

**HILLCREST PETROLEUM LTD.**

(the “Company”)

**Form 51-102F6V**

*Statement of Executive Compensation – Venture Issuers*

*(for financial years ended December 31, 2017 and December 31, 2016)*

**GENERAL**

The following information, dated as of May 18, 2018, is provided as required under Form 51-102F6V for Venture Issuers (the “Form”), as such term is defined in National Instrument 51-102.

For the purposes of this Statement of Executive Compensation form:

“Company” means Hillcrest Petroleum Ltd.;

“**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, 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 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, 2017 and December 31, 2016. Options and compensation securities are disclosed under the heading “**Stock Options and Other Compensation Securities**” in this Form.

During financial year ended December 31, 2017, based on the definition above, the NEOs of the Company were: Michael Krzus, Executive Chairman and director, Donald J. Currie, former Chairman, CEO and director, Jason Oden, Chief Operating Officer (“COO”), Sean McGrath, CFO and Corporate Secretary. The directors of the Company who were not NEOs during financial year ended December 31, 2017 were: David M.R. Stone, Thomas J. Milne, Robert Lambert and L. Edward Parker, former director. L. Edward Parker was appointed a director of the Company on August 27, 2015. Mr. Parker did not stand for re-election at the Company’s annual general meeting held on December 15, 2017.

During financial year ended December 30, 2016, based on the definition above, the NEOs of the Company were: Michael Krzus, Executive Chairman and director, Donald J. Currie, former Chairman, CEO and director, Jason Oden, COO and former President and director, Sean McGrath, CFO and Corporate Secretary. The

directors of the Company who were not NEOs during financial year ended December 31, 2016 were: David M.R. Stone, Thomas J. Milne, and L. Edward Parker.

**Table of Compensation, Excluding Compensation Securities in Financial Years ended  
December 31, 2017 and 2016**

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 <sup>(1)</sup> Executive Chairman and Director	2017	1,410	Nil	Nil	Nil	Nil	1,410
	2016	244,181	Nil	Nil	Nil	Nil	244,181
Donald J. Currie <sup>(1)</sup> CEO, Director and former Chairman	2017	27,420	Nil	Nil	Nil	Nil	27,420
	2016	240,610	Nil	Nil	Nil	Nil	240,610
Jason Oden <sup>(2)</sup> COO and former President and Director	2017	21,000	Nil	Nil	Nil	Nil	21,000
	2016	258,662	Nil	Nil	Nil	Nil	258,662
Sean McGrath <sup>(3)</sup> CFO and Corporate Secretary	2017	51,000	Nil	Nil	Nil	Nil	51,000
	2016	103,854	Nil	Nil	Nil	Nil	103,854
David M.R. Stone <sup>(4)</sup> Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
Thomas J. Milne <sup>(5)</sup> Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
L. Edward Parker <sup>(6)</sup> Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
Robert Lambert <sup>(7)</sup> Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	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 CEO 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 COO of the Company effective January 20, 2015.
- (3) Sean McGrath was appointed CFO of the Company on May 1, 2015. Mr. McGrath was appointed Corporate Secretary of the Company on August 13, 2015.
- (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. Mr. Parker did not stand for re-election at the Company's annual general meeting held on December 15, 2017.
- (7) Robert Lambert was elected a director at the Company's annual general meeting held on December 15, 2017.

The Company's authorized share structure is an unlimited number of 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. During financial years ending December 31, 2017 and 2016, there were no Preferred Shares issued and outstanding. There are special rights and restrictions attached to the shares as set out in the Articles of the Company.

## **Stock Options and Other Incentive Plans**

### **A. 10% “rolling” Share Option Plan**

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

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**”). The Option Plan 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 Option Plan provides that options will be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company.

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 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 the Company’s issued and outstanding Common Shares.

#### ***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 applicable, 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. Accordingly, 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.

## **B. Fixed Restricted Share Unit Plan**

### **Share-Based Awards**

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 (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.

### **Stock Options and other Compensation Securities**

The following table sets forth incentive stock options (option-based awards) pursuant to the Company's Option Plan that were outstanding to NEOs and directors of the Company as at December 31, 2017. There were no outstanding restricted stock units (share-based awards) pursuant to the Company's RSU Plan to NEOs and directors of the Company at financial years ended December 31, 2017 and December 31, 2016.

Compensation Securities								
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant (dd/mm/yy)	Issue, conversion or exercise price (\$) <sup>(1)</sup>	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date (dd/mm/yy)	Restricted Share Units
Donald J. Currie CEO and director	Options	275,000	09/09/13	0.06	0.06	0.065	09/09/18	Nil
		450,000	02/21/17	0.07	0.07		02/21/22	Nil
Jason Oden COO	Options	275,000	09/09/13	0.06	0.06	0.065	09/09/18	Nil
		450,000	02/21/17	0.07	0.07		02/21/22	Nil
Michael Krzus Executive Chairman and director	Options	300,000	11/26/13	0.06	0.06	0.065	11/26/18	Nil
		450,000	02/21/17	0.07	0.07		02/21/22	Nil
David M.R. Stone director	Options	150,000	09/09/13	0.06	0.06	0.065	09/09/18	Nil
		350,000	02/21/17	0.07	0.07		02/21/22	Nil
Thomas J. Milne director	Options	150,000	09/09/13	0.06	0.06	0.065	09/09/18	Nil
		350,000	02/21/17	0.07	0.07		02/21/22	Nil
L. Edward Parker <sup>(1)</sup> former director	Options	350,000	02/21/17	0.07	0.07	0.065	02/21/22	Nil
Sean McGrath CFO and Corporate Secretary	Options	350,000	02/21/17	0.07	0.07	0.065	02/21/22	Nil

Note:

<sup>(1)</sup> L. Edward Parker was appointed a director of the Company on August 27, 2015. Mr. Parker did not stand for re-election at the Company's annual general meeting held on December 15, 2017. Mr. Parker has been retained as a Consultant to the Company.

### **Exercise of Compensation Securities by NEOs and Directors**

#### **Financial Year Ended December 31, 2017**

There were no compensation securities exercised by NEOs or directors of the Company during the financial year ended December 31, 2017.

#### **Financial Year Ended December 31, 2016**

There were no compensation securities exercised by NEOs or directors of the Company during the financial year ended December 31, 2016.

## **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 Corporation 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 Donald Currie and Thomas J. Milne.

### 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 Option Plan and its RSU Plan (described above). 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, 2017

During the financial year ended December 31, 2017:

- i) the Company owed a total of \$Nil (2016: \$158,767) to Donald Currie, the CEO of the Company, for consulting fees and this amount was included in accounts payable and accrued liabilities on the Company's audited financial statements for the year ending December 31, 2017;
- ii) a total of \$Nil (2016 -\$135,209) included in accounts payable and accrued liabilities owing to Michael Krzus, Executive Chairman of the Company, for consulting fees;
- iii) a total of \$Nil (2016 - \$25,117) 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; and
- iv) a total of \$Nil (2016 - \$67,336) included in accounts payable and accrued liabilities owing to Jason Oden, COO of the Company, for consulting fees.

### Financial Year ended December 31, 2016

During the financial year ended December 31, 2016:

- i) the Company owed a total of \$158,767 (2015: \$66,302) to Donald 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, 2016;
- ii) a total of \$135,209 (2015 -\$50,602) included in accounts payable and accrued liabilities owing to Michael Krzus, Executive Chairman of the Company for consulting fees;
- iii) a total of \$25,117 (2015 - \$6,600) 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; and
- iv) a total of \$Nil (2015 - \$67,336) included in accounts payable and accrued liabilities owing to Jason Oden, COO of the Company, for consulting fees.

### Bonus Incentive Compensation

The Company's objective is to achieve certain strategic objectives and milestones. The Board considers 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, 2017 and December 31, 2016.

##### Benefits and Perquisites

The Company does not, as of the date of this Form, 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 or officers having entered into this type of transaction

As of the date of this Form, entitlement to grants of incentive stock options under the Company's Option Plan and restricted share unit awards under the Company's RSU Plan is the only equity security element awarded by the Company to its executive officers and directors.

#### **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.