

*Energy Technologies Inc.*

**MATRRIX**

Drilling. Performance. Focused.

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON**

**May 31, 2017**

**MANAGEMENT INFORMATION CIRCULAR**

**April 26, 2017**



**MATRRIX ENERGY TECHNOLOGIES INC.**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the annual and special meeting (the **Meeting**) of shareholders (the **Shareholders**) of MATRRIX ENERGY TECHNOLOGIES INC. (the **Corporation**) will be held at Osler, Hoskin & Harcourt LLP, Suite 2500, TransCanada Tower, 450 - 1st Street S.W., Calgary, Alberta, Canada T2P 5H1 on Wednesday, May 31, 2017 at 10:00 a.m. (Calgary time) for the following purposes:

1. to receive the financial statements of the Corporation for the financial year ended December 31, 2016 together with the auditors' report thereon;
2. to appoint PricewaterhouseCoopers LLP, Chartered Accountants, of Calgary, Alberta, as auditors of the Corporation and to authorize the directors to fix the remuneration of the auditors;
3. to fix the number of directors to be elected at the meeting at five (5);
4. to elect directors of the Corporation;
5. to consider and, if thought advisable, to pass an ordinary resolution approving the Corporation's stock option plan (the **Stock Option Plan**), which provides that the maximum number of common shares of the Corporation (each, a **Common Share**) that may be reserved for issuance under the Stock Option Plan, from time to time, shall not exceed 10% of the aggregate number of Common Shares issued and outstanding from time to time; and
6. to transact such further or other business as may properly come before the Meeting or any adjournments thereof.

The specific details of the matters proposed to be put before Shareholders at the Meeting are contained in the accompanying management information circular dated April 26, 2017 (the **Circular**). Shareholders are directed to read the Circular carefully in evaluating the matters for consideration at the Meeting.

All Shareholders of record as of April 26, 2017, are entitled to vote their Common Shares at the Meeting, or at any adjournment thereof, either in person or by proxy.

**SHAREHOLDERS WHO ARE UNABLE TO ATTEND THE MEETING IN PERSON ARE REQUESTED TO COMPLETE, SIGN AND DATE THE ACCOMPANYING FORM OF PROXY IN ACCORDANCE WITH THE INSTRUCTIONS PROVIDED THEREIN AND IN THE CIRCULAR AND RETURN IT IN THE ENVELOPE PROVIDED FOR THAT PURPOSE.**

A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his, her or its duly executed form of proxy with the Corporation's transfer agent and registrar, Computershare Trust Company of Canada by mail at 100 University Avenue, 8<sup>th</sup> Floor, North Tower, Toronto, Ontario M5J 2Y1 Attn: Proxy Department, by fax to 1-866-249-7775 or by voting online in accordance with the instructions on the form of proxy no later than 10:00 a.m. (Calgary time) on Monday, May 29, 2017 or not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the Meeting or any adjournment thereof at which the proxy is to be used, or deliver it to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, prior to the time of voting.

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a company, by an officer or attorney thereof duly authorized.

THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY ARE DIRECTORS AND/OR OFFICERS OF THE CORPORATION. EACH SHAREHOLDER OF THE CORPORATION HAS THE RIGHT TO APPOINT A PROXYHOLDER OTHER THAN SUCH PERSONS, WHO NEED NOT BE A SHAREHOLDER OF THE CORPORATION, TO ATTEND AND TO ACT FOR SUCH SHAREHOLDER AND ON SUCH SHAREHOLDER'S BEHALF AT THE MEETING. TO EXERCISE SUCH RIGHT, THE NAME OF THE SHAREHOLDER'S APPOINTEE SHOULD BE LEGIBLY PRINTED IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY.

DATED this 26<sup>th</sup> day of April, 2017.

By Order of the Board of Directors

*"Richard T. Ryan"*

Richard T. Ryan

President & Chief Executive Officer

**MATRIX ENERGY TECHNOLOGIES INC.**  
**MANAGEMENT INFORMATION CIRCULAR**

**This management information circular (the Circular) is furnished in connection with the solicitation of proxies by management of MATRIX ENERGY TECHNOLOGIES INC. (the Corporation) for use at the annual and special meeting of shareholders (the Shareholders) of the Corporation (the Meeting) to be held at the time and place and for the purposes set forth in the accompanying notice of the Meeting (the Notice of Meeting).** References in this Circular to the Meeting include any adjournment thereof. It is expected that the solicitation of proxies will be primarily by mail; however, proxies may also be solicited personally by employees of the Corporation by other means, including telephone and electronic means, at nominal cost. The cost of solicitation by management will be borne by the Corporation. The information contained herein is given as of April 26, 2017, unless indicated otherwise.

The Corporation may pay the reasonable costs incurred by persons who are the registered but not beneficial owners of common shares of the Corporation (the **Common Shares**) (such as brokers, dealers, other registrants under applicable securities laws, nominees and/or custodians) in sending or delivering copies of the Notice of Meeting, this Circular and the form of proxy (collectively, the **Meeting Materials**) to the beneficial owners of such Common Shares. The Corporation will provide, without cost to such persons, upon request to the Secretary of the Corporation, additional copies of the Meeting Materials required for this purpose.

**ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES**

**The information set forth in this section is of significant importance to many Shareholders of the Corporation, as a substantial number of Shareholders do not hold Common Shares in their own name.** Shareholders who do not hold Common Shares in their own name (each, a **Beneficial Shareholder**) should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares as at the Record Date (as defined below) 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 in the records of the Corporation. Such Common Shares will more likely be registered either: (i) in the name of a nominee such as an intermediary (an **Intermediary**) with whom the Beneficial Shareholder deals in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Corporation will have distributed copies of the Meeting Materials to the clearing agencies and Intermediaries for onward distribution to Beneficial Shareholders. Common Shares held by Intermediaries or nominees can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries and nominees are prohibited from voting shares for the Beneficial Shareholders. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory rules require Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every Intermediary has its own mailing procedure and provides its own return instructions (the **voting instruction form**) to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by the Intermediary is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered shareholder (the Intermediary) how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (**BFS**). BFS typically applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to BFS. BFS then tabulates the results of all instructions received and provides instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a proxy with a BFS sticker on it cannot use that proxy to vote Common Shares directly at the Meeting. The proxy must be returned to BFS well in advance of the Meeting in order to have the Common Shares voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of an Intermediary, a Beneficial Shareholder may attend at the Meeting as proxy holder for the registered Shareholder and vote the Common Shares in that capacity. A Beneficial Shareholder who wishes to attend the Meeting and indirectly vote his, her or its Common Shares as proxy holder for the registered Shareholder, should enter his, her or its own name in the blank space on the form of proxy provided to it and return the same to its Intermediary in accordance with the voting instruction form well in advance of the Meeting. If a Beneficial Shareholder has voted by mail and would like to change its vote, the Beneficial Shareholder should contact its nominee to discuss whether this is possible and what procedures the Beneficial Shareholder should follow.

### **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy are directors and/or officers of the Corporation and will represent management of the Corporation at the Meeting. **A Shareholder desiring to appoint some other person, who need not be a Shareholder, to represent him, her or it at the Meeting, may do so by inserting such person's name in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the Corporation's transfer agent indicated on the enclosed envelope not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the Meeting or any adjournment thereof at which the proxy is to be used. A proxy should be executed by a Shareholder or his or her attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized.**

A Shareholder forwarding the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business then the space opposite the item must be left blank. The Common Shares represented by the proxy submitted by a Shareholder will be voted in accordance with the directions, if any, given in the proxy.

A Shareholder who has given a proxy has the power to revoke it as to any matter on which a vote has not already been cast pursuant to the authority conferred by such proxy and may do so:

1. by delivering another properly executed form of proxy bearing a later date and depositing it as described above;
2. by depositing an instrument in writing revoking the proxy executed by him, her or it with, or by transmitting by telephonic or electronic means, a revocation bearing a reliable electronic signature to:
  - (a) the Corporation at Suite 350, 808 - 4<sup>th</sup> Avenue SW, Calgary, Alberta T2P 3E8 at any time prior to the close of business on the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used; or
  - (b) the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, prior to the commencement of the Meeting or any adjournment thereof, as applicable; or
3. in any other manner permitted by law.

Only a registered Shareholder of the Corporation has the right to revoke a proxy. A Beneficial Shareholder who wishes to change his, her or its vote must arrange for the Intermediary to revoke the proxy on his, her or its behalf in accordance with the instructions of such Intermediary set out in the voting instruction form.

A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

### **EXERCISE OF DISCRETION BY PROXIES**

The Common Shares represented by proxies in favour of management nominees will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the Common Shares represented by

the proxy shall be voted accordingly. **In the absence of direction, the Common Shares will be voted in favour of each of the matters put before Shareholders by management of the Corporation at the Meeting. The enclosed form of proxy also confers discretionary authority upon the persons named therein to vote with respect to any amendments or variations to the matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting (or any adjournments thereof) in such manner as such nominee in his, her or its judgment may determine.** As at the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As at the date hereof, 32,184,638 Common Shares are issued and outstanding. Each Common Share entitles the holder thereof to one vote in respect of each matter to be voted upon at a meeting of Shareholders.

The Corporation has fixed April 26, 2017 as the record date (the **Record Date**) for the purpose of determining Shareholders entitled to receive the Notice of Meeting and to vote at the Meeting. Shareholders of record at the close of business on the Record Date are entitled to such notice and to vote at the Meeting.

Persons who are transferees of any Common Shares acquired after the Record Date and who have produced properly endorsed certificates evidencing such ownership or who otherwise establish to the satisfaction of the Corporation ownership thereof and demand, not later than 10 days before the Meeting, or such other time as is acceptable to the Corporation, that their names be included in the list of Shareholders, are entitled to vote at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, as of the date hereof no person or corporation beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to all of the outstanding voting securities of the Corporation.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **1. Financial Statements**

The Corporation's financial statements for the financial year ended December 31, 2016 and the auditors' report thereon will be placed before the Meeting. Receipt at the Meeting of the Corporation's financial statements and the auditors' report for its most recently completed financial year will not constitute approval or disapproval of any matters referred to therein.

### **2. Appointment of Auditors**

It is proposed that PricewaterhouseCoopers LLP, the auditors of the Corporation since inception on January 7, 2011, be appointed as auditors of the Corporation at the Meeting. **It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxies FOR the appointment of PricewaterhouseCoopers LLP as the auditors of the Corporation to hold office until the next annual meeting of Shareholders, at a remuneration to be fixed by the directors.**

### **3. Fixing the number of Directors of the Corporation**

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 and by-laws of the Corporation, be set at five (5). There are presently five (5) directors of the Corporation, each of whom will retire from office at the Meeting. **It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxies FOR setting the number of directors to be elected at the Meeting at five (5).**

#### 4. Election of Directors

The articles of incorporation of the Corporation provide for a minimum of 3 and a maximum of 15 directors. The number of Directors to be elected at the Meeting has been set at five. **It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxies FOR the election of each of the nominees (the Nominees) whose names are set forth below.** Each director elected will hold office until the close of business of the next annual meeting of Shareholders of the Corporation following his election unless his office is earlier vacated in accordance with the Corporation's by-laws and the Act. There are no directors of the Corporation presently in office whose term of office will continue after the date on which the Meeting is held.

At the Meeting, Shareholders will be asked to elect five directors to the board of directors (**Board**). The enclosed form of proxy permits Shareholders to vote individually "for" or to "withhold" their vote in respect of each director nominee. The following table and notes thereto provide the names and province and country of residence of the Nominees, all positions and offices in the Corporation held by each of them, the principal occupation or employment of each of them for the previous five years, the year in which each was first elected or appointed a director of the Corporation and the approximate number of Common Shares that each such person beneficially owns, controls or directs, directly or indirectly.

Name, Residence and Position with Corporation	Present Principal Occupation, Business or Employment for the Previous Five Years	Date Since Served as a Director	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly
<b>Richard T. Ryan</b> Alberta, Canada <i>President, CEO and Director</i>	President & CEO of MATRRIX Energy Technologies Inc. since January 7, 2011. Mr. Ryan was the founder, President, Chairman and Chief Executive Officer of Ryan Energy Technologies Inc., which was acquired by Nabors Industries Ltd. in October 2002. He maintained the role of divisional President and Chief Executive Officer until October 2010.	September 15, 2011	2,918,685
<b>Thane Russell</b> Alberta, Canada <i>Chairman</i> <sup>(1)(3)</sup>	Vice President, Business Development and Technology of Absolute Completion Technologies since 2002.	June 16, 2015	500,000
<b>Rodger Hawkins</b> Alberta, Canada <i>Director</i> <sup>(4)</sup>	Manages business investments and provides business advisory services through family owned entities. Prior to 2007, Mr. Hawkins was a Partner of BDO Canada LLP in the Calgary office.	September 15, 2011	105,000
<b>Terrance J. Owen</b> Alberta, Canada <i>Director</i> <sup>(3)</sup>	Chairman, President and Chief Executive Officer of Hammerstone Corporation since February 2009; President and Chief Executive Officer of Trimac Transportation Services L.P., February 2005 to January 2008.	September 15, 2011	500,000
<b>Matthew Andrade, CFA</b> Alberta, Canada <i>Director</i> <sup>(1)(2)</sup>	Director, Investments at Werklund Capital Corporation, a capital and strategic advisory firm, since November 2013. Chief Investment Officer at Canadian Family Futures Inc. from September 2012 to November 2013. Director, Investment Analysis at Kinnear Financial Ltd. from June 2010 to September 2012. Prior to June 2010, Mr. Andrade was Vice President, Mergers & Acquisitions at Ernst & Young Orenda Corporate Finance.	December 19, 2014	-

**Notes:**

- (1) Audit, Environmental, Health and Safety Committee member
- (2) Governance and Compensation Committee chair
- (3) Governance and Compensation Committee member
- (4) Audit, Environmental, Health and Safety Committee chair

### *Corporate Cease Trade Orders*

To the knowledge of the Corporation, no Nominee is, as at the date hereof, or has been within the ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that, while that person was acting in that capacity, was subject to:

- (a) a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than thirty consecutive days; or
- (b) an event that resulted, after the Nominee ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than thirty consecutive days.

### *Penalties or Sanctions*

To the knowledge of the Corporation, no Nominee or personal holding company of a Nominee has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding to vote for a Nominee.

### *Bankruptcies*

To the knowledge of the Corporation, no Nominee or personal holding company of a Nominee, as applicable:

- (a) is, as at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including the Corporation) that, while such person was acting in that capacity, or within a year of such 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; or
- (b) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or such company's assets.

## **5. Approval of Stock Option Plan**

The Corporation has a rolling stock option plan (the **Stock Option Plan**) which reserves a percentage of the issued and outstanding Common Shares for the issuance of stock options (**Options**). Pursuant to the policies of the TSX Venture Exchange (the **TSXV**), a rolling stock option plan, such as the Option Plan, requires shareholder approval annually. The Stock Option Plan was previously approved by Shareholders at the annual and special meeting of Shareholders held on May 25, 2016.

For a description of the other terms of the Stock Option Plan, see “Executive Compensation – Incentive Plan Awards – Stock Option Plan”. The Stock Option Plan is attached as Schedule B to this Circular.

**It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxies FOR the approval of the Stock Option Plan.** In order to be passed, the resolution must be approved by a simple majority of the votes cast by Shareholders who vote in respect of such resolution, in person or by proxy, at the Meeting.



At the Meeting, Shareholders will be asked to consider and, if thought advisable, pass the following ordinary resolution to approve the Stock Option Plan:

**"BE IT HEREBY RESOLVED AS AN ORDINARY RESOLUTION THAT:**

- (1) the stock option plan of MATRRIX Energy Technologies Inc. (the **Corporation**), in the form attached as Schedule B to the management information circular of the Corporation dated April 26, 2017, is hereby authorized and approved; and
- (2) any one director or officer of the Corporation is hereby authorized and directed to execute and deliver all such deeds, documents, instruments and assurances and to do all such acts and things as such person may deem necessary or desirable to give effect to the foregoing."

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

*Introduction*

The purpose of this Compensation Discussion and Analysis (**CD&A**) is to provide information about the Corporation's philosophy, objectives and processes regarding executive compensation. This disclosure is intended to communicate the compensation provided to the Corporation's President & Chief Executive Officer (**CEO**), the Chief Financial Officer (**CFO**), the three most highly compensated executive officers of the Corporation (or, in certain circumstances, non-executives of the Corporation), if any, whose individual total compensation was more than \$150,000 for any financial year (collectively the **Named Executive Officers** or **NEOs**) and the directors of the Corporation. The only Named Executive Officers of the Corporation are Richard T. Ryan, President & CEO, Jeff Schab, CFO and Corporate Secretary, Rob Van Bostelen, VP Operations and Charlie Lloyd, VP Sales.

*Objectives*

The Corporation has a Governance and Compensation Committee, whose mandate includes the review and setting of executive compensation. The Governance and Compensation Committee in arriving at its compensation decisions, considers the long-term interest of the Corporation and its stakeholders, and its current early stage of development. Based on these considerations, compensation is designed, reviewed and adjusted using performance enhancement as the major goal. The Governance and Compensation Committee makes specific recommendations to the Board with respect to compensation paid to its executive officers.

*Compensation Process*

The President & CEO recommends to the Governance and Compensation Committee the general compensation structure and policies and programs for the Corporation and the salary and benefit levels for the senior officers and management. The Governance and Compensation Committee will take those recommendations into consideration when making the final decisions on compensation for those executive officers. Compensation regarding the President & CEO is recommended by the Governance and Compensation Committee and approved by the Board.

The Governance and Compensation Committee strives to find a balance among current versus long-term compensation and cash versus equity incentive compensation. The Governance and Compensation Committee believes that cash payments primarily reward recent performance and equity incentive rewards encourage ongoing results over a longer period of time and serve as a retention tool. While the Board and the Governance and Compensation Committee have not put any formal policies in place, they do consider the implications of the risks associated with the Corporation's compensation policies and practices. The Corporation employs a compensation model which ensures that an adequate portion of overall compensation for executives is "at risk" and only realized through the performance of the Corporation over both the short-term and long-term. With respect to the longer-term component of executive compensation, stock option grants are generally subject to vesting and priced at market value at the time of grant. As a result, the realization of value from stock option grants correlate to the long-term performance of the Corporation and are considered to be aligned with the Corporation's business strategy and the creation of shareholder value. All elements of executive compensation are discretionary. As a result, it is unlikely an

executive officer would take inappropriate or excessive risks at the expense of the Corporation or the shareholders that would be beneficial to their short-term compensation when their long-term compensation might be put at risk from their actions.

The Governance and Compensation Committee does not use formulas in determining the amount and mix of compensation and uses both quantitative and qualitative factors such as reliability in delivering financial and growth targets, a track record of integrity, good judgement, the vision and ability to create further growth and the ability to lead others. In recommending the granting of long-term incentive awards to the Board, the Governance and Compensation Committee takes into consideration, among other things, the number of Options previously granted to NEOs.

The Corporation does not have a policy restricting a NEO's ability to enter into derivative transactions respecting securities of the Corporation owned by a NEO.

#### *Components of Compensation*

The annual compensation of each executive officer is determined having regard to such factors as the officer's current responsibilities, individual performance during the year, corporate performance during the year, years of service and the assessment by the Governance and Compensation Committee of the other factors which are presented by the President & CEO. The Corporation's compensation program has three basic elements: (i) base salary and benefits; (ii) short-term incentives in the form of cash bonuses; and (iii) long-term incentives in the form of Options and employee share ownership plan. In September 2013, the Corporation introduced an employee share ownership plan (the **ESOP**) as a long-term incentive plan, pursuant to which the Corporation will match employee contributions used to purchase Common Shares of the Corporation, to a maximum of 5% of each employee's annual salary (corporate matching was suspended in 2015 as part of the Corporation's cost reduction programs). The ESOP provides the Board with the authority, exercisable at its sole discretion, to exceed the Corporation's 5% matching limit in certain circumstances. Participation in the plan is voluntary and as of the date hereof, two of the NEO's made a contribution to the ESOP. The elements of the program are designed to attract and retain highly qualified people and to align their interests with those of the Shareholders of the Corporation.

#### **NEO Compensation - Summary Compensation Table**

The table below reflects compensation paid to the NEOs for the financial years ended December 31, 2016, 2015 and 2014.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All other Compensation <sup>(2)</sup> (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Richard T. Ryan President & CEO	2016	174,000 <sup>(5,6)</sup>	-	36,420	-	-	-	-	210,420
	2015	192,379 <sup>(6)</sup>	-	66,492	-	-	-	-	258,871
	2014	250,000	-	67,419	-	-	-	12,500	329,919
Charlie Lloyd <sup>(3)</sup> VP Sales	2016	157,800 <sup>(5,6)</sup>	-	20,478	-	-	-	19,987	198,265
	2015	175,500 <sup>(5)</sup>	-	30,816	-	-	-	120,957	327,273
	2014	160,000	-	30,339	-	-	-	323,717	514,056
Robert Van Bostelen VP Operations	2016	174,000 <sup>(5,6)</sup>	-	31,076	-	-	-	-	205,076
	2015	197,833 <sup>(5)</sup>	-	52,678	-	-	-	-	250,511
	2014	250,000	-	44,946	-	-	-	-	294,946
Jeff Schab <sup>(4)</sup> CFO & Corporate Secretary	2016	81,750 <sup>(5)</sup>	-	21,777	-	-	-	-	103,527
	2015	81,750 <sup>(5)</sup>	-	29,615	-	-	-	-	111,365

**Notes:**

- (1) Amounts represent the grant date fair value of the Options awarded to the NEO, calculated in accordance with the Black-Scholes model, which the Corporation determined to be the most accurate measure of value, using the market price of the Common Shares as at the grant date. The key valuation assumptions used for 2016 were stock price volatility of 140%, range of risk free interest rates of 0.63% to 0.65%, no dividend yield, and an expected option life of five years, in 2015 were stock price volatility of 144%, range of risk free

interest rates of 0.44% to 0.97%, no dividend yield, and an expected option life of five years, for 2014 were stock price volatility of 84%, range of risk free interest rates of 1.00% to 1.50%, no dividend yield, and an expected option life of four years.

- (2) None of the NEOs received perquisites, including property or personal benefits not generally available to all employees that in aggregate were worth more than \$50,000 or more, or worth 10% or more of the NEO's total salary for the financial period ended December 31, 2016. None of the NEOs received perquisites, including property or personal benefits not generally available to all employees that in aggregate were worth more than \$50,000 or more, or worth 10% or more of the NEO's total salary for the financial period ended December 31, 2015 other than Mr. Lloyd and Mr. Ryan. Mr. Lloyd's "All other Compensation" comprised of sales commissions. Mr. Ryan's "All other Compensation" comprised of the Corporation matching his 2014 contribution to the ESOP.
- (3) Mr. Lloyd was appointed as VP, Sales on September 3, 2014. Mr. Lloyd's 2014 annualized salary was \$180,000 per year as a combination of his salary as Sales Manager up to September 3, 2014 and VP Sales from September 3, 2014 to year-end.
- (4) Mr. Schab was appointed Interim CFO in February 2015. Mr. Schab's annualized salary was \$90,000 per year, prior to the salary rollback disclosed in Note 5 below. Mr. Schab was granted 275,000 Options. Mr. Schab was appointed CFO and Corporate Secretary on March 22, 2017.
- (5) The numbers disclosed reflect salary rollbacks that were approved by the Board for the year ended December 31, 2015.
- (6) The numbers disclosed reflect salary rollbacks that were approved by the Board for the year ended December 31, 2016.

## Incentive Plan Awards

### *Stock Option Plan*

Under the Stock Option Plan, the Board may from time to time, in its discretion and in accordance with the requirements of the TSXV, grant to directors, officers, employees and consultants of the Corporation, Options to purchase Common Shares. As of the date hereof, Options to purchase an aggregate of 2,466,224 Common Shares are outstanding pursuant to the Stock Option Plan. The maximum aggregate number of Common Shares issuable pursuant to the exercise of Options granted under the Plan from time to time is equal to 10% of the Common Shares issued as at the date of a stock option grant. The maximum aggregate number of Common Shares that may be reserved under the Stock Option Plan for issuance to any one individual in any 12 month period cannot exceed 5% of the issued and outstanding number of Common Shares at the time of grant. The maximum aggregate number of Common Shares that may be reserved under the Stock Option Plan of the Corporation for issuance to any one consultant in any 12 month period cannot exceed 2% of the issued and outstanding number of Common Shares at the time of grant. The maximum aggregate number of Common Shares that may be reserved under the Stock Option Plan of the Corporation for issuance to any one person employed to provide investor relations activities in any 12 month period cannot exceed 2% of the issued and outstanding number of Common Shares at the time of grant. The exercise price per Common Share under an Option will be determined by the Board, in its discretion, and may be calculated by taking the closing price of the Common Shares on the TSXV on the trading day immediately preceding the day on which the Option is granted and subtracting, at the discretion of the Board, up to the maximum discount permitted by the TSXV; provided that the exercise price per optioned Common Share cannot be less than \$0.10, being the minimum exercise price allowable under TSXV policy. Options granted under the Stock Option Plan are exercisable over a period not exceeding ten years, subject to earlier cancellation upon the occurrence of certain events set forth in the Stock Option Plan. Neither the Options nor the benefits and rights of any optionee under any Option or under the Stock Option Plan are assignable or otherwise transferable, except in the event of the permanent physical or mental disability or death of the optionee. The grant or existence of an Option does not in any way limit or restrict the right or power of the Corporation to effect adjustments, reclassifications, reorganizations, arrangements or changes of its capital or business structure, or to amalgamate, merge, consolidate, dissolve or liquidate, or to sell or transfer all or any part of its business or assets. A copy of the Stock Option Plan containing the full provisions of the plan is attached as Schedule B to this Circular.

The Stock Option Plan provides that upon the participant's permanent physical or mental disability or death such participant's Options may be exercised to purchase the total number of Common Shares not previously purchased by the participant whether or not the rights to purchase some or all of those Common Shares have previously vested in or are exercisable by the participant as of the date of ceasing to be a participant, provided such exercise occurs prior to the earlier of the expiry date of the Options and 90 days after the participant ceases to be a participant due to such permanent physical or mental disability or death. If a participant ceases to be a participant by reason of the participant's office, directorship or employment or services agreement with the Corporation terminating or ending otherwise than by reason of permanent physical or mental disability, or death or termination with or without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, the participant may exercise the Options to purchase Common Shares not previously purchased by the participant but only to the extent that rights to purchase the Common Shares have vested in and are exercisable by the participant as at the date of such ceasing to be a participant, provided such exercise occurs at any time on or before the earlier of the expiry date of the Options and 21 days after the participant ceases to be a participant due to the termination or ending of the participant's office, directorship or employment or services agreement. If a participant ceases to be a participant by reason of termination

without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, the participant may exercise the Options to purchase Common Shares not previously purchased by the participant but only to the extent that rights to purchase the Common Shares have vested in and are exercisable by the participant as at the date of such ceasing to be a participant, provided that such exercise occurs prior to the earlier of the expiry date of the Option or the date that the participant ceases to be a participant. If a participant ceases to be a participant by reason of termination and the participant is entitled to reasonable notice of termination or compensation in lieu thereof then the participant may exercise the Options to purchase Common Shares not previously purchased by the participant but only to the extent that rights to purchase the Common Shares are vested in and are exercisable by the participant on or before the date of such ceasing to be a participant provided that such exercise occurs prior to the earlier of the expiry date of the Options and where the participant is given a reasonable period of notice prior to termination, the date the participant ceases to be a participant or where the participant is paid compensation in lieu of reasonable notice the date that is 21 days after the participant ceases to be a participant.

### NEO Compensation - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information with respect to option-based awards made to NEOs that were outstanding as at December 31, 2016. The NEOs do not receive any share-based payments.

Name	Option-Based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date <sup>(1)</sup>	Value of unexercised in-the-money options <sup>(2)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Richard T. Ryan	66,666	1.00	March 26, 2017	-	-	-	-
	133,333	0.61	March 25, 2018	-	-	-	-
	99,000	0.36	February 26, 2019	-	-	-	-
	75,000	0.25	June 29, 2019	-	-	-	-
	185,000	0.12	December 2, 2020	1,850	-	-	-
Rob Van Bostelen	44,444	1.00	March 26, 2017	-	-	-	-
	88,889	0.61	March 25, 2018	-	-	-	-
	99,000	0.36	February 26, 2019	-	-	-	-
	102,780	0.25	June 29, 2019	-	-	-	-
	125,000	0.12	December 2, 2020	1,250	-	-	-
Charlie Lloyd	25,000	1.00	March 26, 2017	-	-	-	-
	60,000	0.61	March 25, 2018	-	-	-	-
	30,000	0.36	February 26, 2019	-	-	-	-
	75,000	0.25	June 29, 2019	-	-	-	-
	125,000	0.12	December 2, 2020	1,250	-	-	-
Jeff Schab	50,000	0.69	February 17, 2018	-	-	-	-
	75,000	0.36	February 26, 2019	-	-	-	-
	75,000	0.25	June 29, 2019	-	-	-	-
	125,000	0.12	December 2, 2020	1,250	-	-	-

**Notes:**

- (1) Options granted prior to December 2015 vest as to one-third on each anniversary of the date of grant and as the next one-third vests, any previously vested unexercised Options expire. Options granted in December 2015 or later vest as to one-quarter on the date of grant and one-quarter on each of the first, second and third anniversaries of the date of grant.
- (2) The "in-the-money" amount is based on the difference between the closing price of the Common Shares on December 31, 2015 of \$0.15 on the TSXV, being the last day which the Common Shares traded in 2016 and the exercise price of the Options.

## NEO Compensation - Incentive Plan Awards - Value Vested or Earned During the Year

652,481 Options held by the NEOs vested during the financial period ended December 31, 2016. The NEOs do not receive any share-based awards.

Name	Option-Based Awards - Value vested during the year (\$) <sup>(1)</sup>	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Richard T. Ryan	5,550	-	-
Rob Van Bostelen	3,750	-	-
Charlie Lloyd	3,750	-	-
Jeff Schab	3,750	-	-

**Note:**

- (1) Represents the aggregate "in-the-money" amount that would have been realized if the vested in-the-money Options had been exercised on the vesting date.

## NEO Termination and Change of Control Benefits

Currently there are no agreements, compensation plans, contracts or arrangements whereby an NEO is entitled to receive payments from the Corporation in the event of the termination of any NEO's employment or a change in control of the Corporation.

## Director Compensation - Compensation Table

The following compensation table sets out the total compensation paid to each of the Corporation's directors (who are not NEOs) for the year ended December 31, 2016.

Name <sup>(1)</sup>	Fees earned (\$)	Share-based awards (\$)	Option-based awards <sup>(2)</sup> (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other Compensation (\$)	Total (\$)
Elson McDougald	-	-	10,446	-	-	-	10,446
Thane Russell	-	-	9,579	-	-	-	9,579
Rodger Hawkins <sup>(3)</sup>	4,000	-	6,766	-	-	-	10,766
Terry Owen	-	-	7,427	-	-	-	7,427
Matthew Andrade	-	-	10,553	-	-	-	10,553

**Notes:**

- (1) Mr. Ryan does not receive any compensation for service as a director of the Corporation. Particulars relating to his compensation as President and CEO can be found above under the heading "NEO Compensation - Summary Compensation Table".
- (2) Amounts represent the grant date fair value of the Options awarded to the Director, calculated in accordance with the Black-Scholes model, which the Corporation determined to be the most accurate measure of value, using the market price of the Common Shares as at the grant date. The key valuation assumptions used for 2016 were stock price volatility of 140%, range of risk free interest rates of 0.63% to 0.65%, no dividend yield, and an expected option life of five years, in 2015 were stock price volatility of 144%, range of risk free interest rates of 0.44% to 0.97%, no dividend yield, and an expected option life of five years, for 2014 were stock price volatility of 84%, range of risk free interest rates of 1.00% to 1.50%, no dividend yield, and an expected option life of four years.
- (3) In late 2013, the Board approved a fee of \$1,000 to be paid to the Chair of the Audit, Health, Safety, and Environment Committee for each meeting attended.

## Director Compensation - Outstanding Share-Based and Option-Based Awards

The following table sets forth information with respect to outstanding option-based awards made to directors (that are not NEOs) that were outstanding as at December 31, 2016. The directors do not receive any share based awards.

Option-Based Awards					Share-based Awards		
Name	Number of securities underlying unexercised options (#)	Option exercise price <sup>(1)</sup> (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Elson McDougald	16,666	1.00	March 26, 2017	-	-	-	-
	33,334	0.61	March 25, 2018	-	-	-	-
	65,666	0.25	June 29, 2019	-	-	-	-
	30,000	0.12	December 2, 2020	450	-	-	-
Thane Russell	99,000	0.25	June 29, 2019	-	-	-	-
	30,000	0.12	December 2, 2020	450	-	-	-
Rodger Hawkins	11,000	1.00	March 26, 2017	-	-	-	-
	22,000	0.61	March 25, 2018	-	-	-	-
	36,000	0.25	June 29, 2019	-	-	-	-
	30,000	0.12	December 2, 2020	450	-	-	-
Terry Owen	11,000	1.00	March 26, 2017	-	-	-	-
	22,000	0.61	March 25, 2018	-	-	-	-
	44,000	0.25	June 29, 2019	-	-	-	-
	30,000	0.12	December 2, 2020	450	-	-	-
Matthew Andrade	99,000	0.36	February 26, 2019	-	-	-	-
	25,000	0.25	June 29, 2019	-	-	-	-
	30,000	0.12	December 2, 2020	450	-	-	-

**Notes:**

- (1) Options granted prior to December 2015 vest as to one-third on each anniversary of the date of grant and as the next one-third vests, any previously vested unexercised Options expire. Options granted in December 2015 or later vest as to one-quarter on the date of grant and one-quarter on each of the first, second and third anniversaries of the date of grant.
- (2) The "in-the-money" amount is based on the difference between the closing price of the Common Shares on December 31, 2016 of \$0.15 on the TSXV, being the last day which the Common Shares traded in 2016 and the exercise price of the Options.

**Director Compensation - Incentive Plan Awards - Value Vested or Earned During the Year**

237,724 Options held by Directors vested in the financial period ended December 31, 2016. The Directors did not receive any share-based awards.

Name	Option-Based Awards - Value vested during the year (\$) <sup>(1)</sup>
Elson McDougald	900
Thane Russell	900
Rodger Hawkins	900
Terry Owen	900
Matthew Andrade	900

**Notes:**

- (1) Represents the aggregate "in-the-money" amount that would have been realized if the vested in-the-money Options had been exercised on the vesting date.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table provides information as at December 31, 2016 with respect to Common Shares that may be issued under the Corporation's stock option plan (the **Stock Option Plan**), being the sole equity compensation plan of the Corporation:

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)(\$)	Number of Common Shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders <sup>(1)</sup>	2,950,280	0.33	268,184
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	2,950,280	0.33	268,184

**Note:**

(1) The Stock Option Plan provides for the grant of stock options (the **Options**) for the purchase of up to 10% of the issued and outstanding Common Shares. See "*Special Business - Approval of the Stock Option Plan*" below.

## STATEMENT OF CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the Shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Corporation. The Board is committed to sound corporate governance practices, which are both in the interest of its Shareholders and contribute to effective and efficient decision making.

The Corporation is required to disclose its corporate governance practices in accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices (NI 58-101)*, as summarized below.

### Board of Directors

#### *Independence of Directors*

An "independent director" generally is one who has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgement. The Board, with the assistance of the Corporate Governance and Compensation Committee and counsel to the Corporation, is responsible for determining whether or not each director is "independent" or "not independent". To carry out this determination, all relationships with the Corporation are reviewed. To assist the Board in its determination, all directors provide disclosure of any material interest and business relationships with the Corporation and his or her shareholdings in the Corporation.

The Board is composed of five (5) directors, the majority (4) of whom are considered to be "independent" under NI 58-101, namely Thane Russell, Rodger Hawkins, Terry Owen and Matthew Andrade. Richard Ryan is "not independent" within the meaning of NI 58-101 by virtue of the fact that he is also an executive officer of the Corporation. In order to facilitate the exercise of the independent directors' judgement, the Board holds "in camera" sessions for independent members during each Board meeting to facilitate open and candid discussion amongst the independent directors. In addition, the independent directors may schedule meetings as they see fit without members of management and non-independent directors present.

#### *Chairman of the Board*

The Chairman of the Board, Thane Russell, is an independent director. The role of the Chairman is to provide leadership to the Board, manage the affairs of the Board and ensure that the Board is organized properly, functions effectively and meets its obligations and responsibilities. The Chairman presides at each meeting of the Board and is responsible for coordinating with management to ensure that documents are delivered to the directors in sufficient time in advance of Board meetings for a thorough review, that matters are properly presented for the Board's consideration at meetings and that the Board has an appropriate opportunity to discuss issues at each meeting, such that the Board is able to carry out its duties to oversee the management of the business and affairs of the Corporation. The Chairman is responsible for communicating with each Board member, ensuring that each director has the opportunity to be heard, that each director is accountable to the Board and that the Board and each committee is discharging its duties. The Chairman is also responsible for organizing the Board to function independently of

management and arranges for the independent directors to meet without non-independent directors and management present.

### *Board Meetings*

During the financial period ended December 31, 2016, four Board meetings were held. It is the intention of the Board to meet at the end of each financial quarter and as may otherwise be required.

### **Directorships**

The following table sets out each director who also serves as a director of another reporting issuer:

<u>Director</u>	<u>Other Reporting Issuers</u>	<u>Exchange</u>
Rodger Hawkins	Strategic Oil and Gas Ltd.	TSXV

### **Orientation and Continuing Education**

The Board currently has a limited orientation and education program for new directors due to the fact that changes in directorships to date have been limited. The process currently includes discussions with the Chairman and senior management with respect to the business and operations of the Corporation. Any new Board members will be provided with, among other things, copies of (i) the Corporation's strategic plan; (ii) current year business plan and budget; (iii) all continuous disclosure filings for the current year; and (iv) all corporate policies including the Code of Business Conduct and Ethics and Whistleblower & Complaints Policy. All new directors are encouraged to review all previous minutes of meetings of the Board and the Shareholders of the Corporation. In addition, directors are encouraged to visit the Corporation's facilities, to interact with management and employees and to stay abreast of industry developments and the evolving business of the Corporation.

### **Ethical Business Conduct**

In addition to laws that apply to the Board generally, the Board's responsibilities are governed by the *Business Corporations Act* (Alberta), the Corporation's articles and by-laws, and the terms of reference for each of the Board committees. The Board is responsible for oversight and implementation of the Corporation's policies, including the Corporation's Code of Business Conduct and Ethics (the **Code**).

### **Nomination of Directors**

The Board has constituted a Governance and Compensation Committee (the **Compensation Committee**), which is responsible for periodically reviewing the composition and the criteria regarding the composition of the Board and its committees. The Compensation Committee's mandate is to assist the Board in the discharge of its duties with respect to attempting to ensure compliance with the corporate governance policies of the Corporation. The Compensation Committee assesses the Corporation's approach to corporate governance and monitors the Corporation's structures and procedures to ensure that the Board is able to, and in fact does, function independently of management. In addition, it has the responsibility for identifying and reviewing new candidates to join the Board and recommending nominees for election as directors. The Compensation Committee is required to consider candidates' independence, experience, skills and available time to devote to the duties of the Board in making recommendations for nomination to the Board. The Compensation Committee reviews the composition and size of the Board and tenure of directors in advance of annual meetings when directors are most commonly elected by the Shareholders, as well as when individual directors indicate that their terms may end or that their status may change.

### **Remuneration of Directors**

Director compensation is reviewed annually by the Compensation Committee. In late 2013, the Board approved a fee of \$1,000 to be paid to the Chair of the Audit, Health, Safety, and Environment Committee for each meeting attended.



## **Governance and Compensation Committee**

The Compensation Committee is currently comprised of Messrs. Andrade (Chair), Russell and Owen, all of whom are independent. The purpose of the Compensation Committee is to: (i) assist the Board in the discharge of its duties to ensure compliance with the Code and other governance policies of the Corporation; (ii) recommend, review and approve corporate goals and objectives relevant to CEO and director performance and evaluate performance to determine compensation; (iii) make recommendations to the Board regarding compensation including incentive and equity-based compensation plans; and (iv) review director and executive officer compensation disclosure prior to its public disclosure.

The members of the Compensation Committee have gained experience in human resources and compensation matters by serving as senior officers or directors of other private and public companies.

## **Assessments**

At this stage of the Corporation's development, there is no formal process in place to assess the performance of the Board and individual directors.

## **THE AUDIT, HEALTH, SAFETY AND ENVIRONMENT COMMITTEE (the "Audit Committee")**

National Instrument 52-110 – *Audit Committees (NI 52-110)* requires the Corporation to disclose annually in its information circular certain information concerning the constitution of the Audit Committee and its relationship with its independent auditor, as set forth below.

The Corporation is relying on Section 6.1 of NI 52-110, as a "venture issuer", with respect to the exemption from Part 5 (Reporting Obligations) of NI 52-110. The Audit Committee is governed by its charter. A copy of the text of the Audit Committee's Terms of Reference, established in accordance with NI 52-110, is set out in Schedule A to this Circular.

## **Composition of the Audit Committee**

The Audit Committee is currently comprised of Messrs. Hawkins (Chair), Andrade and Russell. All members of the Audit Committee are independent and financially literate within the meaning of NI 52-110.

## **Relevant Education and Experience of Audit Committee Members**

In considering criteria for the determination of financial literacy, the Board looked at the ability to read and understand a balance sheet, an income statement and cash flow statement of a public company as well as the director's past experience in reviewing or overseeing the preparation of financial statements. The following sets out the education and experience of each director relevant to the performance of his duties as a member of the Audit Committee.

### *Rodger Hawkins – Chair*

Mr. Hawkins has over 40 years of experience as a Chartered Accountant in audit and accounting with a focus on junior public companies in the resource, technology and resource service sectors. Prior to retirement in 2007, Mr. Hawkins was a Partner of BDO Canada LLP in the Calgary office.

### *Matthew Andrade, CFA*

Mr. Andrade has over 10 years of experience as a Chartered Financial Analyst. He is the past President of the CFA Society of Calgary and the past Chair of the CFA Institute Disciplinary Review Committee. He is the Director, Investments at Werklund Capital Corporation.

### *Thane Russell*

Mr. Russell has almost 30 years of engineering experience in the petroleum industry, primarily in production operations, drilling and completions, and well optimization. Mr. Russell has a particular interest in the innovation and

commercialization of completion tools. Mr. Russell was one of the founders of Stellarton Energy Limited, which was sold to Tom Brown Resources of Denver in 2000 with its wholly owned subsidiary, Secure Oil Tools, being sold to Schlumberger in 1999. In 2000, Mr. Russell founded Absolutely Energy Limited and is currently the Chairman and Vice President Absolutely Completion Technologies Ltd., which was founded in 2002. Mr. Russell also has field experience with a number of companies including Texaco, Imperial Oil and Canadian Hunter. Mr. Russell received a Bachelor of Engineering degree from the Thayer School of Engineering at Dartmouth College and has his designation as a Professional Engineer.

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

The Audit Committee has adopted a pre-approval policy (Audit Policy) with respect to the policies and procedures that must be followed for the engagement of audit and non-audit services. Pursuant to NI 52-110, the Audit Committee is responsible for the appointment, compensation and oversight of the work of PricewaterhouseCoopers LLP, the Corporation's independent auditor (Auditor). As part of this responsibility, the Audit Committee is required to pre-approve all audit and non-audit services to be performed by the Auditor and to consider whether non-audit related services impair the Auditor's independence.

Pursuant to the Audit Policy, all services provided by the Auditor for fees in excess of an aggregate of \$20,000 annually must be pre-approved by the Audit Committee. For non-audit services, the audit engagement partner of the Auditor must be consulted. The pre-approval of audit and non-audit services may be given at any time up to one year before commencement of a specified service. Prior to the beginning of each financial year, management of the Corporation may submit to the Audit Committee a request for pre-approval of audit services, audit-related services and tax services.

The Audit Committee may delegate to one or more designated member(s) of the Audit the authority to grant pre-approvals of audit and non-audit services to be provided by the Auditor throughout the year. Any decisions made by such a designated member of the Audit Committee must be reported to the Audit Committee at the next meeting of the committee.

The Audit Committee will recommend to the directors the appointment of the Auditor to perform the annual external audit of the Corporation's financial statements and additional audit services as required, which services may include, but are not limited to: audit of the Corporation, services associated with the continuous disclosure obligations of the Corporation and consultations regarding financial accounting and reporting standards.

With respect to audit-related and tax-related services, management is required to request pre-approval of such services it reasonably believes will be required by the Corporation for the upcoming financial year. Audit-related services are those assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and include, but are not limited to: due diligence and audit services related to business acquisitions and dispositions, internal control reviews and consultations regarding financial accounting and reporting standards. Tax services include, but are not limited to: tax planning and advice, the preparation and review of tax returns and international tax planning.

All services to be provided by the Auditor will be reviewed by the Chief Financial Officer of the Corporation, who will determine whether such services are included within the accepted list of services for which pre-approval must be requested under the Audit Policy. Prior to the beginning of each financial year, the Chief Financial Officer will deliver to the Audit Committee the documents reasonably required or requested to determine the services to be performed by the Auditor. At each regularly scheduled Audit Committee meeting, the Audit Committee will review a report summarizing the services provided by the Auditor and the related fees, a listing of newly pre-approved services since the last regularly scheduled meeting and an updated analysis for the current financial year of the estimated annual fees to be paid to the Auditor.

### **Audit Fees**

The following chart summarizes the aggregate fees billed by the external auditors of the Corporation for professional services rendered to the Corporation during the financial periods ended December 31, 2016 and December 31, 2015 for audit and non-audit related services:

Fee	For the year ended December 31, 2016 (\$)	For the year ended December 31, 2015 (\$)
Audit Fees <sup>(1)</sup>	45,787	35,902
Audit-Related Fees <sup>(2)</sup>	19,950	51,450
Tax Fees	22,200	22,200
All Other Fees	-	-
<b>Total</b>	<b>87,937</b>	<b>109,552</b>

**Notes:**

- (1) "Audit Fees" means the aggregate fees billed for audit services. In the period ended December 31, 2015 the amount includes all fees for the December 31, 2015 audit and \$22,500 prepayment for the December 31, 2016 audit. There was no prepayment in 2016 for the December 31, 2017 audit.
- (2) "Audit-Related Fees" include the aggregate professional fees paid to the external auditors for the audit of the annual consolidated financial statements and other annual regulatory audits and filings. It also includes the aggregate fees paid to the external auditors for services related to the audit services, including reviewing quarterly financial statements and management's discussion thereon and conferring with the Board and Audit Committee regarding financial reporting and accounting standards.
- (3) "Tax Fees" include the aggregate fees paid to Ernst & Young LLP for tax compliance, tax advice, tax planning and advisory services, including preparation of tax returns.

**INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES**

As of the date hereof or at any time within thirty days prior to the date hereof, no executive officer, director, employee, or former executive officer, director or employee of the Corporation is or was indebted in respect of any purchase of securities or otherwise to the Corporation or to any other entity for which the indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER SECURITIES PURCHASE AND OTHER PROGRAMS**

No person who is, or at any time during the most recently completed financial year was, a director or executive officer of the Corporation, a proposed nominee for election as a director of the Corporation, nor any associate of any such director, executive officer or proposed nominee, is, or at any time since the beginning of the most recently completed financial year has been, indebted to the Corporation, or indebted to another entity, which indebtedness is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation, in respect of any security purchase program or any other program.

**MANAGEMENT CONTRACTS**

There are no management functions of the Corporation performed to any substantial degree other than by the executive officers of the Corporation. See "*Executive Compensation*".

**INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last completed financial year, no Nominee and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors and the approval of the Stock Option Plan, except as disclosed in this Circular.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as described below, none of the directors or executive officers of the Corporation, any person or company beneficially owning, or controlling or directing, directly or indirectly, or a combination of both, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation, nor any director, executive officer, associate or affiliate of the foregoing had any material interest, direct or indirect, in any transaction

since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation.

#### **OTHER BUSINESS**

Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the proxy solicited hereby will be voted on such matters in accordance with the best judgement of the persons voting the proxy.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available under its profile on the *System for Electronic Document Analysis and Retrieval (SEDAR)* at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation's comparative financial statements and management discussion & analysis (**MD&A**) for the year ended December 31, 2015. Copies of the Corporation's financial statements and MD&A will be available through SEDAR at [www.sedar.com](http://www.sedar.com) and may also be obtained upon request to the Corporation at:

MATRIX Energy Technologies Inc.  
350, 808 - 4<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3E8  
**Attention:** Jeff Schab  
**Tel:** (587) 233-0798  
**Fax:** (403) 984-5097  
**E-mail:** [jeffschab@matrix.com](mailto:jeffschab@matrix.com)

## SCHEDULE A

### MATRRIX ENERGY TECHNOLOGIES INC.

#### TERMS OF REFERENCE FOR THE AUDIT, ENVIRONMENTAL, HEALTH AND SAFETY COMMITTEE

##### I. PURPOSE

The primary function of the Audit Environmental, Health and Safety Committee (the "**Committee**") is to assist the board in fulfilling its oversight responsibilities by considering:

- A. the financial information that will be provided publicly;
- B. the systems of internal controls, including controls over public reporting;
- C. all financial audit processes; and
- D. all environmental, health and safety policies and activities.

Primary responsibility for the financial reporting, information systems, risk management and internal controls of MATRRIX Energy Technologies Inc. ("**MATRRIX**" or the "**Corporation**") is vested in management and is overseen by the board.

##### II. COMPOSITION AND OPERATIONS

- A. The Committee shall be composed of not fewer than three directors all of whom must be independent as defined in Section 1.4 of National Instrument 52-110 Audit Committees ("**NI 52-110**") as may be amended from time to time.
- B. All Committee members shall be "financially literate"<sup>1</sup> as defined in NI 52-110.
- C. MATRRIX's auditors shall be advised of the names of the Committee members and will receive notice of and be invited to attend meetings of the Audit Committee, and to be heard at those meetings on matters relating to the Auditor's duties.
- D. The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the board or shareholders.
- E. The Committee shall meet at least once (by person or by teleconference) during the first three fiscal quarters to review MATRRIX's quarterly financial statements and MD&A and related news releases for the immediately preceding fiscal quarter and to review and recommend approval by the full board of such interim financial statements for the immediately preceding fiscal quarter.
- F. The Committee shall meet at least once (by person or by teleconference) in each fiscal year to review the annual and fourth quarter MATRRIX's audited financial statements and MD&A and related news releases for the immediately preceding fiscal year and to review and recommend approval by the full board of such audited financial statements for the immediately preceding fiscal year.

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<sup>1</sup> NI 52-110 defines "financially literate" as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

- G. The Chairperson shall, in consultation with management, establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for study prior to the meeting.
- H. Every question at the Committee meeting shall be decided by a majority of the votes cast; in the event of a tie vote on any matter, such matter shall be presented to the Board for its consideration and determination.

### **III. DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the board, the Committee will perform the following duties:

#### **A. Financial Statements and Other Financial Information**

The Committee will consider and recommend for approval to the board of directors, before being provided to the board of directors, financial information that will be made publicly available, including:

1. MATRRIX's annual financial statements, MD&A and related news release;
2. MATRRIX's quarterly financial statements, MD&A and related news release; and
3. financial information contained in the Annual Information Form and any Prospectus/Private Placement Memorandums.

The Committee will consider:

4. the appropriateness of accounting policies and financial reporting practices used by MATRRIX;
5. any significant proposed changes in financial reporting and accounting policies and practices to be adopted by MATRRIX; and
6. any new or pending developments in accounting and reporting standards that may affect MATRRIX.
7. Annual Report - review the management MD&A discussion section and all other relevant sections of the annual report, if prepared, to ensure consistency of all financial information included in the annual report.
8. Earnings Guidance/Forecasts - review forecasted financial information and forward looking statements.

#### **B. Risk Management, Internal Control and Information Systems**

The Audit Committee will consider whether the Corporation's risk management, internal control and public reporting systems appear to be operating effectively to produce accurate, appropriate and timely management and financial information, including:

1. the Corporation's risk management controls and policies;
2. the reliability of the information systems and the design and effective implementation of the systems of internal controls through discussions with and reports from management, and as applicable, the external auditor; and
3. management steps to implement and maintain appropriate internal control procedures.

### C. **External Audit**

The Committee will discuss the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

1. considering and recommending to the board, for shareholder approval, engagement of the external auditor;
2. considering the annual external audit plan, including:
  - (a) engagement letter;
  - (b) objectives and scope of the external audit work;
  - (c) procedures for quarterly review of financial statements;
  - (d) materiality limit;
  - (e) areas of audit risk;
  - (f) staffing;
  - (g) timetable; and
  - (h) proposed fees.
3. meeting with the external auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates and resolve any disagreements between management and the external auditors regarding financial reporting;
4. considering and advising the board with respect to the planning, conduct and reporting of the annual audit, including:
  - (a) any difficulties encountered, or restrictions imposed by management, during the annual audit;
  - (b) any significant accounting or financial reporting issue;
  - (c) the auditors' evaluation, if any, as applicable of MATRRIX's system of internal controls, procedures and documentation;
  - (d) the post audit or management letter containing any findings or recommendations of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
  - (e) any other matters the external auditor brings to the Committee's attention; and
  - (f) the performance and the annual appointment of external auditors for recommendation to the board.
5. considering the auditor's reports on all material entities that the Corporation consolidates, proportionately consolidates or equity accounts;
6. receiving assurances on the independence of the external auditor;

7. pre-approving all non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and considering the effect on the independence of the external audit; and
8. meeting periodically, and at least annually, with the external auditor without management present.

**D. SPECIFIC SAFETY DUTIES**

The Committee shall

1. report to the Board of Directors on matters coming before the Committee relating to environmental, health and safety policies and activities of the Corporation for consideration;
2. review and monitor the environmental policies and activities of the Corporation on behalf of the Board of Directors to ensure that the Corporation is in compliance with environmental laws and legislation and that the Corporation conforms with industry standards;
3. review and monitor the health and safety policies and activities of the Corporation on behalf of the Board of Directors to ensure compliance with applicable laws, legislation and policies as they relate to the health and safety of the Corporation's employees in the workplace;
4. review environmental, health and safety compliance issues and incidents of non-compliance to determine, on behalf of the Board of Directors, that the Corporation is taking all necessary action in respect of those matters and that the Corporation has been duly diligent in carrying out its responsibilities and activities in that regard;
5. review significant external or internal audit or consultants' reports relating to environmental, health or safety matters;

**E. OTHER**

The Committee will also consider:

1. insurance coverage of significant business risks;
2. material litigation and its effect on financial reporting;
3. policies and procedures for approval of officers' expenses and perquisites; and
4. the terms of reference for the Committee as required and make recommendations to the board as required.

The Committee will also establish procedures for:

5. the receipt, retention and treatment of complaints received by the Corporation regarding public reporting, accounting, internal accounting controls, or auditing matters; and
6. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
7. the Corporation's hiring policies regarding employees and former employees of the present and former external auditors of the Corporation.



#### **IV. ACCOUNTABILITY**

The Committee chair has the responsibility to make periodic reports to the board, as requested, on financial matters relative to the Corporation. The Committee shall report its discussions to the board by maintaining minutes of its meetings and providing an oral report at the next board meeting.

#### **V. RELIANCE ON EXPERTS**

In contributing to the Committee's discharging of its duties under this mandate, each member shall be entitled to rely in good faith on:

- A. financial statements of the Corporation represented to the member by an officer of the Corporation, or in a written report of the external auditors, to present fairly in all material respects the financial position of the Corporation and the results of its operations in accordance with generally accepted accounting principles; and
- B. any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

The board is of the view that monitoring of the Corporation's financial reporting and disclosure policies and procedures cannot usually be reasonably met unless the following activities (the "fundamental activities") are, in all material respects, conducted effectively:

- C. the Corporation's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately in all material respects all of the Corporation's financial transactions;
- D. the internal financial controls are regularly considered for effectiveness;
- E. the Corporation's quarterly and annual financial statements are properly prepared by management in accordance with generally accepted accounting principles in all material respects; and
- F. such financial statements are reported on by an external auditor appointed by the shareholders of the Corporation.

#### **VI. LIMITATIONS ON COMMITTEE'S DUTIES**

In contributing to the Committee's discharging of its duties under these terms of reference, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in these terms of reference is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all board members are subject. The essence of the Committee's duties is monitoring and considering to endeavour to gain reasonable assurance (but not to ensure) that the fundamental activities are being conducted effectively and that the objectives of the Corporation's financial reporting are being met and to enable the Committee to report thereon to the board.

Adopted and approved by the Board: December 16, 2011, and as amended on March 22, 2017.

## SCHEDULE B

### MATRIX ENERGY TECHNOLOGIES INC.

#### INCENTIVE STOCK OPTION PLAN

##### 1. INTERPRETATION

In this Plan (including this clause), unless there is something in the subject or context inconsistent therewith, words importing the singular number includes the plural and vice versa, words importing the masculine gender includes the feminine and neuter genders and the expressions following have the following meanings, respectively:

- (a) "**Associate**" has the meaning ascribed thereto in the Securities Act;
- (b) "**Board**" means the Board of Directors of the Corporation;
- (c) "**Blackout Extension Term**" shall have the meaning set forth in Clause 9 hereof;
- (d) "**Committee**" means a committee of Directors appointed by the Board as contemplated by Clause 3 hereof;
- (e) "**Common Share**" means a voting common share in the capital stock of the Corporation as constituted at December 31, 2011 and, after any adjustments pursuant to Clause 7 hereof, means the shares or other securities or property which, as a result of such adjustments and all prior adjustments pursuant to Clause 7, the holders of Options are then entitled to receive on the exercise thereof;
- (f) "**Consultant**" means an individual or company other than an employee or a director of the Corporation that is engaged to provide on an ongoing basis consulting, technical or management or other services to the Corporation under a written contract and spends a significant amount of time and attention on the affairs of the Corporation such that they are knowledgeable about the business and affairs of the Corporation;
- (g) "**Corporation**" means MATRIX Energy Technologies Inc. and any successor or continuing corporation resulting from any form of corporate reorganization;
- (h) "**Early Termination Date**" means, in respect of any Option, 5:00 p.m. (Calgary time) on the date that an Option terminates prior to the Normal Expiry Date, as may be extended pursuant to a Blackout Extension Term;
- (i) "**Expiry Date**" means the Normal Expiry Date or the Early Termination Date, as the case may be;
- (j) "**Insider**" has the meaning ascribed thereto in the Securities Act;
- (k) "**Market Price**" at any date and in respect of an Option, means:
  - (i) where the Common Shares are not listed and posted for trading on a stock exchange, the value conclusively determined by the Board or Committee, as the case may be, on the Option Date; or
  - (ii) where the Common Shares are listed and posted for trading on a stock exchange, either:
    - (A) the closing price of the Common Shares on the principal stock exchange on which they are traded on the last business day preceding the Option Date; or

- (B) if the Common Shares did not trade on the last business day preceding the Option Date, the average of the bid and ask prices in respect of the Common Shares at the close of trading on such date on the principal stock exchange on which the Common Shares are listed and posted for trading;
- (l) "**Normal Expiry Date**" means, in respect of any Option, 5:00 p.m. (Calgary time) on the date determined by the Corporation and specified in the particular Option Agreement on which the Option would normally terminate, which date may not be later than ten years after the Option Date, as may be extended pursuant to a Blackout Extension Term;
- (m) "**Option**" means a right to purchase Common Shares pursuant to the Plan and an Option Agreement;
- (n) "**Option Agreement**" means an agreement entered into between the Corporation and a Participant pursuant to which an Option is granted to a Participant and which contains such provisions not inconsistent with the Plan as the Board or the Committee may determine;
- (o) "**Option Date**" means the date on which an Option is granted by the Corporation to a Participant which for greater certainty is the date on which the grant of the Option is approved by the Board or the Committee, as the case may be;
- (p) "**Option Shares**" means the Common Shares which a Participant is entitled to purchase under an Option whether or not the rights to purchase all such Common Shares have vested in and to the Optionee;
- (q) "**Optionee**" means a Participant who has entered into an Option Agreement with the Corporation;
- (r) "**Participant**" means, on any date, a person who is at least one of the following:
- (i) a person who is *bona fide* regularly employed by the Corporation or one of its subsidiaries on that date;
  - (ii) an officer of the Corporation or one of its subsidiaries on that date;
  - (iii) a director of the Corporation or one of its subsidiaries on that date;
  - (iv) a bona fide consultant or advisor to the Corporation or one of its subsidiaries on that date; or
  - (v) to a corporation, the shares of which are wholly owned by a person described in subclause (i), (ii), (iii) or (iv);
- (s) "**Plan**" means the Corporation's "Incentive Stock Option Plan" embodied herein, as from time to time amended;
- (t) "**Purchase Price**" means the purchase price of Option Shares under an Option Agreement determined as provided in subclause 6(b) of this Plan; and
- (u) "**Securities Act**" means the *Securities Act* (Alberta), as amended.

## 2. PURPOSE OF THE PLAN

The purpose of the Plan is to develop the interest of Optionees in the growth and development of the Corporation by providing such persons with the incentive and opportunity to acquire an increased proprietary interest in the Corporation and to better enable the Corporation and its subsidiaries to attract and retain persons of desired experience and ability.

### **3. ADMINISTRATION, PARTICIPANTS AND ALLOTMENTS**

- (a) The Board will administer the Plan. The Board may at any time or from time to time delegate to a Committee the responsibility for administering the Plan or elements thereof. The Board, or the Committee if so empowered, will determine from time to time those Participants to whom Options should be granted, the Normal Expiry Date, the number of Common Shares which should be optioned from time to time to any Participant, the Purchase Price and such other terms and conditions of the Option Agreement, not inconsistent with the Plan, as the Board or the Committee in its discretion may determine. The Board or the Committee may prescribe rules and regulations relating to the Plan and any Options granted hereunder and may approve the form and content and prescribe the use of such forms of applications, directions, powers of attorney, and other documents or instruments, either generally or in specific cases, as may be deemed necessary or advisable, for the grant or issuance of Options under the Plan and for the proper administration and operation of the Plan. The Board or the Committee will review the Plan from time to time with a view to making revisions to it, granting additional Options and, in the case of the Committee, making appropriate recommendations to the Board. Nothing contained in the Plan or in any resolution adopted or to be adopted by the Board or by the Committee constitutes an Option hereunder. An Option granted by the Board or the Committee to a Participant pursuant to the Plan is subject to, and is of no force and effect until, the execution and delivery of, an Option Agreement by both the Corporation and such Participant.
- (b) The Corporation is responsible for all costs of administration of the Plan.
- (c) The implementation of the Plan, the grant or exercise of any Options pursuant to the Plan and, from time to time, the operation and administration of the Plan is subject to receipt by the Corporation of all necessary approvals, advance rulings, exemptions or registrations required or deemed advisable under applicable law or regulatory policy including without limiting the generality of the foregoing, all necessary approvals or registrations required by any and all stock exchanges upon which the Common Shares are listed and posted for trading.
- (d) The Board or the Committee, as the case may be, may at any time and subject to regulatory approvals:
  - (i) discontinue or terminate the Plan; or
  - (ii) amend or revise the terms and conditions of the Plan and any outstanding Options granted under the Plan,

provided that no such action adversely affects any Options previously granted under the Plan or the rights of Optionees in respect of those Options without the prior written consent or agreement of those Optionees. Disinterested shareholder approval will be obtained for any reductions in the exercise price of Options held by Insiders.

### **4. COMMON SHARES SUBJECT TO PLAN**

- (a) The Corporation reserves for issuance that number of Common Shares equal to 10% of the Corporation's outstanding Common Shares from time to time, for the purposes of issuance pursuant to the exercise of outstanding Options granted to the Participants pursuant to the Plan. In no event may the number of Option Shares issued under the Plan exceed the total number of Common Shares reserved for issuance hereunder. Notwithstanding the foregoing, the aggregate number of Common Shares issuable upon the exercise of all Options granted under the Plan shall not exceed 10% of the Corporation's outstanding Common Shares issued and outstanding at the closing of the Corporation's initial public offering.
- (b) The number of Option Shares that may be reserved for allotment to any one Participant pursuant to Options in any 12 month period must not exceed 5% of the issued and outstanding Common Shares.

- (c) The number of Option Shares that may be reserved for allotment to any one consultant of the Corporation (or any of its subsidiaries) pursuant to Options in any 12 month period must not exceed 2% of the issued and outstanding Common Shares.
- (d) The number of Option Shares that may be reserved for allotment to any one person employed to provide investor relations activities pursuant to Options in any 12 month period must not exceed 2% of the issued and outstanding Common Shares. Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the Options vesting in any 3 month period and a condition that such Options will expire 30 days after the Optionee ceases to be employed to provide investor relations activities.

For the purposes hereof, the number of issued and outstanding Common Shares is determined as the number of Common Shares that are issued and outstanding immediately prior to a proposed grant of Options.

## **5. PARTICIPATION VOLUNTARY**

Participation in the Plan by a Participant is entirely voluntary and does not affect the Participant's employment or continued retainer by, or other engagement with, the Corporation or its subsidiaries. None of the Plan or any Options granted under the Plan of itself gives any Participant the right to continue to be an employee, officer, director or consultant of the Corporation or any subsidiary thereof. None of the terms and conditions governing the Option are affected by any change in the Optionee's employment by or engagement with the Corporation so long as the Optionee continues to be a Participant.

## **6. CERTAIN TERMS OF OPTION AGREEMENTS**

In order to constitute a valid Option granted under this Plan, the Optionee and the Corporation must enter into an Option Agreement in the form acceptable to the Board or the Committee, as the case may be. An Option Agreement may, in respect of any Option, specify a number or percentage of Option Shares that the Participant may exercise in any specified period, year or number of years. In addition, Option Agreements are deemed to contain the following provisions with respect to the exercise of Options under the Plan:

- (a) An Option under the Plan is only exercisable for a minimum of 100 Common Shares at any one time.
- (b) The Purchase Price must not be less than the Market Price subject always to the discount from the Market Price allowed under the policies, rules or by-laws of the applicable stock exchange(s) on which the Common Shares are listed and posted for trading, which discount is to be considered in setting the Purchase Price wholly at the discretion of the Board or Committee, as the case may be, and upon exercise of the Option must be paid in full in respect of those Option Shares being acquired in Canadian funds by cash, certified cheque or bank draft payable to or to the order of the Corporation at the time of exercise.
- (c) Each Option terminates on its Normal Expiry Date but subject always to the provisions of subclause 6(d) of this Plan.
- (d) If, after the Option Date and on or before the exercise in full of the Option or the Normal Expiry Date, the Optionee ceases to be a Participant:
  - (i) by reason of the Optionee's permanent physical or mental disability, or death, then such Optionee's Option may be exercised to purchase the total number of Option Shares not previously purchased by the Optionee whether or not the rights to purchase some or all of those Option Shares have previously vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that is 90 days after the date the Optionee ceases to be a Participant due to such permanent physical or mental disability, or death. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder cease and expire and are of no further force and effect. For greater certainty but without limiting the generality of the foregoing, if the Optionee is deemed to be an employee of the

Corporation pursuant to a medical or disability plan of the Corporation or a subsidiary thereof, the Optionee is deemed to be an employee for the purpose of the Plan and the Option; or

- (ii) by reason of the Optionee's office, directorship or employment or services agreement with the Corporation terminating or ending otherwise than by reason of permanent physical or mental disability, or death or termination with or without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, then such Optionee's Option may be exercised to purchase the total number of Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that is 21 days after the date the Optionee ceases to be a Participant due to the termination or ending of the Participant's office, directorship or employment or services agreement. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect; or
- (iii) by reason of the Optionee's termination without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that the Optionee ceases to be a Participant. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect; or
- (iv) by reason of the Optionee's termination, and the Optionee is entitled to reasonable notice of termination or compensation in lieu thereof, then:
  - (A) the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee on or before the date of such ceasing to be a Participant, provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and:
    - (1) where the Optionee is given a reasonable period of notice prior to termination, the date the Optionee ceases to be a Participant; or
    - (2) where the Optionee is paid compensation in lieu of reasonable notice of termination, the date that is 21 days after the Optionee ceases to be a Participant; and
  - (B) the Optionee is not entitled:
    - (1) to further time to exercise the Option during such reasonable notice period or during such specific notice period; or
    - (2) compensation in lieu thereof by way of general damages, or special damages, whether in contract, tort or otherwise.

Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect.

- (e) With respect to subclause 6(d)(i), the rights under the Option exercisable after the death or disability of the Optionee, as therein specified, may be exercised by the person or persons to whom the

Optionee's rights under the applicable Option Agreement pass by will or applicable law or, if no such person has such right, by the deceased or disabled Optionee's legal representatives.

- (f) If the Optionee does not continue to be a director, officer, consultant or employee of the Resulting Issuer upon completion of the Corporation's Qualifying Transaction (as such terms are defined in the policies of the TSX Venture Exchange), the Options granted hereunder must be exercised by the Optionee within the later of 12 months after completion of the Qualifying Transaction and 90 days after the Participant ceases to become a director, officer, consultant or employee of the Resulting Issuer.
- (g) An Optionee has no rights whatsoever as a shareholder in respect of any of the Option Shares (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of Common Shares in respect of which the Optionee has exercised his Option to purchase thereunder, which the Optionee has actually taken up and paid for, and which have been duly issued to the Optionee and are outstanding as fully paid and non-assessable Common Shares.

## **7. CHANGES IN STOCK**

In the event:

- (a) of any change or proposed change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;
- (b) of any issuance, dividend or distribution to all or substantially all the holders of Common Shares of any shares, securities, property or assets of the Corporation other than in the ordinary course;
- (c) that any rights are granted to holders of Common Shares to purchase Common Shares at prices materially below fair market value; or
- (d) that as a result of any recapitalization, merger, consolidation or otherwise the Common Shares are converted into or exchangeable for any other shares or securities;

then in any such case:

- (e) the Board will proportionately adjust the number of Option Shares available for Options, the number of Option Shares covered by outstanding Options, the securities or other property that may be acquired upon the exercise of an Option and the price per Option Share in such Option, or one or more of the foregoing, to prevent substantial dilution or enlargement of the rights granted to, or available for, Optionees/Participants; and
- (f) the Board, in its discretion, may determine that:
  - (i) all or any part of the unexercised and unvested outstanding Options granted under the Plan vest and are exercisable on a date specified by the Board and the unexercised and unvested portion of such Options are thereupon deemed to have been vested and are exercisable on and after the date so specified in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year); or
  - (ii) such Options may be exercisable for a limited period of time only and, if so, the Board will determine such period of time, and such determination or limitation, once made or set, is deemed to be incorporated into the applicable Option Agreement(s).

## **8. TAKEOVER BID**

Notwithstanding the terms of any Option Agreement and Clause 6 of this Plan:

- (a) where an unsolicited Offer for the Common Shares is made, all unexercised and unvested outstanding Options granted under the Plan vest and become immediately exercisable in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year); or
- (b) where an Offer for the Common Shares (other than an unsolicited Offer) is made, the Board may by resolution and subject to regulatory approval accelerate the unexpired portions of any outstanding Options so that any unexercised and unvested Options granted under the Plan vest and become exercisable on such terms as the Board so determines (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year).

For the purposes hereof, "Offer" means an offer made generally to the holders of the Corporation's voting securities in one or more jurisdictions to acquire, directly or indirectly, voting securities of the Corporation and which is in the nature of a "takeover bid" as defined in the Securities Act and, where the Common Shares are listed and posted for trading on a stock exchange, not exempt from the formal bid requirements of the Securities Act. For the purposes hereof, an "unsolicited Offer" means an Offer in respect of which neither the Board nor management of the Corporation solicited, sought out, or otherwise arranged for the offeror party to make such Offer. Any Option remaining unexercised following the earlier of the withdrawal of such Offer and the expiry of such Offer in accordance with its terms again becomes vested or unvested subject to the original terms of the Option Agreement as if the Offer had not been made.

## **9. BLACKOUT**

In the event that the term of any Option expires during or within the five trading days after the termination of a securities trading blackout period, as set out in and imposed under the Corporation's "Insider Trading and Reporting Policy", as amended from time to time, the term of such Option shall be extended (the "**Blackout Extension Term**") for a period of 10 trading days from the expiry of the blackout period.

## **10. SALE OF ASSETS OR CHANGE IN CONTROL**

Notwithstanding the terms of any Option Agreement and Clause 6 of this Plan, if:

- (a) the Corporation sells or otherwise disposes of all or substantially of its assets; or
- (b) any person who does not hold more than 20% of the issued and outstanding Common Shares acquires more than 20% of the outstanding Common Shares without the prior consent of the Board, in any way other than by way of takeover bid (which circumstance is addressed in Clause 8 of this Plan),

all unexercised, unvested and outstanding Options granted under the Plan vest and are immediately exercisable in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year). The Board, in its discretion, may determine whether such Options may be exercisable for a limited period of time only and, if so, the Board will determine such period of time and such determination or limitation, once made or set, is deemed to be incorporated into the applicable Option Agreement(s).

## **11. COMMON SHARES FULLY PAID AND NON-ASSESSABLE**

All Common Shares issued upon the exercise of any Option are to be issued as fully paid and non-assessable Common Shares.

## **12. CONDITIONS OF ISSUANCE OF SHARES**

- (a) If at any time the Board or Committee (as the case may be) determines, in its discretion that:



- (i) the registration or qualification of the Common Shares which are the subject of any Option Agreement upon, or the consent or approval of, any securities exchange or any stock exchange upon which the Common Shares are listed;
  - (ii) the registration or qualification under any laws of Canada or any Province thereof or of the United States or any state thereof or the consent or approval of any regulatory authority thereof;
  - (iii) evidence (in form and content satisfactory to the Board) of the investment intent of the Optionee; or
  - (iv) an undertaking of the Optionee as to the sale or disposition of such Option Shares that may be purchased pursuant to an Option Agreement to the effect that such Option Shares once purchased are not to be traded by the Optionee for a specified period of time, is necessary or desirable as a condition of the issuance of any Option Shares pursuant to any Option Agreement, then the issuance of any Common Shares is not to be made unless and until such registration, qualification, consent, approval, evidence or undertaking has been effected or obtained free of any condition not acceptable to the Board or Committee.
- (b) Any trade by the Optionee in any Common Shares issued to the Optionee pursuant to the Plan including, without limiting the generality of the foregoing, any sale or disposition for valuable consideration, and any transfer, pledge or encumbrance of any Common Shares issued to an Optionee pursuant to the Plan, is subject to such regulatory approvals and other restrictions under applicable securities laws and regulatory policies as may be required at the time of such trade. Accordingly, the Corporation makes no representation as to the ability of any Optionee to trade in such Common Shares.
- (c) The Corporation cannot assure a profit or protect the Optionee against a loss on the Common Shares purchased under the Plan. The Corporation assumes no responsibility relating to any tax liability of the Optionee by reason of the exercise of any Option or any subsequent trade.

### **13. ACCOUNTS AND STATEMENTS**

The Corporation will maintain records indicating the number of Options granted to each Optionee and the number of Options exercised under the Plan. Upon written request from an Optionee, the Corporation will furnish to that Optionee a statement indicating the number of Options held on his behalf.

### **14. RESTRICTION ON TRANSFER**

The Options granted to an Optionee are personal and non-assignable and any rights in regard thereto cannot be transferred or assigned except upon the death of the Optionee as provided for in the Plan.

### **15. INTERPRETATION, AMENDMENT AND DISCONTINUANCE**

The Board may interpret the Plan, prescribe, amend or rescind rules and regulations relating to it, and make all other determinations necessary or advisable for its administration. In the event of a conflict between the terms of the Plan and an Option Agreement, the terms of the Plan prevail. The Board may from time to time alter, suspend or discontinue the Plan provided that such alteration, suspension or discontinuance does not, except as specifically noted in this Plan or the Option Agreement, alter or impair any Option such Optionee may have under any Option Agreement previously executed and delivered by the Corporation and such Optionee. Any amendment to this Plan is subject to receipt of any necessary regulatory approvals and any amendment required by applicable law or regulatory policy to be approved by shareholders does not become effective until so approved. Subject to the foregoing provisions of this Clause, the Board may terminate the Plan at any time and, upon such termination, any outstanding Option remains exercisable in accordance with its terms as specified herein and in the Option Agreement.

## **16. WAIVER**

No waiver by the Corporation of any term of this Plan or any breach thereof by an Optionee is effective or binding on the Corporation unless the same is expressed in writing and any waiver so expressed does not limit or affect its rights with respect to any other or future breach.

## **17. NOTICES**

The manner of giving notices to the Corporation or to an Optionee is to be specified in the Option Agreement with such Optionee.

## **18. GENERAL**

- (a) This Plan and each Option granted under the Plan are to be governed by and construed in accordance with the laws of the Province of Alberta and any Option Agreement entered into pursuant to the Plan is to be treated in all respects as an Alberta contract.
- (b) Nothing contained herein restricts or limits or is deemed to restrict or limit the rights or powers of the Board in connection with any allotment and issuance of shares in the capital stock of the Corporation which are not reserved for issuance hereunder.
- (c) The Plan and any Option Agreement entered into pursuant hereto enure to the benefit of and are binding upon the Corporation, its successors and assigns. The interest of any Optionee hereunder or under any Option Agreement is not transferable or alienable by the Optionee either by assignment or in any other manner whatsoever and, during his lifetime, is vested only in him, but, subject to the terms hereof and of the Option Agreement, enures to the benefit of and is binding upon the legal personal representatives of the Optionee.

## **19. SHAREHOLDER APPROVAL AND EFFECTIVE DATE**

Although this Plan is effective as and from the date hereof, each of the Option Agreements in respect of Options granted pursuant to this Plan is to contain a restriction to the effect that, where the Common Shares are listed and posted for trading on a stock exchange, no Common Shares are to be issued pursuant to the exercise of an Option unless and until this Plan is approved by shareholders of the Corporation (such restriction to be removed or deemed hereby to be of no further effect once shareholder approval is obtained).

**Date:** September 15, 2011