



Notice of Annual General Meeting of Shareholders  
to be held on August 23, 2019

and

Management Information Circular

Dated July 15, 2019

**POINT LOMA RESOURCES LTD.  
NOTICE OF ANNUAL GENERAL MEETING  
OF THE HOLDERS OF COMMON SHARES  
TO BE HELD ON AUGUST 23, 2019**

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the “Meeting”) of the holders (the “Shareholders”) of common shares (the “Common Shares”) in the capital of Point Loma Resources Ltd. (the “Corporation”) will be held at the offices of McCarthy Tétrault LLP, Suite 4000, 421 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 4K9, on August 23, 2019 at 11:00 a.m. (Calgary time), for the following purposes:

1. to receive the financial statements for the fiscal year ended December 31, 2018 and the report of the auditors thereon;
2. to fix the number of directors to be elected at the meeting at six;
3. to elect directors for the ensuing year;
4. to appoint the auditors of the Corporation to hold office until the next annual meeting of the Shareholders and authorize the directors to fix their remuneration;
5. to consider, and if deemed advisable, to approve, with or without variation, an ordinary resolution, the full text of which is set forth in the accompanying management information circular prepared for the purposes of the Meeting, approving the Corporation’s stock option plan; and
6. to transact such other business as may properly come before the meeting or any adjournments thereof.

Only Shareholders of record at the close of business on July 15, 2019 (the “**Record Date**”) are entitled to notice of and to attend the Meeting or any adjournment or adjournments thereof and to vote thereat, unless, after the Record Date, a holder of record transfers his or her Common Shares and the transferee, upon producing properly endorsed share certificates or otherwise establishing that he or she owns such Common Shares, requests, not later than 10 days before the Meeting, that the transferee’s name be included in the list of shareholders entitled to vote such Common Shares, in which case such transferee shall be entitled to vote such Common Shares, as the case may be, at the Meeting.

Shareholders may vote in person at the Meeting or any adjournment or adjournments thereof, or they may appoint another person (who need not be a Shareholder) as their proxy to attend and vote in their place.

**Shareholders who are unable to attend the Meeting in person may exercise their right to vote by dating, signing and returning the accompanying form of proxy to Computershare Trust Company of Canada, the Corporation’s transfer agent (“Computershare”).** To be valid, completed proxy forms must be dated, completed, signed and deposited with Computershare: (i) by mail using the enclosed return envelope or (ii) by hand delivery to Computershare, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), or by internet using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com). All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received in each case no later than 11:00 a.m. Calgary Time on August 21, 2019 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting.

A management information circular relating to the business to be conducted at the Meeting accompanies this Notice.

Calgary, Alberta  
July 15, 2019

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) “*Terence S. Meek*”

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Terence S. Meek

Director, President and Chief Executive Officer

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POINT LOMA RESOURCES LTD.  
Suite 2000, 350 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3N9

**MANAGEMENT INFORMATION CIRCULAR**

**FOR THE ANNUAL GENERAL MEETING OF THE HOLDERS OF COMMON SHARES  
OF POINT LOMA RESOURCES LTD. TO BE HELD ON AUGUST 23, 2019**

Dated: July 15, 2019

**PURPOSE OF SOLICITATION**

This management information circular (the “Information Circular”) is furnished in connection with the solicitation of proxies by or on behalf of the management of Point Loma Resources Ltd. (the “Corporation”) for use at the annual general meeting of the holders (the “Shareholders”) of the common shares (the “Common Shares”) in the capital of the Corporation to be held at the offices of McCarthy Tétrault LLP, Suite 4000, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, on August 23, 2019 at 11:00 a.m. (Calgary time), and any adjournment or adjournments thereof (the “Meeting”) for the purposes set forth in the Notice of Annual General Meeting (the “Notice of Meeting”) accompanying this Information Circular.

**RECORD DATE**

The Shareholders of record on July 15, 2019 (the “Record Date”) are entitled to notice of, and to attend and vote at, the Meeting except to the extent that:

1. such person transfers his or her Common Shares after the Record Date; and
2. the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes his or her ownership to the Common Shares and makes a demand to the registrar and transfer agent of the Corporation, not later than 10 days before the Meeting, that his or her name be included on the shareholders’ list for the Meeting.

Any registered Shareholder of the Corporation at the close of business on the Record Date who either personally attends the Meeting or who completes and delivers a proxy will be entitled to vote or have his or her Common Shares voted at the Meeting. However, a person appointed under a form of proxy will be entitled to vote the Common Shares represented by that form only if it is effectively delivered in the manner set out under the heading “*Completion of Proxies*”.

**PROXY INFORMATION**

***Solicitation of Proxies***

**The solicitation of proxies is made on behalf of the management of the Corporation.** The costs incurred in the preparation of the enclosed form of proxy (the “**Form of Proxy**”), Notice of Meeting and this Information Circular and costs incurred in the solicitation of proxies will be borne by the Corporation. Solicitation of proxies will be primarily by mail, but may also be in person, by telephone or by electronic means. All currency amounts expressed herein, unless otherwise indicated, are expressed in Canadian dollars.

***Completion of Proxies***

The Form of Proxy affords Shareholders or intermediaries an opportunity to specify that the Common Shares registered in their name shall be voted for or against or withheld from voting in respect of certain matters as specified in the accompanying Notice of Meeting.

The persons named in the enclosed Form of Proxy are the President and Chief Executive Officer, and the Vice President, Finance and Chief Financial Officer, respectively, of the Corporation.

**A REGISTERED SHAREHOLDER OR AN INTERMEDIARY HOLDING COMMON SHARES ON BEHALF OF AN UNREGISTERED SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT ON THEIR BEHALF AT THE MEETING, IN THE PLACE OF THE PERSONS DESIGNATED IN THE FORM OF PROXY FURNISHED BY THE CORPORATION. TO EXERCISE THIS RIGHT, THE SHAREHOLDER OR INTERMEDIARY SHOULD STRIKE OUT THE NAMES OF THE PERSONS NAMED IN THE FORM OF PROXY AND INSERT THE NAME OF THEIR NOMINEE IN THE BLANK SPACE PROVIDED, OR SUBMIT ANOTHER APPROPRIATE PROXY.**

A proxy must be dated and signed by the registered Shareholder or by his attorney authorized in writing or by the intermediary. In the case of a Shareholder that is a corporation, the proxy must be executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation with proof of authority accompanying the proxy.

In order to be effective, the proxy, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof, must be deposited with Computershare Trust Company of Canada, the Corporation's transfer agent ("**Computershare**"): (i) by mail using the enclosed return envelope or (ii) by hand delivery to Computershare, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), or by internet using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com). All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received in each case no later than 11:00 a.m. Calgary Time on August 21, 2019 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting.

No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution. If a proxy is not dated, it will be deemed to bear the date on which it was mailed by management of the Corporation.

#### ***Appointment and Revocation of Proxies***

A Shareholder or intermediary who has submitted a proxy may revoke it by instrument in writing executed by the Shareholder or intermediary or his or her attorney authorized in writing, or, if the Shareholder is a corporation, under its corporate seal and executed by a director, officer or attorney thereof duly authorized, and deposited either: (i) with the Corporation at its offices or at the office of the Corporation's agent, Computershare Trust Company of Canada at 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5, at any time prior to the close of business on the second last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used; or (ii) with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting, and upon such deposit the previous proxy is revoked.

#### ***Exercise of Discretion by Proxies***

A Shareholder or intermediary may indicate the manner in which the persons named in the enclosed Form of Proxy are to vote with respect to any matter by checking the appropriate space. On any poll, those persons will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the directions, if any, given in the Form of Proxy. If the Shareholder or intermediary wishes to confer a discretionary authority with respect to any matter, the space should be left blank. **IN SUCH INSTANCE, THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY INTEND TO VOTE THE COMMON SHARES REPRESENTED BY THE PROXY IN FAVOUR OF THE MOTION.**

The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of this Information Circular, management

of the Corporation knows of no such amendment, variation or other matter. However, if any other matters which are not now known to management should properly come before the Meeting, the proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of the management nominees.

### ***Advice to Beneficial Holders of Securities***

The information set forth in this section is of significant importance to many investors who do not own Common Shares in their own name (“**Beneficial Shareholders**”). Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the names of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for their clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate individuals.

In accordance with applicable securities law requirements, the Corporation will have distributed copies of the Notice of Meeting, Form of Proxy and this Information Circular (collectively, the “**Meeting Materials**”) to the intermediaries for distribution to Beneficial Shareholders. Intermediaries are required to forward the Meeting Materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Beneficial Shareholders.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of securityholders meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of that broker) is typically similar to the Form of Proxy provided to registered Shareholders by the Corporation. However, the purpose of the broker's form of proxy is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically asks Beneficial Shareholders to return voting instruction forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a Broadridge voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting. The Broadridge voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of the Beneficial Shareholder's broker (or agent of the broker), a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote such Common Shares in that capacity. Beneficial Shareholders who wish to attend at the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent) well in advance of the Meeting.

**If you have any questions respecting the voting of Common Shares held through an intermediary, please contact that intermediary for assistance.**

The Corporation is not using “Notice-and-Access” procedures to send the Meeting Materials to its Shareholders, and paper copies of such materials will be sent to all Shareholders. The Corporation will not send the Meeting Materials directly to non-objecting Beneficial Shareholders and such materials will be delivered to non-objecting Beneficial Shareholders through their intermediary. The Corporation will not pay for an intermediary to deliver to objecting Beneficial Shareholders the Meeting Materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

### INFORMATION CONCERNING THE CORPORATION

On June 28, 2016, Point Loma Energy Ltd., a private company incorporated on February 7, 2013, completed the reverse take-over of the Corporation (the “**Acquisition**”). On completion of the Acquisition, the Corporation changed its name from “First Mountain Exploration Inc.” to “Point Loma Resources Ltd.”. On July 18, 2016, the Corporation and Point Loma Energy Ltd. were amalgamated and continued as “Point Loma Resources Ltd.”.

On January 16, 2017, the Corporation acquired all of the issued and outstanding shares of Ascent Energy Ltd. and, on January 24, 2017, the Corporation amalgamated with Ascent Energy Ltd. and continued as “Point Loma Resources Ltd.” under the provisions of the *Business Corporations Act* (Alberta).

On June 28, 2018, the Corporation acquired all of the outstanding shares of Sanford Petroleum Ltd. (“**Sanford**”) and on July 1, 2018, the Corporation amalgamated with Sanford and continued as “Point Loma Resources Ltd.”.

The Corporation is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Newfoundland, Nova Scotia and Prince Edward Island. The Common Shares are listed on the TSX Venture Exchange (the “**TSXV**”) under the trading symbol “PLX”.

The Corporation’s head and registered office is located at 2000, 350 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N9.

### VOTING OF COMMON SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value. As at the date hereof, there are 75,143,017 fully paid and non-assessable Common Shares issued and outstanding. The holders of the Common Shares are entitled to receive notice of all meetings of shareholders and to attend and vote the Common Shares at all such meetings. Each Common Share carries with it the right to one vote.

The bylaws of the Corporation provide that a quorum at any meeting of shareholders shall be persons present not being less than two in number and holding or representing by proxy not less than five percent of the shares entitled to be voted at the meeting.

Any registered Shareholder at the close of business on the Record Date, who either personally attends the Meeting or who completes and delivers a proxy will be entitled to vote or have his or her Common Shares voted at the Meeting. However, a person appointed under a form of proxy will be entitled to vote the Common Shares represented by that form only if it is effectively delivered in the manner set out under the heading “*Completion of Proxies*”.

To the best of the knowledge of the directors and executive officers of the Corporation, as at July 15, 2019, the following persons or companies beneficially owned, directly or indirectly, or exercised control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attached to the shares of the Corporation:

| Name                                       | Number of Common Shares held as of<br>July 15, 2019 | Percentage of total issued and<br>outstanding Common Shares held as of<br>July 15, 2019 |
|--------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------|
| Bruce Mitchell                             | 11,704,041                                          | 15.6%                                                                                   |
| Loyal Petroleum Corporation <sup>(1)</sup> | 10,972,321                                          | 14.6%                                                                                   |

**Note:**

- (1) Loyal Petroleum Corporation is a wholly-owned subsidiary of Everenergy Company Limited. Jianjun Cui is a director of Everenergy Company Limited and Loyal Petroleum Corporation.

**MATTERS TO BE ACTED UPON**

In addition to receiving the financial statements for the fiscal year ended December 31, 2018 and the report of the auditors thereon, the Shareholders of the Corporation will be asked to consider and, if deemed appropriate:

- (a) by ordinary resolution, to fix the number of directors to be elected at the meeting to the board of directors of the Corporation (the “**Board**”) at six;
- (b) by ordinary resolution, to elect the directors of the Corporation for the ensuing year;
- (c) by ordinary resolution, to appoint auditors for the ensuing year and to authorize the directors of the Corporation to fix their remuneration;
- (d) by ordinary resolution, to approve, with or without variation, the Corporation’s stock option plan, the full text of which is set forth herein (the “**Stock Option Plan**”); and
- (e) to transact such other business as may properly come before the Meeting or any adjournments thereof.

Additional detail regarding each of the matters to be acted on at the Meeting is contained below.

**FINANCIAL STATEMENTS AND AUDITOR’S REPORT**

Pursuant to the *Business Corporations Act* (Alberta), the Board will place before the Shareholders at the Meeting the audited financial statements of the Corporation for the year ended December 31, 2018 and the auditor’s report thereon, accompanying this Information Circular. Shareholder approval is not required with respect to the audited financial statements.

**FIXING NUMBER OF DIRECTORS**

At the Meeting, it is proposed that the number of directors to be elected at the Meeting to hold office until the next annual meeting or until their successors are elected or appointed, subject to the articles of the Corporation, be set at six. **Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of setting the number of directors to be elected at the Meeting at six.**

**ELECTION OF DIRECTORS**

Action is to be taken at the Meeting with respect to the election of directors. The Shareholders will be asked to pass a resolution at the Meeting to elect, as directors, the nominees whose names are set forth in the table below. Voting for the election of nominees will be conducted on an individual, and not on a slate, basis. Each nominee elected will hold office until the next annual meeting of the Shareholders, or until his successor is duly elected or appointed, unless his office is vacated earlier in accordance with the Corporation’s articles. The Corporation is required by applicable corporate legislation to have an Audit Committee comprised of members of the Board that are considered “financially literate” and a majority of which are considered



“independent”, as such terms are defined in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). The Corporation has also established a Compensation and Corporate Governance Committee and a Reserves, Health, Safety and Environment Committee, each comprised of members of the Board. Please see the discussion under the heading “*Corporate Governance Practices*”. The present members of the Audit Committee, Compensation and Corporate Governance Committee and Reserves, Health, Safety and Environment Committee of the Board are identified in the table below.

The Corporation has adopted a majority voting policy with respect to the election of directors. Pursuant to this policy, if a director receives more withheld votes than for votes at an uncontested election, the director will promptly tender to the Chairman of the Board an offer to resign. The Compensation and Corporate Governance Committee will consider the director’s offer to resign and make a recommendation to the Board to accept or reject the resignation. The director will not participate in any Board or Board committee deliberations on the matter. If the Board accepts the director’s resignation, it can appoint a new director to fill the vacancy. The Board must promptly disclose its final decision regarding the directors offer to resign in a press release.

The following information relating to the nominees as directors is based partly on the records of the Corporation and partly on information received by the Corporation from the respective nominees, and sets forth the name and municipality of residence of the persons proposed to be nominated for election as directors, all other positions and offices within the Corporation now held by them, their principal occupations or employments, the periods during which they have served as directors of the Corporation and the approximate number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as at the date hereof.

| <u>Name</u>                                          | <u>Positions Presently Held</u>                             | <u>Director Since<sup>(2)(5)</sup></u> | <u>Principal Occupation for Previous Five Years</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <u>Number and Percentage of Common Shares Beneficially Owned or Over Which Control or Direction, Directly or Indirectly, is Exercised</u> |
|------------------------------------------------------|-------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Terry Meek<br><i>Calgary, Alberta</i>                | Director,<br>President and<br>Chief<br>Executive<br>Officer | June 28, 2016                          | President and Chief Executive Officer of the Corporation since June 28, 2016. From July 2014 to June 2016, Mr. Meek was the President and Chief Executive Officer of Point Loma Energy. From 2011 to 2014, Mr. Meek consulted in the role of President and Director to the private companies Woma Energy and Carnaby Energy. Mr. Meek was previously a founder, Executive Vice President and Chief Operating Officer of the coal bed methane company Ember Resources Inc. (“ <b>Ember</b> ”) from 2005 to 2011. Mr. Meek was also a founder, Engineering Vice President and Chief Operating Officer of Thunder Energy Inc. (“ <b>Thunder</b> ”) from 1995 to 2005. | 2,039,201 <sup>(6)</sup><br>(2.71%)                                                                                                       |
| Doug Dafoe <sup>(3)</sup><br><i>Calgary, Alberta</i> | Director                                                    | June 28, 2016                          | Mr. Dafoe is the Chairman of Xtreme Drilling Corp. since 2012. Mr. Dafoe is also the Chief Executive Officer and President of Ember, a private company focused on natural gas exploration and production primarily from coal bed methane in Alberta, Canada. Mr. Dafoe has been Chief Executive Officer since 2005. Prior to joining Ember, Mr. Dafoe was Founder, President and Chief Executive Officer of Thunder, an oil and gas producer from 1995 to 2005. Mr. Dafoe has also held senior executive positions with Samson Canada and Husky Oil.                                                                                                               | 115,690<br>(0.15%)                                                                                                                        |

| Name                                                                 | Positions Presently Held              | Director Since <sup>(2)(5)</sup> | Principal Occupation for Previous Five Years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Number and Percentage of Common Shares Beneficially Owned or Over Which Control or Direction, Directly or Indirectly, is Exercised |
|----------------------------------------------------------------------|---------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Steve Dabner <sup>(1)</sup><br><i>Calgary, Alberta</i>               | Director,<br>Chairman of<br>the Board | June 28, 2016                    | Mr. Dabner is an independent businessman with over 35 years of domestic and international industry experience, including founding roles as President and Chief Executive Officer of Online Energy Inc., Trimox Energy Inc. and Moxie Exploration Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 344,800<br>(0.46%)                                                                                                                 |
| Donald Brown <sup>(1)(3)</sup><br><i>Calgary, Alberta</i>            | Director                              | October 31, 2014                 | Mr. Brown is an independent businessman with over 31 years of industry experience and formerly the President and Chief Executive Officer of Elkwater Resources Ltd. until July 2014.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 1,226,620 <sup>(7)</sup><br>(1.63%)                                                                                                |
| Kevin R. Baker,<br>Q.C. <sup>(3)(4)</sup><br><i>Calgary, Alberta</i> | Director                              | May 30, 2017                     | Mr. Baker has served as a Director of Calfrac Well Services Ltd. since May 11, 2010, where he is the Chair of the Corporate Governance and Nominating Committee and a member of the Compensation Committee and the Audit Committee. Mr. Baker has also served as the President and Managing Director of Baycor Capital Inc. (and its predecessor companies), a company whose principal business is that of a private merchant bank, since January 1990 and Chief Executive Officer of ConleyMax Inc., an oilfield service company, since September 2011. President and Chief Executive Officer of Century Oilfield Services Inc. from August 2005 until November 2009, when it was acquired by Calfrac Well Services Ltd. Mr. Baker was also the President and Chief Executive Officer of Northern Spirit Resources Inc. from December 2011 until July 2015. | 6,397,011<br>(8.51%)                                                                                                               |
| Jianjun Cui <sup>(1)(4)(8)</sup><br><i>Hong Kong</i>                 | Director                              | June 21, 2017                    | Mr. Cui is the founding director of Dayou Energy Ltd., the parent company of Evenergy Company Limited (" <b>Evenergy</b> "). Mr. Cui has more than 20 years of senior management experience including Senior Vice President of a Hong Kong listed company, Vice President of Mergers and Acquisitions for Sinochem Petroleum, Country Manager to Colombia and General Manager of Asset Management for Sinochem Petroleum. Mr. Cui holds a PhD in Geophysics and has been a visiting professor to the University of Calgary for one year.                                                                                                                                                                                                                                                                                                                     | nil                                                                                                                                |

**Notes:**

- (1) Member of the Reserves, Health, Safety and Environment Committee. Steve Dabner is the chairman of this committee.
- (2) Messrs. Meek and Dafoe were appointed as Directors of Point Loma Energy on September 18, 2014.
- (3) Member of the Audit Committee. Doug Dafoe is the chairman of this committee.
- (4) Member of the Compensation and Corporate Governance Committee. Kevin Baker is the chairman of this committee.
- (5) All directors of the Corporation are elected to hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed, unless his office is vacated earlier in accordance with the Corporation's articles and bylaws.
- (6) Includes Common Shares held by Mr. Meek's spouse, Cheryl Bernard, and Common Shares held by 1622748 Alberta Ltd. and Coronado Ventures Ltd., all of which, for the purposes of applicable securities laws, may be considered under the control or direction of Mr. Meek.
- (7) Includes Common Shares held by Davilin Energy Corp., which, for the purposes of applicable securities laws, may be considered under the control or direction of Mr. Brown.
- (8) Mr. Cui is the nominee of Evenergy pursuant to the Investment Agreement (as defined below). See "*Interest of Informed Persons in Material Transactions*". As at July 15, 2019, Loyal Petroleum Corporation, a wholly-owned subsidiary of Evenergy, holds 10,972,321 Common Shares.

### ***Corporate Cease Trade Orders or Bankruptcies***

Except as disclosed in this Information Circular, none of the proposed directors of the Corporation, has, within 10 years prior to the date of this Information Circular, been a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemptions under applicable securities law, for a period of more than 30 consecutive days (collectively, an “**Order**”); or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as disclosed in this Information Circular, none of the proposed directors of the Corporation, has, within 10 years prior to the date of this Information Circular, been a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

#### *Donald Brown*

Mr. Brown was formerly a director of Eagle Ranch Resources Ltd. (“**Eagle Ranch**”), a private oil and gas company which had various working interests in Alberta, until June 2014. Alvarez & Marsal Canada Inc. were appointed receiver over Eagle Ranch’s assets and property by a receivership order granted by the Court of Queen’s Bench of Alberta on January 27, 2015.

### ***Personal Bankruptcies***

None of the above proposed directors of the Corporation have, within 10 years prior to the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

### ***Penalties and Sanctions***

None of the above proposed directors have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, or have entered into a settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

**In the absence of contrary instructions, the persons named in the accompanying Form of Proxy intend to vote the Common Shares represented thereby in favour of the election to the Board of those persons designated above as nominees for election as directors. The Board does not contemplate that any of such nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion, unless the Shareholder has specified in his proxy that his Common Shares are to be withheld from voting on the election of directors.**

## **APPOINTMENT OF AUDITORS**

The Shareholders will be asked to pass a resolution at the Meeting to appoint KPMG LLP as auditors of the Corporation, to hold office until the next annual meeting of the Shareholders, at such remuneration to be determined by the Board. KPMG LLP was first appointed as the Corporation’s auditors on May 27, 2016.

**In the absence of contrary instructions, the persons named in the accompanying Form of Proxy intend to vote the Common Shares represented thereby in favour of the appointment of KPMG LLP as auditors of the Corporation.**

### **APPROVAL OF THE STOCK OPTION PLAN**

Pursuant to the policies of the TSXV, listed issuers are permitted to have “rolling” stock option plans reserving a maximum of 10% of the issued shares of the listed issuer at the time of the stock option grant (“**Rolling Plan**”). The Stock Option Plan is considered to be a Rolling Plan. The policies of the TSXV require that Rolling Plans be approved annually by the shareholders of listed issuers.

Pursuant to the policies of the TSXV, Shareholders will be asked at the Meeting to consider, and, if deemed advisable, to approve, with or without variation, an ordinary resolution approving the Stock Option Plan for the ensuing year. A description of the Stock Option Plan is more particularly described in this Information Circular under the heading “*Executive Compensation – Stock Option Plan*”.

The text of the ordinary resolution which management intends to place before the Shareholders at the Meeting for the approval of the Stock Option Plan is as follows:

**“BE IT HEREBY RESOLVED** as an ordinary resolution of the shareholders of Point Loma Resources Ltd. (the “**Corporation**”) that:

1. the stock option plan of the Corporation (the “**Stock Option Plan**”), substantially in the form attached as Schedule A to the management information circular of the Corporation dated July 15, 2019, be and is hereby approved and adopted as the stock option plan of the Corporation;
2. the form of Stock Option Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation; and
3. any officer or director of the Corporation be and is hereby authorized and directed for and on behalf of the Corporation (whether under its corporate seal or otherwise) to execute, deliver and file all such documents and to take all such other action(s) as may be deemed necessary or desirable for the implementation of this resolution and any matters contemplated thereby.”

**In the absence of contrary instructions, the persons named in the accompanying Form of Proxy intend to vote the Common Shares represented thereby in favour of the approval of the Stock Option Plan.**

### **OTHER MATTERS COMING BEFORE THE MEETING**

The Board knows of no other matters to come before the Meeting other than as referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the Common Shares represented by proxy solicited hereby will be voted on such matters in accordance with the best judgement of the person voting such proxy.

### **EXECUTIVE COMPENSATION**

Securities legislation requires the disclosure of the compensation received by each “Named Executive Officer” (“**Named Executive Officer**”) of the Corporation for each of the two most recently completed financial years. “Named Executive Officer” is defined by securities legislation to mean: (a) a Chief Executive Officer of the Corporation; (b) a Chief Financial Officer of the Corporation; and (c) the Corporation’s most highly compensated executive officer or the most highly compensated individual acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year and whose total compensation was, individually, more than \$150,000 for that financial year; and (d) each individual who would be a “Named Executive Officer” under paragraph (c) but for the fact that the

individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year.

For the fiscal year ended December 31, 2018, the Corporation had four Named Executive Officers.

The following table and notes thereto provide a summary of the compensation paid to the Named Executive Officers and directors of the Corporation for the two most recently completed financial years:

| <b>Name and Position</b>                                                                  | <b>Year</b> | <b>Salary, Consulting Fees, Retainer or Commission (\$)</b> | <b>Bonus (\$)</b> | <b>Committee or Meeting Fees (\$)</b> | <b>Value of Perquisites (\$)</b> | <b>Value of All Other Compensation (\$)</b> | <b>Total Compensation (\$)</b> |
|-------------------------------------------------------------------------------------------|-------------|-------------------------------------------------------------|-------------------|---------------------------------------|----------------------------------|---------------------------------------------|--------------------------------|
| <b>Named Executive Officers</b>                                                           |             |                                                             |                   |                                       |                                  |                                             |                                |
| Terry Meek <sup>(1)</sup><br>President, Chief Executive Officer and a Director            | 2018        | 142,500                                                     | nil               | nil                                   | 9,372                            | 24,070                                      | 175,942                        |
|                                                                                           | 2017        | 161,100                                                     | 15,120            | nil                                   | 12,507                           | 72,226                                      | 260,953                        |
| Thomas Love <sup>(2)</sup><br>Current Vice President, Finance and Chief Financial Officer | 2018        | 11,414                                                      | nil               | nil                                   | 285                              | nil                                         | 11,699                         |
|                                                                                           | 2017        | nil                                                         | nil               | nil                                   | nil                              | nil                                         | nil                            |
| Randall Boyd <sup>(2)</sup><br>Former Vice President, Finance and Chief Financial Officer | 2018        | 113,706                                                     | nil               | nil                                   | 9,966                            | 161,272                                     | 284,944                        |
|                                                                                           | 2017        | 144,180                                                     | 13,200            | nil                                   | 7,382                            | 50,261                                      | 215,383                        |
| Dan Boyko <sup>(3)</sup><br>Former Vice President, Engineering                            | 2018        | 34,320                                                      | nil               | nil                                   | 2,227                            | 132,003                                     | 168,550                        |
|                                                                                           | 2017        | 134,640                                                     | 12,480            | nil                                   | 8,288                            | 37,986                                      | 193,394                        |
| <b>Directors</b>                                                                          |             |                                                             |                   |                                       |                                  |                                             |                                |
| Steve Dabner<br>Director                                                                  | 2018        | nil                                                         | nil               | nil                                   | nil                              | 4,262                                       | 4,262                          |
|                                                                                           | 2017        | nil                                                         | nil               | nil                                   | nil                              | 21,348                                      | 21,348                         |
| Doug Dafoe<br>Director                                                                    | 2018        | nil                                                         | nil               | nil                                   | nil                              | 5,297                                       | 5,297                          |
|                                                                                           | 2017        | nil                                                         | nil               | nil                                   | nil                              | 18,045                                      | 18,045                         |
| Donald Brown<br>Director                                                                  | 2018        | nil                                                         | nil               | nil                                   | nil                              | 5,311                                       | 5,311                          |
|                                                                                           | 2017        | nil                                                         | nil               | nil                                   | nil                              | 19,247                                      | 19,247                         |
| Kevin R. Baker, Q.C. <sup>(4)</sup><br>Director                                           | 2018        | nil                                                         | nil               | nil                                   | nil                              | 5,248                                       | 5,248                          |
|                                                                                           | 2017        | nil                                                         | nil               | nil                                   | nil                              | 6,013                                       | 6,013                          |
| Jianjun Cui <sup>(5)</sup><br>Director                                                    | 2018        | nil                                                         | nil               | nil                                   | nil                              | 5,248                                       | 5,248                          |
|                                                                                           | 2017        | nil                                                         | nil               | nil                                   | nil                              | 6,013                                       | 6,013                          |
| Jay Reid <sup>(6)</sup><br>Former Director                                                | 2018        | nil                                                         | nil               | nil                                   | nil                              | nil                                         | nil                            |
|                                                                                           | 2017        | nil                                                         | nil               | nil                                   | nil                              | 18,045                                      | 18,045                         |

**Notes:**

- (1) Mr. Meek has been an executive and director of the Corporation since June 28, 2016. All of the compensation paid to Mr. Meek relates to his role as President and Chief Executive Officer and none of the compensation paid to Mr. Meek relates to his role as a director.
- (2) Mr. Boyd ceased to be an officer of the Corporation on November 23, 2018 and Mr. Love was appointed as Interim Chief Financial Officer and was appointed Vice President Finance and Chief Financial Officer on June 16, 2019. Included in Other Compensation is a severance payment to Mr. Boyd of \$143,330.
- (3) Mr. Boyko ceased to be an officer of the Corporation on March 29, 2018. Included in Other Compensation is a severance payment to Mr. Boyko of \$120,640.
- (4) Mr. Baker has been a director of the Corporation since May 30, 2017.
- (5) Mr. Cui has been a director of the Corporation since June 21, 2017.
- (6) Mr. Reid ceased being a director of the Corporation on May 25, 2018.

***Outstanding Share-Based and Option-Based Awards***

The Corporation did not have any outstanding share-based awards at the end of the fiscal year ended December 31, 2018. No stock options were granted or issued to the Corporation's NEOs or directors for the fiscal year ended December 31, 2018.

***Summary of Directors' Compensation***

The Corporation's directors do not have service contracts with respect to their roles as directors and are not provided with cash remuneration for their service to the Corporation as directors. All directors are reimbursed for reasonable expenses incurred by them in their capacity as directors, including travel and other out of pocket expenses incurred in connection with meetings of the Board or any committee of the Board. In addition, the directors are entitled to participate in the Stock Option Plan.

No director or Named Executive Officer has exercised any compensation securities during the most recently completed financial year.

***Compensation Discussion and Analysis***

In assessing the compensation of its executive officers, the Corporation does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on board discussion. The Corporation's executive compensation program has two principal components: base salary and long term incentive compensation. Base salaries for all employees of the Corporation are established for each position through comparative salary surveys of similar type and size corporations. Individual and corporate performance is also taken into account.

The Board has established a Compensation and Corporate Governance Committee, which determines the compensation payable to the executives and directors of the Corporation and, in doing so, ensures that the total compensation payable is fair and reasonable and is consistent with the Corporation's compensation philosophy. The Compensation and Corporate Governance Committee is comprised of Messrs. Baker, Brown and Cui.

The Corporation's compensation philosophy is aimed at attracting and retaining quality and experienced people which are critical to the success of the Corporation for the benefit of the Shareholders. The President and Chief Executive Officer and the Compensation and Governance Committee review all components in assessing the compensation of individual officers and of the Corporation as a whole. Salaries are intended to provide current compensation and a short-term incentive for employees to meet the Corporation's goals, as well as to remain competitive with the industry that possesses a competitive hiring environment, particularly in relation to companies of similar size and scope.

***Base Salaries***

The Compensation and Corporate Governance Committee recognizes that the size of the Corporation prohibits base salary compensation for officers from matching those of larger companies in the petroleum and

natural gas industry. The Compensation and Corporate Governance Committee does believe, however, that performance-based compensation plans are an important element in the compensation packages for the Corporation's officers, and that long-term equity interests, in the form of options, compensate for lower base salaries. This compensation strategy is similar to the strategies of many other companies in the Corporation's peer group.

Base salaries for officers, including the Chief Executive Officer, have been established by the Compensation and Corporate Governance Committee at levels comparable to base salaries paid by the Corporation's industry peer group. In assessing comparability, the Corporation relies upon a review of base salary amounts as disclosed by industry peers in their public disclosure documents. Consideration is given to the time period evaluated in industry surveys and public data and to the business climate applicable at the time with respect to industry demand for experienced personnel. Salaries of officers, including that of the Chief Executive Officer, will be reviewed annually.

### ***Option-Based Awards***

Stock options will be granted to provide an incentive to the directors, officers, employees and consultants of the Corporation to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

### ***Stock Option Plan***

Pursuant to the policies of the TSXV, listed issuers are permitted to have Rolling Plans reserving a maximum of 10% of the issued shares of the listed issuer at the time of the stock option grant. The Stock Option Plan, attached hereto as Schedule "A", is considered to be a Rolling Plan.

The policies of the TSXV require that Rolling Plans be approved annually by the shareholders of listed issuers. Shareholders will be asked to consider, and, if deemed advisable, to approve, with or without variation, an ordinary resolution approving the Stock Option Plan for the ensuing year. For the full text of the ordinary resolution which management intends to place before the Meeting, see "*Approval of the Stock Option Plan*".

### ***Description of the Plan***

The Stock Option Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase Common Shares. The Stock Option Plan provides for a floating maximum limit of 10% of the outstanding Common Shares, as permitted by the policies of the TSXV. As at the Record Date, this represents 7,514,302 Common Shares available under the Stock Option Plan. As at the Record Date, options to purchase a total of 3,280,000 Common Shares have been issued to directors, officers, employees and consultants of the Corporation.

Unless disinterested shareholder approval is obtained, the number of Common Shares reserved for issuance to any one person (other than consultants and employees performing investor relations activities) may not exceed 5% of the outstanding Common Shares. The aggregate number of Common Shares reserved for issuance to a consultant in a 12 month period may not exceed 2% of the outstanding Common Shares. The aggregate number of options granted to all persons retained to provide investor relations activities must not exceed 2% of the issued and outstanding Shares in any 12 month period, calculated on the date of grant. The Board determines the price per Common Share and the number of Shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the options, subject to the rules of the TSXV. The price per Common Share set by the Board is subject to minimum pricing restrictions set by the TSXV.

Options may be exercisable for up to ten (10) years from the date of grant, but the Board has the discretion to grant options that are exercisable for a shorter period. Options under the Stock Option Plan are not transferable or assignable. If prior to the exercise of an option, the holder ceases to be a director, officer, employee or consultant of the Corporation, the option shall be limited to the number of Common Shares purchasable by the holder immediately prior to the time of his or her cessation of office or employment and the holder shall have no right to purchase any other Common Shares. Pursuant to the Stock Option Plan, options must be exercised within a 90 day period following termination of employment or cessation of the optionee's position with the Corporation, or such other period established by the Board, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death or disability, the option may be exercised within one year, subject to the expiry date.

Upon the occurrence of a change of control (as such term is defined in the Stock Option Plan), options will immediately vest and be exercisable for a period of time ending on the earlier of the expiry time of the option and the 30th day following the change of control.

### **Bonuses**

The Corporation does not have a formalized bonus plan for its executive officers and employees, however, the Corporation's executive officers and employees may receive a bonus as and when declared by the Board, after review and recommendation by the Compensation and Corporate Governance Committee. The determination of the payment and amount of bonus entitlements, if applicable, will be based upon a number of factors, including growth in reserves, production and cash flow per debt adjusted share and the overall financial performance of the Corporation for the applicable period. Bonuses will be reviewed annually by the Compensation and Corporate Governance Committee and the Board.

### **Compensation Governance**

For a discussion of the policies and practices of the Corporation in determining compensation for the year ended December 31, 2018, see "*Executive Compensation - Compensation Discussion and Analysis*".

The objectives of the Compensation and Corporate Governance Committee are to attract and retain individuals of high calibre to serve as officers of the Corporation, to motivate their performance in order to achieve the Corporation's strategic objectives and to align the interests of executive officers with the long-term interests of the Shareholders. These objectives are designed to ensure that the Corporation rewards the Named Executive Officers where they have contributed to the prosperity and growth of the Corporation.

The members of the Compensation and Corporate Governance Committee are Messrs. Baker, Brown and Cui, each of whom is independent. Kevin Baker is the Chairman of the Compensation and Corporate Governance Committee. Each member of the Compensation and Corporate Governance Committee has direct experience that is relevant to his responsibilities as a member of the Compensation and Corporate Governance Committee. Mr. Baker is currently the President and Managing Director of Baycor Capital Inc. and has significant experience in corporate governance. Mr. Brown is an independent businessman with over 31 years of industry experience and formerly the President and Chief Executive Officer of Elkwater Resources Ltd. until July 2014, and has significant experience in corporate governance. Mr. Cui is currently the Director of Dayou Energy Ltd. and has experience, both as an officer and as a director.



### ***Risk Oversight***

In carrying out its mandate, the Compensation and Corporate Governance Committee reviews from time to time the risk implications of the Corporation's compensation policies and practices, including those applicable to the Corporation's executives. This review of the risk implications ensures that compensation plans, in their design, structures and application have a clear link between pay and performance and do not encourage excessive risk taking. Key considerations regarding risk management include the following:

- design of the compensation program to ensure all executives are compensated equally based on the same or, depending on the mandate and term of appointment of that particular executive, substantially equivalent performance goals;
- balance of short-term performance incentives with equity-based awards that vest over time;
- ensuring overall expense to the Corporation of the compensation program does not represent a disproportionate percentage of the Corporation's revenues, after giving consideration to the development stage of the Corporation; and
- utilizing compensation policies that do not rely solely on the accomplishment of specific tasks without consideration to longer term risks and objectives.

For the reasons set forth below, the Compensation and Corporate Governance Committee believes that the Corporation's current executive compensation policies and practices achieve an appropriate balance in relation to the Corporation's overall business strategy and do not encourage executives to expose the Corporation to inappropriate or excessive risks.

While one feature of the Corporation's current executive compensation practice is the awarding of stock options under the Stock Option Plan, and while such compensation is "at risk" (i.e. not guaranteed), the Corporation's long-term incentive plans provide for vesting restrictions that encourage sustainable Common Share price appreciation and reduce the risk of actions which may have short-term advantages. Additionally, the granting of options is in accordance with the terms and provisions of the Stock Option Plan.

The base salaries set for the Corporation's executives are intended to provide a steady income regardless of Common Share price performance, allowing executives to focus on both near-term and long-term goals and objectives without undue reliance on short term Common Share price performance or market fluctuations.

Compensation payable in the form of bonuses is overseen by the Compensation and Corporate Governance Committee and the Board. The Board does not consider the applicable periods set for bonus purposes to be heavily weighed to the short-term and believes it has struck an appropriate balance between short-term performance incentives and long-term awards that vest over time.

### ***Hedging and Offsetting***

The Corporation has adopted an Insider Trading Policy to assist the Corporation and its personnel in ensuring that any purchase or sale of securities of the Corporation by the personnel identified in the Insider Trading Policy occurs without actual or perceived violation of securities laws. The Insider Trading Policy prohibits, among other things, trading on inside information, speculating in securities of the Corporation, buying the Corporation's securities on margin, short-selling a security of the Corporation, selling call options or buying put options and tipping.

The Insider Trading Policy establishes reporting requirements, trading pre-clearances and black-out periods to assist its personnel in complying with applicable securities laws.

Any transactions of this nature are subject to insider reporting requirements and are reported on the System for Electronic Disclosure by Insiders.

### **Pension Plan Benefits**

The Corporation does not have a pension plan or provide any benefits following or in connection with retirement. In addition, the Corporation does not have a deferred compensation plan.

### **Management Agreements, Consulting Contracts, Termination and Change of Control Payments**

In 2017, the Corporation entered into an executive employment agreement (the “**CEO Executive Agreement**”) with Mr. Terry Meek (the “**CEO**” or “**Executive**”), that provides for payments to the CEO following or in connection with a termination, resignation, change of control of the Corporation or a change in the CEO’s responsibilities.

#### *CEO Executive Agreement*

The following is a description of the CEO Executive Agreement and certain of the terms and provisions in connection with any termination (whether voluntary, involuntary or constructive), resignation, a change in control of the company or a change in the CEO’s responsibilities.

| <b>Type of Termination</b>                                                                   | <b>Salary (\$)</b>                                                                                                                                                                                                                                                                                                                                                                                   | <b>Severance (\$)</b>                                                                                                                                                                                                                                                                                                        | <b>Benefits<sup>(4)</sup> (\$)</b>                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Termination without Cause<sup>(1)</sup></b>                                               | Any outstanding base salary, vacation pay, or expense reimbursement owing up to the CEO’s last day of active employment.                                                                                                                                                                                                                                                                             | <p>A lump sum bonus amount equal to the average of the annual bonus awarded to the CEO for the two most recently completed financial years.</p> <p>A lump sum amount equal to the sum of nine months’ base salary plus one additional months’ base salary for each full year of employment up to a maximum of 12 months.</p> | <p>Any outstanding amounts under the CEO’s Health Spending Account owing up to the CEO’s last day of active employment.</p> <p>Any outstanding amounts due and payable pursuant to the Stock Option Plan (or any other incentive plans of the Corporation).</p> |
| <b>Resignation for Good Reason<sup>(2)</sup> (following a change of control)</b>             | Any outstanding base salary, vacation pay, or expense reimbursement owing up to the CEO’s last day of active employment.                                                                                                                                                                                                                                                                             | <p>A lump sum amount equal to the average of the annual bonus awarded to the CEO for the two most recently completed financial years.</p> <p>A lump sum amount equal to the sum of nine months’ base salary plus one additional months’ base salary for each full year of employment up to a maximum of 12 months.</p>       | Any outstanding amounts under the CEO’s Health Spending Account owing up to the CEO’s last day of active employment. Any outstanding amounts due and payable pursuant to the Stock Option Plan (or any other incentive plans of the Corporation).               |
| <b>Resignation for Good Reason (following an Everenergy Change of Control)<sup>(3)</sup></b> | Any outstanding base salary, vacation pay, or expense reimbursement owing up to the CEO’s last day of active employment, and a lump sum amount equal to the sum of twelve months’ base salary plus one additional month’s base salary for each full year of employment with the Corporation up to a maximum of 18 months (based on the CEO’s salary at the time of the Everenergy Change of Control) | A lump sum amount equal to the average of the annual bonus awarded to the CEO for the two most recently completed financial years.                                                                                                                                                                                           | Any outstanding amounts under the CEO’s Health Spending Account owing up to the CEO’s last day of active employment. Any outstanding amounts due and payable pursuant to the Stock Option Plan (or any other incentive plans of the Corporation).               |

**Notes:**

- (1) "Cause" includes any circumstance under the common law of Alberta entitling the Corporation to dismiss the Executive summarily, including but not limited to fraud, dishonesty, illegality, insubordination, unsatisfactory performance, conflict of interest, or gross incompetence.
- (2) "Good Reason" means any of the following, unless the CEO has given his express written consent thereto or unless otherwise permitted under the CEO Executive Agreement: (i) any action by the Corporation that at common law constitutes constructive dismissal of the CEO's employment, including but not limited to (A) any material reduction in the CEO's reporting relationships, powers, authority, duties or responsibilities in the Corporation, or (B) any adverse change to the CEO's base salary.
- (3) An "Everenergy Change of Control" means the occurrence of: (i) any change in the holding, direct or indirect, of the Common Shares as a result of which Everenergy is in a position to exercise effective control of the Corporation; or (ii) the sale or lease to Everenergy, of (A) assets which aggregate more than 50% of the assets (measured by fair market value) of the Corporation or (B) assets which generated during the Corporation's last completed fiscal year or are expected to generate during the Corporation's current fiscal year more than 50% of the operating income or cash flow of the Corporation.
- (4) The Options held by the Executive will be treated in accordance with the terms of the Stock Option Plan. See "Termination and Change of Control Under the Stock Option Plan".

**Estimated Termination/Resignation Payments**

The table below shows estimated compensation amounts other than salary earned, bonus awarded and unused vacation pay as of the termination/resignation date if the CEO had been terminated or resigned on December 31, 2018.

| Name                                                     | Termination/Resignation                                                                | Cash<br>(\$) | Benefits<br>(\$) | Option-based<br>compensation <sup>(1)(2)</sup><br>(\$) | Total<br>(\$) |
|----------------------------------------------------------|----------------------------------------------------------------------------------------|--------------|------------------|--------------------------------------------------------|---------------|
| Terry Meek, <i>President and Chief Executive Officer</i> | Termination without Cause                                                              | 164,310      | 3,500            | nil                                                    | 167,810       |
|                                                          | Resignation for Good Reason (following a change of control)                            | 164,310      | 3,500            | nil                                                    | 167,810       |
|                                                          | Resignation for Good Reason (following an Everenergy Change of Control) <sup>(3)</sup> | 207,060      | 3,500            | nil                                                    | 210,560       |

**Notes:**

- (1) For a description of the treatment of Options, see "Termination and Change of Control Under the Stock Option Plan". In the event the CEO ceases to hold his position as an officer of the Corporation, all stock options vest and are exercisable, provided such stock options are exercised by the earlier of the date of the expiration of the period in which such stock options may be exercised and 90 days after the date the CEO is terminated or resigns. It has been assumed that all such vested stock options that are in-the-money and would be exercised and result in the additional benefit.
- (2) Value calculated by multiplying the difference between the closing price for the Common Shares on the TSXV on December 31, 2018 (the last trading day in the Corporation's most recently completed financial year), being \$0.21, and the stock option exercise price by the total number of unexercised stock options (including unvested stock options).

**Termination and Change of Control Under the Stock Option Plan**

If any participant under the Stock Option Plan (including the NEOs) ceases to hold the position or positions of director, officer, consultant or employee of the Corporation or any subsidiaries for any reason other than death, such participant's options may be exercised (to the extent such participant was entitled to exercise it at the date of such cessation), provided that such exercise must occur within 90 days after the participant ceases to be a director, officer, consultant or employee, unless such participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the participant's services to the Corporation.

In the event of a change of control of the Corporation (as such term is defined in the Stock Option Plan), the stock options held by each participant of the Stock Option Plan, including NEOs, shall vest and be exercisable for a period of time ending on the earlier of the expiry time of the stock option and the 30<sup>th</sup> day following the change of control.

## EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information with respect to compensation plans under which equity securities are authorized for issuance as at December 31, 2018, aggregated for all compensation plans previously approved by the Shareholders and all compensation plans not previously approved by the Shareholders:

| Plan Category                                             | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights<br>(a) | Weighted Average Exercise Price of Outstanding Options, Warrants and Rights<br>(b) | Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Equity Compensation Plans Approved by Securityholders     | 3,280,000                                                                                          | \$0.37                                                                             | 4,234,302                                                                                                                                   |
| Equity Compensation Plans Not Approved by Securityholders | -                                                                                                  | \$-                                                                                | -                                                                                                                                           |
| <b>Total</b>                                              | <b>3,280,000</b>                                                                                   | <b>\$0.37</b>                                                                      | <b>4,234,302</b>                                                                                                                            |

## INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director or executive officer of the Corporation, nor any of their associates or affiliates, nor any employee of the Corporation is or has been indebted to the Corporation since the beginning of the most recently completed fiscal year of the Corporation, nor is, or at any time since the beginning of the most recently completed fiscal year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Information Circular, there are no material interests, direct or indirect, of directors, executive officers of the Corporation or any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, in any transaction since the commencement of the Corporation's most recently completed financial year.

## INTERESTS OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

Other than as disclosed in this Information Circular, management of the Corporation is not aware of any material interest of any director or nominee for director or senior officer or anyone who has held office as such since the beginning of the Corporation's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting.

## CORPORATE GOVERNANCE PRACTICES

In accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) and National Policy 58-201 – *Corporate Governance Guidelines* (“**NP 58-201**”), issuers are to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices. The Corporation is also subject to NI 52-110, which has been adopted in each of the Canadian provinces and territories and which prescribes certain requirements in relation to audit committees.

The Board is responsible for the governance of the Corporation. The Board and the Corporation's management consider good corporate governance to be central to the effective and efficient operation of the Corporation. Below is a discussion of the Corporation's approach to corporate governance.

### ***Compensation and Corporate Governance Committee***

The Board has established a Compensation and Corporate Governance Committee. The members of the Compensation and Corporate Governance Committee are Messrs. Baker, Cui and Brown. Mr. Baker is the Chairman of the Compensation and Corporate Governance Committee. The members of the Compensation and Corporate Governance Committee are independent and have the responsibility for determining compensation for the directors and senior management. Please see the discussion under the heading “*Executive Compensation*”.

The Corporation’s Compensation and Corporate Governance Committee reviews and makes recommendations to the Board concerning the compensation of the Corporation’s directors, officers and employees, which includes the review of the Corporation’s executive compensation and other human resource policies, the review and administration of the Corporation’s bonuses, stock options and any share purchase plan, the review of and recommendations regarding the performance of the Chief Executive Officer of the Corporation and preparing and submitting a report for inclusion in annual continuous disclosure documents as required. The Corporation’s Compensation and Corporate Governance Committee is responsible for proposing new director nominees to the Board and for assessing current directors on an ongoing basis. The Committee is also responsible for the Corporation’s response to and implementation of the guidelines set forth from time to time by any applicable regulatory authorities. The Compensation and Corporate Governance Committee is comprised entirely of non-management members of the Board and is required to convene at least annually.

The Board has adopted a written charter that sets forth the responsibilities, powers and operations of the Compensation and Corporate Governance Committee, which include: reviewing the adequacy and form of any compensation program for executive officers, reviewing the adequacy and form of non-employee directors’ compensation, evaluating the Chief Executive Officer’s performance in light of corporate goals and objectives, making recommendations to the Board with respect to the Chief Executive Officer’s compensation, setting criteria for selecting new directors, recommending to the Board the size of the Board, the appropriate composition of the board and eligible individuals for election to the Board, a majority of whom shall be independent, recommending to the Board the appropriate committee structure, committee mandates, composition and membership, reviewing and recommending to the Board a set of corporate governance policies, practices and principles aimed at fostering a healthy governance culture at the Corporation.

The Compensation and Corporate Governance Committee has the power to retain independent legal, accounting or other relevant advisors as it may deem necessary or appropriate to allow it to discharge its responsibilities, at the expense of the Corporation. The Compensation and Corporate Governance Committee meets at least once annually and otherwise as requested by the Board or considered desirable by the Chair of the committee.

### ***Independence of Members of Board***

The Board currently consists of six directors, five of whom are independent based upon the tests for independence set forth in NI 52-110. Messrs. Dafoe, Dabner, Brown, Cui and Baker are independent. Mr. Meek is not independent by virtue of serving as President and Chief Executive Officer of the Corporation.

### ***Board Oversight***

The Board exercises its independent supervision over the Corporation’s management through a combination of formal meetings of the Board as well as informal discussions amongst the Board members. The independent directors can also hold scheduled meetings at which non-independent directors and members of management are not in attendance. Where matters arise at Board meetings which require decision making and evaluation that is independent of management and interested directors, the meeting breaks into an *in camera* session among the independent and disinterested directors.

### ***Directorships in Other Reporting Issuers***

The directorships of the Corporation's directors and proposed directors in other reporting issuers are described in the table below:

| <b>Name of Director</b> | <b>Name of Other Reporting Issuer</b> | <b>Exchange</b>        |
|-------------------------|---------------------------------------|------------------------|
| Doug Dafoe              | Xtreme Drilling Corp.                 | Toronto Stock Exchange |
| Kevin R. Baker, Q.C.    | Calfrac Well Services Ltd.            | Toronto Stock Exchange |

### ***Board Mandate***

The Board has adopted a written mandate, attached hereto as Schedule "B", that summarizes, among other things, the Board's duties and responsibilities. The Board is responsible for the overall stewardship of the Corporation and dealing with issues which are pivotal to determining the Corporation's strategy and direction. The Board has directly, and through the appointment of certain committees, put in place an effective system for monitoring the implementation of corporate strategies. The Board is not involved in the day to day operations of the Corporation, as these operations are conducted by the Corporation's management. The Board meets regularly to consider and approve the strategic objectives of the Corporation and management plans designed to accomplish those objectives. Where appropriate, key management personnel and professional advisors are invited to attend Board meetings to speak to these issues. The Board also meets as necessary to consider specific developments and opportunities as they arise, including asset acquisitions and dispositions and financing proposals. The Board approves, among other things, all issuances of securities of the Corporation, the appointment of officers, the entering into of lines of credit or other significant borrowing activities and all significant transactions. The Board considers, but has no formal policies, concerning management development and succession and risk management.

The Corporation has adopted a disclosure policy to ensure effective communication with the Shareholders and the public. The Corporation's management is responsible for the issuance of press releases and communications with the financial community. The Board reviews and approves all principal continuous disclosure documents, the release of interim and annual financial statements, annual information forms, prospectuses and information circulars.

The Compensation and Corporate Governance Committee is responsible for monitoring the governance systems of the Corporation with a view to ongoing improvements, reviewing the composition of the Board and developing criteria for new Board appointments. The Compensation and Corporate Governance Committee also acts as a nominating committee for new directors, oversees and approves the Corporation's compensation plans and evaluates the overall Board effectiveness.

### ***Position Descriptions***

The Board has not developed a written position description for the Chief Executive Officer and the Chairman of each committee of the Board.

The Chair of each committee of the Board schedules meetings of the committee and organizes and presents agendas for such meetings.

### ***Orientation and Continuing Education***

While the Corporation does not have a formal orientation and training program, new members of the Board are provided with:

- (a) a copy of the policies and mandates of the Board and its committees and copies of the Corporation's corporate governance policies, which provides information respecting the functioning of the Board;

- (b) access to recent, publicly filed documents of the Corporation;
- (c) access to management; and
- (d) access to legal counsel in the event of any questions relating to the Corporation's compliance and other obligations.

Members of the Board are encouraged to communicate with management, legal counsel and, where applicable, auditors and technical consultants of the Corporation; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Corporation's operations. Board members have full access to the Corporation's records.

### ***Ethical Business Conduct***

In establishing its corporate governance practices, the Board has been guided by applicable Canadian securities legislation and the guidelines of the TSXV for effective corporate governance, including NP 58-201. The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interests of its Shareholders, but that it also promotes effective decision making at the Board level.

Additionally, in order to encourage and promote a culture of ethical business conduct, the Board has adopted a Code of Business Conduct and Ethics (the "**Code**") wherein directors, officers and employees of the Corporation and others are provided with a mechanism by which they can raise complaints regarding financial and regulatory reporting, internal accounting controls, auditing or health, safety and environmental matters or any other matters and raise concerns about any violations of the Code in a confidential and, if deemed necessary, anonymous process. Interested Shareholders may obtain a copy of the Code upon request by contacting the Corporation at Suite 2000, 350 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N9.

The Board has instructed its management and employees to abide by the Code and to bring any breaches of the Code to the attention of the Compensation and Corporate Governance Committee. Compliance with the Code is monitored primarily through the reporting process within the Corporation's organizational structure.

It is a requirement of applicable corporate law that directors who have an interest in a transaction or agreement with the Corporation promptly disclose that interest at any meeting of the Board at which the transaction or agreement will be discussed and abstain from discussions and voting in respect to same if the interest is material. The Code imposes a similar disclosure requirement on all non-director representatives of the Corporation and requires such persons to report such conflict to the executive officer to whom that person reports in the course of his employment responsibilities, or, in the case of a senior executive officer, to the Compensation and Corporate Governance Committee and fully inform such person or the committee, as applicable, of the facts and circumstances related to the conflict or potential conflict. The representative is prohibited from taking any further action in respect of the matter or transaction giving rise to such conflict or potential conflict unless and until he is authorized to do so by his reporting officer, or the Compensation and Corporate Governance Committee.

### ***Nomination of Directors***

The Compensation and Corporate Governance Committee has responsibility for identifying potential Board candidates. The Compensation and Corporate Governance Committee assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the oil and gas industry are consulted for possible candidates. The Board has adopted a written charter setting forth the responsibilities, powers and operations of the Compensation and Corporate Governance Committee, which include considering what competencies and skills the Board, as a whole, should possess, the appropriate size of the Board in order to facilitate effective decision making and assessing the same on a periodic basis, making recommendations to the Board with respect to filling vacancies, evaluating the performance of individual directors and making recommendations as to their further

nomination, reviewing proposed shareholder nominees and making recommendations to the Board regarding resignations of directors. The Compensation and Corporate Governance Committee has the power to retain outside advisors as it considers necessary for the proper functioning of the committee, at the Corporation's expense. The Compensation and Corporate Governance Committee meets at least once annually and otherwise as requested by the Board or considered desirable by the Chair of the Compensation and Corporate Governance Committee.

### ***Audit Committee***

Please see the discussion under the heading "*Audit Committee*".

### ***Reserves, Health, Safety and Environment Committee***

The members of the Reserves, Health, Safety and Environment Committee are Messrs. Dabner, Brown and Cui. Steve Dabner is the Chairman of the Reserves, Health, Safety and Environment Committee.

The Reserves, Health, Safety and Environment Committee's responsibilities include, but are not limited to: (a) reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities; (b) reviewing the Corporation's procedures for providing information to an independent evaluator; (c) meeting with management and an independent evaluator, as necessary, to determine the whether any restrictions placed by management affect the ability of the independent evaluator to report without reservation on the Reserves Data (as defined in NI 51-101 *Standards of Disclosure for Oil and Gas Activities*) and to review the Reserves Data and the report of the independent evaluator thereon; (d) review the appointment of the independent evaluator and any proposed changes to such evaluator; (e) recommending to the Board whether to approve the content or filing of the statement of the Reserves Data and other reports of the independent evaluator and of management in connection therewith; (f) generally reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves; (g) reviewing the Corporation's internal control systems, strategies and policies in the areas of health, safety and environment; (h) reviewing and making recommendations to the Board regarding the Reserves, Health, Safety and Environment Committee mandate and the potential impact of policies on the Corporation's activities and strategies; (i) reviewing and reporting to the Board on the Corporation's performance with respect to applicable laws, regulations and the Corporation's policies with respect to health, safety and the environment on a quarterly basis; (j) reviewing and reporting to the Board on emerging trends, findings of regulatory agencies, external health, safety and environment consultants or auditors on issues that are relevant to the Corporation and necessary corrective measures, if any; (k) reviewing and reporting to the Board the results of any review with management, outside accountants and legal advisors of the implications of major corporate undertakings such as the acquisition or expansion of facilities or decommission of facilities; and (l) conducting an annual performance self-evaluation and report to the Board the results of such evaluation.

### ***Assessments***

The Board is responsible to assess, on an ongoing basis, its overall performance and that of its committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. The review will identify any areas where the directors of the Corporation or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation. The Board is also responsible for regularly assessing the effectiveness and contribution of each director, having regard to the competencies and skills each director is expected to bring to the Board.

## **AUDIT COMMITTEE**

The Audit Committee is a committee of the Board to which the Board delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the Shareholders, the relationship between the Corporation and the external auditor.

Pursuant to NI 52-110, the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.



### ***Audit Committee Charter***

The Corporation's Audit Committee charter was adopted by the Board of Directors, and is attached hereto as Schedule "C". The mandate of the Audit Committee is to oversee and provide assistance in financial reporting, financial policies and internal controls as well as to work with the external auditors to ensure the accuracy of the Corporation's financial disclosures. The Audit Committee charter provides that all non-audit services to be provided by the external auditors are reviewed in advance and pre-approved.

### ***Composition of the Audit Committee***

As of the date hereof, the Audit Committee is comprised of:

| <b>Name of Director</b> | <b>Independent (Yes/No)<sup>(1)</sup></b> | <b>Financially Literate (Yes/No)</b> |
|-------------------------|-------------------------------------------|--------------------------------------|
| Doug Dafoe              | Yes                                       | Yes                                  |
| Kevin Baker             | Yes                                       | Yes                                  |
| Donald Brown            | Yes                                       | Yes                                  |

**Note:**

(1) As defined in NI 52-110.

### ***Relevant Education and Experience***

Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter.

Mr. Dafoe, a Chartered Accountant, is currently the Chief Executive Officer and President of Ember. Mr. Dafoe has more than 30 years of industry experience in financial and operating positions.

Mr. Baker has served as a Director of Calfrac Well Services Ltd. since May 11, 2010, where he is the Chair of the Corporate Governance and Nominating Committee and a member of the Compensation Committee and the Audit Committee. Mr. Baker has also served as the President and Managing Director of Baycor Capital Inc. (and its predecessor companies), a company whose principal business is that of a private merchant bank, since January 1990 and Chief Executive Officer of ConleyMax Inc., an oilfield service company, since September 2011.

Mr. Brown is an independent businessman with over 31 years of industry experience and formerly the President and Chief Executive Officer of Elkwater Resources Ltd. until July 2014.

Each director has:

- (a) an understanding of the accounting principles used by the Corporation to prepare its financial statements;
- (b) the ability to assess the general application of those principles in connection with the accounting for estimates, accruals and provisions;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting.

### ***Audit Committee Oversight***

At no time since the commencement of the Corporation's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

### ***Pre-Approval Policies and Procedures***

The Audit Committee is authorized by the Board to review the performance of the Corporation's external auditors, and approve in advance the provision of services other than audit services and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Corporation. The Audit Committee is authorized to approve any non-audit services or additional work, which the Chairman of the Audit Committee deems as necessary.

### ***External Auditor Service Fees (By Category)***

The fees for auditor services billed by the Corporation's external auditors for the last two fiscal years are as follows:

| <b>Financial Year Ending<br/>December 31</b> | <b>Audit Fees<sup>(1)</sup></b> | <b>Audit Related Fees<sup>(2)</sup></b> | <b>Tax Fees<sup>(3)</sup></b> | <b>All Other Fees<sup>(4)</sup></b> |
|----------------------------------------------|---------------------------------|-----------------------------------------|-------------------------------|-------------------------------------|
| 2018                                         | \$80,000                        | \$45,000                                | \$27,150                      | \$46,600                            |
| 2017                                         | \$75,000                        | \$70,100                                | \$23,250                      | \$53,750                            |

**Notes:**

- (1) "Audit Fees" are the aggregate fees billed by the Corporation's external auditor.
- (2) "Audit Related Fees" are the aggregate fees billed for assurance and related services by the Corporation's external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported under "Audit Fees".
- (3) "Tax Fees" are the aggregate fees billed for professional services rendered by the Corporation's external auditor for tax compliance, tax advice, and tax planning.
- (4) "Other Fees" are the aggregate fees billed for products and services provided by the Corporation's external auditor, other than the services reported under "Audit Fees", "Audit Related Fees" and "Tax Fees".

### ***Reliance on Certain Exemptions***

The Corporation is relying on the exemption in section 6.1 of NI 52-110.

## **ADDITIONAL INFORMATION**

Financial information of the Corporation is provided in the Corporation's financial statements and management's discussion and analysis for its most recently completed financial year. A copy of these documents may be obtained by contacting the Corporation's Chief Financial Officer at Suite 2000, 350 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N9.

Copies of these documents as well as additional information relating to the Corporation contained in documents filed by the Corporation with the Canadian securities regulatory authorities may also be accessed through the SEDAR website at [www.sedar.com](http://www.sedar.com).

## SCHEDULE A – STOCK OPTION PLAN

### STOCK OPTION PLAN OF POINT LOMA RESOURCES LTD.

#### 1. Purpose

The purpose of the Stock Option Plan (the "**Plan**") of **Point Loma Resources Ltd.**, a corporation formed under the *Business Corporations Act* (Alberta) (the "**Corporation**") is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Corporation (the "**Shares**"), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

#### 2. Administration

The Plan shall be administered by the Board of Directors of the Corporation or by a special committee of the directors appointed from time to time by the Board of Directors of the Corporation pursuant to rules of procedure fixed by the Board of Directors (such committee or, if no such committee is appointed, the Board of Directors of the Corporation, is hereinafter referred to as the "**Board**"). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the directors.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries. Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

#### 3. Stock Exchange Rules

All options granted pursuant to this Plan shall be subject to rules and policies of any stock exchange or exchanges on which the common shares of the Corporation are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the "**Exchange**").

#### 4. Shares Subject to Plan

Subject to adjustment as provided in Section 15 hereof, the Shares to be offered under the Plan shall consist of common shares of the Corporation's authorized but unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the aggregate issued and outstanding common shares of the Corporation, from time to time. If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the un-purchased Shares subject thereto shall again be available for the purpose of this Plan.

#### 5. Maintenance of Sufficient Capital

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

## 6. Eligibility and Participation

Directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or company which provides management services to the Corporation or its subsidiaries ("**Management Company Employees**") shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as "**Participants**"). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Shares to be subject to each option. In the case of employees or consultants of the Corporation or Management Company Employees, the option agreements to which they are party must contain a representation of the Corporation that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or its subsidiaries.

A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the Board shall so determine.

## 7. Exercise Price

- (a) The exercise price of the Shares subject to each option shall be determined by the Board, subject to applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange and the option has been granted, the exercise price of an option may only be reduced if at least 6 months have elapsed since the later of the date of the commencement of the term, the date the Corporation's shares commenced trading or the date the exercise price was reduced. In the case of options held by insiders of the Corporation (as defined in the policies of the Exchange), the exercise price of an option may be reduced only if prior disinterested shareholder approval is obtained.

## 8. Number of Optioned Shares

- (a) The number of Shares subject to an option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an option which exceeds the maximum number permitted by the Exchange.
- (b) No single Participant may be granted options to purchase a number of Shares equaling more than 5% of the issued common shares of the Corporation in any twelve-month period, calculated on the date of the grant, unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements.
- (c) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve-month period, calculated on the date of the grant, to any one consultant of the Corporation.
- (d) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve month period, calculated on the date of the grant, to persons employed to provide investor relation activities. Options granted to consultants performing investor relations activities, or employees or directors whose role and duties primarily consist of investor relation activities, will contain vesting provisions such that vesting occurs over at least 12 months with no more than  $\frac{1}{4}$  of the options vesting in any 3 month period.

## 9. Duration of Option

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and shall be subject to earlier termination as provided in Sections 11 and 12, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange, being 10 years for the TSX Venture Exchange.

If the normal expiry date of any option (the "**Restricted Options**") falls within any Blackout Period or within 10 Business Days (being a day other than a Saturday, Sunday or other than a day when banks in Calgary, Alberta are not generally open for business) following the end of any Blackout Period, then the expiry date of such Restricted Options shall, without any further action, be extended to the date that is 10 Business Days following the end of such Blackout Period. The foregoing extension applies to all options whatever the date of grant, provided that: (a) in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange, being 10 years for the TSX Venture Exchange; and (b) the foregoing extension will not be permitted where the Participant or the Corporation is subject to a cease trade order (or similar order under applicable securities laws) in respect of the Corporation's securities.

A "**Blackout Period**", for the purposes of this Section, means the period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an option. For greater certainty, in the absence of the Corporation formally imposing a blackout period, the expiry date of any options will not be automatically extended in any circumstances.

## 10. Option Period, Consideration and Payment

- (a) The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any option as provided in Sections 11 and 12 covering cessation as a director, officer, consultant, employee or Management Company Employee of the Corporation or its subsidiaries, or death of the Participant.
- (b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.
- (c) Subject to any vesting restrictions imposed by the Board, options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, no options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Corporation.
- (d) Except as set forth in Sections 11 and 12, no option may be exercised unless the Participant is at the time of such exercise a director, officer, consultant, or employee of the Corporation, or a Management Company Employee of the Corporation.
- (e) The exercise of any option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any common shares of the Corporation unless and until the certificates for Shares issuable pursuant to options under the Plan are issued to him or them under the terms of the Plan.

## 11. Ceasing To Be a Director, Officer, Consultant or Employee

- (a) Subject to subsection (b), if a Participant shall cease to be a director, officer, consultant, employee of the Corporation, or its subsidiaries, or ceases to be a Management Company Employee, for any

reason (other than death), such Participant may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Corporation.

- (b) Nothing contained in the Plan, nor in any option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Corporation or of any of its subsidiaries or affiliates.

## 12. Death of Participant

Notwithstanding section 11, in the event of the death of a Participant, the option previously granted to him shall be exercisable only within the one (1) year after such death and then only:

- (a) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that such Participant was entitled to exercise the option at the date of his death.

## 13. Change of Control

In the event of a Change of Control occurring, all options which have not otherwise vested in accordance with their terms shall immediately vest and be exercisable, notwithstanding the other terms of the options or the Plan, for a period of time ending on the earlier of the expiry time of the option and the 30th day following the Change of Control.

A "**Change of Control**", for the purposes of this Section, means any of the following:

- (a) the sale by the Corporation of all of the assets of the Corporation or substantially all of the assets of the Corporation;
- (b) the acquisition by any person (whether from the Corporation or from any other person), of common shares in the capital of the Corporation or other securities of the Corporation having rights of purchase, conversion or exchange into common shares which together with securities of the Corporation beneficially owned, controlled or directed by such person, together with persons acting jointly or in concert (as those terms are defined by the Securities Act (Alberta)) with such person, exceeds more than 50% of the issued and outstanding common shares;
- (c) the completion by the Corporation of an amalgamation, arrangement, merger or other analogous transaction with another entity pursuant to which the shareholders of the Corporation immediately thereafter do not own shares of the successor or continuing entity, which would entitle them to cast more than 50% of the votes attaching to such shares of the successor or continuing entity;
- (d) the election at a meeting of the Corporation's shareholders of that number of persons which would represent a majority of the Board as directors of the Corporation, who are not included in the slate for election as directors proposed to the Corporation's shareholders by management of the Corporation;
- (e) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (a), (b), (c) or (d) referred to above; or
- (f) a determination by the Board that there has been a change, whether by way of a change in the holding of the common shares, in the ownership of the Corporation's assets or by any other means,

as a result of which any person or group of persons acting jointly or in concert is in a position to exercise effective control of the Corporation.

#### **14. Rights of Optionee**

No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such option until certificates representing such Shares shall have been issued and delivered.

#### **15. Proceeds from Sale of Shares**

The proceeds from the sale of Shares issued upon the exercise of options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

#### **16. Adjustments**

If the outstanding common shares and common non-voting shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation or another corporation or entity through re-organization, merger, re-capitalization, re classification, stock dividend, subdivision or consolidation, any adjustments relating to the Shares optioned or issued on exercise of options and the exercise price per Share as set forth in the respective stock option agreements shall be made in accordance to the terms of such agreements. Adjustments under this Section shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Share shall be required to be issued under the Plan on any such adjustment.

#### **17. Transferability**

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or the extent, if any, permitted by the Exchange. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

#### **18. Amendment and Termination of Plan**

Subject to the policies, rules and regulations of any lawful authority having jurisdiction (including any exchange on which the Common Shares are listed for trading), the Board may at any time, without further action by the shareholders, amend the Plan or any option granted hereunder in such respects as it may consider advisable and, without limiting the generality of the foregoing, it may do so to ensure that options granted hereunder will comply with any provisions respecting stock options in the income tax or other laws in force in any country or jurisdiction of which a person to whom an option has been granted may from time to time be resident or citizen or the Board may at any time, without action by shareholders, terminate the Plan. The Board may not, however, without the consent of the option holder, alter or impair any of the rights or obligations under any option theretofore granted.

#### **19. Necessary Approvals**

The ability of a Participant to exercise options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any option exercise price paid to the Corporation will be returned to the Participant.

**20. Effective Date of Plan**

The Plan has been adopted by the Board of the Corporation subject to the approval of the Exchange and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

**21. Interpretation**

The Plan will be governed by and construed in accordance with the laws of the Province of Alberta.



## **SCHEDULE B – MANDATE OF THE BOARD OF DIRECTORS**

### **GENERAL**

The Board of Directors (the “**Board**”) of Point Loma Resources Ltd. (the “**Corporation**”) is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of the Corporation. In general terms, the Board will endeavour to:

1. in consultation with the chief executive officer of the Corporation (the “**CEO**”), define the principal objectives of the Corporation;
2. supervise the management of the business and affairs of the Corporation with the goal of achieving the Corporation’s principal objectives as developed in association with the CEO;
3. discharge the duties imposed on the Board by applicable laws; and
4. for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

### **SPECIFIC**

#### **Executive Team Responsibility**

1. Appoint the CEO and senior officers, approve their compensation, and monitor the CEO’s performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
2. In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management’s responsibilities.
3. Establish processes as required that adequately provides for succession planning, including the appointing, training and monitoring of senior management.
4. Establish limits of authority delegated to management.

#### **Operational Effectiveness and Financial Reporting**

1. Annual review and adoption of a strategic planning process and approval of the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the business.
2. Establish or cause to be established systems to identify the principal risks to the Corporation and that the best practical procedures are in place to monitor and mitigate the risks.
3. Establish or cause to be established processes to address applicable regulatory, corporate, securities and other compliance matters.
4. Establish or cause to be established an adequate system of internal control.
5. Establish or cause to be established due diligence processes and appropriate controls with respect to applicable certification requirements regarding the Corporation’s financial and other disclosure.
6. Review and approve the Corporation’s financial statements and oversee the Corporation’s compliance with applicable audit, accounting and reporting requirements.

7. Approve annual operating and capital budgets.
8. Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets.
9. Review operating and financial performance results relative to established strategy, budgets and objectives.

#### **Integrity/Corporate Conduct**

1. Establish a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.
2. Approve a Business Conduct & Ethics Practice for directors, officers and employees and monitor compliance with the Practice and approve any waivers of the Practice for officers and directors.
3. To the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of the Corporation and that the CEO and other executive officers create a culture of integrity throughout the Corporation.

#### **Board Process/Effectiveness**

1. Attempt to ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all meetings.
2. Engage in the process of determining Board member qualifications with the Corporate Governance Committee including ensuring that a majority of directors qualify as independent directors pursuant to National Instrument 58-101 Disclosure of Corporate Governance Practices (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements.
3. Approve the nomination of directors.
4. Provide a comprehensive orientation to each new director.
5. Establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management.
6. Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members.
7. Establish committees and approve their respective mandates and the limits of authority delegated to each committee.
8. Review and re-assess the adequacy of the mandate of the committees of the Board on a regular basis but not less frequently than on an annual basis.
9. Review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.

Each member of the Board is expected to understand the nature and operations of the Corporation's business, and have an awareness of the political, economic and social trends prevailing in all countries or regions in which the Corporation operates, or is contemplating potential operations.

Independent directors shall meet regularly without non-independent directors and management participation.

The Board may retain persons having special expertise and may obtain independent professional advice to assist it in fulfilling its responsibilities at the expense of the Corporation, as determined by the Board.

In addition to the above, adherence to all other Board responsibilities as set forth in the Corporation's By-Laws, applicable policies and practices and other statutory and regulatory obligations, such as issuance of securities, etc., is expected.

**DELEGATION**

1. The Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.
2. Subject to terms of other policies and procedures of the Corporation, the Chairman of the Board will act as a liaison between stakeholders of the Corporation and the Board (including independent members of the Board).

## SCHEDULE C – AUDIT COMMITTEE CHARTER

### PART I ESTABLISHMENT OF COMMITTEE

#### 1. Committee Purpose

The Audit Committee (the “**Committee**”) is established by the board of directors (the “**Board of Directors**”) of Point Loma Resources Ltd. (the “**Corporation**”) for the purpose of overseeing the accounting and financial reporting processes of the Corporation, including the reviews and audits of the financial statements of the Corporation.

The Committee shall endeavour to assist the Board of Directors in fulfilling its oversight responsibilities by monitoring, among other things:

- (a) the Corporation’s financial accounting and reporting process;
- (b) the quality and integrity of the financial statements and related disclosure of the Corporation;
- (c) compliance by the Corporation with legal and regulatory requirements that could have a material effect upon the financial position of the Corporation which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole;
- (d) the independent auditor’s qualifications and independence; and
- (e) the performance of the Corporation’s independent auditor.

#### 2. Composition of Committee

The Committee will be comprised of at least three (3) directors of the Corporation or such greater number as the Board may determine from time to time and all members of the Committee shall be “independent” (as such term is used in National Instrument 52-110 - Audit Committees (“**NI 52-110**”) unless the Board determines that the exemption contained in NI 52-110 is available and determines to rely thereon.

The Board may from time to time designate one of the members of the Committee to be the Chair of the Committee.

All of the members of the Committee must be “financially literate” (as defined in NI 52-110) unless the Board determines that an exemption under NI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of NI 52-110.

#### 3. Appointment of Committee Members

The Members shall be appointed by the Board of Directors. The Members shall be appointed at the time of each annual meeting of shareholders and shall hold office until the next annual meeting, until they are removed by the Board of Directors or until their successors are earlier appointed, or until they cease to be directors of the Corporation.

**PART II  
COMMITTEE PROCEDURE**

**4. Vacancies**

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board of Directors and shall be filled by the Board of Directors, by resolution, if the membership of the Committee is fewer than three directors. The Board of Directors may remove and replace any Member.

**5. Committee Chair**

The Board of Directors shall appoint a chair (the “**Chair**”) for the Committee. The Chair may be removed and replaced by the Board of Directors.

**6. Absence of Chair**

If the Chair is not present at any meeting of the Committee, one of the other Members present at the meeting shall be chosen by the Committee to preside at the meeting.

**7. Secretary of Committee**

The Committee shall appoint a Secretary who need not be a director of the Corporation.

**8. Regular Meetings**

The Chair, in consultation with the Members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least quarterly to review and recommend for approval to the Board of Directors the interim or annual financial statements of the Corporation, as applicable. The Committee at any time may, and at each regularly scheduled Committee meeting shall, meet without management present and shall meet periodically with management and the independent auditor of the Corporation. The Committee shall also meet separately with the independent auditor at every regularly scheduled meeting of the Committee at which the independent auditor is present and shall also meet separately with the Chief Financial Officer at every regularly scheduled meeting of the Committee.

**9. Special Meetings**

The Chair, any two Members, the independent auditor or the President and Chief Executive Officer of the Corporation may call a special meeting of the Committee.

**10. Quorum**

A majority of the Members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

**11. Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each Member at least 48 hours prior to the time fixed for such meeting; provided, however, that a Member may, in any manner, waive notice of a meeting and attendance of a Member at a meeting is a waiver of notice of the meeting, except where a Member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

**12. Agenda**

The Chair shall develop and set the Committee's agenda, in consultation with other Members and management of the Corporation. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practicable, be communicated to the Members sufficiently in advance of each meeting to permit meaningful review.

**13. Delegation**

The Committee shall have the power to delegate its authority and duties to subcommittees or individual Members as it deems appropriate.

**14. Access**

In discharging its oversight role, the Committee shall have full access to all books, records, facilities and personnel of the Corporation.

**15. Attendance of Others at a Meeting**

At the invitation of the Chair, one or more officers, directors or employees of the Corporation may, and if required by the Committee shall, attend a meeting of the Committee.

**16. Procedure, Records and Reporting**

The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board of Directors when the Committee may deem appropriate (but not later than the next meeting of the Board of Directors).

**17. Outside Consultants or Advisors**

The Committee, when it considers it necessary or advisable, may retain, at the Corporation's expense, outside consultants or advisors (including independent counsel) to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain or terminate such consultants or advisors, including the sole authority to approve the fees and other retention terms for such persons.

**PART III  
COMMITTEE TERMS OF REFERENCE - AUDIT**

**18. Appointment of the Corporation's Independent Auditor**

Subject to confirmation by the independent auditor of its compliance with regulatory registration requirements, the Committee shall recommend to the Board of Directors the appointment of the independent auditor for the purpose of preparing or issuing any audit report or performing other audit, review or attest services for the Corporation, such appointment to be confirmed by the Corporation's shareholders at each annual meeting. The Committee shall be responsible for the approval of the engagement letter with the independent auditor, the approval of fees to be paid to the independent auditor for audit services and shall pre-approve the retention of the independent auditor for any permitted non-audit service. The Committee shall also be directly responsible for the oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. The Committee shall communicate directly with the independent auditor. The independent auditor shall report directly to the Committee.

The Committee shall review the independence of the independent auditor including a written report from the independent auditor delineating all relationships between the independent auditor and the Corporation, considering whether the advisory services performed by the independent auditor during the course of the year have affected its independence, and ensuring that no relationship or service between the independent auditor and the Corporation is in existence that may affect the objectivity and independence of the auditor, or recommending appropriate action to ensure the independence of the independent auditor.

## **19. Specific Mandates**

The Committee, to the extent required by applicable laws or rules, or otherwise considered by the Committee to be necessary or appropriate, shall endeavour to:

- (a) *Oversight in Respect of Financial Disclosure*
  - (i) review, discuss with management and the independent auditor, and recommend to the Board of Directors for approval:
    - (A) the audited annual financial statements;
    - (B) the annual information form;
    - (C) the annual management's discussion and analysis;
    - (D) the portions of the management proxy circular, for any annual or special meeting of shareholders, containing significant financial information respecting the Corporation;
    - (E) all financial statements included in prospectuses or other offering documents;
    - (F) any significant financial information contained in all prospectuses and all documents which may be incorporated by reference in a prospectus;
    - (G) any significant financial information respecting the Corporation contained in a material change report, business acquisition report or press release;
  - (ii) review, discuss with management and the independent auditor, and recommend to the Board of Directors for approval:
    - (A) the unaudited interim financial statements of the Corporation;
    - (B) the quarterly management's discussion and analysis of the Corporation;
    - (C) the interim reports of the Corporation;
  - (iii) review and discuss with management:
    - (A) each press release which contains significant financial information respecting the Corporation (including, without limitation, annual and interim earnings press releases) or contains earnings guidance, prior to public dissemination thereof;
    - (B) the use of "pro forma" or "adjusted" non-GAAP information;
    - (C) financial information and earnings guidance provided to analysts and rating agencies;

- (iv) review with management and the independent auditor the scope of the audit, in particular the independent auditor's view of the Corporation's accounting principles as applied in the financial statements in terms of disclosure quality and evaluation methods, inclusive of the clarity of the Corporation's financial disclosure and reporting, degree of conservatism or aggressiveness of the Corporation's accounting principles and underlying estimates, and other significant decisions made by management in preparing the financial disclosure and reviewed by the independent auditor;
  - (v) review with management and the independent auditor major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls and procedures for financial reporting and management information systems and inquire of management and the independent auditor about significant risks and exposures to the Corporation that could significantly affect the Corporation's financial statements;
  - (vi) review with management and the independent auditor, and satisfy itself as to the adequacy of the procedures that are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of those procedures;
  - (vii) review with management and the independent auditor (including those of the following that are contained in any report of the independent auditor): (a) all critical accounting policies and practices to be used by the Corporation in preparing its financial statements; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of these alternative treatments, and the independent auditor's assessment of the alternatives; and (c) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;
  - (viii) review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet transactions on the Corporation's financial statements;
  - (ix) review the plans of management and the independent auditor regarding any significant changes in accounting practices or policies and the financial and accounting impact thereof;
  - (x) review with management, the independent auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters have been disclosed in the financial statements;
  - (xi) review disclosures by the Corporation's President and Chief Executive Officer and Chief Financial Officer with respect to any required certification for the Corporation's financial statements by such individuals; and
  - (xii) discuss with management the Corporation's material financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's financial risk assessment and financial risk management policies and insurance policies.
- (b) *Oversight in Respect of Legal and Regulatory Matters*
- (i) review, if necessary, with legal counsel, the Corporation's compliance policies, legal matters and any material reports or inquiries received from regulators or governmental agencies that could have a material effect upon the financial position of the Corporation and which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole.



- (c) *Oversight in Respect of the Chief Financial Officer*
- (i) consult with management on management's appointment, replacement, reassignment or dismissal of the Chief Financial Officer of the Corporation; and
  - (ii) ensure the Chief Financial Officer of the Corporation has access to the Chair, the Chairman of the Board of Directors and the Chief Executive Officer of the Corporation, and shall meet separately with the Chief Financial Officer of the Corporation of the Corporation to review any problems or difficulties he or she may have encountered in the performance of his or her responsibilities and report to the Board of Directors on such meetings.
- (d) *Oversight in Respect of the Independent Auditor*
- (i) meet with the independent auditor prior to the annual audit to review the planning and staffing of the audit;
  - (ii) review annually the independent auditor's formal written statement of independence delineating all relationships between itself and the Corporation and review all such relationships;
  - (iii) receive confirmation from the independent auditor as to its standing as a "participating audit firm" and its compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board as those concepts are set forth in National Instrument 52-108 of the Canadian Securities Administrators;
  - (iv) review and evaluate the independent auditor, including the lead partner of the independent auditor team;
  - (v) meet separately with the independent auditor to review with them any problems or difficulties they may have encountered and specifically:
    - (A) any difficulties which were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management; and
    - (B) any changes required in the planned scope of the audit;and report to the Board of Directors on such meetings;
  - (vi) review and approve the engagement letters of the independent auditor for the interim quarterly reviews and annual audit of the financial statements of the Corporation; and
  - (vii) review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of the Corporation's present and former independent auditor.
- (e) *Oversight in Respect of Audit and Non-Audit Services*
- (i) have the sole authority to pre-approve all audit services (which may entail providing comfort letters in connection with securities underwritings) and all permitted non-audit services, other than non-audit services where:
    - (A) the aggregate amount of all such non-audit services provided to the Corporation or its subsidiaries constitutes not more than 25% of the total amount of fees paid by the Corporation (and its subsidiaries) to the independent auditor during the fiscal year in which the non-audit services are provided;

- (B) such services were not recognized by the Corporation (or any subsidiary) at the time of the engagement to be non-audit services; and
  - (C) such services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more Members of the Committee to whom authority to grant such approvals has been delegated by the Committee; and
- (ii) delegate to one or more designated Members the authority to grant pre-approvals required by this section; provided that the decision of any Member to whom authority is delegated to pre-approve an activity shall be presented to the Committee at the first scheduled meeting following such decision, and provided further that, if the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit service shall be deemed to have been pre-approved for purposes of this section.
- (f) *Oversight in Respect of Certain Policies*
- (i) establish procedures for: (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
  - (ii) periodically review the Corporation's Insider Trading Policy and any other policies the Committee deems appropriate for the performance of its oversight responsibilities.

## **20. Oversight Function**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate or are in accordance with generally accepted accounting principles. These are the responsibilities of management and the independent auditor. The Committee and its Chair are members of the Board of Directors, appointed to the Committee to provide broad oversight of the financial risk and control related activities of the Corporation, and are specifically not accountable nor responsible for the day to day operation or performance of such activities. The role of all Members is to oversee the process, not to certify or guarantee the accuracy or completeness of the external audit of the Corporation's financial information or public disclosure.

## **PART IV GENERAL**

### **21. Self-Evaluation**

The Committee shall conduct an annual performance self-evaluation and shall report to the Board of Directors the results of the self-evaluation.

### **22. Review of Committee's Charter**

The Committee shall assess the adequacy of this Charter on an annual basis and recommend any changes to the Board of Directors.

### **23. Non-Exhaustive List**

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight responsibilities.