

HILLCREST PETROLEUM LTD.

1410 - 1030 West Georgia Street
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Tel: 604 609-0006 Fax: 778 379-0991

INFORMATION CIRCULAR

as at September 2, 2016
(except as otherwise indicated)

This Information Circular is furnished in connection with the solicitation of proxies by the management of HILLCREST PETROLEUM LTD. (the “Company”) for use at the annual general meeting (the “Meeting”) of its shareholders to be held on October 14, 2016 at the time and place and for the purposes set forth in the accompanying notice of the Meeting.

In this Information Circular, references to “the Company”, “Hillcrest”, “we” and “our” refer to Hillcrest Petroleum Ltd. “Common Shares” means common shares without par value in the capital of the Company. “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to beneficial owners of the Common Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

Appointment of Proxyholders

The individuals named in the accompanying form of proxy (the “Proxy”) are directors and/or officers of the Company. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.**

Voting by Proxyholder

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy for the approval of such matter.

Registered Shareholders

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered shareholders may choose one of the following options to submit their proxy:

- (a) completing, dating and signing the enclosed form of proxy and returning it to the Company’s transfer agent, Computershare Investor Services Inc. (“Computershare”), by fax within North America at 1-866-249-7775, outside North America at (416) 263-9524, or by mail to the 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by hand delivery at 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9;

- (b) use a touch-tone phone to transmit voting choices to a toll free number. Registered shareholders must follow the instructions of the voice response system and refer to the enclosed proxy form for the toll free number, the holder's account number and the proxy access number; or
- (c) use the internet through the website of the Company's transfer agent at www.investorvote.com. Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed proxy form for the holder's account number and the proxy access number.

In all cases the Registered Shareholder must ensure the proxy is received at least 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting, or the adjournment thereof, at which the proxy is to be used.

Beneficial Shareholders

The following information is of significant importance to shareholders who do not hold Common Shares in their own name. Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Company as the registered holders of Common Shares) or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker (an "intermediary"). In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial owners – those who object to their name being made known to the issuers of securities which they own (called "OBOS" for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called "NOBOs" for Non-Objecting Beneficial Owners).

The Company is taking advantage of the provisions of National Instrument 54-101 "*Communication with Beneficial Owners of Securities of a Reporting Issuer*" that permit it to directly deliver proxy-related materials to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form ("VIF") from our transfer agent. These VIFs are to be completed and returned to Computershare in the envelope provided or by facsimile. In addition, Computershare provides both telephone voting and internet voting as described on the VIF itself which contain complete instructions at the Meeting with respect to the shares represented by the VIFs they receive.

These securityholder materials are being sent to both registered and non-registered owners of the securities of the Company. If you are a non-registered owner, and the Company or its agent sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding securities on your behalf.

By choosing to send these materials to you directly, the Company (and not the intermediary holding securities on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in your request for voting instructions.

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the proxy provided to registered shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote your Common Shares on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge") in the United States and in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Company. The VIF will name the same persons as the Company's Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than any of the persons designated in the VIF, to represent your Common Shares at the Meeting, and that person may be you. To exercise this right, you should insert the name of the desired representative (which may be yourself) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting, and the appointment of any shareholder's representative. **If you receive a VIF from Broadridge, the VIF must be**

completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares voted at the Meeting and to vote your Common Shares at the Meeting.

Notice to Shareholders in the United States

The solicitation of proxies involve securities of an issuer located in Canada and is being effected in accordance with the corporate laws of the Province of British Columbia, Canada and securities laws of the provinces of Canada. The proxy solicitation rules under the United States *Securities Exchange Act* of 1934, as amended, are not applicable to the Company or this solicitation, and this solicitation has been prepared in accordance with the disclosure requirements of the securities laws of the provinces of Canada. Shareholders should be aware that disclosure requirements under the securities laws of the provinces of Canada differ from the disclosure requirements under United States securities laws.

Revocation of Proxies

In addition to revocation in any other manner permitted by law, a registered shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder's authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to Computershare or to the address of the registered office of the Company at 1500 Royal Centre, 1055 West Georgia Street, P. O. Box 11117, Vancouver, British Columbia, V6E 4N7, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law; or
- (b) personally attending the Meeting and voting the registered shareholder's Common Shares.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

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

No director or executive officer of the Company, or any person who has held such a position since the beginning of the last completed financial year end of the Company, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors, the appointment of the auditor and as may be set out herein.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The board of directors (the "Board") of the Company has fixed September 2, 2016 as the record date (the "Record Date") for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

Effective March 11, 2015, the Company's name was changed from "Hillcrest Resources Ltd." to "Hillcrest Petroleum Ltd." under TSX Venture Exchange stock symbol "HRH". The Company also trades on the OTCQB Venture Market under the symbol "HLRTF". QTCQB is part of the OTC Markets Group based in the United States of America.

The authorized capital of the Company consists of an unlimited number of Common Shares. As of September 2, 2016, there were 51,295,655 Common Shares issued and outstanding, each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares.

The Company is also authorized to issue an unlimited number of voting Preferred shares without par value, each carrying the right to one vote. At the date of this Information Circular, there are no Preferred shares issued or outstanding. There are special rights and restrictions attached to the shares as set out in the Articles of the Company.

To the knowledge of the directors and executive officers of the Company, no person or corporation beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common of the Company as at September 2, 2016.

Copies of documents incorporated herein by reference may be obtained by a Shareholder upon request without charge from charge from the Company at its Vancouver, British Columbia office address, Suite 1410, 1030 West Georgia Street,

Vancouver, British Columbia Canada V6C 1G8 Tel: 604 609-0006. These documents are also available through the Internet on SEDAR, which can be accessed at www.sedar.com.

FINANCIAL STATEMENTS

The audited financial statements of the Company for the fiscal year ended December 31, 2015, the report of the auditor thereon and the related management's discussion and analysis were filed on SEDAR at www.sedar.com on April 29, 2016, and will be tabled at the Meeting and will be available at the Meeting.

ELECTION OF DIRECTORS

The Board presently consists of five directors and it is intended to elect five directors for the ensuing year. The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director's office is vacated earlier in accordance with the provisions of the *Business Corporations Act* (British Columbia) ("BCA"), each director elected at the Meeting will hold office until the conclusion of the next annual general meeting of the Company, or if no director is then elected, until a successor is elected.

The following disclosure sets out the names of management's five nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, the principal occupation, business or employment of each director nominee, the period of time during which each nominee has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at September 2, 2016.

Name of Nominee; Current Position with the Company and Province and Country of Residence	Occupation, Business or Employment ⁽¹⁾	Period as a Director of the Company	Shares Beneficially Owned or Controlled ⁽¹⁾
MICHAEL KRZUS ⁽²⁾⁽⁶⁾⁽⁸⁾⁽⁹⁾ Executive Chairman and Director Perth, Australia	CEO and other executive roles 2012/2013 Emerald Oil Inc (NYSE), CEO from 2009 to 2012 and director from 2009 to 2013, Emerald Oil and Gas NL, (Australian Stock Exchange), 22 years a managerial and executive positions, including 4 year secondment to Shell, developing onshore oil and gas fields in the Netherlands, Woodside Petroleum Ltd (Australian Stock Exchange).	Executive Chairman Since August 13, 2015 Director Since November 26, 2013	3,000,000
DONALD J. CURRIE ⁽³⁾⁽⁷⁾ Chief Executive Officer and Director British Columbia Canada	Consultant in the energy and resource sectors.	Since July 10, 2010	4,503,000
THOMAS G. MILNE ⁽⁴⁾⁽⁶⁾⁽⁹⁾ Director British Columbia Canada	Director, Oilsands Quest Inc. October, 2004 to January 2010; Senior financial and management executive with extensive international experience in energy E&P Pipelines, Oilsands and Communications Technology. Career roles include CFO, Treasurer, Investment Banker, Senior Partner (CA firm) and Foreign Exchange Trader.	Since November 1, 2012	100,000

Name of Nominee; Current Position with the Company and Province and Country of Residence	Occupation, Business or Employment ⁽¹⁾	Period as a Director of the Company	Shares Beneficially Owned or Controlled ⁽¹⁾
DAVID M.R. STONE Ph.D., MBA, P.Eng. ⁽⁵⁾⁽⁶⁾⁽⁹⁾ Director Washington, U.S.A.	President, Minefill Services, a mining engineering consulting company based in Bothell, Washington, since August 1999. Mr. Stone is a licensed professional engineer in numerous Canadian and United States jurisdictions.	Since July 18, 2007	1,090,000
L. EDWARD PARKER ⁽⁶⁾⁽⁷⁾ Director Texas, U.S.A.	Independent businessman and investor; an MBA Graduate from the University of Dallas.	Since August 27, 2015	980,000

Notes:

1. The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective nominees. Each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years.
2. Mr. Krzus holds 300,000 incentive stock options at an exercise price of \$0.06, expiring on November 26, 2018. Mr. Krzus also holds 587,500 warrants at an exercise price of \$0.08, expiring on December 30, 2016.
3. Mr. Currie holds 275,000 incentive stock options at an exercise price of \$0.06, expiring on September 9, 2018. Mr. Currie also holds 500,000 warrants at an exercise price of \$0.08, expiring on December 30, 2016.
4. Mr. Milne holds 150,000 incentive stock options at an exercise price of \$0.06 expiring on September 9, 2018. Mr. Milne also holds 100,000 warrants at an exercise price of \$0.08, expiring on December 30, 2016.
5. Mr. Stone holds 150,000 incentive stock options at an exercise price of \$0.06, expiring on September 9, 2018.
6. Member of Audit Committee.
7. Member Compensation and Corporate Governance Committee.
8. Member Disclosure Committee.
9. Member Reserves Committee.

None of the proposed nominees for election as a director of the Company are proposed for election pursuant to any arrangement or understanding between the nominee and any other person, except the directors and senior officers of the Company acting solely in such capacity.

A shareholder can vote for all of the above nominees, vote for some of the above nominees and withhold for other of the above nominees, or withhold for all of the above nominees. **Unless otherwise instructed, the named proxyholders will vote FOR the election of each of the proposed nominees set forth above as directors of the Company. At the Meeting the above persons will be nominated for election as director as well as any person nominated pursuant to the Advance Notice Provision (see below). Only persons nominated by management pursuant to this Information Circular or pursuant to the Advance Notice Provision will be considered valid director nominees eligible for election at the Meeting.**

Cease Trade Order, Bankruptcies and Insolvency

Except as disclosed herein, no proposed director is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Company, in respect of which the information circular is being prepared) that:

- a. was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

- b. was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- c. is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- d. has, within the 10 years before the date of the Information Circular, 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 the assets of the proposed director.

Thomas Milne was a Director of Sefton Resources, Inc. a company listed on AIM (London Stock Exchange) when an Order was issued November 13, 2015. The United States Bankruptcy Court for the District of Colorado, The Honorable Michael E. Romero ordered that the Involuntary Bankruptcy Petition against Sefton Resources, Inc. ("Sefton") be dismissed with prejudice. The Court also awarded Sefton its legal fees and costs to be paid by the Plaintiffs, as well as punitive damages. The Court, in awarding costs and damages, found that the Plaintiffs acted in bad faith.

Sefton now looks to have set aside the remaining lawsuit brought by the same plaintiffs, for the same amounts, in the US Federal Court and with the Bankruptcy petition dismissed, Sefton is now free, should it so wish, to dispose of its Kansas assets.

The company is now a private company. Mr. Milne did not stand for re-election to the Board of Directors at the annual general meeting of Sefton Resources Inc. held on December 15, 2015.

David Stone was a director of Adanac Moly Corporation (TSX: AUA) from February 1, 2006 to July 14, 2008 and interim Chief Executive Officer from March 27 to July 14, 2008. Subsequent to Mr. Stone's resignation, Adanac Moly Corporation announced that it has been granted creditor protection under the Companies' Creditors Arrangement Act ("CCAA") as of December 19, 2008. The Courts issued a CCAA termination certificate on March 3, 2011.

Advance Notice Provision

At the Company's annual general and special meeting held on July 14, 2014, the shareholders of the Company approved the alteration of the Company's Articles, to include advance notice provisions (the "Advance Notice Provision"). The Advance Notice Provision provides for advance notice to the Company in circumstances where nominations of persons for election to the Board of directors of the Company are made by shareholders of the Company other than pursuant to (i) a requisition of a meeting made pursuant to the provisions of the *Business Corporations Act* (British Columbia) or (ii) a shareholder proposal made pursuant to the provisions of the *Business Corporations Act* (British Columbia).

The purpose of the Advance Notice Provision is to foster a variety of interests of the shareholders and the Company by ensuring that all shareholders - including those participating in a meeting by proxy rather than in person - receive adequate notice of the nominations to be considered at a meeting and can thereby exercise their voting rights in an informed manner. Among other things, the Advance Notice Provision fixes a deadline by which holders of Common Shares must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the minimum information that a shareholder must include in the notice to the Company for the notice to be in proper written form.

The Advance Notice Provision also requires all proposed director nominees to deliver a written representation and agreement that such candidate for nomination, if elected as a director of the Company, will comply with all applicable corporate governance, conflict of interest, confidentiality, share ownership, majority voting and insider trading policies and other policies and guidelines of the Company applicable to directors and in effect during such person's term in office as a director.

The foregoing is merely a summary of the Advance Notice Provision, is not comprehensive and is qualified by the full text of such provision in the Company's Altered Articles, which is available under the Company's profile on SEDAR at www.sedar.com.

The Company did not receive notice of a nomination in compliance with the Advance Notice Provision, and as such, any nominations other than nominations by or at the direction of the Board or an authorized officer of the Company will be disregarded at the Meeting.

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the election of the Nominees.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT EACH SHAREHOLDER VOTE “FOR” THE ELECTION OF THE ABOVE NOMINEES AS DIRECTORS.

APPOINTMENT OF AUDITOR

PricewaterhouseCoopers LLP, Chartered Professional Accountants, will be nominated at the Meeting for appointment as auditor of the Company. PricewaterhouseCoopers LLP were first appointed auditor of the Company on August 27, 2015. **The Board recommends that you vote in favour of appointment of PricewaterhouseCoopers LLP . Unless otherwise instructed, at the Meeting the proxyholders named in the Company’s form of Proxy or Voting Instruction Form will vote FOR the appointment of PricewaterhouseCoopers LLP.**

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

National Instrument 52-110 of the Canadian Securities Administrators (“NI 52-110”) requires the Company, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

The Audit Committee’s Charter

The Company’s Audit Committee is attached as Schedule “A” to this Information Circular.

Composition of the Audit Committee

During fiscal year ending December 31, 2015, the members of the Audit Committee were: Thomas G. Milne (Chair), and David M.R. Stone who are independent and Michael Krzus (Executive Chairman) who is not independent. All three members of the Audit Committee are considered to be financially literate.

Relevant Education and Experience

Thomas G. Milne, David Stone and Michael Krzus have many years of practical business experience, and have served for many years as directors of public companies, have experience reviewing financial statements of public companies and meet the criteria of “financially literate” as outlined in NI 52-110.

Thomas G. Milne

Thomas G. Milne is a senior financial and management executive with extensive international experience in energy E&P, pipelines, oilsands and communication technology. Career roles include: Chief Financial Officer, Treasurer, Investment Banker, Senior Partner (CA firm) and Foreign Exchange Trader. He has been a director of both public and private companies including Chairman of the audit committee for an AMEX-listed oilsands company. He is currently Chairman and director of Precise Details Inc (a family owned company) and also a director of Canshale Corp (a private company).

David M.R. Stone

David Stone, MBA, P.Eng. is a mining engineer whose career spans over 30 years of engineering and financial consulting to underground and surface mines worldwide. He has managed and led multi-disciplinary project teams through pre-feasibility and feasibility level evaluations of development stage projects, and has contributed to the engineering, design and construction of several mines. Mr. Stone’s expertise includes scoping and feasibility studies for open pit and underground projects, and an extensive international knowledge of current mining best practices, environmental permitting, mine planning and production scheduling, capital and operating costs, equipment selection, and financial analyses.

Mr. Stone is a registered licensed professional engineer in several U.S. and Canadian jurisdictions and holds a Bachelor of Applied Science from the University of British Columbia, a Ph.D. in Civil Engineering from Queens University, and an Executive Masters of Business Administration from Queens University.

Michael Krzus

Michael Krzus has extensive experience gained over 30 years in integrated onshore and offshore oil and gas developments in Australia, Canada, USA, Netherlands, deep water offshore oil developments and LNG projects in Australia. Mr. Krzus served as a director on industry advisory boards for the University of Western Australia School of Oil and Gas Engineering and Adelaide University’s Australian School of Petroleum and a number of petroleum related research organizations in Australia. Mr. Krzus holds a Diploma in Oil and Gas Technology from the British Columbia Institute of Technology and a BSc. in Petroleum Engineering from Tulsa University.

Audit Committee Oversight

At December 31, 2015, the Audit Committee did not make any recommendations to the Board to nominate or compensate any auditor other than PricewaterhouseCoopers LLP.

Reliance on Certain Exemptions

At December 31, 2015, the Company’s auditor, PricewaterhouseCoopers LLP, did not provide any material non-audit services.

Pre-Approval Policies and Procedures

Refer to the Company’s Audit Committee Charter attached as Schedule “A” to this Information Circular, for specific policies for the engagement of non-audit services.

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the non-audited services provided by auditor, PricewaterhouseCoopers LLP to ensure auditor independence. Fees incurred with PricewaterhouseCoopers LLP and former auditor, Lancaster & David, Chartered Accountants, for audit and non-audit services in the last two fiscal years for audit fees are outlined in the following table. The Board resolved on August 13, 2015 to facilitate the appointment of PricewaterhouseCoopers LLP auditors of the Company, effective August 27, 2015.

Nature of services	Fees paid to auditor for year ended December 31, 2015.	Fees paid to auditor in year ended December 31, 2014.
Audit fees	\$48,299	\$51,000
Audit-related fees	\$Nil	\$Nil
Tax fees	\$Nil	\$Nil
Total	\$48,299	\$51,000

Notes:

- (1) “Audit Fees” include fees necessary to perform the annual audit and quarterly reviews of the Company’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. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) “All Other Fees” include all other non-audit services.

Exemption

The Company is relying on the exemption provided in section 6.1 of NI 52-110 *Audit Committees* as the Company is a “venture issuer” and is exempt from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*) of NI 52-110

CORPORATE GOVERNANCE

General

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices, as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Company’s Board of Directors, be reasonably expected to interfere with the exercise of a director’s independent judgment.

There are no special structures or processes in place to facilitate the functioning of the directors of the Company independently of management. However, the independent directors are given full access to management so that they can develop an independent perspective and express their views and communicate their expectations of management.

The Board facilitates its independent supervision over management by ensuring a majority of the Board are not officers of the Company. During the financial year ended December 31, 2015, the independent members of the Board were Thomas G. Milne, David Stone and L. Edward Parker. During financial year ended December 31, 2015 the non-independent directors of the Board were Michael Krzus (Executive Chairman) and Donald J. Currie (Chief Executive Officer) of the Company.

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A “material relationship” which could, in the view of the Company’s Board, be reasonably expected to interfere with the exercise of a director’s independent judgement.

Directorships

The directors are currently serving on boards of the following other reporting companies (or equivalent) as set out below:

Name of Director	Name of reporting company and Exchange listed
David M.R. Stone	eCobalt Solutions Inc. (TSX, OTCBB) Javelle Capital Corp. (NEX) Superior Mining International Corporation (TSXV)

Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Company’s properties, business, technology and industry and on the responsibilities of directors.

Board meetings may also include presentations by the Company’s management and employees to give the directors additional insight into the Company’s business.

Ethical Business Conduct

The Company has not adopted a policies or codes of business conduct and ethics at this time. Given the experience of the Board, and their prior dealings, the Company, at this point in time, is not taking any additional steps to encourage and promote a culture of ethical business conduct.

Nomination of Directors

A Compensation and Corporate Governance Committee Charter was adopted by the Company on November 4, 2010. The current members of the Compensation and Corporate Governance Committee comprise: Thomas G. Milne (Chair), Donald J. Currie and L. Edward Parker. In fulfilling its oversight responsibilities for the nominations to the Board, the Compensation and Corporate Governance Committee shall: 1) establish criteria for selecting new directors which shall reflect, among other facts, a candidate’s integrity and business ethics, strength of character, judgment, experience, and independence, as well as factors relating to the composition of the Board, including its size and structure, the relative strengths and experience of current board members and principles of diversity; 2) consider and recruit candidates to fill new positions on the Board; 3) review any candidate recommended by the shareholders of the Company; 4) be responsible for conducting appropriate inquiries to establish a candidate’s compliance with the independent and other qualification requirements established by the Corporate Governance Committee; 5) assess the contributions of current directors in connection with the annual recommendation of a slate of nominees and at that time review the criteria for Board candidates in the context of the evaluation process and other perceived needs of the Board; and 6) recommend the director nominees for election by the shareholders.

Compensation

Pursuant to the Compensation and Corporate Governance Committee Charter, in discharging its oversight responsibilities for executive compensation and Board compensation, the Compensation and Corporate Governance Committee shall: 1)

review and approve on an annual basis the corporate goals and objectives relevant to the CEO's compensation; 2) evaluate at least once a year the CEO's performance in light of established goals and objectives and, based on such evaluation, shall, together with all other independent members of the Board, determine and approve the CEO's annual compensation, including, as appropriate, salary, bonus, incentive, and equity compensation; 3) review and approve on an annual basis the evaluation process and compensation structure for the Company's executive officers, including parameters for salary adjustments (at the discretion of the CEO) for officers are established; and 4) review and make recommendations to the Board with respect to the adoption, amendment, and termination of the Company's management incentive-compensation and equity-compensation plans, oversee their administration and discharge any duties imposed on this Committee by any of those plans.

Disclosure Committee

The current members of the Disclosure Committee comprise: Sean McGrath (Chief Financial Officer and Corporate Secretary) (Chair), Michael Krzus (Executive Chairman) and Jason Oden (Chief Operating Officer). The Disclosure Committee general mandate is to 1) educate directors and the appropriate officers and employees about disclosure issues, the Corporate Disclosure Policy and the Disclosure Controls and Procedures Policy of the Company, 2) recommend changes to those Policies to the Board as may be necessary or advisable, 3) establish and implement processes for the timely collection and reporting of potential material information, and the timely evaluation and dissemination of material information to securities regulators, stock exchanges and shareholders, 4) report on its evaluation of disclosure controls and procedures at least annually to the Audit Committee and the Board; and 5) disclose disclosure controls and procedures in the Company's annual Management's Discussion and Analysis.

Reserves Committee

The current members of the Reserves Committee comprise: Michael Krzus (Chair), Jason Oden and David M.R. Stone. The Reserves Committee is responsible for reviewing and approving the annual independent evaluation of the Company's reserves. The Reserves Committee's general mandate is to oversee and monitor the Company's process for calculating the reserves and procedures for compliance with applicable legislation and conformity with industry standards and disclosure of information. It reviews, reports and, when appropriate, makes recommendations to the Board on the Company's policies and procedures related to the Company's reserves estimates.

Other Board Committees

The Board has formally appointed four standing committees: the Audit Committee, the Compensation and Corporate Governance Committee, the Disclosure Committee and the Reserves Committee.

Assessments

Pursuant to the Compensation and Corporate Governance Committee Charter, in discharging its oversight responsibilities for the performance review of the Board, committees, and directors, this Committee shall: 1) evaluate the performance of the Board on an annual basis; 2) solicit comments from all directors and report annually to the Board on its assessment of the Board's performance; and 3) evaluate the performance of individual directors and committees of the Board on a periodic basis.

Executive Compensation – Venture Issuers

For the purposes of this Executive Compensation disclosure:

“**compensation securities**” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries;

“**NEO**” or “**named executive officer**” means each of the following individuals:

- (a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer (“CEO”), including an individual performing functions similar to a CEO;
- (b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer (“CFO”), including an individual performing functions similar to a CFO;

- (c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined for that financial year;
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year.

DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION

Director and NEO Compensation, Excluding Options and Compensation Securities

The following table of compensation, excluding options and compensation securities, provides a summary of the compensation paid by the Company to NEOs and directors of the Company for the two completed financial years ended December 31, 2015 and December 31, 2014. Options and compensation securities are disclosed under the heading “**Stock Options and Other Compensation Securities**” of this Form.

During financial year ended December 30, 2014, based on the definition above, the NEOs of the Company were: Donald J. Currie, Chairman, Chief Executive Officer and director, Jason Oden, President and director, and Kulwant Sandher, Chief Financial Officer. The directors of the Company who were not NEOs during financial year ended December 31, 2014 were: Thomas G. Milne, and David M.R. Stone.

During financial year ended December 31, 2015, based on the definition above, the NEOs of the Company were: Michael Krzus, Executive Chairman and director, Donald J. Currie, former Chairman, current Chief Executive Officer and current director, Jason Oden, current Chief Operating Officer (“COO”) and former President and former director, Sean McGrath, current Chief Financial Officer and current Corporate Secretary and Kulwant Sandher, former Chief Financial Officer. The directors of the Company who were not NEOs during financial year ended December 31, 2015 were: David M.R. Stone, Thomas J. Milne, and L. Edward Parker.

Table of Compensation, Excluding Compensation Securities in Financial Years ended December 31, 2014 and December 31, 2015

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Michael Krzus ⁽¹⁾ Executive Chairman and Director	2015	193,794	Nil	Nil	Nil	Nil	193,794
	2014	20,000	Nil	Nil	Nil	Nil	20,000
Donald J. Currie ⁽¹⁾ CEO, Director and former Chairman	2015	306,447	Nil	Nil	Nil	Nil	306,447
	2014	90,000	Nil	Nil	Nil	Nil	90,000
Jason Oden ⁽²⁾ COO and former President and former Director	2015	310,187	Nil	Nil	Nil	Nil	310,187
	2014	42,056	Nil	Nil	Nil	Nil	42,056
Sean McGrath ⁽³⁾ CFO and Corporate Secretary	2015	98,075	Nil	Nil	Nil	Nil	98,075
	2014	Nil	Nil	Nil	Nil	Nil	Nil
Kulwant Sandher ⁽³⁾ former CFO	2015	17,500	Nil	Nil	Nil	Nil	17,500
	2014	78,000	Nil	Nil	Nil	Nil	78,000

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
David M.R. Stone ⁽⁴⁾ Director	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil
Thomas J. Milne ⁽⁵⁾ Director	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	10,000	Nil	Nil	Nil	Nil	10,000
L. Edward Parker ⁽⁶⁾ Director	2015	Nil	Nil	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Mr. Currie resigned as Chairman of the Company on August 19, 2015. Mr. Krzus was appointed Executive Chairman of the Company on August 19, 2015, effective the date of Mr. Currie's resignation as Chairman of the Company. Mr. Currie was appointed Chief Executive Officer of the Company on July 10, 2010. Mr. Currie was appointed a director of the Company on July 10, 2010.
- (2) Mr. Oden served as President of the Company from September 29, 2011 to December 3, 2014. Mr. Oden resigned as President and a director of the Company on December 3, 2014 and was appointed Chief Operating Officer of the Company effective January 20, 2015.
- (3) Mr. Sandher served as Chief Financial Officer of the Company from December 16, 2011 to May 1, 2015. Sean McGrath was appointed Chief Financial Officer of the Company on May 1, 2015, the date of Mr. Sandher's resignation. Also effective August 13, 2015, Mr. McGrath was appointed Corporate Secretary of the Company.
- (4) David M.R. Stone was appointed a director of the Company on July 10, 2010.
- (5) Thomas J. Milne was appointed a director of the Company on November 1, 2012.
- (6) L. Edward Parker was appointed a director of the Company on August 27, 2015.

Outstanding Compensation Securities

The Company did not grant any compensation securities during the financial years ended December 31, 2014 and December 31, 2015.

The following table sets forth incentive stock options (option-based awards) and restricted stock units (share-based awards) pursuant to the Company's share option plan and restricted share unit plan that were outstanding to NEOs and directors of the Company as at December 31, 2015.

Name	Incentive Stock Options	Option exercise price (\$)	Option expiration date	Restricted Stock Units	Vesting Date
Donald J. Currie CEO	250,000	\$0.20	March 22, 2016	Nil	N/A
	275,000	\$0.06	September 9, 2018		
Jason Oden COO	250,000	\$0.20	March 22, 2016	Nil	N/A
	275,000	\$0.06	September 9, 2018		
Kulwant Sandher former CFO	150,000	\$0.06	September 9, 2018	Nil	N/A
Michael Krzus Executive Chairman	300,000	\$0.06	November 26, 2018	Nil	N/A

Name	Incentive Stock Options	Option exercise price (\$)	Option expiration date	Restricted Stock Units	Vesting Date
David M.R. Stone Director	150,000	\$0.20	March 22, 2016	Nil	N/A
	150,000	\$0.06	September 9, 2018		
Thomas J. Milne Director	150,000	\$0.06	September 9, 2018	Nil	N/A

Stock Options and Other Compensation Securities

A. 10% “rolling” share Option Plan

On November 4, 2010, the Company implemented a 10% rolling share option plan (the “Option Plan”) in order to provide the Company with the flexibility necessary to attract and maintain the services of senior executives and other employees in competition with other businesses in the industry, and in anticipation of the Company being listed on the TSX Venture Exchange (“TSXV”).

A number of Common Shares equal to ten (10%) percent of the issued and outstanding Common Shares in the capital stock of the Company from time to time are reserved for the issuance of stock options pursuant to the Option Plan. The Option Plan is administered by the Board. The Plan provides that the number of Common Shares issuable under the Option Plan, together with all of the Company’s other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding Common Shares at the time of grant.

Material Terms to the Option Plan

The following is a summary of the material terms of the Option Plan:

- (a) Persons who are Service Providers to the Company or its affiliates, or who are providing services to the Company or its affiliates, are eligible to receive grants of options under the Option Plan;
- (b) options granted under the Option Plan are non-assignable and non-transferable and are issuable for a period of up to ten (10) years;
- (c) for options granted to Service Providers, the Company must ensure that the proposed Optionee is a bona fide Director, Officer, Employee, Management Company Employee, Consultant or Company Consultant, and also includes a company, 100% of the share capital of which is beneficially owned by one or more Service Providers;
- (d) an Option granted to any Service Provider will expire 90 days (or such other time, not to exceed one year, as shall be determined by the Board as at the date of grant or agreed to by the Board and the Optionee at any time prior to expiry of the Option), after the date the Optionee ceases to be employed by or provide services to the Company, and only to the extent that such Option was vested at the date the Optionee ceased to be so employed by or to provide services to the Company;
- (e) if an Optionee dies, any vested option held by him at the date of death will become exercisable by the Optionee’s lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such Optionee and the date of expiration of the term otherwise applicable to such option;
- (f) in the case of an Optionee being dismissed from employment or service for cause, such Optionee’s options, whether or not vested at the date of dismissal will immediately terminate without right to exercise same;
- (g) the exercise price of each option will be set by the Board at the time such Option is allocated under the Option Plan, and cannot be less than the Discounted Market Price (as defined in the Option Plan);
- (h) vesting of options shall be at the discretion of the Board and, with respect to any particular Options granted under the Option Plan, in the absence of a vesting schedule being specified at the time of grant, all such Options shall vest immediately. Where application, vesting of Options will generally be subject to: (i) the Service Provider remaining employed by or continuing to provide services to the Company or any of its affiliates as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time or receiving a satisfactory performance review by the Company

or any of its affiliates during the vesting period; or (ii) the Service Provider remaining as a Director of the Company or any of its affiliates during the vesting period;

- (i) the Option Plan contains a black-out provision restricting all or any of the Company's directors, officers, employees, insiders or persons in a special relationship to refrain from trading in the Company's securities until the restriction has been lifted by the Company;
- (j) the Board reserves the right in its absolute discretion to amend, modify or terminate the Option Plan with respect to all common shares in respect of options which have not yet been granted under the Option Plan. Any amendment to any provision of the Option Plan will be subject to any necessary Regulatory approvals unless the effect of such amendment is intended to reduce (but not to increase) the benefits of the Option Plan to Service Providers.

The Board has determined that, in order to reasonably protect the rights of participants, as a matter of administration, it is necessary to clarify when amendments to the Option Plan may be made by the Board without further shareholder approval. The Option Plan also provides that the Board may, without shareholder approval:

- (i) amend the Option Plan to correct typographical, grammatical or clerical errors;
- (ii) change the vesting provisions of an option granted under the Option Plan, subject to prior written approval of the TSXV, if applicable;
- (iii) change the termination provision of an option granted under the Option Plan if it does not entail an extension beyond the original expiry date of such option;
- (iv) make such amendments to the Option Plan as are necessary or desirable to reflect changes to securities laws applicable to the Company;
- (v) make such amendments as may otherwise be permitted by the TSXV Policies, if applicable;
- (vi) if the Company becomes listed or quoted on a stock exchange or stock market, make senior to the TSX Venture, it may make such amendments as may be required by the policies of such senior stock exchange or stock market; and
- (vii) amend the Option Plan to reduce, and do not increase, the benefits that may be granted to Service Providers.

Shareholders are being asked at the Meeting to ratify, confirm and approve of the Option Plan for continuation until the next annual general meeting. Refer to heading "PARTICULARS OF MATTERS TO BE ACTED UPON - 10% "rolling" Share Option Plan".

B. Fixed Restricted Share Unit Plan

On August 13, 2015, the Board approved and ratified the adoption of a restricted share unit plan (the "RSU Plan"). The RSU Plan was approved for adoption by the Company's shareholders at the Company's October 6, 2015 annual general and special meeting. The RSU Plan was designed to provide certain directors, employees, officers, other key employees and consultants of the Company and its related entities with the opportunity to acquire restricted share units ("RSUs") of the Company in order to enable them to participate in the long-term success of the Company and to promote a greater alignment of their interests with the interests of the Shareholders. The Compensation and Corporate Governance Committee (or such other committee the Board may appoint) is responsible for administering the RSU Plan.

The RSU Plan allows the Company to grant RSUs, under and subject to the terms and conditions of the RSU Plan, which may be exercised to purchase up to a maximum of 1,500,000 Shares.

The following is a summary of the RSU Plan. **Capitalized terms used but not defined in this section shall have the meanings ascribed thereto in the RSU Plan.**

Benefits of the RSU Plan

The RSU Plan is designed to be a long term incentive for the directors, employees, officers, other key employees and consultants of the Company. RSUs provides the Compensation and Corporate Governance Committee of the Board or a committee appointed by the Board with an additional compensation tool which can be used to help retain and attract highly qualified officers and employees and further align the interests of officers and key employees with the interest of the Shareholders. It is intended to promote a greater alignment of interests between the Shareholders of the Company and the officers and key employees by providing an opportunity to participate in increases to the value of the Company.

Nature and Administration of the RSU Plan

All Directors, Employees, Officers and Consultants (as defined in the RSU Plan) of the Company and its related entities ("Eligible Persons") are eligible to participate in the RSU Plan (as "Recipients"), though the Company reserves the right to restrict eligibility or otherwise limit the number of persons eligible for participation in the RSU Plan at any time. Eligibility to participate in the RSU Plan does not confer upon any person a right to receive an award of RSUs.

Subject to certain restrictions, the Board or a committee appointed by the Board can, from time to time, award RSUs to Eligible Persons. RSUs will be credited to an account maintained for each RSU Plan Recipient on the books of the Company as of the award date. The number of RSUs to be credited to each RSU Plan Recipient's account shall be determined at the discretion of the Board and pursuant to the terms of the RSU Plan.

Each award of RSUs vests on the date(s) (each a "Vesting Date") that is the later of the Trigger Date (as defined below) and the date upon which the relevant performance condition or other vesting condition set out in the award has been satisfied, subject to the requirements of the RSU Plan.

Rights and obligations under the RSU Plan can be assigned by the Company to a successor in the business of the Company, any company resulting from any amalgamation, reorganization, combination, merger or arrangement of the Company, or any corporation acquiring all or substantially all of the assets or business of the Company.

Payment of RSU's

Under the RSU Plan, the Company, in its discretion and as may be determined by the Board, will pay out vested RSU's by paying or issuing (net of any applicable withholding taxes) to a RSU Plan Recipient, on or subsequent to the Trigger Date and before the Expiry Date (as defined below) an award payout of either: (a) one Share for each whole vested RSU; and (b) a cash amount equal the fair market value of one Share (as determined in accordance with the RSU Plan) as at the Trigger Date (the "Vesting Date Value") of each whole vested RSU.

Fractional Shares will not be issued pursuant to the RSU Plan, and where a RSU Plan Recipient would be entitled to receive a fractional Share in respect of a fractional vested RSU, the Company shall pay to such RSU Plan Recipient, in lieu of such fractional Share, cash value equal to the Vesting Date Value of such fractional Share.

Credit for Dividends

An RSU Plan Recipient's account will be credited with additional RSUs as of each dividend payment date in respect of which cash dividends are paid on Shares. The number of additional RSUs to be credited to an RSU Plan Recipient's account is computed by multiplying the amount of the dividend per Share by the aggregate number of RSUs that were credited to the RSU Plan Recipient's account as of the record date for payment of the dividend, and dividing that number by the Fair Market Value (as defined in the RSU Plan). Note that the Company is not obligated to pay dividends on Shares.

Resignation, Termination for Cause or Death

Generally, if an RSU Plan Recipient's employment or service is terminated for cause, or if the RSU Plan Recipient resigns from employment with the Company, then any RSUs credited to him or her under the RSU Plan which have not vested on or before the separation date for the RSU Plan Recipient are forfeited, cancelled and terminated without payment.

Total Disability, Death and Termination Without Cause

In the event an RSU Plan Recipient is terminated without cause, unvested RSUs will immediately vest on the date of termination and if an RSU Plan Recipient dies, or suffers Total Disability (as defined in the RSU Plan), all unvested RSUs are automatically cancelled without compensation.

Control Change

In the event of a Change of Control (as defined in the RSU Plan), all RSUs credited to an RSU Plan Recipient vest on the date on which the Change of Control occurs. Within thirty (30) days after the date on which the Change of Control Occurs, the RSU Plan Recipient must receive a payment equal to the number of RSUs that vested on the date of the Change of Control, multiplied by the Fair Market Value on that date.

Adjustments

In the event of any dividend paid in shares, share subdivision, combination or exchange of shares, merger, consolidation, spin-off or other distribution of Company assets to shareholders, or any other change in the capital of the Company affecting Shares, the Board will make adjustments with respect to the number of RSUs outstanding and any proportional adjustments as it, in its discretion, considers appropriate to reflect the change.

Vesting

The Board has the discretion to grant RSUs to Eligible Persons as it determines is appropriate, and can impose conditions on vesting as it sees fit in addition to the Performance Conditions (as defined in the RSU Plan) if any. RSUs vest on the date that is the later of (a) on the date set by the Board at the time of the grant, or if no date is set then on December 1 of the third calendar year following the date of grant (the “Trigger Date”), and (b) the date upon which the relevant Performance Condition or other vesting condition has been satisfied, subject to the limitations of the RSU Plan.

RSUs only vest on the Trigger Date to the extent that the Performance Conditions have been satisfied on or before the Trigger Date, and no RSU will remain outstanding for any period which exceeds the expiry date (which shall be December 31 of the third calendar year after the date of grant, or such earlier date as may be established by the Board (the “Expiry Date”).

The Board may also accelerate the Trigger Date of any RSU at its election.

Limitations under the RSU Plan

Unless disinterested Shareholder Approval is obtained, or unless permitted otherwise by the rules of the Exchange:

- (a) the maximum number of Shares which may be reserved for issuance to Insiders, as a group, under the Plan together with any other Share Compensation Arrangement (as defined in the RSU Plan), cannot exceed 10% of the issued Shares;
- (b) the maximum number of RSUs that may be granted to Insiders, as a group, under the Plan together with any other Share Compensation Arrangement, within a 12 month period, cannot exceed 10% of the issued Shares calculated on the date of the grant of the RSUs; and
- (c) the maximum number of RSUs that can be granted to any one Eligible Person under the Plan, together with any other Share Compensation Arrangement, within a 12-month period, cannot exceed 5% of the issued Shares calculated on the date of the grant of the RSUs; and
- (d) the maximum number of RSUs that may be granted to a Consultant, within a 12 month period, may not result in a number of RSUs exceeding 2% of the number of Shares outstanding at the date of the grant, together with any other Share Compensation Arrangement, without the prior consent of the TSXV.

Amendment or Termination of RSU Plan

Subject to all necessary approvals of the TSXV, the Board may amend or terminate the RSU Plan at any time, but the consent of the RSU Plan Recipient is required for any such amendment that adversely affects the rights of the RSU Plan Recipient, unless the amendment or termination is required by law. A termination of the RSU Plan will not accelerate the vesting of RSUs or the time which a RSU Plan Recipient would otherwise be entitled to receive payment in respect of the RSUs.

A copy of the Company’s RSU Plan is attached as Schedule C to the Company’s October 6, 2015 Annual General and Special Meeting Information Circular as SEDAR filed at www.sedar.com on September 8, 2015.

Stock Options and Other Compensation Securities

Financial Year Ended December 31, 2014

Neither the Company nor its subsidiary, granted or issued any compensation securities to NEOs or directors of the Company during the financial year ended December 31, 2014. There were no share-based awards granted during financial year ended December 31, 2014.

Financial Year Ended December 31, 2015

Neither the Company nor its subsidiary, granted or issued any compensation securities to NEOs or directors of the Company during the financial year ended December 31, 2015. There were no share-based awards granted during financial year ended December 31, 2015.

Exercise of Compensation Securities by NEOs and Directors

Financial Year Ended December 31, 2014

There were no compensation securities exercised by NEOs or directors of the Company during the financial year ended December 31, 2014. There were no share-based awards granted during financial year ended December 31, 2014.

Financial Year Ended December 31, 2015

There were no compensation securities exercised by NEOs or directors of the Company during the financial year ended December 31, 2015. There were no share-based awards granted during financial year ended December 31, 2015.

Employment, Consulting and Management Agreements

The Company does not have any employment, consulting or management agreements or arrangements with any of the Company's current directors or NEOs.

Oversight and Description of Director and Named Executive Officer Compensation

Elements of the Compensation Program

Executive compensation is set to attract and retain the best available talent while efficiently utilizing available resources. The Company compensates executive management with a package typically including a base salary ("Base Salary"), an incentive compensation plan ("Incentive Compensation") and equity compensation (the "Equity Compensation") designed to be competitive with comparable employers. In considering executive management's compensation, the Board takes into consideration the financial condition of the Company. The Base Salary is set in comparison to the comparable positions in the market and in the industry, the Incentive Compensation is used as a short-term incentive to achieve Company objectives, and the Equity Compensation is designed to allow the participants to enjoy the benefits of any increase in company valuation and share price, should such an increase occur. Executive compensation is designed to reward activities and achievements that are aligned with the long-term interests of the Company's shareholders.

The Base Salary, Incentive Compensation and Equity Compensation for the Company's NEOs, including the CEO and the CFO is determined by the Company's Compensation and Corporate Governance Committee. The Compensation and Corporate Governance Committee sets the compensation of the NEOs using generally available market data and their combined industry experience. The Compensation and Corporate Governance Committee delegates to the NEOs the responsibility to set the compensation packages for all other senior management and staff.

The Compensation and Corporate Governance Committee is responsible for executive and director compensation, including reviewing and recommending director compensation, overseeing the Company's base compensation structure and equity-based compensation program, recommending compensation of the Company's officers and employees, and evaluating the performance of officers generally and in light of annual goals and objectives.

The Compensation and Corporate Governance Committee also assumes responsibility for reviewing and monitoring the long-range compensation strategy for the Company's senior management. The Compensation and Corporate Governance Committee reviews the compensation of senior management on an annual basis taking into account compensation paid by other issuers of similar size and activity.

The current members of the Company's Compensation and Corporate Governance Committee is comprised of Thomas G. Milne (Chair), Donald J. Currie and Edward L. Parker.

Philosophy and Objectives

The Company is a junior exploration and production company with limited resources and sales that are greatly impacted by oil and gas commodity prices. The compensation program for the senior management of the Company is designed within this context with a view that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining qualified executives;
- (b) motivating the short and long-term performance of these executives; and
- (c) better aligning their interests with those of the Company's shareholders.

In compensating its senior management, the Company has employed a combination of base salary and equity participation through its share option plan and through its restricted share unit plan in order to enable them to participate in the long-term success of the Company and to promote a greater alignment of their interests with the interests of the Shareholders. Recommendations for senior management compensation are presented to the Board for review.

Base Salary or Consulting Fees

In the Board's view, paying base salaries which are reasonable in relation to the level of service expected while remaining competitive in the markets in which the Company operates is a first step to attracting and retaining qualified and effective executives.

Base salary ranges for the executive officers were initially determined upon a review of companies within the oil and gas

industry, which were of the same size as the Company, at the same stage of development as the Company and considered comparable to the Company.

In determining the base salary of an executive officer, the Board considers the following factors:

- (a) the particular responsibilities related to the position;
- (b) salaries paid by other companies in the oil and gas industry which were similar in size as the Company;
- (c) the experience level of the executive officer;
- (d) the amount of time and commitment which the executive officer devotes to the Company; and
- (e) the executive officer's overall performance and performance in relation to the achievement of corporate milestones and objectives.

Financial Year ended December 31, 2014

During the financial year ended December 31, 2014, the Company owed \$10,618 (2013 - \$10,131) to Donald J. Currie, the CEO of the Company which is included in accounts payable and accrued liabilities on the Company's audited financial statements for year ending December 31, 2014. Stock-based compensation of \$Nil was recognized during the year ended December 31, 2014 (2013 - \$68,117), related to stock options granted to directors and officers.

Financial Year ended December 31, 2015

During the financial year ended December 31, 2015, i) the Company owed a total of \$66,302 (2014: \$10,618) to Donald J. Currie, the CEO of the Company included in accounts payable and accrued liabilities on the Company's audited financial statements for the year ending December 31, 2015; 2) a total of \$50,602 (2014 - \$Nil) included in accounts payable and accrued liabilities owing to Michael Krzus, Executive Chairman of the Company for consulting fees; and 3) a total of \$6,600 (2014 - \$Nil) included in accounts payable and accrued liabilities owing to SCM Consulting Corp, a corporation controlled by Sean McGrath, CFO of the Company for consulting fees,

Bonus Incentive Compensation

The Company's objective is to achieve certain strategic objectives and milestones. The Board will consider executive bonus compensation dependent upon the Company meeting those strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses. The Board approves executive bonus compensation dependent upon compensation levels based on recommendations of the CEO. Such recommendations are generally based on information provided by issuers that are similar in size and scope to the Company's operations.

Equity Participation

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's existing share option plan and its restricted share unit plan. Stock options and restricted share units ("RSUs") are granted to executives and employees taking into account a number of factors, including the amount and term of options and RSUs previously granted, base salary and bonuses and competitive factors. The amounts and terms of options and RSUs granted are determined by the Compensation and Corporate Governance Committee based on recommendations put forward by the CEO. Due to the Company's limited financial resources, the Company emphasizes the provisions of option and RSU grants to maintain executive motivation.

Compensation Review Process

Risks Associated with the Company's Compensation Program

The Company's directors have not considered the implications of any risks to the Company associated with decisions regarding the Company's compensation program. The Company intends to formalize its compensation policies and practices and will take into consideration the implications of the risks associated with the Company's compensation program and how it might mitigate those risks.

The Company did not retain a compensation consultant during financial years ending December 31, 2014 and December 31, 2015.

Benefits and Perquisites

The Company does not, as of the date of this Information Circular, offer any benefits or perquisites to its NEOs other than potential grants of incentive stock options and RSUs as otherwise disclosed and discussed herein.

Hedging by Directors or NEOs

The Company has not, to date, adopted a policy restricting its executive officers and directors from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by executive officers or directors. The Company is not, however, aware of any directors of officers having entered into this type of transaction

As of the date of this Information Circular, entitlement to grants of incentive stock options under the Company’s 10% “rolling” Stock Option Plan and restricted share unit awards under the Company’s Fixed Restricted Share Unit Plan is the only equity security element awarded by the Company to its executive officers and directors.

Option-Based Awards

As described above, the Company has a 10% “rolling” share option plan, which was established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Compensation and Corporate Governance Committee proposes share option grants to the Board based on such criteria as performance, previous grants, and hiring incentives. All grants require approval of the Board. The share option plan is administered by the Compensation and Corporate Governance Committee and provides that options will be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company.

Share-Based Awards

As described above, on August 13, 2015, the Board approved and ratified the adoption by the Company of a restricted share unit plan (the “RSU Plan”). The RSU Plan was designed to provide certain directors, employees, officers, other key employees and consultants of the Company and its related entities with the opportunity to acquire restricted share units (“RSUs”) of the Company in order to enable them to participate in the long-term success of the Company and to promote a greater alignment of their interests with the interests of the Shareholders. The Compensation and Corporate Governance Committee is responsible for administering the RSU Plan.

The RSU Plan allows the Company to grant RSUs, under and subject to the terms and conditions of the RSU Plan, which may be exercised to purchase up to a maximum of 1,500,000 Shares.

Pension Disclosure

The Company does not have a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Company has adopted two equity compensation plans: i) a 10% “rolling” share option plan dated for reference November 4, 2010, as amended May 10, 2012, and amended August 13, 2015; and ii) a fixed restricted share unit plan dated August 13, 2015, as described in this Information Circular.

The following table sets out equity compensation plan information as at the end of the Company’s financial year ended December 31, 2015.

	Number of securities to be issued upon exercise of outstanding options and RSUs ⁽¹⁾	Weighted-average exercise price of outstanding options and RSUs	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders	2,700,000 Options Nil RSUs	\$0.09 Options N/A RSUs	2,329,565 Options Nil RSUs
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	2,700,000 Options Nil RSUs		2,329,565 Options Nil RSUs

Note:

1. Represents the Share Option Plan limitation of 10% of the issued and outstanding Common Shares as at December 31, 2015, less issued options as listed in the second column of this table.

The 10% “rolling” share option plan and the Fixed RSU Plan collectively, shall not exceed 10% of the Company’s issued and outstanding Common Shares. There were no restricted share units outstanding as at December 31, 2015.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than set out below, no directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the end most recently completed financial year ended December 31, 2014.

As set out in the Company’s audited financial statements, as at December 31, 2014, the Company owed \$10,618 (2012 - \$10,131) to Donald J. Currie, the CEO of the Company which is included in accounts payable and accrued liabilities on the Company’s audited financial statements for year ending December 31, 2014. Stock-based compensation of \$Nil was recognized during the year ended December 31, 2014 (2013 - \$68,117), related to stock options granted to directors and officers.

MANAGEMENT CONTRACTS

There are no management functions of the Company, which are to any substantial degree performed by a person or company other than the directors or executive officers of the Company.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

This Information Circular briefly describes (and, where practicable, states the approximate amount) of any material interest, direct or indirect, of any informed person of the Company, any proposed director of the Company, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the Company’s most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

PARTICULARS OF MATTERS TO BE ACTED UPON

10% “rolling” Share Option Plan

A total of 1,900,000 stock options were outstanding at the date of this Information Circular.

The TSXV policy requires all of its listed companies to have a share option plan if the company intends to grant options. Under TSXV policy, the continuation of the Option Plan requires annual shareholder approval at each annual meeting of the Company. The Board is of the view that the Option Plan provides the Company with the flexibility to attract and maintain the services of executives, employees and other service providers in compensation with other companies in the industry.

At the Meeting, shareholders will be asked to vote on the following ordinary resolution, with or without variation:

“Resolved that the Company’s 10% rolling share option plan dated for reference November 4, 2010, as amended May 10, 2012, and amended August 13, 2015, be and is hereby ratified and approved until the next annual general meeting of the Company.”

An *ordinary resolution* is a resolution passed by the shareholders of the Company at a general meeting by a simple majority of the votes cast in person or by proxy.

The Board recommends that you vote in favour of the above resolution.

A copy of the Company’s Option Plan is attached as Schedule B to the Company’s October 6, 2015 Annual General and Special Meeting Information Circular as SEDAR filed at www.sedar.com on September 8, 2015. A copy of the Option Plan will also be available for inspection at the Meeting.

ADDITIONAL INFORMATION

Additional information concerning the Company is available through the Internet on SEDAR which may be accessed at www.sedar.com. or may be obtained by a Shareholder upon request without charge from the Company; Vancouver office located at Suite 1410 – 1030 West Georgia Street, Vancouver, British Columbia, Canada. The Company may require the payment of a reasonable charge from any person or company who is not a securityholder of the Company, who requests a

copy of any such document.

OTHER MATTERS

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Information Circular.

The contents of this Information Circular and its distribution to shareholders have been approved by the Board.

DATED at Vancouver, British Columbia, September 8, 2016.

BY ORDER OF THE BOARD

“Donald J. Currie”

Donald J. Currie
Chief Executive Officer

This is Schedule “A” to the Information Circular of
HILLCREST PETROLEUM LTD.

AUDIT COMMITTEE CHARTER

1. Mandate

The audit committee will assist the board of directors (the “Board”) in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well and the company’s business, operations and risks.

2. Composition

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

2.1 Independence

A majority of the members of the audit committee must not be officers, employees or control persons of the Company.

2.2 Expertise of Committee Members

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

3. Meetings

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company’s Chief Financial Officer and external auditors in separate executive sessions.

4. Roles and Responsibilities

The audit committee shall fulfill the following roles and discharge the following responsibilities:

4.1 External Audit

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor’s report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company;
- (b) review (by discussion and enquiry) the external auditors’ proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors’ assertion of their independence in accordance with professional standards.

4.2 *Internal Control*

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

4.3 *Financial Reporting*

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

General

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

Annual Financial Statements

- (a) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (b) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (c) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

Interim Financial Statements

- (a) review and approve the interim financial statements prior to their release to the public; and
- (b) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

Release of Financial Information

- (a) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

4.4 *Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

Delegation of Authority

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

De-Minimis Non-Audit Services

- (a) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
 - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
 - (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Pre-Approval Policies and Procedures

- (a) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
 - (i) the pre-approval policies and procedures are detailed as to the particular service;
 - (ii) the audit committee is informed of each non-audit service; and
 - (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

4.5 *Other Responsibilities*

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

4.6 *Reporting Responsibilities*

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

5. Resources and Authority of the Audit Committee

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent 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 audit committee; and
- (c) communicate directly with the internal and external auditors.

6. Guidance – Roles & Responsibilities

The following guidance is intended to provide the Audit Committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

6.1 Internal Control

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

6.2 Financial Reporting General

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Company's adoption of them.

Annual Financial Statements

- (a) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;
- (b) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (c) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (d) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (e) ensure that the external auditors communicate all required matters to the committee.

Interim Financial Statements

- (a) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (b) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and
- (c) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
 - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;

- (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the company's operations and financing practices;
- (iii) generally accepted accounting principles have been consistently applied;
- (iv) there are any actual or proposed changes in accounting or financial reporting practices;
- (v) there are any significant or unusual events or transactions;
- (vi) the Company's financial and operating controls are functioning effectively;
- (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
- (viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 *Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

6.4 *Other Responsibilities*

- (a) review, with the company's counsel, any legal matters that could have a significant impact on the company's financial statements.