2009 Plan with respect to award grants including, without limitation, the authority:

- to select participants and determine the type(s) of award(s) that they are to receive;
- to determine the number of shares that are to be subject to awards and the terms and conditions of awards, including the price (if any) to be paid for the shares or the award;

- to cancel, modify, or waive our rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consents;
- to accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards;
- subject to the other provisions of the 2009 Plan, to make certain adjustments to an outstanding award and to authorize the conversion, succession or substitution of an award;
- to allow the purchase price of an award or shares of our common stock to be paid in the form of cash, check, or electronic funds transfer, by the delivery of already-owned shares of our common stock or by a reduction of the number of shares deliverable pursuant to the award, by services rendered by the recipient of the award, by notice in third party payment or cashless exercise on such terms as the Administrator may authorize, or any other form permitted by law.

Eligibility. Persons eligible to receive awards under the 2009 Plan include officers or employees of the company or any of our subsidiaries, directors of the company, and certain consultants and advisors to the company or any of our subsidiaries. Currently, approximately 20 officers and employees of the company and our subsidiaries (including all of our named executive officers), and each of our three non-employee directors, are considered eligible under the 2009 Plan at the present time.

Authorized Shares; Limits on Awards. The maximum number of shares of our common stock that may be issued or transferred pursuant to awards under the 2009 Plan equals the sum of: (1) 15,000,000 shares, plus (2) the number of shares available for additional award grant purposes under the 2005 Plan as of the date of the Annual Meeting and determined immediately prior to the termination of the authority to grant new awards under the 2005 Plan as of the date of the Annual Meeting, plus (3) the number of any shares subject to stock options granted under the Existing Plans and outstanding as of the date of the Annual Meeting which expire, or for any reason are cancelled or terminated, after the date of the Annual Meeting without being exercised. As of January 27, 2009, 5,830,000 shares were available for additional award grant purposes under the 2005 Plan, and 34,170,000 shares were subject to awards then outstanding under the Existing Plan. As noted above, no new awards will be granted under the 2005 Plan after the annual meeting if stockholders approve the 2009 Plan.

To the extent that an award is settled in cash or a form other than shares, the shares that would have been delivered had there been no such cash or other settlement will not be counted against the shares available for issuance under the 2009 Plan. In the event that shares are delivered in respect of a dividend equivalent, stock appreciation right, or other award, only the actual number of shares delivered with respect to the award will be counted against the share limits of the 2009 Plan. Shares that are subject to or underlie awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2009 Plan will again be available for subsequent awards under the 2009 Plan. Shares that are exchanged by a participant or withheld by the company as full or partial payment in connection with any award under the 2009 Plan or the Existing Plan, as well as any shares exchanged by a participant or withheld by the company to satisfy the tax withholding obligations related to any award under the 2009 Plan or the Existing Plan, will be available for subsequent awards under the 2009 Plan. In addition, the 2009 Plan generally provides that shares issued in connection with awards that are granted by or become obligations of the company through the assumption of awards (or in substitution for awards) in connection with an acquisition of another company will not count against the shares available for issuance under the 2009 Plan.

Types of Awards. The 2009 Plan authorizes stock options, stock appreciation rights, restricted stock, stock bonuses and other forms of awards granted or denominated in our common stock or units of our common stock, as well as cash bonus awards pursuant to Section 5.2 of the 2009 Plan. The 2009 Plan retains flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Any award may be paid or settled in cash.

A stock option is the right to purchase shares of our common stock at a future date at a specified price per share (the “exercise price”). The per share exercise price of an option generally may not be less than the fair market value of a share of our common stock on the date of grant. The maximum term of an option is ten years from the date of grant. An option may either be an incentive stock option or a nonqualified stock option. Incentive stock option benefits are taxed differently from nonqualified stock options, as described under “Federal Income Tax Consequences of Awards Under the 2009 Plan” below. Incentive stock options are also subject to more restrictive terms and are limited in amount by the U.S. Internal Revenue Code and the 2009 Plan. Incentive stock options may only be granted to employees of the company or a subsidiary.

A stock appreciation right is the right to receive payment of an amount equal to the excess of the fair market value of shares of our common stock on the date of exercise of the stock appreciation right over the base price of the stock appreciation right. The base price will be established by the Administrator at the time of grant of the stock appreciation right and generally cannot be less than the fair market value of a share of our common stock on the date of grant. Stock appreciation rights may be granted in connection with other awards or independently. The maximum term of a stock appreciation right is ten years from the date of grant.

The per share exercise price of an option or the per share base price of a stock appreciation right may, however, be less than the fair market value of a share of our common stock on the date of grant in the case of awards granted retroactively in tandem with or as a substitution for another award.

The other types of awards that may be granted under the 2009 Plan include, without limitation, stock bonuses, restricted stock, performance stock, stock units, dividend equivalents, or similar rights to purchase or acquire shares, and cash awards granted consistent with Section 5.2 of the 2009 Plan as described below.

Performance-Based Awards. The Administrator may grant awards that are intended to be performance-based awards within the meaning of Section 162(m) of the U.S. Internal Revenue Code (“Performance-Based Awards”). Performance-Based Awards are in addition to any of the other types of awards that may be granted under the 2009 Plan (including options and stock appreciation rights which may also qualify as performance-based awards for Section 162(m) purposes). Performance-Based Awards may be in the form of restricted stock, performance stock, stock units, other rights, or cash bonus opportunities.

The vesting or payment of Performance-Based Awards (other than options or stock appreciation rights) will depend on the absolute or relative performance of the company on a consolidated, subsidiary, segment, division, or business unit basis. The Administrator will establish the criterion or criteria and target(s) on which performance will be measured. The Administrator must establish criteria and targets in advance of applicable deadlines under the U.S. Internal Revenue Code and while the attainment of the performance targets remains substantially uncertain. The criteria that the Administrator may use for this purpose will include one or more of the following: earnings per share, cash flow (which means cash and cash equivalents derived from either net cash flow from operations or net cash flow from operations, financing and investing activities), total stockholder return, gross revenue, revenue growth, operating income (before or after taxes), net earnings (before or after interest, taxes, depreciation and/or amortization), return on equity or on assets or on net investment, cost containment or reduction, operating

margin or any combination thereof. The performance measurement period with respect to an award may range from three months to ten years. Performance targets will be adjusted to mitigate the unbudgeted impact of material, unusual or nonrecurring gains and losses, accounting changes or other extraordinary events not foreseen at the time the targets were set unless the Administrator provides otherwise at the time of establishing the targets.

Performance-Based Awards may be paid in stock or in cash (in either case, subject to the limits described under the heading “Authorized Shares; Limits on Awards” above). Before any Performance-Based Award (other than an option or stock appreciation right) is paid, the Administrator must certify that the performance target or targets have been satisfied. The Administrator has discretion to determine the performance target or targets and any other restrictions or other limitations of Performance-Based Awards and may reserve discretion to reduce payments below maximum award limits.

Deferrals. The Administrator may provide for the deferred payment of awards, and may determine the other terms applicable to deferrals. The Administrator may provide that deferred settlements include the payment or crediting of interest or other earnings on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in shares.

Acceleration of Awards; Possible Early Termination of Awards. Generally, and subject to limited exceptions set forth in the 2009 Plan, if any person acquires more than 30% of the outstanding common stock or combined voting power of the company, if certain changes in a majority of our board of directors occur over a period of not longer than two years, if stockholders prior to a transaction do not continue to own more than 50% of the voting securities of the company (or a successor or a parent) following a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the company or any of our subsidiaries, a sale or other disposition of all or substantially all of the company’s assets or the acquisition of assets or stock of another entity by us or any of our subsidiaries, or if the company is dissolved or liquidated, then awards then-outstanding under the 2009 Plan may become fully vested or paid, as applicable, and may terminate or be terminated in such circumstances. Unless otherwise provided by the Administrator, a change in control in and of itself generally will not trigger the accelerated vesting of awards granted under the 2009 Plan unless the awards will not be assumed by a successor or will otherwise not continue following the change in control event. The Administrator also has the discretion to establish other change in control provisions with respect to awards granted under the 2009 Plan. For example, the Administrator could provide for the acceleration of vesting or payment of an award in connection with a change in control event that is not described above and provide that any such acceleration shall be automatic upon the occurrence of any such event.

Transfer Restrictions. Subject to certain exceptions contained in Section 5.7 of the 2009 Plan, awards under the 2009 Plan generally are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient’s lifetime, only by the recipient. Any amounts payable or shares issuable pursuant to an award generally will be paid only to the recipient or the recipient’s beneficiary or representative. The Administrator has discretion, however, to establish written conditions and procedures for the transfer of awards to other persons or entities, provided that such transfers comply with applicable federal and state securities laws.

Adjustments. As is customary in incentive plans of this nature, each share limit and the number and kind of shares available under the 2009 Plan and any outstanding awards, as well as the exercise or purchase prices of awards, and performance targets under certain types of performance-based awards, are subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, stock splits, stock dividends, or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the stockholders.

No Limit on Other Authority. Except as expressly provided with respect to the termination of the authority to grant new awards under the 2005 Plan if stockholders approve the 2009 Plan, the 2009 Plan does not limit the authority of the board of directors or any committee to grant awards or authorize any other compensation, with or without reference to our common stock, under any other plan or authority.

Termination of or Changes to the 2009 Plan. The board of directors may amend or terminate the 2009 Plan at any time and in any manner. Stockholder approval for an amendment will be required only to the extent then required by applicable law or any applicable listing agency or required under Sections 162, 422 or 424 of the U.S. Internal Revenue Code to preserve the intended tax consequences of the plan. For example, stockholder approval will be required for any amendment that proposes to increase the maximum number of shares that may be delivered with respect to awards granted under the 2009 Plan. (Adjustments as a result of stock splits or similar events will not, however, be considered an amendment requiring stockholder approval.) Unless terminated earlier by the board of directors, the authority to grant new awards under the 2009 Plan will terminate on January 27, 2019. Outstanding awards, as well as the Administrator's authority with respect thereto, generally will continue following the expiration or termination of the plan. Generally speaking, outstanding awards may be amended by the Administrator (except for a repricing), but the consent of the award holder is required if the amendment (or any plan amendment) materially and adversely affects the holder.

Federal Income Tax Consequences of Awards under the 2009 Plan

The U.S. federal income tax consequences of the 2009 Plan under current federal law, which is subject to change, are summarized in the following discussion of the general tax principles applicable to the 2009 Plan. This summary is not intended to be exhaustive and, among other considerations, does not describe state, local, or international tax consequences.

With respect to nonqualified stock options, the company is generally entitled to deduct, and the participant recognizes, taxable income in an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. With respect to incentive stock options, the company is generally not entitled to a deduction nor does the participant recognize income at the time of exercise, although the participant may be subject to the U.S. federal alternative minimum tax.

The current federal income tax consequences of other awards authorized under the 2009 Plan generally follow certain basic patterns: stock appreciation rights are taxed and deductible in substantially the same manner as nonqualified stock options; nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); bonuses, cash and stock-based performance awards, dividend equivalents, stock units, and other types of awards are generally subject to tax at the time of payment; and compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, the company will generally have a corresponding deduction at the time the participant recognizes income.

If an award is accelerated under the 2009 Plan in connection with a "change in control" (as this term is used under the U.S. Internal Revenue Code), the company may not be permitted to deduct the portion of the compensation attributable to the acceleration ("parachute payments") if it exceeds certain threshold limits under the U.S. Internal Revenue Code (and certain related excise taxes may be triggered). Furthermore, the aggregate compensation in excess of \$1,000,000 attributable to awards that are not "performance-based" within the meaning of Section 162(m) of the U.S. Internal Revenue Code may not be permitted to be deducted by the company in certain circumstances.

Specific Benefits under the 2009 Performance Incentive Plan

The company has not approved any awards that are contingent upon stockholder approval of the 2009 Plan. The company is not currently considering any other specific award grants under the 2009 Plan. If the 2009 Plan had been in existence in fiscal 2008, the Company expects that its award grants for fiscal 2008 would not have been substantially different from those actually made in that year under the 2005 Plan. For information regarding stock-based awards granted to our named executive officers during fiscal 2008, see the material under the heading “Executive Compensation” in this proxy statement.

Recommendation of the Board

THE BOARD RECOMMENDS A VOTE “FOR” APPROVAL OF THE 2009 PERFORMANCE INCENTIVE PLAN.

PRINCIPAL STOCKHOLDERS

The following table indicates the beneficial ownership, as of January 27, 2009, of the Company’s Common Stock by (i) each director and director nominee, (ii) each Named Officer disclosed under the “Summary Compensation Table,” (iii) each person known by the Company to own more than 5% of the outstanding shares of the Company’s Common Stock, and (iv) all directors and executive officers of the Company as a group. Except as otherwise indicated below, all shares indicated as beneficially owned are held with sole voting and investment power.

| Name and Address of Beneficial Owner (1) | Amount and Nature of Beneficial Ownership | Percent of Class (2) |
|---|---|----------------------|
| Marc A. Bruner 29 Blauenweg Metzerlen, Switzerland 4116 | 128,575,000 (3) | 31.3% |
| MAB Resources LLC 1875 Lawrence Street, Suite 1400 Denver, CO 80202 | 126,575,000 (4) | 30.8% |
| Christian Russenberger Meierhofrain 35 Wadenswil 8820, Switzerland | 53,937,577 (5) | 14.4% |
| Global Project Finance AG Sunnaerai 1 Sachsein 6072, Switzerland | 48,937,577 (6) | 13.0% |
| Nobu Ventures, Inc. Austrasse 15 Vaduz 9490, Switzerland | 30,000,000 | 7.9% |
| Charles B. Crowell | 5,080,000 (7) | 1.4% |
| Martin B. Oring | 4,516,667 (8) | 1.2% |
| David E. Brody | 3,293,335 (9) | 0.9% |

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| Name and Address of Beneficial Owner (1) | Amount and Nature of Beneficial Ownership | Percent of Class (2) |
|--|---|----------------------|
| Carmen J. Lotito | 2,800,000 (10) | 0.7% |
| Lyle R. Nelson | 1,184,334 (11) | 0.3% |
| Matthew R. Silverman | 1,000,000 (12) | 0.3% |
| Thomas S. Ahlbrandt | 950,000 (13) | 0.3% |
| Anthony K. Yeats | 900,000 (14) | 0.2% |
| Charles A. Josenhans | 466,667 (15) | 0.1% |
| Kyle WhiteJohnson | 320,000 (16) | 0.1% |
| J. Chris Steinhauser | 200,000 (17) | 0.1% |
| Virginia Burchard | 70,000 (18) | (19) |
| All officers and directors as a group (12 persons) | 20,781,003 (20) | 5.5% |

(1) To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such person's name.

(2) This table is based on 375,468,544 shares of Common Stock outstanding as of January 27, 2009. If a person listed on this table has the right to obtain additional shares of Common Stock within sixty (60) days from January 27, 2009, the additional shares are deemed to be outstanding for the purpose of computing the percentage of class owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of any other person.

(3) Included in Mr. Bruner's share ownership are 92,175,000 shares owned of record by MAB Resources LLC and 2,000,000 shares owned of record by BioFibre Technology International, Inc. Mr. Bruner is a control person of both these entities. Also included in Mr. Bruner's share ownership are 34,400,000 shares issuable upon exercise of vested stock options and warrants held by MAB Resources LLC.

(4) Includes 2,400,000 shares issuable upon exercise of vested stock options and 32,000,000 shares issuable upon exercise of warrants.

(5) Includes 5,000,000 shares held of record by Mr. Russenberger, 29,017,577 shares held of record by Global Project Finance AG, an entity controlled by Mr. Russenberger, and 19,920,000 shares issuable upon exercise of warrants held by Global Project Finance AG.

(6) Includes 29,017,577 shares held of record by Global Project Finance AG and 19,920,000 shares issuable upon exercise of warrants held by Global Project Finance AG.

(7) Includes 3,000,000 shares issuable upon exercise of vested stock options, 1,000,000 shares issuable upon conversion of debentures and 1,080,000 shares issuable upon exercise of warrants.

(8) Includes 1,050,000 shares issuable upon exercise of vested stock options, 1,666,667 shares issuable upon conversion of debentures and 1,800,000 shares issuable upon exercise of warrants.

(9) Includes 200,000 shares held of record by Mr. Brody, 1,440,000 shares issuable upon exercise of vested stock options, 666,667 shares issuable upon conversion of debentures and 986,668 shares issuable upon exercise of warrants.

(10)

Includes 200,000 shares held of record by Mr. Lotito's wife and 2,600,000 shares issuable upon exercise of vested stock options.

- (11) Includes 240,000 shares held on account by Mr. Nelson, 811,000 shares issuable upon exercise of vested stock options, and 133,334 shares issuable upon exercise of warrants.
- (12) Includes 154,000 shares held of record by Mr. Silverman’s IRA, 46,000 shares held of record by Mr. Silverman, and 800,000 shares issuable upon exercise of vested stock options.
- (13) Includes 950,000 shares issuable upon exercise of vested stock options.
- (14) Includes 900,000 shares issuable upon exercise of vested stock options.
- (15) Includes 150,000 shares held of record by by Mr. Josenhans’ IRA, 250,000 shares issuable upon exercise of vested stock options and 66,667 shares issuable upon exercise of warrants.
- (16) Includes 320,000 shares issuable upon exercise of vested stock options.
- (17) Includes 200,000 shares issuable upon exercise of vested stock options.
- (18) Includes 70,000 shares issuable upon exercise of vested stock options.
- (19) Less than 0.1%.
- (20) Includes 990,000 shares held of record or on account, 12,391,000 shares issuable upon exercise vested stock options, 3,333,334 shares issuable upon conversion of debentures, and 4,066,669 shares issuable upon exercise of warrants.

EXECUTIVE OFFICERS OF THE COMPANY

The names, ages and titles of the Company’s executive officers are listed below, along with a description of their business experience during the last five years. Information regarding Charles B. Crowell and Carmen J. Lotito is set forth above under “Proposal One: Election of Directors -- Information about Directors.”

| Name | Age | Position |
|----------------------|-----|--|
| Charles B. Crowell | 65 | Chairman of the Board and Chief Executive Officer |
| Carmen J. Lotito | 64 | Executive Vice President – Business Development |
| J. Chris Steinhauser | 49 | Chief Financial Officer |
| David E. Brody | 60 | Senior Vice President, General Counsel and Secretary |
| Thomas S. Ahlbrandt | 60 | Vice President of Exploration and Chief Geologist |
| Lyle R. Nelson | 61 | Senior Vice President of Operations and Production |
| Kyle L. WhiteJohnson | 51 | Vice President of Administration and Assistant Secretary |
| Virginia Burchard | 56 | Vice President of Land |

J. Christian Steinhauser became our Chief Financial Officer effective January 26, 2009. Mr. Steinhauser brings twenty five years of experience in the energy and financial services industries. He began his career with Peat, Marwick, Mitchell & Co. from 1981 through 1984. From September 1987 through January 1998, Mr. Steinhauser was employed by Sharon Energy Ltd. and Sharon Resources, Inc., its operating subsidiary, ultimately serving as Executive Vice President and Chief Financial Officer of the parent and President, Chief Operating Officer and Director of the subsidiary. From January 1998 until June 2000, Mr. Steinhauser was employed by Beta Oil & Gas, Inc. as a director and Chief Financial

Officer where his primary activities included Beta's initial public offering and listing on the NASDAQ National Market System, business development and corporate acquisitions. From June 2000 until January 2009, Mr. Steinhauser served as the Chief Financial Officer of GeoPetro Resources Company ("GeoPetro") where he was responsible for the financial management of a publicly traded oil and gas exploration company doing business in Indonesia, Australia, Canada and the U.S. His principal activities focused on establishing a public trading market (American Stock Exchange and Toronto Stock Exchange), corporate finance, public company reporting and development of business for GeoPetro. Mr. Steinhauser has served as a director of GeoPetro since October 2001. Mr. Steinhauser is a graduate of the University of Southern California with a Bachelor's degree in Business and he conducted graduate studies at the University of Denver Graduate Tax Program and was a certified public accountant.

David E. Brody has been our Vice President, General Counsel and Secretary since September 2006, and was promoted to Senior Vice President in July 2008. Mr. Brody is also a partner in the law firm of Patton Boggs LLP, where he has represented the Company since its inception, and where his practice since 1999 focused on complex transactions and litigation involving oil and gas matters domestically and internationally. Mr. Brody has extensive experience representing oil and gas clients which operate in Europe, Australia, and other countries throughout the world. This work includes all aspects of oil and natural gas production, operations, gas gathering, transportation and sales. Prior to joining Patton Boggs, Mr. Brody worked for Amoco Corporation (now BP), where he focused on acquisitions and divestments and other transactions, and managed extensive major litigation. He also served as general counsel for an Amoco subsidiary, and was a member of various management teams with Amoco. Mr. Brody received his B.S. from the University of Colorado and is a graduate of the American University Washington College of Law. He has presented numerous papers and written articles on various oil industry subjects, and has written three books. He was recognized on the inaugural list of Colorado Super Lawyers, 2006, and Colorado Super Lawyers, 2007. Mr. Brody is a member of several professional associations, including: Association of International Petroleum Negotiators, Independent Petroleum Association of Mountain States, Rocky Mountain Mineral Law Foundation, Colorado Oil and Gas Association, Colorado Bar Association and American Bar Association.

Thomas S. Ahlbrandt has been our Vice President of Exploration and Chief Geologist since June 2006. He briefly assumed the role of Chairman of the Board and Chief Executive Officer from February 7, 2007 to July 2, 2007. From August 1988 to June 2006, he served in various capacities with the U.S. Geological Survey, including serving as project chief for the World Energy Project, which produced the USGS World Petroleum Assessment 2000. He currently serves as the Vice Chairman for the United Nations Committee (UNECE), Ad Hoc Group of Experts on the Supply of Fossil Fuels. He has had many years of industry experience, dating back to 1966. Dr. Ahlbrandt also served on the Executive Committee of the American Association of Petroleum Geologists (AAPG) as Chairman of the House of Delegates from 1995 to 1996. He has received numerous awards including distinguished Lecturer of the AAPG, the Distinguished Service Award from AAPG, Outstanding Scientist from the Rocky Mountain Association of Geologists, Distinguished Alumnus of the University of Wyoming and Meritorious Service Award from the Department of the Interior. He received his B.A. and Ph.D. in geology from the University of Wyoming.

Lyle R. Nelson has been our Vice President of Operations and Production since July 2006, and was promoted to Senior Vice President of Operations and Production in July 2008. Prior to joining the company in July 2006, Mr. Nelson served as Senior Project Manager for Integrated Solutions Group of Halliburton where he worked since September 1998. He was Vice President and Operations Manager of Nescor Energy and Vice President of Petroleum Engineering for Micro-Bac International, Inc. Mr. Nelson has been Manager and Owner of Williston Basin Consulting, Inc and has worked with Amerado Hess Corporation and Texaco, Inc. Mr. Nelson has more than 30 years of experience drilling wells throughout the United States and abroad, including Hungary, Canada, Iraq, Russia, Mexico and Mongolia. He holds a

B.S. in civil engineering from South Dakota State University and a B.S. in mathematics from Dakota State College. He has been a registered Professional Petroleum Engineer since 1983.

Kyle L. WhiteJohnson became our Vice President of Administration and Assistant Secretary in September 2006. Mrs. Johnson brings nearly thirty years of corporate and legal experience to her role. Before joining the company in September 2006, Mrs. Johnson served as Director of Legal & Shareholder Services for a Nasdaq-listed company and as Director of Legal Compliance for a private holding company that incubated publicly traded Real Estate Investment Trusts (REITs) through syndication and conversion to the NYSE. Mrs. Johnson has executed initial and secondary public offerings, conversions, equity, debt, mergers and acquisitions, securitizations, and other financing transactions in various industries. Throughout her career, she has worked closely with Boards of Directors and has assisted the related Audit and Compensation Committees with complex corporate governance and regulatory compliance matters. Mrs. Johnson has coordinated with corporate human resources and accounting teams to design, implement, and remediate internal controls and procedures in response to newly imposed Sarbanes Oxley legislation. Mrs. Johnson is an alumnus of the University of Florida has been an active member of several professional associations since 2001, including: National Association of Stock Plan Professionals, Society of Corporate Secretaries and Governance Professionals, National Center for Employee Ownership, and is an associate member of the American Bar Association.

Virginia Burchard became our Director of Land in July 2008, and was promoted to the office of Vice President of Land in January 2009. Mrs. Burchard has more than thirty years experience in acquiring, managing and developing oil and gas assets as a land professional. Prior to joining the company in July 2008, Mrs. Burchard was the District Landman for Rosewood Resources Inc. where she was responsible for negotiating Oil & Gas Leases, Farmouts, ROWs, JOAs, Seismic Agreements, Participation and Unit Agreements. From 1997 to 2005, she was Landman for J-W Operating Company in Dallas, Texas and Denver, Colorado. From 1995 to 1997 she was Landman/Administration Supervisor for National Energy Group in Dallas, Texas. From 1987 to 1995, she was the Senior Land Assistant for Samedan Oil Corporation (now Noble Energy) in Denver, Colorado. From 1978 to 1987, Mrs. Burchard worked for several companies engaged in the exploration business, including Texas Oil and Gas, Diamond Shamrock, Deca Energy, Celeron Oil & Gas, and Santa Fe Minerals. Mrs. Burchard is an active member of the American Association of Professional Landmen, the Denver Association of Professional Landmen, Rocky Mountain Mineral Law and an alumnus of the University of Colorado.

COMPENSATION DISCUSSION AND ANALYSIS

We believe that the skill and dedication of our executive officers and other management personnel are critical factors affecting our long-term success in meeting our objectives and fostering growth and profitability. In support of this, compensation programs have been designed to attract and retain a high level of talented leadership, to reward performance in accordance with results, to provide an incentive for future performance and to align PetroHunter executives' long-term interests with those of the shareholders.

Our executive and key management compensation is comprised of three major components: (i) base salary adjusted annually by the Compensation Committee, (ii) cash incentive bonuses awarded based on individual performance and the performance of PetroHunter, and (iii) stock option grants awarded based on individual performance and the performance of PetroHunter. The compensation mix of cash and stock options grants for the CEO is similar to that of other executive officers of PetroHunter.

The Compensation Committee was established by the Board of Directors of PetroHunter for the following purposes:

PetroHunter Energy Corporation Proxy Statement - Page 16

- to assist the Board in its responsibility relating to fair and competitive compensation of key employees of PetroHunter;
- to assure that key employees, which includes all officers, are compensated in a manner consistent with the compensation philosophy and strategy of the Board and in compliance with the requirements of appropriated regulatory bodies and any exchange rules to which we may be subject;
 - to review and approve our compensation philosophy and our compensation programs, plans and awards;
 - to administer our long and short term incentive plans and stock option plans;
- to review the compensation of our Chief Executive Officer and recommendations of the Chief Executive Officer as to appropriate compensation for the other executive officers and key personnel; and
 - to review and approve our general employee benefit plans as needed.

The Compensation Committee was formed in February 2007, when two independent directors were added to the Board of Directors. The Compensation Committee is composed of three members, Mr. Oring, Mr. Silverman and Dr. Yeats, all of whom are “independent” under the rules and regulations of Nasdaq. To be “independent” under the rules and regulations of Nasdaq, a director may not, other than in his or her capacity as a member of the audit committee, board of directors, or other board committee: (i) accept directly or indirectly, any consulting, advisory, or other compensatory fee from PetroHunter or any of its subsidiaries, provided that compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with PetroHunter (provided that such compensation is not contingent in any way on continued service), or (ii) be an affiliated person of PetroHunter or any of its subsidiaries.

The Compensation Committee compares all compensation components for executive officers, at least annually, with data on similar positions at other organizations that are similar in number of employees, level of operations, gross revenue and total assets with which we compete for talent. When evaluating external competitiveness, third party survey data, as well as information from other resources and industry contacts, are considered. 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 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 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, drive executive compensation. The Compensation Committee seeks the input of our Chief Executive Officer in evaluating the performance of all of our executive officers, excluding himself.

In the processes used by the Compensation Committee to establish and adjust executive compensation levels, third party survey data is considered, along with performance, experience, potential and internal equity. The Compensation 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 or suggest alternative compensation packages.

The Compensation Committee used the analysis set forth below in its determination of the level of compensation for each of the following components of our 2008 compensation program.

Base Salary – The base salaries of the named executive officers are reviewed annually by the Committee and future salary adjustments are reviewed by the Committee on an annual basis and recommended to the

Board for final approval. The Committee and the Board consider various factors, including, the position of the named executive officer, the compensation of executive officers of comparable companies within the oil and natural gas industry, the performance of each executive officer, increases in responsibilities of each executive officer and recommendations of the Chief Executive Officer with respect to base salaries of other named executive officers. Salaries for the named executive officers in fiscal 2008 are set forth in the "Summary Annual Compensation Table" below and were determined by the Board based on the considerations described above.

During the fiscal year ended September 30, 2008, the Board considered and approved salary adjustments for all named executive officers. In considering the adjustments, the Board considered various factors, including the length of time each officer had been with the company without increase, the compensation of executive officers of comparable companies within the oil and natural gas industry, the individual performance of each executive officer as well as increases in the responsibilities of each executive officer. The Chief Executive Officer provided a recommendation for the Board's consideration for each executive officer except himself.

Annual Cash Bonus Awards – We intend to establish a bonus plan for executive officers in the near future. The plan will be designed to compensate, and thus incentivize, individuals for exceptional effort and job performance, facilitating our continued growth and success by providing rewards that are commensurate with individual achievement. It is anticipated that the proposed bonus plan will allow the Compensation Committee to give consideration to the following: the achievements of PetroHunter, and the employee's relationship thereto, in order to determine the level of the cash bonus, if any, to be awarded; the earnings of PetroHunter; the return on stockholders' equity; the growth in proved oil and gas reserves; and the successful completion of specific projects of PetroHunter to determine the level of bonus awards, if any.

During the fiscal year ended September 30, 2008, bonuses were awarded to Lori Rappucci, our former Chief Financial Officer, for the timely completion of the 2007 fiscal year-end audit and filing of the Form 10-K. No other bonuses were awarded to any other executive officer during the year.

Stock Option Awards - Stock option awards are utilized for aligning the executives' interests with those of the stockholders by giving each individual employee direct ownership in PetroHunter. We also believe that these awards serve as a retention incentive since unvested stock grants and options may be forfeited if the executive leaves us. In some cases, the Company has elected to allow the options to continue to vest even though the employment relationship has ended. The Compensation Committee focuses on the earnings of PetroHunter, the return on stockholders' equity, the growth in proved oil and gas reserves and the successful completion of specific projects of PetroHunter to determine the level of stock option awards, if any. Decisions to grant stock options are normally made when industry conditions cause concern that personnel may be lost.

During the fiscal year ended September 30, 2008, stock options were granted in the following circumstances: (i) on October 15, 2007, December 17, 2007, January 1, 2008, April 7, 2008, May 20, 2008, July 7, 2008 and September 29, 2008 to newly hired employees; and (ii) on October 17, 2007 and August 25, 2008 to reward and retain current employees and directors. The Committee considered the grants made to the directors and the new and existing employees to be appropriate in order to attract and retain key employees, especially in light of the current financial condition of the Company.

Equity Compensation Plan Information

The following table sets forth information as of the end of the most recently completed fiscal year, September 30, 2008:

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance |
|--|---|---|--|
| Equity compensation plans approved by security holders | 34,170,000 (a) | \$0.90 | 5,830,000 |
| Equity compensation plans not approved by security holders | 7,595,000 | \$0.50 | (b) |
| Total | 41,765,000 | | 5,830,000 |

(a) Typically, options vest 20% on grant date and 20% each year on the anniversary of the grant date but each vesting schedule is also determined by the Compensation Committee. Most initial grants to directors vest 50% on grant date and 50% on the one-year anniversary of the initial grant date. Subsequent grants (subsequent to the initial grant) to directors typically vest 100% at the grant date. In special circumstances, the board may elect to modify vesting schedules upon the termination of selected employees and contractors.

(b) The equity compensation plan not approved by stockholders is comprised of non-qualified stock options granted to employees and non-employee consultants on May 21, 2007. The options were granted at an exercise price of \$0.50 per share and vest 60% at grant date and 20% per year at the one- and two-year anniversaries of the grant date. The options expire on May 21, 2012.

Employment Agreements

Charles B. Crowell Employment Agreement. We entered into an employment agreement with Mr. Crowell effective January 1, 2008, that currently expires on December 31, 2012. Either we or Mr. Crowell may terminate the employment relationship at any time, subject to other provisions of the agreement. Mr. Crowell serves as the Chairman and Chief Executive Officer of PetroHunter. Mr. Crowell's employment agreement entitles him to an annual salary of \$480,000, subject to increase at the discretion of the Board of Directors, as well as the issuance of options to purchase a total of 5,000,000 shares of common stock under our 2005 Stock Option Plan. The stock options were priced at \$0.22 per share, which was the last reported sale price of the common stock as quoted on the OTC Bulletin Board on December 31, 2007, and are exercisable as follows: (i) 20% of the options were exercisable on January 1, 2008, and (ii) 20% of the options shall become exercisable on January 1, of each 2009, 2010, 2011, and 2012. In addition, during the first year of employment, we have agreed to pay Mr. Crowell a living allowance of \$60,000 and provide twelve round-trip airline tickets from Dallas, Texas, to Denver, as well as a one-time relocation allowance of \$10,000. Mr. Crowell's employment agreement provides for the payment of salary for six months if he is terminated by us for any reason other than for cause. All grants made under the 2005 Stock Option Plan or other equity incentive plans shall vest in full immediately prior to the occurrence of a change of control. See additional information in "Potential Payments Under Termination or Change in Control."

J. Chris Steinhauser Employment Agreement. We entered into an employment agreement with Mr. Steinhauser effective January 13, 2009, that currently expires on December 31, 2013. Either we or Mr. Steinhauser may terminate the employment relationship at any time, subject to other provisions of the agreement. Mr. Steinhauser serves as Chief Financial Officer of PetroHunter. Mr. Steinhauser's employment agreement entitles him to an annual salary of \$225,000, subject to increase at the discretion of the Board of Directors, as well as the issuance of options to purchase a total of 1,000,000 shares of common stock under our 2005 Stock Option Plan. The stock options were granted on January 13, 2009

and priced at \$0.11 per share, which was the last reported sale price of the common stock as quoted on the OTC Bulletin Board on that date. The options are exercisable as follows: (i) 20% of the options were exercisable on date of grant, and (ii) 20% of the options shall become exercisable on the anniversary of each grant date. Mr. Steinhauser's employment agreement provides for the payment of salary for six months if he is terminated by us for any reason other than for cause. All grants made under the 2005 Stock Option Plan or other equity incentive plans shall vest in full immediately prior to the occurrence of a change of control. See additional information in "Potential Payments Under Termination or Change in Control."

EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth the compensation paid to our Chief Executive Officer and Chief Financial Officer and each of our next highly compensated executive officers and other employees for services rendered during the year ended September 30, 2008:

SUMMARY COMPENSATION TABLE

| Name and principal position | Year | Salary (\$) | Bonus (\$) | All Other Compensation | | Total (\$) |
|--|------|---------------|------------|------------------------|-------------------|------------|
| | | | | Option Awards (\$) | Compensation (\$) | |
| Charles B. Crowell Chief Executive Officer | 2008 | \$469,750 (1) | -- | \$144,400 | \$65,985 (4) | \$680,135 |
| | 2007 | \$177,750 | -- | (2)(3) \$600,298 | -- | \$778,048 |
| Kelly H. Nelson Chief Executive Officer (5) | 2007 | \$220,000 | -- | \$208,154 (6) | (7) | \$428,154 |
| Lori Rappucci Vice President & Chief Financial Officer (8) | 2008 | \$104,288 | \$50,000 | \$12,200 (9) | (7) | \$166,488 |
| Charles A. Josenhans Interim Chief Financial Officer (10) | 2008 | \$146,665 | \$12,500 | \$8,750 (11) | (7) | \$167,915 |
| Carmen J. Lotito Chief Financial Officer (12) | 2008 | \$240,000 | -- | \$7,000 (3) | (7) | \$247,000 |
| | 2007 | \$240,000 | -- | \$208,154 (6) | \$37,193 (13) | \$485,347 |
| David E. Brody Senior Vice President & General Counsel | 2008 | \$200,000 | -- | \$7,000 (3) | (7) | \$207,000 |
| | 2007 | \$200,000 | -- | \$416,308 (6) | (7) | \$616,308 |
| Lyle R. Nelson Senior Vice President of Operations and Production | 2008 | \$193,333 | -- | \$2,800 (3) | \$31,663 (14) | \$227,796 |
| | 2007 | \$186,800 | \$9,469 | \$104,077 (6) | \$36,950 (14) | \$337,296 |
| Thomas S. Ahlbrandt | | | | | | |