



**ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON DECEMBER 15, 2016**

**NOTICE OF MEETING AND  
MANAGEMENT PROXY AND INFORMATION CIRCULAR**

*THIS NOTICE OF MEETING AND MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF BLACKHAWK RESOURCE CORP. OF PROXIES TO BE VOTED AT THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF BLACKHAWK RESOURCE CORP. TO BE HELD ON THURSDAY, DECEMBER 15, 2016.*

**TO BE HELD AT:**

**1000, 250 - 2<sup>nd</sup> Street S.W.  
Livingston Place  
Calgary, Alberta**

**at 10:00 a.m.**

**Dated: November 10, 2016**

**BLACKHAWK RESOURCE CORP.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON DECEMBER 15, 2016**

**NOTICE IS HEREBY GIVEN THAT AN ANNUAL GENERAL AND SPECIAL MEETING** (the "**Meeting**") of holders of common shares ("**Common Shares**") of Blackhawk Resource Corp. (the "**Corporation**") will be held at 1000, 250 - 2<sup>nd</sup> Street S.W., Livingston Place, Calgary, Alberta, at 10:00 a.m., on Thursday, December 15, 2016 for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the financial year ended June 30, 2016 and the report of the auditor thereon;
2. to fix the number of directors of the Corporation to be elected at the Meeting at four (4);
3. to elect the board of directors of the Corporation for the ensuing year;
4. to appoint the auditor of the Corporation for the ensuing year and to authorize the Board of Directors to fix the auditor's remuneration;
5. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution, as more particularly set forth in the accompanying Management Information Circular, relating to the re-approval of the stock option plan of the Corporation; and
6. to transact such other business as may be properly brought before the Meeting or any adjournment thereof.

DATED this 10<sup>th</sup> day of November, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS**

*"David Antony"*

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David Antony

Chief Executive Officer and Director

**IMPORTANT**

**It is desirable that as many shares as possible be represented at the Meeting. If you do not expect to attend and would like your Common Shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. A proxy will not be valid unless it is deposited with our transfer agent Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or (ii) by hand delivery to 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America) or by internet using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com). All instructions are listed in the enclosed form of proxy.**

**BLACKHAWK RESOURCE CORP. MANAGEMENT INFORMATION CIRCULAR**  
**SOLICITATION OF PROXIES**

**THIS MANAGEMENT INFORMATION CIRCULAR ("CIRCULAR") IS PROVIDED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF BLACKHAWK RESOURCE CORP. (THE "CORPORATION")** of proxies from the holders of common shares ("Common Shares") for the annual general and special meeting of the shareholders of the Corporation (the "Meeting") to be held on Thursday, December 15, 2016 at 10:00 a.m. at 1000, 250 - 2<sup>nd</sup> Street S.W., Livingston Place, Calgary, Alberta, or at any adjournment thereof for the purposes set out in the accompanying notice of meeting ("**Notice of Meeting**").

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other proxy solicitation services. In accordance with National Instrument 54-101 — *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to Beneficial Shareholders (as defined below) held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

**APPOINTMENT AND REVOCATION OF PROXIES**

**The persons named (the "Management Designees") in the enclosed instrument of proxy ("Instrument of Proxy") have been selected by the directors of the Corporation and have indicated their willingness to represent as proxy the shareholder who appoints them. A shareholder has the right to designate a person (whom need not be a shareholder) other than the Management Designees to represent him or her at the Meeting.** Such right may be exercised by inserting in the space provided for that purpose on the Instrument of Proxy the name of the person to be designated and by deleting therefrom the names of the Management Designees, or by completing another proper form of proxy and delivering the same to the transfer agent of the Corporation. Such shareholder should notify the nominee of the appointment, obtain the nominee's consent to act as proxy and should provide instructions on how the shareholder's shares are to be voted. The nominee should bring personal identification with him to the Meeting. In any case, the form of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form). In addition, a proxy may be revoked by a shareholder personally attending at the Meeting and voting his shares.

A proxy will not be valid unless it is deposited with our transfer agent Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or (ii) by hand delivery to 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. Alternatively, you may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America) or by internet using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com). All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received in each case no later than 10:00 a.m. on December 13, 2016 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the Meeting. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the shareholder or by his authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, either at the registered office of the Corporation or with Computershare Trust Company of Canada, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof at which the proxy is to be used, or by depositing the instrument in writing with the Chairman of such Meeting on the day of the Meeting, or any

adjournment thereof. In addition, a proxy may be revoked by the shareholder personally attending the Meeting and voting his shares.

### **ADVICE TO BENEFICIAL SHAREHOLDERS**

**The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name.** Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Circular as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, *not* be registered in the shareholder's name. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

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

The Corporation will be delivering proxy-related materials to non-objecting beneficial owners of the Common Shares directly with the assistance of Broadridge. The Corporation intends to pay for intermediaries to deliver proxy-related materials to objecting beneficial owners of the Common Shares.

All references to shareholders in this Circular and the accompanying Instrument of Proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

### **VOTING OF PROXIES**

Each shareholder may instruct his proxy how to vote his Common Shares by completing the blanks on the Instrument of Proxy. All Common Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the Common Shares represented by the proxy will be voted in accordance with such specification. **In the absence of any such specification as to voting on the Instrument of Proxy, the Management Designees, if named as proxy, will vote in favour of the matters set out therein. In the absence of any specification as to voting on any other form of proxy, the Common Shares represented by such form of proxy will be voted in favour of the matters set out therein.**

**The enclosed Instrument of Proxy confers discretionary authority upon the Management Designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. As of the date hereof, the Corporation is not aware of any amendments to, variations of or other matters that may come before the Meeting. In the event that other matters come before the Meeting, the Management Designees intend to vote in accordance with the judgment of management of the Corporation.**

### **QUORUM**

The by-laws of the Corporation provide that a quorum of shareholders is present at a meeting of shareholders of the Corporation if at least two (2) persons are present in person or by proxy, each of whom is entitled to vote at the meeting, and who holds or represents by proxy not less than five (5%) percent of the shares entitled to vote at the meeting.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. As at the effective date of this Circular (the "**Effective Date**"), which is November 10, 2016, the Corporation has 41,196,374 Common Shares issued and outstanding. There are no other shares of any class issued and outstanding. The Common Shares are the only shares entitled to be voted at the Meeting, and holders of Common Shares are entitled to one (1) vote for each Common Share held.

Holders of Common Shares of record at the close of business on November 10, 2016 (the "**Record Date**") are entitled to vote such Common Shares at the Meeting on the basis of one vote for each Common Share held except to the extent that, (a) the holder has transferred the ownership of any of his Common Shares after the Record Date, and (b) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he owns the Common Shares, and demands not later than 10 days before the day of the Meeting that his name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote his Common Shares at the Meeting.

To the knowledge of the directors and the executive officers of the Corporation, as at the Effective Date, no person or company beneficially owns, directly or indirectly, or controls or directs, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation.

## EXECUTIVE COMPENSATION

### **Compensation Discussion and Analysis**

The compensation program of the Corporation is designed to attract, motivate, reward and retain knowledgeable and skilled executives required to achieve the Corporation's corporate objectives and increase shareholder value. The main objective of the compensation program is to recognize the contribution of the executive officers to the overall success and strategic growth of the Corporation. The compensation program is designed to reward management performance by aligning a component of the compensation with the Corporation's business performance and share value. The philosophy of the Corporation is to maintain a close monitoring over costs during its start-up phase and then to pay management a total compensation amount that is competitive with other junior investment companies in Canada and is consistent with the experience and responsibility level of management. The purpose of executive compensation is to reward the executives for their contributions to the achievements of the Corporation on both an annual and long term basis.

The Corporate Governance and Compensation Committee has adopted a compensation program that covers three (3) key elements: (i) a base amount of salary and benefits; (ii) a performance based cash bonus; and (iii) stock options. A description of the criteria used in each element of compensation is set forth below.

#### ***Base Salary***

The objective of base salary compensation is to reward and retain Named Executive Officers (defined below). The program is designed to reward Named Executive Officers for maximizing shareholder value in a volatile commodity based business in a safe, environmentally responsible, regulatory compliant and ethical manner. In setting base compensation levels, consideration is given to such factors as level of responsibility, experience, expertise and the amount of time devoted to the affairs of the Corporation. The goal is to maintain modest base salaries during the start-up phase of the Corporation.

#### ***Bonus Plan***

The Corporation's compensation philosophy will be to encourage the maximization of shareholder value at all levels of the organization by making cash bonuses a component of compensation, taking into consideration performance by both the Corporation and the respective executive officer.

Although no formal bonus plan has been implemented, all executive officers are eligible to receive a bonus. Bonus levels, if any, will be established by the Corporate Governance and Compensation Committee. Bonus awards for executive officers are discretionary and bonuses are not foreseen to be paid until the Corporation grows significantly.

#### ***Stock Options***

The maximization of shareholder value is encouraged by the granting of stock options at all levels. The Corporation has in place a stock option plan (the "**Plan**") under which awards have been made to executive officers in amounts relative to positions, performance, and what is considered competitive in the industry. The objective of the Plan is to reward and retain Named Executive Officers. The program is designed to reward Named Executive Officers for maximizing shareholder value in a volatile commodity based business in a safe, environmentally responsible, regulatory compliant and ethical manner.

The Corporation has reviewed the public disclosure available for other junior investment companies in Canada to assist in determining the competitiveness of stock option awards. The Chief Executive Officer makes recommendations to the Corporate Governance and Compensation Committee based on this information. The recommendations do not generally take into account awards made in the previous year. The Corporate Governance and Compensation Committee assesses the Chief Executive Officer's recommendations and then makes

recommendations to the board of directors of the Corporation (the "**Board**") who ratify the recommendations. The Corporate Governance and Compensation Committee makes its own recommendations directly to the Board with respect to Chief Executive Officer stock option awards. In general, stock options are granted under the Plan to executive officers upon their commencement of service. Additional grants are made periodically to recognize the exemplary performance of, or the special contribution by eligible individuals. An annual grant may be made to eligible individuals based on individual performance and performance of the Corporation during the most recently completed financial year in relation to performance expected.

### **Risk Implications Associated with Compensation Policies and Practices**

The Board is satisfied that there were not any identified risks arising from the Corporation's compensation plans or policies that would have had any negative or material impact on the Corporation.

### **Restrictions on Purchase of Financial Instruments**

The Corporation's Insider Trading Policy provides that the practice of selling "short" securities of the Corporation and the practice of buying or selling a "call" or "put" or any other derivative security in respect of any securities of the Corporation is not permitted at any time by the directors, officers and employees of the Corporation.

### **Summary Compensation Table**

The following table sets forth all annual and long term compensation for the financial years ended June 30, 2016, 2015 and 2014 for services in all capacities to the Corporation and its subsidiaries in respect of individual(s) who were acting as, or were acting in a capacity similar to, a chief executive officer or chief financial officer and the three (3) most highly compensated individuals whose total compensation exceeded \$150,000 per annum for the year ended June 30, 2016 (the "**Named Executive Officers**").

<b>SUMMARY COMPENSATION TABLE</b>									
<b>Name and Principal Position</b>	<b>Year Ended June 30</b>	<b>Salary (\$)</b>	<b>Share-Based Awards (\$)<sup>(1)</sup></b>	<b>Option-Based Awards (\$)<sup>(2)(3)</sup></b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>		<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>
					<b>Annual Incentive Plans</b>	<b>Long-Term Incentive Plans</b>			
David Antony <sup>(4)</sup>	2016	120,000 <sup>(5)</sup>	Nil	17,900	Nil	Nil	Nil	Nil	137,900
Chief Executive Officer	2015	120,000 <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	120,000
	2014	95,000 <sup>(5)</sup>	Nil	11,839	Nil	Nil	Nil	Nil	106,839
Charidy Lazorko	2016	90,000 <sup>(6)</sup>	Nil	7,160	Nil	Nil	Nil	Nil	97,160
Chief Financial Officer	2015	90,000 <sup>(6)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	90,000
	2014	81,000 <sup>(6)</sup>	Nil	5,920	Nil	Nil	Nil	Nil	86,920

#### **Notes:**

- (1) "**Share-Based Award**" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) "**Option-Based Award**" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (3) The "grant date fair value" has been determined by using the Black-Scholes option pricing model. See discussion below.
- (4) Mr. Antony did not receive any additional compensation for serving as a director of the Corporation.

- (5) Represents compensation paid to RHM Management Inc., a company which is wholly-owned by Mr. Antony, for services provided to the Corporation. The Corporation paid no salary directly to Mr. Antony.
- (6) Represents compensation paid to FCross Consulting Ltd., a company which is wholly-owned by Mrs. Lazorko, for services provided to the Corporation. The Corporation paid no salary directly to Mrs. Lazorko.

***Narrative Discussion***

During the financial year ended June 30, 2016, the Corporation granted 500,000 stock options valued at \$17,900 to David Antony and 200,000 stock options valued at \$7,160 to Charidy Lazorko. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple "in-the-money" value calculation. In fact, stock options that are well out-of-the-money can still have a significant "grant date fair value" based on a Black-Scholes option pricing model, especially where, as in the case of the Corporation, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

**Incentive Plan Awards**

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

The following table sets forth details of all awards outstanding for each Named Executive Officer of the Corporation as of the most recent financial year end, including awards granted before the most recently completed financial year.

Name and Title	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Option <sup>(1)(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 (\$)
David Antony	500,000	0.10	August 24, 2020	Nil	N/A	N/A	N/A
Chief Executive Officer	200,000	0.10	December 18, 2018	Nil			
	266,667	0.30	December 7, 2016	Nil			
Charidy Lazorko	200,000	0.10	August 24, 2016	Nil	N/A	N/A	N/A
Chief Financial Officer	100,000	0.10	December 18, 2018	Nil			
	133,333	0.30	December 7, 2016	Nil			

**Notes:**

- (1) Unexercised "in-the-money" options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the Common Shares as at June 30, 2016, being \$0.07 per Common Share, and the exercise price of the stock options.

None of the awards disclosed in the table above have been transferred at other than fair market value.



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

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for each Named Executive Officer.

<b>Name and Title</b>	<b>Option-Based Awards - Value vested during the year (\$)<sup>(1)</sup></b>	<b>Share-Based Awards - Value vested during the year (\$)</b>	<b>Non-Equity Incentive Plan Compensation - Value earned during the year (\$)</b>
David Antony Chief Executive Officer	Nil	N/A	N/A
Charidy Lazorko Chief Financial Officer	Nil	N/A	N/A

**Note:**

(1) Based on the difference between the market price of the options at the vesting date and the exercise price.

***Narrative Discussion***

The Corporation has a stock option plan (defined herein as the "**Plan**") previously approved by the shareholders of the Corporation on December 10, 2015. The details of the Plan are described under "*PARTICULARS OF MATTERS TO BE ACTED UPON – Re-Approval of Stock Option Plan*".

**Pension Plan Benefits**

The Corporation does not have in place any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.

**Termination and Change of Control Benefits**

During the year ended June 30, 2016, the Corporation was not a party to any contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation, its subsidiaries or affiliates or a change in a Named Executive Officer's responsibilities.

**DIRECTOR COMPENSATION**

The Corporation currently has four (4) directors, one (1) of which, David Antony, is also Named Executive Officer. For a description of the compensation paid to the Named Executive Officer who also acts as a director of the Corporation, see "*EXECUTIVE COMPENSATION*".

**Director Compensation Table**

The following table sets forth all compensation provided to directors who are not also Named Executive Officers (the "**Outside Directors**") of the Corporation for the financial year ended June 30, 2016.

<b>Name</b>	<b>Fees Earned (\$)</b>	<b>Share-Based Awards (\$)<sup>(1)</sup></b>	<b>Option-Based Awards (\$)<sup>(2)(3)</sup></b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Raymond Antony	10,000	Nil	7,160	Nil	Nil	Nil	17,160

Mike Smith	5,000	Nil	7,160	Nil	Nil	5,250 <sup>(4)</sup>	17,410
Kelly Ogle	10,000	Nil	10,740	Nil	Nil	Nil	20,740

**Notes:**

- (1) "**Share-Based Award**" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) "**Option-Based Award**" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (3) The "grant date fair value" has been determined by using the Black-Scholes option pricing model. See discussion below.
- (4) This amount represents consulting fees paid by the Corporation to Solomon Oilfield Services, a company wholly owned by Mr. Smith, during the year ended June 30, 2016.

***Narrative Discussion***

The Corporation has no arrangements, standards or otherwise, pursuant to which directors are compensated by the Corporation for their services in their capacity as directors, or for committee participation, except for the granting from time to time of stock options pursuant to the Plan and in accordance with the policies of the TSX Venture Exchange (the "**TSX-V**"). The purpose of granting such stock options is to assist the Corporation in compensating, attracting, retaining and motivating the directors of the Corporation and to closely align the personal interests of such person to that of the shareholders.

During the financial year ended June 30, 2016, the Corporation granted 200,000 stock options valued at \$7,160 to Raymond Antony, granted 200,000 stock options valued at \$7,160 to Mike Smith and granted 300,000 stock options valued at \$10,740 to Kelly Ogle. Calculating the value of stock options using the Black-Scholes option pricing model is very different from a simple "in-the-money" value calculation. In fact, stock options that are well out-of-the-money can still have a significant "grant date fair value" based on a Black-Scholes option pricing model, especially where, as in the case of the Corporation, the price of the share underlying the option is highly volatile. Accordingly, caution must be exercised in comparing grant date fair value amounts with cash compensation or an in-the-money option value calculation.

**Incentive Plan Awards**

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

The following table sets forth details of all awards outstanding for each Outside Director of the Corporation as of the most recent financial year end, including awards granted before the most recently completed financial year.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Option <sup>(1)(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 (\$)
Raymond Antony	200,000	0.10	August 24, 2020	Nil	N/A	N/A	N/A
	100,000	0.10	December 18, 2018	Nil			
	200,000	0.30	December 7, 2016	Nil			

Mike Smith	200,000	0.10	August 24, 2020	Nil	N/A		N/A
	100,000	0.10	February 27, 2019	Nil			
	100,000	0.10	December 18, 2018	Nil			
Kelly Ogle	300,000	0.10	August 24, 2020	Nil	N/A		N/A

**Notes:**

- (1) Unexercised "in-the-money" options refer to the options in respect of which the market value of the underlying securities as at the financial year end exceeds the exercise or base price of the option.
- (2) The aggregate of the difference between the market value of the Common Shares as at June 30, 2016, being \$0.07 per Common Share, and the exercise price of the stock options.

None of the awards disclosed in the table above have been transferred at other than fair market value.

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

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for the Outside Directors of the Corporation.

<b>Name</b>	<b>Option-Based Awards - Value vested during the year (\$)<sup>(1)</sup></b>	<b>Share-Based Awards - Value vested during the year (\$)</b>	<b>Non-Equity Incentive Plan Compensation - Value earned during the year (\$)</b>
Raymond Antony	Nil	N/A	N/A
Mike Smith	Nil	N/A	N/A
Kelly Ogle	Nil	N/A	N/A

**Note:**

- (1) Based in the difference between the market price of the options at the vesting date and the exercise price.

***Narrative Discussion***

The significant terms of the Plan are disclosed in this Circular under "*PARTICULARS OF MATTERS TO BE ACTED UPON – Re-Approval of Stock Option Plan*".

**Other Compensation**

Other than as set forth herein, the Corporation did not pay any other compensation to executive officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed financial year other than benefits and perquisites which did not amount to \$10,000 or greater per individual.

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

The following table sets forth securities of the Corporation that are authorized for issuance under equity compensation plans as at the end of the Corporation's most recently completed financial year.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for issuance under equity compensation plans (excluding outstanding securities reflected in Column 1)<sup>(1)</sup></b>
Equity compensation plans approved by securityholders	3,266,666 Common Shares	\$0.20	852,971 Common Shares
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>3,266,666 Common Shares</b>	<b>\$0.20</b>	<b>852,971 Common Shares</b>

**Note:**

- (1) The aggregate number of Common Shares that may be reserved for issuance under the Plan shall not exceed 10% of the Corporation's issued and outstanding Common Shares. As at June 30, 2016, the number of Common Shares issued and outstanding was 41,196,374.

**MANAGEMENT CONTRACTS**

During the most recently completed financial year, no management functions of the Corporation were to any substantial degree performed by a person or company other than the directors or executive officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

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

No director, executive officer, employee or former director, executive officer or employee of the Corporation or its subsidiaries nor any of their associates or affiliates, is, or has been at any time since the beginning of the last completed financial year, indebted to the Corporation or its subsidiaries nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation except as disclosed in the audited financial statements.

**INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as set forth herein or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership or otherwise, of any director or executive officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation.

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

Other than as set forth herein, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation or its subsidiaries.

## AUDIT COMMITTEE

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

Pursuant to National Instrument 52-110 — *Audit Committees* ("NI 52-110") the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

### Audit Committee Terms of Reference

The Corporation must, pursuant to NI 52-110, have a written charter which sets out the duties and responsibilities of its Audit Committee. The terms of reference of the Audit Committee are attached hereto as Schedule "A".

### Audit Committee Composition

The following are the members of the Audit Committee as at the date hereof:

Raymond Antony	Independent <sup>(1)</sup>	Financially Literate <sup>(1)</sup>
Mike Smith	Independent <sup>(1)</sup>	Financially Literate <sup>(1)</sup>
David Antony	Not Independent <sup>(1)</sup>	Financially Literate <sup>(1)</sup>

**Note:**

(1) As defined by NI 52-110.

### Relevant Education and Experience

All of the members of the Audit Committee have been either directly involved in the preparation of the financial statements, filing of quarterly and annual financial statements, dealing with auditors, or as a member of the Audit Committee. All members have the ability to read, analyze and understand the complexities surrounding the issuance of financial statements.

#### Raymond Antony

- Mr. Antony has been a Chartered Accountant for more than 30 years and has obtained significant financial experience and exposure to accounting and financial issues as a director and audit committee member of a number of public companies.

#### Mike Smith

- Mr. Smith is a Professional Engineer with over 15 years of experience in the oil and gas sector including five (5) years in senior roles. Mr. Smith was formerly the President and Chief Executive Officer of Paramax Resources Ltd. Prior thereto, Mr. Smith was a Vice President at The Codeco Energy Group. Prior to that appointment, Mr. Smith was the President of Fire Creek Resources.

#### David Antony

- Mr. Antony is a Chartered Accountant with over 20 years of experience in financial and business planning services with both public and private companies, and has been a Chief Financial Officer and Chief Executive Officer of numerous public companies.

### **Audit Committee Oversight**

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

### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

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

The Audit Committee had adopted specific policies and procedures for the engagement of non-audit services as described in the terms of reference of the Audit Committee attached hereto as Schedule "A" under the heading "*External Auditors*".

### **External Auditor Service Fees**

The aggregate fees billed by the Corporation's external auditors in each of the last two (2) fiscal years for audit and other fees are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees (\$) <sup>(1)</sup></b>	<b>Audit Related Fees (\$) <sup>(2)</sup></b>	<b>Tax Fees (\$) <sup>(3)</sup></b>	<b>All Other Fees (\$) <sup>(4)</sup></b>
2016	60,000	Nil	4,500	Nil
2015	60,000	Nil	5,000	Nil

#### **Notes:**

- (1) Audit fees include fees necessary to perform the annual audit and quarterly reviews of the Corporation's consolidated financial statements. Audit fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) Audit-related fees include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) Tax fees include fees for all tax services other than those included in audit fees and audit-related fees. This category includes fees for tax compliance, tax planning and tax advice.
- (4) All other fees include fees for products and services provided by the Auditor, other than the services reported above.

### **Exemption**

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

## **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. To achieve this goal, the Corporation has implemented a Board Mandate, a Code of Business Conduct, an Investment Policy, an Audit Committee Terms of Reference, a Whistle Blower Policy, a Corporate Governance and Compensation Committee Terms of Reference, an Insider Trading and Reporting Policy, and a Disclosure and Confidentiality Policy.

Pursuant to National Instrument 58-101 — *Disclosure of Corporate Governance Practices*, the Corporation is required to disclose its corporate governance practices as summarized below.

### **Board of Directors**

The Board is currently comprised of the following four (4) members: David Antony, Raymond Antony, Mike Smith and Kelly Ogle. All of these directors are being nominated for re-election at the Meeting.

Raymond Antony, Mike Smith and Kelly Ogle are independent directors of the Corporation and have no ongoing interest or relationship with the Corporation other than their security holdings in the Corporation and serving as directors.

David Antony, the Chief Executive Officer of the Corporation, is a member of management and, as a result, is not an independent director. The Board is responsible for determining whether a director is an independent director.

National Policy 58-201 — *Corporate Governance Guidelines* suggests that the board of directors of a public Corporation should be constituted with a majority of individuals who qualify as "independent" directors. An "independent" director is a director 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, reasonably interfere with the exercise of a director's independent judgment. The Board is comprised of a majority of independent directors.

### **Directorships**

The following directors of the Corporation are directors of other reporting issuers:

<b>Director</b>	<b>Other Reporting Issuers</b>
David Antony	Miza Enterprises Inc. Spriza Media Inc.
Raymond Antony	Canyon Services Group Inc.

### **Orientation and Continuing Education**

At present, each new director is given an outline of the nature of the Corporation's business, its corporate strategy, and current issues with the Corporation along with a description of the committees constituted by the Board. New directors are also expected to be required to meet with management of the Corporation to discuss and better understand the Corporation's business and will be advised by counsel to the Corporation of their legal obligations as directors of the Corporation. New directors are also given copies of the Corporation's policies.

The introduction and education process will be reviewed on an annual basis by the Board and will be revised as necessary.

### **Ethical Business Conduct**

The Board has adopted a written Code of Business Conduct which applies to all directors, officers, employees and consultants of the Corporation. The Code of Business Conduct addresses such matters as ethical, honest and fair conduct of the Corporation's directors, officers, employees and consultants, safety, personal gain, dealings with public officials, conflicts of interest and the protection and proper use of the Corporation's assets.

The Board has established a Whistle Blower Policy, which establishes the complaint procedure for concerns about any aspect of the Corporation's activities and operations. The Corporation has also adopted an Insider Trading and Reporting Policy which establishes procedures for when insiders may trade securities of the Corporation. The

Corporation has also adopted a Disclosure and Confidentiality Policy which establishes procedures for ensuring adequate disclosure and compliance with disclosure requirements as well as procedures for maintaining confidentiality.

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation. The Board has also found that the in camera sessions of the independent directors held in conjunction with Board meetings also help to ensure that directors exercise independent judgment in considering transactions and agreements.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors of the Corporation also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the *Business Corporations Act* (Alberta) (the "ABCA"), as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

### **Nomination of Directors**

The Board have not appointed a nominating committee; however, pursuant to the Board Mandate, the Corporate Governance and Compensation Committee is responsible for recommending potential directors to the Board. The Board selects new nominees for election by the shareholders to the Board. The nominees are selected pursuant to criteria found in the Board Mandate such as personal qualities, characteristics, accomplishments, reputations, contacts in the business community, ability to commit time, fit and diversity of view point.

### **Compensation**

The Corporate Governance and Compensation Committee is composed of a majority of independent directors. The members of the Corporate Governance and Compensation Committee are listed under "*PARTICULARS OF MATTERS TO BE ACTED UPON – Election of Directors*". The responsibilities of the Corporate Governance and Compensation Committee in respect of compensation matters include reviewing and recommending to the Board the compensation policies and guidelines for supervisory management and personnel, corporate benefits, bonuses and other incentives, reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation; non-CEO officer and director compensation; the review of executive compensation disclosure; succession plans for officers and for key employees; and material changes and trends in human resources policy, procedure, compensation and benefits. The responsibilities of the Corporate Governance and Compensation Committee in respect of corporate governance matters include addressing all governance issues identified by securities regulators and any additional issues as they arise by virtue of the operations and growth of the Corporation as being emerging progressive issues of corporate governance.

The Corporate Governance and Compensation Committee has unrestricted access to the Corporation's personnel and documents and is provided with the resources necessary, including, as required, the engagement and compensation of outside advisors, to carry out its responsibilities.

See also "*EXECUTIVE COMPENSATION – Compensation Discussion and Analysis*" for further information on the process by which the Board determines the compensation for the Corporation's directors and officers.



## **Other Board Committees**

Other than the Audit and Corporate Governance and Compensation Committees, the Corporation has established an Investment Committee. The Investment Committee is responsible for the Corporation's investment activities and investment strategy and for monitoring the performance of such activities and strategy. The members of the Investment Committee are listed under "*PARTICULARS OF MATTERS TO BE ACTED UPON – Election of Directors*".

## **Assessments**

The Board has not implemented a formal process for assessing its, or its members', effectiveness although the Board Mandate requires an annual self-assessment of the entire Board and its committees. As a result of the Corporation's size, its stage of development and the limited number of individuals on the Board, the Board consider a formal assessment process (other than the above mentioned self-evaluation) to be inappropriate at this time. The Board plans to continue evaluating its own effectiveness on an annual basis.

The Board does not formally assess the performance or contribution of individual members or committee members.

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

To the knowledge of the Board, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

### **1. Report and Financial Statements**

The Board has approved all of the information in the audited financial statements of the Corporation for the year ended June 30, 2016 and the report of the auditor thereon.

### **2. Fix Number of Directors to be Elected at the Meeting**

Shareholders of the Corporation will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution fixing the number of directors to be elected at the Meeting. In order to be effective, an ordinary resolution requires the approval of a majority of the votes cast by shareholders who vote in respect of the resolution.

At the Meeting, it will be proposed that four (4) directors be elected to hold office until the next annual general meeting or until their successors are elected or appointed. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the ordinary resolution fixing the number of directors to be elected at the Meeting at four (4).**

### **3. Election of Directors**

The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Corporation presently held by such nominee, the nominee's municipality of residence, principal occupation at the present and during the preceding five (5) years, the period during which the nominee has served as a director, and the number and percentage of Common Shares that the nominee has advised are beneficially owned by the nominee, directly or indirectly, or over which control or direction is exercised, as of the Effective Date.

**Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote for the election of the persons named in the following table to the Board.** Management does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies held by Management Designees will be voted for

another nominee in their discretion unless the shareholder has specified in his form of proxy that his Common Shares are to be withheld from voting in the election of directors. Each director elected will hold office until the next annual general meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation or the provisions of the ABCA to which the Corporation is subject.

Name, Municipality of Residence, Office and Date Became a Director	Present Occupation and Positions Held During the Last Five (5) Years	Number and Percentage of Common Shares Held or Controlled as at the Effective Date <sup>(4)(5)</sup>
David Antony <sup>(1)(3)</sup> Calgary, Alberta, Canada Chief Executive Officer Director since February 23, 2009	Mr. Antony is a Chartered Accountant and has over 20 years' experience in assisting companies in structuring transactions, accessing capital, and corporate governance. He is currently the Chief Executive Officer and a director of the Corporation, and he is also a director of Miza Enterprises Inc. and Spriza Media Inc. In addition, Mr. Antony sits on both the Local Advisory and National Advisory Committees for the TSX-V.	926,911 (2.2%)
Raymond Antony <sup>(1)(2)(3)</sup> Calgary, Alberta, Canada Director since February 23, 2009	Mr. Antony has been a Chartered Accountant for more than 30 years and an independent business man since 1996.	411,333 (less than 1%)
Mike Smith <sup>(1)(2)(3)</sup> Calgary, Alberta, Canada Director since December 19, 2013	Mr. Smith is a Professional Engineer with over 15 years of experience in the oil and gas sector including five (5) years in senior roles. Mr. Smith was formerly the President and Chief Executive Officer of Paramax Resources Ltd. Prior thereto, Mr. Smith was a Vice President at The Codeco Energy Group. Prior to that appointment, Mr. Smith was the President of Fire Creek Resources.	Nil
Kelly Ogle <sup>(2)</sup> Calgary, Alberta, Canada Director since April 28, 2015	Mr. Ogle has been the President of the Canadian Global Affairs Institute since October 1, 2016 and has been a Strategic Advisor to Grafton Asset Management, a global energy sector investment manager, since January 1, 2014. Mr. Ogle was previously the Managing Director of Connacher Oil and Gas Limited from January 2012 to May 2013.	Nil

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance and Compensation Committee.
- (3) Member of the Investment Committee.
- (4) Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the Effective Date, based on information furnished to the Corporation by the above individuals.
- (5) Assumes a total of 41,196,374 Common Shares issued and outstanding as at the Effective Date.

*Cease Trade Orders or Bankruptcies*

Other than as set forth below, no proposed director, within 10 years before the date of this Circular, has been, a director or executive officer of any company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive 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, for a period of more than 30 consecutive days; or

- (c) within a year of that person ceasing to act in such 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.

Southern Pacific Resource Corp., ("**Southern Pacific**") and its subsidiaries (and partnership), obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") pursuant to an order granted on January 21, 2015 by the Court of Queen's Bench of Alberta. As a result of the CCAA proceeding, Southern Pacific did not file its quarterly filings. Southern Pacific was ceased traded effective February 20, 2015 for failure to file its quarterly filings when due. On June 1, 2015, a receiver was appointed to manage the affairs of Southern Pacific and all of the directors resigned. David Antony was a director of Southern Pacific until June 1, 2015. Southern Pacific was engaged in the development of in-situ heavy oil projects in Alberta and Saskatchewan.

#### *Personal Bankruptcies*

No proposed director has within 10 years before the date of this Circular, become 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 the assets of such person.

#### *Penalties and Sanctions*

No proposed director 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 securityholder in deciding whether to vote for a proposed director,

other than a settlement agreement entered into before December 31, 2000 that would likely not be important to a reasonable securityholder in deciding whether to vote for a proposed director.

#### **4. Appointment of Auditor**

The shareholders of the Corporation will be asked to vote for the appointment of MNP LLP, Chartered Accountants, as auditor of the Corporation. **Unless directed otherwise by a proxy holder, or such authority is withheld, the Management Designees, if named as proxy, intend to vote the Common Shares represented by any such proxy in favor of a resolution appointing MNP LLP, Chartered Accountants, as auditor of the Corporation for the next ensuing year**, to hold office until the close of the next annual general meeting of shareholders or until the firm of MNP LLP is removed from office or resigns as provided by the Corporation's by-laws, and the Management Designees also intend to vote the Common Shares represented by any such proxy in favor of a resolution authorizing the Board to fix the compensation of the auditor. MNP LLP was appointed auditor of the Corporation effective May 25, 2015.

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

The Plan was previously approved by shareholders of the Corporation on December 10, 2015. A copy of the Plan

is attached as Schedule "B" to the Management Information Circular of the Corporation dated February 6, 2012 and filed on SEDAR on February 15, 2012. The policies of the TSX-V require that stock option plans which reserve for issuance up to 10% of a listed corporation's shares be re-approved annually by the shareholders of the listed corporation. That approval is being sought at the Meeting.

The Plan complies with the policies of the TSX-V and the Toronto Stock Exchange ("TSX"). Under the Plan, the Board may, from time to time, grant options to purchase Common Shares to certain directors, officers, employees and consultants of the Corporation and of its subsidiaries and affiliates. The maximum number of Common Shares issuable under the Plan and all other security based compensation arrangements of the Corporation is 10% of the Common Shares outstanding from time to time, subject to the following additional limitations:

- (a) the aggregate number of Common Shares reserved for issuance to any one person under the Plan, together with all other security based compensation arrangements of the Corporation, must not exceed five (5%) percent of the then outstanding Common Shares (on a non-diluted basis);
- (b) in the aggregate, no more than 10% of the issued and outstanding Common Shares (on a non-diluted basis) may be reserved at any time for insiders under the Plan, together with all other security based compensation arrangements of the Corporation;
- (c) the number of securities of the Corporation issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Common Shares;
- (d) options shall not be granted if the exercise thereof would result in the issuance of more than two (2%) percent of the issued Common Shares of the Corporation in any 12 month period to any one (1) consultant of the Corporation (or any of its subsidiaries); and
- (e) options shall not be granted if the exercise thereof would result in the issuance of more than two (2%) percent of the issued Common Shares of the Corporation in any 12 month period to persons employed to provide investor relations activities. 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 one-quarter (1/4) of the options vesting in any three (3) month period.

The Plan includes a black out provision. Pursuant to the policies of the Corporation respecting restrictions on trading, there are a number of periods each year during which directors, officers and certain employees are precluded from trading in the Corporation's securities. These periods are referred to as "black out periods". A black out period is designed to prevent a person from trading while in possession of material information that is not yet available to other shareholders. The TSX recognizes these black out periods might result in an unintended penalty to employees who are prohibited from exercising their options during that period because of their company's internal trading policies. As a result, the TSX provides a framework for extending options that would otherwise expire during a black out period. The Plan includes a provision that should an option expiration date fall within a black out period or immediately following a black out period, the expiration date will automatically be extended for 10 business days following the end of the black out period.

Pursuant to the Plan, the exercise price of the Common Shares subject to each option shall be determined by the Board, subject to TSX-V approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the TSX-V. The Plan also provides that the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, subject to any vesting restrictions imposed by the TSX-V.

Based on the policies of the TSX, the Plan specifies the types of amendments to the Plan and the options granted thereunder that can be made by the Board without the approval of the shareholders. The Plan allows the Board to terminate or discontinue the Plan at any time without the consent of the option holders provided that such

termination or discontinuance shall not alter or impair any option previously granted under the Plan. The only amendments to the Plan that would be subject to shareholder approval or disinterested shareholder approval are amendments that would:

- (a) reduce the exercise price of an option held by an insider of the Corporation;
- (b) extend the expiry date of an option held by an insider of the Corporation (subject to such date being extended by virtue of the black out provision noted above);
- (c) amend the limitations on the maximum number of Common Shares reserved or issued to insiders;
- (d) increase the maximum number of Common Shares issuable pursuant to the Plan; or
- (e) amend the amendment provisions of the Plan.

Policy 4.4 of the TSX-V requires that rolling stock option plans must receive shareholder approval yearly, at an issuer's annual general meeting. In accordance with Policy 4.4, shareholders will be asked to consider and if thought fit, approve an ordinary resolution approving, adopting and ratifying the Plan as the Corporation's stock option plan.

The text of the ordinary resolution to be considered at the Meeting will be substantially as follows:

**"BE IT HEREBY RESOLVED** as an ordinary resolution of the Corporation that:

1. the stock option plan of the Corporation in substantially the form attached as Schedule "B" to the Management Information Circular of the Corporation dated February 6, 2012 (the "**Plan**") be and is hereby ratified, approved and adopted as the stock option plan of the Corporation;
2. the form of the Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation;
3. all issued and outstanding stock options previously granted are hereby continued under and governed by the Plan;
4. the shareholders of the Corporation hereby expressly authorize the Board of Directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
5. any one (or more) director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution."

**Unless otherwise directed, it is the intention of the Management Designees to vote proxies in favour of the resolution approving the Plan.** In order to be effective, an ordinary resolution requires approval of a majority of the votes cast by shareholders who vote in respect to the resolution.

## **OTHER BUSINESS**

While there is no other business other than that business mentioned in the Notice of Meeting to be presented for action by the shareholders at the Meeting, **it is intended that the proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.**

## **GENERAL**

**Unless otherwise directed, it is management's intention to vote proxies in favour of the resolutions set forth herein.** All ordinary resolutions require, for the passing of the same, a simple majority of the votes cast at the Meeting by the holders of Common Shares. All special resolutions, if any, to be brought before the Meeting require, for the passing of the same, a 66 $\frac{2}{3}$ % majority of the votes cast at the Meeting by the holders of Common Shares. All approvals by disinterested shareholders, if any, require the approval of the shareholders not affected by, or interested in, the matter to be approved.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information of the Corporation's most recently completed financial year is provided in the Corporation's comparative financial statements and management discussion and analysis available on SEDAR. A shareholder may contact the Corporation at Suite 650, 816 - 7<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 1A1, Attn: Chief Financial Officer to obtain a copy of the Corporation's most recent financial statements and management discussion and analysis.

## **BOARD APPROVAL**

The contents and the sending of this Circular have been approved by the Board.

**DATED** this 10<sup>th</sup> day of November, 2016.

**SCHEDULE "A"**  
**AUDIT COMMITTEE TERMS OF REFERENCE**

**I. Mandate**

The primary function of the audit committee (the "**Committee**") is to assist the board of directors of the Corporation (the "**Board of Directors**") in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation's systems of internal controls regarding finance and accounting, and the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements.
- Review and appraise the performance of the Corporation's external auditors.
- Provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors.

**II. Composition**

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be independent directors, pursuant to the policies of the TSX Venture Exchange.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Terms of Reference, the definition of "financially literate" is 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 presumably be expected to be raised by the Corporation's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

**III. Meetings**

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions.

The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Committee members with copies to the Board of Directors, the Chief Financial Officer or such other officer acting in the capacity and the external auditor.

**IV. Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

### ***Documents/Reports Review***

1. Review and update this Terms of Reference annually.
2. Review the Corporation's financial statements, MD&A and any annual and interim earnings press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.
3. Review and assess the Corporation's procedures for the review of its public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in paragraph 2 above and periodically assess the adequacy of those procedures.

### ***External Auditors***

4. Require the external auditors to report directly to the Committee.
5. Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Corporation.
6. Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation.
7. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
8. Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
9. Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval and the compensation of the external auditors.
10. Review with management and the external auditors the terms of the external auditors' engagement letter.
11. At each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.
12. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
13. Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
14. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:



- (i) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;
- (ii) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
- (iii) such services are promptly brought to the attention of the Committee by the Corporation and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

### ***Financial Reporting Processes***

- 15. In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.
- 16. Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
- 17. Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management.
- 18. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- 19. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- 20. Review any significant disagreement among management and the external auditors regarding financial reporting.
- 21. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- 22. Review certification process.
- 23. Establish procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

***Other***

23. Review any related-party transactions.

**V. Authority**

The Committee may:

- (a) engage independent outside counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.