

BONTERRA ENERGY CORP.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

To Be Held On May 18, 2017

**NOTICE OF MEETING AND
MANAGEMENT INFORMATION CIRCULAR**

April 6, 2017

BONTERRA ENERGY CORP.

901, 1015 Fourth Street S.W.
Calgary, Alberta
T2R 1J4

NOTICE OF ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF BONTERRA ENERGY CORP.

TAKE NOTICE that the Annual and Special Meeting (the “**Meeting**”) of the holders of common shares of **BONTERRA ENERGY CORP.** (the “**Corporation**”) will be held in the Bow Glacier Room/Bow River Room at the Centennial Place West Tower, Third Floor, 250 Fifth Street S.W., Calgary, Alberta, on Thursday, May 18, 2017, at the hour of 10:00 a.m. (Calgary time) for the purposes of:

1. Receiving and considering the audited financial statements of the Corporation for the fiscal year ended December 31, 2016 and the Report of the Auditor thereon;
2. Electing the Board of Directors for the ensuing year;
3. Appointing Deloitte LLP, Chartered Professional Accountants, Calgary, Alberta as the auditors of the Corporation for the ensuing year and to authorize the Board of Directors to fix their remuneration;
4. Considering an ordinary resolution to approve the unallocated options under the Corporation’s Stock Option Plan; and
5. Transacting such other business as may properly be brought before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular dated April 6, 2017 accompanying this Notice and forming part hereof.

Only shareholders of record at the close of business on April 13, 2017 are entitled to notice of and to attend and vote at the Meeting or any adjournment thereof.

Shareholders who are unable to attend the Meeting in person are requested to date and sign the enclosed form of proxy and return it, in the envelope provided, to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1. In order to be valid and acted upon at the Meeting, forms of proxy must be returned to the aforesaid address not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the date of the Meeting, or any adjournment thereof.

DATED at Calgary, Alberta, this 6th day of April, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) “*George F. Fink*”
George F. Fink
Chairman, Chief Executive Officer and Director

BONTERRA ENERGY CORP.

INFORMATION CIRCULAR

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

May 18, 2017

SOLICITATION OF PROXIES BY MANAGEMENT

This Information Circular is furnished in connection with the solicitation of proxies by the management of Bonterra Energy Corp. (the “**Corporation**”) for use at the annual and special meeting of the holders of common shares (“**Common Shares**”) of the Corporation to be held on Thursday, May 18, 2017, at 10:00 a.m. (Calgary time) (the “**Meeting**”) or at any adjournment thereof, for the purposes set forth in the Notice of Meeting accompanying this Information Circular.

There is enclosed herewith a form of proxy for use at the Meeting. A copy of the Annual Report, which includes the audited financial statements of the Corporation for the fiscal year ended December 31, 2016, has previously been disseminated to the shareholders. The holders of Common Shares of the Corporation (“**Shareholders**”) are entitled to vote and are encouraged to participate in the Meeting.

This solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of the Notice of Meeting, form of proxy and this Information Circular will be borne by the Corporation. Management does not contemplate a solicitation of proxies other than by mail.

In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so.

APPOINTMENT AND REVOCATION OF PROXIES

A Shareholder has the right to appoint a nominee, other than the persons designated in the enclosed form of proxy (who need not be a Shareholder), to represent him at the Meeting, by inserting the name of his chosen nominee in the space provided for that purpose on the form of proxy or by completing another proper form of proxy. Such a Shareholder should notify the nominee of his appointment, obtain his consent to act as proxy and instruct him on how the Shareholder’s shares are to be voted. In any case, the form of proxy should be dated and executed by the Shareholder or his attorney authorized in writing.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and received by Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, preceding the date of the Meeting, or any adjournment thereof.

In addition to revocation by any other manner permitted by law, a Shareholder who has given a proxy may revoke it, at any time before it is exercised, by instrument in writing executed by the Shareholder or by his attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited at the registered office of the Corporation at 901, 1015 Fourth Street S.W., Calgary, Alberta T2R 1J4, Attention: Corporate Secretary, at any time up

to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of such meeting on the date of the Meeting or any adjournment thereof.

NOTICE TO BENEFICIAL HOLDERS OF SHARES

Only registered Shareholders or the persons they validly appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a “**Non-Registered Shareholder**”) are registered either (i) in the name of an intermediary (an “**Intermediary**”) (including banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans) that the Non-Registered Shareholder deals with in respect of the Common Shares, or (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited), of which the Intermediary is a participant.

In accordance with the requirements of the Canadian Securities Administrators, the Corporation will distribute copies of the Notice of Meeting, this Information Circular, and the enclosed form of proxy (collectively, the “**meeting materials**”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Shareholders. The Corporation does not intend to pay for Intermediaries to forward meeting materials and voting instruction request forms to those Non-Registered Shareholders who have objected to their Intermediary disclosing ownership information about them pursuant to Canadian securities legislation (“**Objecting Beneficial Owners**”). As a result, Objecting Beneficial Owners will not receive these materials unless the Intermediary assumes the cost of delivery.

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Non-Registered Shareholders in advance of Shareholder meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Non-Registered Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Non-Registered Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Non-Registered Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Non-Registered Shareholders and asks Non-Registered Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting.

A Non-Registered Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.

Although a Non-Registered Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Non-Registered Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. **Non-Registered Shareholders who wish to attend the Meeting and indirectly vote their Common**

Shares as proxyholder for the registered Shareholder, should enter their own names in the blank space on the form of proxy or voting instruction form provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.

VOTING OF PROXIES

The persons named in the enclosed form of proxy are directors and/or officers of the Corporation and have indicated their willingness to represent as proxy the Shareholders who appoint them. Each Shareholder may instruct his proxy how to vote his shares by completing the blanks on the form of proxy.

Common Shares represented by properly executed proxy forms in favour of the persons designated on the enclosed proxy form will be voted for or withheld from voting in accordance with the instructions made on the proxy forms, on any ballot that may be called for and, if Shareholders specify a choice as to any matters to be acted upon, such Shareholders' shares shall be voted accordingly. In the absence of such instructions or choices, such shares will be voted in favour of all matters identified in the Notice of Meeting accompanying this Information Circular.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments and variations to matters identified in the Notice of Meeting and with respect to any other matters which may properly come before the Meeting. The Common Shares represented by the proxy will be voted on such matters in accordance with the best judgment of the person voting such shares. At the time of printing of this Information Circular, management knows of no such amendments, variations or other matters to come before the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS OF SHARES

The Corporation is authorized to issue an unlimited number of Common Shares, an unlimited number of Class A Redeemable Preferred Shares and an unlimited number of Class B Preferred Shares, issuable in series, all without par value. As of March 31, 2017, 33,310,796 Common Shares and nil preferred shares were issued and outstanding. On all matters to be considered and acted upon at the Meeting, holders of Common Shares are entitled to one vote for each Common Share held.

The Board of Directors (the "**Board**") has fixed April 13, 2017, as the record date (the "**Record Date**") for determining which Shareholders are entitled to receive notice of the Meeting. A shareholder of record at the close of business on April 13, 2017, shall be entitled to vote the Common Share registered in such shareholder's name on that date, except to the extent that (a) such person transfers his Common Shares after the Record Date; and (b) the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes his ownership to the Common Shares, and makes a demand to the registrar and transfer agent of the Corporation, not later than 10 days before the Meeting, that his name be included on the Shareholders' list.

To the best of the knowledge of the directors and officers of the Corporation, as at April 6, 2017, no person or company beneficially owns or controls or directs, directly or indirectly, Common Shares carrying more than 10% of the voting rights of the Corporation except as set out in the table below:

<u>Name and Municipality of Residence</u>	<u>Number of Common Shares</u>	<u>Percentage</u>
Obendorf Entities ⁽¹⁾ San Francisco, California	3,984,954	12.0%
George F. Fink Calgary, Alberta	3,426,625	10.3%

Note:

(1) Common shares are owned or controlled by William E. Oberndorf, entities controlled by Mr. Oberndorf and persons acting jointly or in concert with Mr. Oberndorf.

QUORUM FOR MEETING

At the Meeting, a quorum shall consist of two or more persons either present in person or represented by proxy and representing in the aggregate not less than 5% of the outstanding Common Shares. If a quorum is not present at a meeting within a reasonable time after the time fixed for the holding of the meeting, the Shareholders present or represented at the meeting may adjourn the meeting to a fixed time and place but may not transact any other business.

MATTERS TO BE ACTED UPON AT THE MEETING

To the knowledge of the Corporation's directors, the only matters to be placed before the Meeting are those set forth in the accompanying Notice of Meeting and more particularly discussed below.

1. Financial Statements

The audited financial statements of the Corporation for the year ended December 31, 2016 and the report of the auditors thereon will be placed before the Meeting. These financial statements and the auditor's report are contained in the Annual Report which has previously been distributed to Shareholders.

2. Election of Directors

At the Meeting, it is proposed that five persons be elected as directors of the Corporation, to serve until the next annual meeting of Shareholders or until their successors are duly elected or appointed. There are currently five directors. Pursuant to the *Canada Business Corporations Act*, the current directors of the Corporation cease to hold office at the close of the Meeting.

The persons designated in the enclosed form of proxy, unless instructed otherwise intend to vote for the election of the following nominees. Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

The names and municipalities of residence of the five persons nominated for election as directors of the Corporation by Shareholders, the number of Common Shares of the Corporation beneficially owned or controlled or directed, directly or indirectly, the offices held by each in the Corporation, the period served as director of the Corporation, the present principal occupation of each and five year occupational history of nominees not previously elected at a meeting of Shareholders are as follows:

Name and Municipality of Residence	Common Shares Beneficially owned or Controlled⁽¹⁾	Time as a Director⁽⁵⁾	Principal Occupation and Occupational History
Gary J. Drummond ⁽³⁾ Nassau, Bahamas	4,830	Director since 1999	Mr. Drummond is a private investor and a director of Pine Cliff Energy Ltd.
George F. Fink Calgary, Alberta Canada	3,426,625 ⁽²⁾	Director since 1998	Chief Executive Officer, Director and Chairman of the Board of the Corporation and Executive Chairman of the Board of Pine Cliff Energy Ltd., an oil and gas issuer. Mr. Fink is also a director of Raging River Exploration Inc.
Randy M. Jarock Calgary, Alberta Canada	382,277	Director since 2012	Director of Pine Cliff Energy Ltd. Mr. Jarock is also the former President and Chief Operating Officer of the Corporation and former Chief Operating Officer of Pine Cliff Energy Ltd.
Rodger A. Tourigny ⁽³⁾ Calgary, Alberta Canada	68,326	Director since 2013	President of Tourigny Management Ltd. (Calgary), a private consulting company, since 1979. Mr. Tourigny is also a director of LED Medical Diagnostics Inc.
Aidan M. Walsh Calgary, Alberta Canada	5,700	Nominee	Chief Executive Officer and co-founder of Baccalieu Energy Inc., a private junior oil and gas company since 2008. Mr. Walsh is also a director of Freehold Royalties Ltd.

Notes:

- (1) The information as to the number of Common Shares beneficially owned or controlled by directors, not being within the knowledge of the Corporation, has been furnished to the Corporation by the individual nominees.
- (2) Mr. Fink serves as Chief Executive Officer of the Corporation and, as at December 31, 2016, the total value of Common Shares held by Mr. Fink was \$99,680,521.
- (3) The Audit Committee currently consists of Messrs. Drummond, Tourigny and Jonsson. As Mr. Jonsson is not standing for re-election, it is anticipated that an additional director will be appointed to the Audit Committee following the Meeting.
- (4) All of the current directors are members of the Compensation Committee, the Disclosure Committee, the Reserves Committee and the Policy, Governance and Nominating Committee.
- (5) Period includes service as a director of Bonterra Energy Corp. and predecessor Corporations.

Majority Voting Policy

The Board has adopted a policy which requires that any nominee for director who receives a greater number of votes “withheld” than votes “for” his or her election as a director, in connection with an uncontested election, shall submit his or her resignation to the Board for consideration forthwith following the shareholders annual meeting. The Board shall consider the resignation and determine whether or not to accept the resignation within 90 days of the applicable meeting and a press release shall be issued by the Corporation announcing the Board’s determination. Any director who tenders his or her resignation shall not participate in any meetings to consider whether the resignation shall be accepted. The Board shall accept the resignation absent exceptional circumstances.

Corporate Cease Trade Order or Bankruptcies

None of those persons who are proposed directors of the Corporation is, or has been within the past ten years:

- (a) a director or chief executive officer or chief financial officer of any company, including the Corporation, that while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or was subject to an event that resulted, after the proposed director ceased to be a director or chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) a director or executive officer of any company, including the Corporation, that, while such person was acting in that capacity or within a year of 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
- (c) 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 such person’s assets.

None of those persons who are proposed directors of the Corporation have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

3. Appointment of Auditors

At the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote in favour of a resolution to appoint the firm of Deloitte LLP, Chartered Professional Accountants, Calgary, Alberta, to serve as auditors of the Corporation until the next annual meeting of shareholders and to authorize the Board of Directors to fix the remuneration of the auditors.

4. Approval of the Unallocated Options under the Stock Option Plan

At the Meeting, Shareholders will be asked to pass an ordinary resolution approving all unallocated options under the Corporation's Stock Option Plan (the "**Stock Option Plan**" or the "**Plan**"). The approval is being sought in accordance with policies of the Toronto Stock Exchange ("**TSX**") which require that unallocated options under a stock option plan that does not have a fixed maximum number of securities issuable must be ratified by Shareholders every three years. The number of Common Shares issuable pursuant to the Plan is limited to 10% of the issued and outstanding Common Shares of the Corporation, rather than a fixed number, and the Plan has not been ratified by Shareholders since 2014. Accordingly, at the Meeting Shareholders will be asked to pass an ordinary resolution approving the unallocated options available under the Stock Option Plan. There have not been any amendments to the Plan since it was last approved by Shareholders in 2014. The terms and conditions of the Plan are summarized under the heading "*Executive Compensation – Compensation Discussion and Analysis – Compensation Elements – Stock Option Plan*" and a copy of the Stock Option Plan is attached hereto as Schedule "B".

As at March 31, 2017, 2,610,000 options to acquire Common Shares were outstanding, representing 7.8% of the 33,310,796 Common Shares issued and outstanding, leaving 721,079 Common Shares representing 2.2% of the issued and outstanding Common Shares available to be reserved for future option allocations. At the Meeting, Shareholders will be asked to consider and, if thought appropriate, approve, an ordinary resolution approving the unallocated options under the Stock Option Plan. The ordinary resolution must be approved by a majority vote of the Shareholders. Unless otherwise directed, it is the intention of the management designees to vote proxies in the accompanying form in favour of this ordinary resolution.

If approval is obtained at the Meeting, the Corporation will not be required to seek further approval of the grant of unallocated options under the Stock Option Plan until 2020. If the resolution approving the unallocated options under the Plan is not approved, previously granted options will continue and not be affected; however, in such circumstances, additional options may not be granted and previously granted options will not be available for re-allocation if they are exercised or cancelled.

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

"BE IT RESOLVED as an ordinary resolution that:

1. all unallocated options, rights or other entitlements under the Stock Option Plan be and are hereby approved;
2. the Corporation is hereby authorized to continue granting options under the Stock Option Plan until May 18, 2020, being the date that is three years from the date of this resolution; and
3. any director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this resolution."

5. Others Matters to be Acted Upon

Management of the Corporation is not aware of any matters to come before the Meeting, other than as set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention

of the persons named in the enclosed form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

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

The Corporation is not aware of any material interest of any director, executive officer, nominee for election as a director of the Corporation or of any associate or affiliate of any of the foregoing in respect of any matter to be acted on at the Meeting.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of any “informed person” (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) of the Corporation, any proposed nominee for election as a director of the Corporation or any associate or affiliate of any such person or proposed nominee in any transaction since the beginning of the most recently completed financial year, or in any proposed transaction, that has materially affected or would materially affect the Corporation or any of its subsidiaries.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

No directors or current or former executive officers or employees of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, is or was indebted to the Corporation or any of its subsidiaries at any time since the beginning of the most recently completed financial year.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Governance

The Compensation Committee is responsible for setting the overall compensation strategy of the Corporation and administering the Corporation’s executive compensation program. As part of its mandate, the Compensation Committee approves the appointment and remuneration of the Corporation’s executive officers, including the Named Executive Officers identified in the Summary Compensation Table. The Compensation Committee is also responsible for reviewing the Corporation’s compensation policies and guidelines generally. In addition, the Compensation Committee will receive and review recommendations of the Chief Executive Officer relating to the general compensation structure and policies and programs for the Corporation and the salary and benefit levels for the executive officers.

The Compensation Committee consists of all of the members of the Board, currently being Messrs. Drummond, Fink, Jarock, Jonsson and Tourigny. All of the members of the Compensation Committee are independent within the meaning of section 1.4 of National Instrument 52-110 – *Audit Committees*, other than Mr. Fink due to his role as Chairman and Chief Executive Officer of the Corporation.

All of the members of the Compensation Committee have direct experience that is relevant to their responsibilities in executive compensation, as they have each managed executives and/or business leaders in their current and/or past roles. In these roles, they have participated in compensation planning sessions, made compensation decisions and participated in compensation discussions with external consultants.

No consultants have been hired; however, various studies have been reviewed and also comparatives to peers in similar positions and similar roles have been relied upon.

Compensation Elements

The objective of the executive compensation program is to attract, motivate, reward and retain management talent that is needed to achieve the Corporation's business objectives. The compensation program is designed to ensure that compensation is competitive with other companies of similar size and is commensurate with the experience, performance and contribution of the individuals involved and the overall performance of the Corporation. In evaluating performance, the Compensation Committee gives consideration to the Corporation's long-term interests and quantitative financial objectives, as well to the qualitative aspects of the individual's performance and achievements.

The executive compensation program is comprised of three principal components: base salaries, a bonus plan and a stock option plan which are designed to provide a combination of cash and equity-based compensation to effectively retain and motivate the executive officers to achieve the corporate goals and objectives. Each component of the executive compensation program is described below.

Base Salaries

Executive officers are paid a base salary to compensate them for providing the leadership and specific skills needed to fulfill their responsibilities. The base salaries for the executive officers are reviewed annually by the Compensation Committee and are determined by considering the contributions made by the officers, how their compensation levels related to compensation packages that would be achievable by such officers from other opportunities and commercially available salary survey data. Salaries of the executive officers are not determined based on benchmarks or a specific formula. The Compensation Committee submits its recommendation to the Board to determine the salary of the Chief Executive Officer. The Compensation Committee considers, and if thought appropriate, approves salaries recommended by the Chief Executive Officer for the other executive officers of the Corporation.

Bonus Plan

The Board, upon the recommendation of the Compensation Committee, approves bonus payments to reward executive officers for their contribution to the achievement of annual corporate goals and objectives. The payment of bonuses is consistent with the overall objective of the Corporation to reward performance. The bonus pool consists of a range between 2.5 to 3.5 percent of pre-income tax profit (which includes all non cash flow expenditures such as depreciation and depletion) and up to 100 percent of this bonus money is paid out on a discretionary basis. The Corporation does not have any specific goals to determine individual bonus payments. Management determines the amount to be paid to each employee and it is then presented to the Compensation Committee for approval. No bonuses were awarded for 2016.

Stock Option Plan

The Corporation has adopted a Stock Option Plan, a copy of which is attached hereto as Schedule "B", pursuant to which options to purchase Common Shares may be granted to directors, officers, employees and consultants of the Corporation. The Plan is designed, through the grant of options, to reward key individuals in relation to their overall contribution and to the appreciation of the Corporation's share price during the term of the options. The Plan is an integral component of the Corporation's total compensation program in terms of attracting and retaining key employees and enhances shareholder value by aligning the interests of executives and employees with share price increases and the growth and profitability of

the Corporation. The longer-term focus of the Plan complements and balances the short-term elements of the compensation program of the Corporation.

Pursuant to the Plan, the Board may, on the recommendation of the Compensation Committee, grant from time to time to directors, officers, employees and consultants of the Corporation options to purchase Common Shares. In determining the number of options to be granted to the executive officers, the Compensation Committee considers the amount, terms and vesting levels of existing options held by the officers and also the number of options remaining available for grant by the Corporation in the future to attract and retain qualified technical and administrative staff. Generally, the number of options granted to any optionee is a function of the level of authority and responsibility of the optionee, the contribution that has been made by the optionee to the business and affairs of the Corporation, the number of options that have already been granted to the optionee and such other factors as the Compensation Committee may consider relevant.

The Plan reserves for the grant of options 10% of the total number of Common Shares outstanding (on a non-diluted basis). The exercise price of an option is determined at the time of grant and is to be not less than the closing price of the Common Shares on the TSX on the last trading day preceding the date of grant. The term of an option shall not be less than one year and shall not be more than five years from the date of grant. Unless otherwise specified, options vest as to one-third of the entitlement each year following the date of grant. Options are exercisable only during the term of employment or service of an optionee, provided that the exercise period is extended for 120 days in the event of the death of the optionee and 10 days in the event of an optionee ceasing to be an director, officer or employee for any reason other than death or termination for cause. In the event of an option expiring during a blackout period then the expiration date of the option is extended to the tenth business day after the expiry of the blackout period. Options are not transferable, except upon death or as authorized by the Board.

The number of Common Shares reserved for issuance to insiders of the Corporation pursuant to options and other security based compensation arrangements shall not exceed 10% of the total number of Common Shares outstanding. Furthermore, the issuance of Common Shares to insiders of the Corporation pursuant to options and other security based compensation arrangements shall not exceed or result in the issuance to insiders during a one year period of more than 10% of the total number of Common Shares outstanding, nor may the issuance to any one such insider and associates of such insider, within a one year period, exceed 5% of the total number of Common Shares outstanding. In addition, the number of Common Shares reserved for issuance to any one person pursuant to options shall not exceed 5% of the total number of Common Shares outstanding.

An optionee may exercise options by payment of the exercise price of the options in cash or the optionee may elect to effect a cashless exercise of any vested and exercisable options whereby the optionee would receive, without any cash payment (other than amounts due in respect of taxes), a number of Common Shares determined by dividing the in-the-money value of the options by the market price of the Common Shares.

The Board may amend the Plan and may amend the terms and conditions of options granted pursuant to the Plan, without shareholder approval, provided that the amendment does not change the number of options issuable under the Plan, change the class of eligible participants, change the amending provisions of the Plan, reduce the exercise price of options held by insiders or extend the term of options held by insiders. Amendments are subject to any required approval of any regulatory authority or stock exchange.

During the year ended December 31, 2016, the Corporation granted 935,000 options pursuant to the Plan which represents 2.8% of the 33,302,435 Common Shares outstanding at December 31, 2016. In addition, as at December 31, 2016, there were 2,737,000 options outstanding, representing 8.2% of the Common

Shares outstanding as of that date and 159,000 common shares were issued during the year on exercise of options, representing 0.5% of the Common Shares outstanding as of that date.

Risks Associated with Compensation Policies and Practices

The oversight and administration of the Corporation's executive compensation program requires the Compensation Committee to consider risks associated with the Corporation's compensation policies and practices. Potential risks associated with compensation policies and compensation awards are considered at annual reviews and also throughout the year whenever it is deemed necessary by the Compensation Committee.

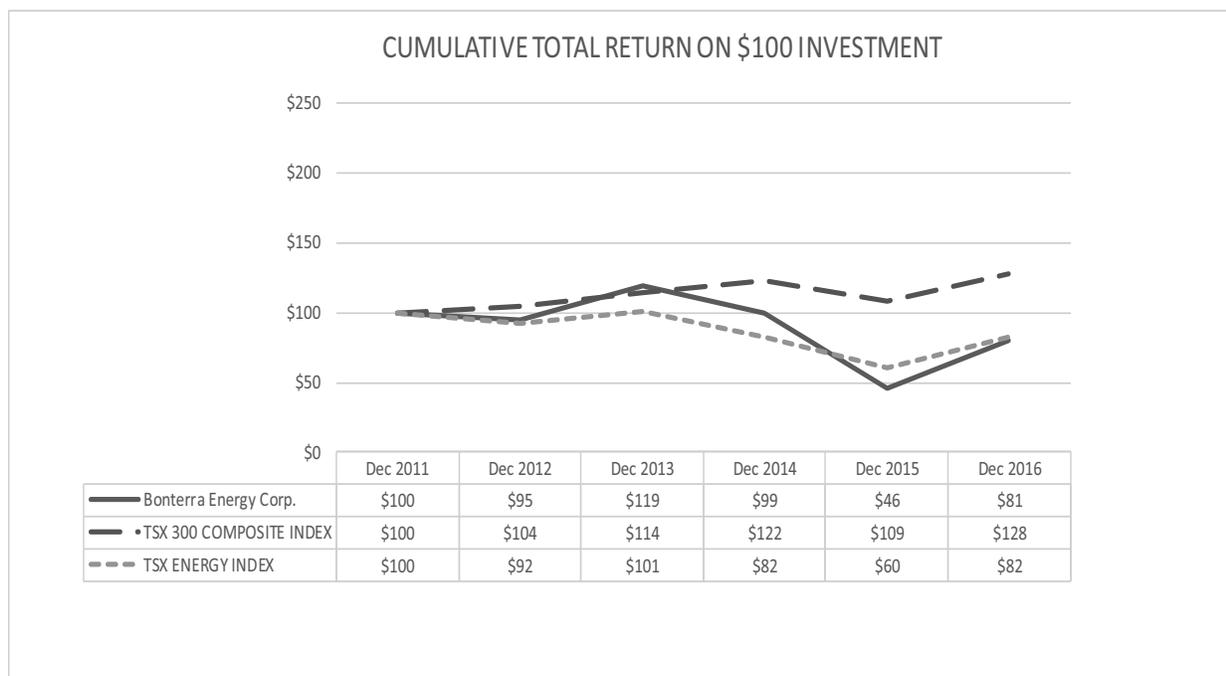
The Corporation's executive compensation policies and practices are intended to align management incentives with the long-term interests of the Corporation and its shareholders. In each case, the Corporation seeks an appropriate balance of risk and reward. Practices that are designed to avoid inappropriate or excessive risks include (i) financial controls that impose limits and require approvals in areas such as capital and operating expenditures to mitigate risk taking that could affect compensation, (ii) balancing base salary and variable compensation elements, (iii) spreading compensation across short and long-term programs, (iv) limiting bonuses to a pre-determined percentage of pre-income tax profit, and (v) vesting of stock options over a period of years.

Financial Instruments

The Corporation does not have a policy that would prohibit a Named Executive Officer or director from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director. However, management is not aware of any Named Executive Officer or director purchasing such an instrument.

Performance Graph

The following graph compares the yearly percentage change in the cumulative shareholder return over the last five years of the Common Shares of the Corporation (assuming a \$100 investment was made on December 31, 2011 and reinvestment of dividends in Common Shares of the Corporation) and the cumulative total return of the S&P/TSX Composite Index and the TSX Energy Index.



Total Shareholder Return (TSR) and Its Relationship with Executive Compensation

Executive compensation is defined as the aggregate of base salary, annual bonuses (if any), stock options, and any other miscellaneous types of benefits that may periodically be granted to an executive. There was a decrease in total compensation of executive officers for the period disclosed in the Summary Compensation Table, below. When the Compensation Committee of the Board determines overall compensation, it considers a number of factors and performance elements. Although TSR is one performance measure that is reviewed, it is not the only consideration. As a result, a direct correlation between TSR over a given period and executive compensation levels is not anticipated.

Process for Granting Option-Based Rewards

The process that the Corporation uses to grant option-based awards to executive officers, including the Named Executive Officers, is for the Board to approve option grants based on recommendations made by the Compensation Committee. Option grants can be made at any time and there are no specific periods for the issuance of options. Option awards are determined based on the factors described above under the heading “*Compensation Elements - Stock Option Plan*”.

Summary Compensation Table

The following table sets forth a summary of all compensation for services paid during the three most recently completed financial years for George F. Fink, Chief Executive Officer, Robb D. Thompson, Chief Financial Officer and Secretary, Adrian Neumann, Chief Operating Officer, and Brad A. Curtis, Senior Vice President, Business Development (the “**Named Executive Officers**”). No other executive officer received total compensation of more than \$150,000 during the most recently completed financial year.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$) ⁽⁴⁾	Total compensation (\$)
					Annual incentive plans	Long term incentive plans			
George F. Fink, Chief Executive Officer	2016	230,000	nil	339,311 ⁽¹⁾	nil	nil	nil	nil	569,311
	2015	230,500	nil	441,441 ⁽²⁾	112,000	nil	nil	nil	783,941
	2014	230,000	nil	298,300 ⁽³⁾	329,000	nil	nil	nil	857,300
Robb D. Thompson, Chief Financial Officer and Secretary	2016	230,000	nil	339,311 ⁽¹⁾	nil	nil	nil	nil	569,311
	2015	230,000	nil	441,441 ⁽²⁾	112,000	nil	nil	nil	783,441
	2014	230,000	nil	298,300 ⁽³⁾	329,000	nil	nil	nil	857,300
Adrian Neumann, Chief Operating Officer	2016	230,000	nil	339,311 ⁽¹⁾	nil	nil	nil	nil	569,311
	2015	230,000	nil	441,441 ⁽²⁾	112,000	nil	nil	nil	783,441
	2014	230,000	nil	224,888 ⁽³⁾	329,000	nil	nil	nil	783,888
Brad A. Curtis, ⁽⁵⁾ Senior Vice President, Business Development	2016	205,000	nil	339,311 ⁽¹⁾	nil	nil	nil	nil	544,311
	2015	205,000	nil	441,441 ⁽²⁾	112,000	nil	nil	nil	758,441
	2014	205,000	nil	298,300 ⁽³⁾	329,000	nil	nil	nil	832,300

Notes:

- (1) Represents the compensation value of options granted on August 29, 2016. The option grant value is based on a share price of \$25.80 and a Black-Scholes volatility factor of 60%. The option grant compensation value reflects a 1.0 year life of the options as well as assumptions for risk-free interest rate and dividend yield.
- (2) Represents the compensation value of options granted on March 24, 2015, and October 2, 2015. The March 24, 2015 option grant value is based on a share price of \$34.61 and a Black-Scholes volatility factor of 30%. The option grant compensation value reflects a 2.0 year life of the options as well as assumptions for risk-free interest rate and dividend yield. The October 2, 2015 option grant value is based on a share price of \$20.46 and a Black-Scholes volatility factor of 52%. The option grant compensation value reflects a 1.0 year life of the options as well as assumptions for risk-free interest rate and dividend yield.
- (3) Represents the compensation value of options granted on January 31, 2014, and July 30, 2014. The January 31, 2014 option grant value is based on a share price of \$51.25 and a Black-Scholes volatility factor of 17%. The option grant compensation value reflects a 1.0 year life of the options as well as assumptions for risk-free interest rate and dividend yield. The July 30, 2014 option grant value is based on a share price of \$61.19 and a Black-Scholes volatility factor of 18%. The option grant compensation value reflects a 1.5 year life of the options as well as assumptions for risk-free interest rate and dividend yield.
- (4) The value of perquisites and benefits for each Named Executive Officer is less than 10% of each Named Executive Officer’s total salary for the financial year.
- (5) Brad A. Curtis was appointed Senior Vice President, Business Development effective March 1, 2017.

Incentive Plan Awards

Outstanding Option-Based Awards

The following table sets forth information in respect of all option-based awards outstanding at the end of the financial year ended December 31, 2016 to the Named Executive Officers of the Corporation.

Option-based Awards					
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	
George F. Fink	62,000	25.80	Aug. 31/2018	203,980	
	65,000	34.61	Sept. 30/2017	Nil	
Robb D. Thompson	62,000	25.80	Aug. 31/2018	203,980	
	65,000	34.61	Sept. 30/2017	Nil	
	55,000	20.46	Sept. 30/2017	474,650	
Adrian Neumann	62,000	25.80	Aug. 31/2018	203,980	
	65,000	34.61	Sept. 30/2017	Nil	
	55,000	20.46	Sept. 30/2017	474,650	
Brad A. Curtis	62,000	25.80	Aug. 31/2018	203,980	
	65,000	34.61	Sept. 30/2017	Nil	
	55,000	20.46	Sept. 30/2017	474,650	

Note:

(1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Corporation's Common shares on the TSX on December 31, 2016 of \$29.09.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth information relating to the value vested or earned during the Corporation's financial year ended December 31, 2016 in respect of option-based awards and non-equity incentive plan compensation for Named Executive Officers of the Corporation.

Name	Option-based awards- Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
George F. Fink	305,250	nil	nil
Robb D. Thompson	305,250	nil	nil
Adrian Neumann	305,250	nil	nil
Brad A. Curtis	305,250	nil	nil

Note:

(1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Corporation's Common Shares on the TSX on the vesting dates.

Gains Realized upon Exercise of Stock Options

During the financial year ended December 31, 2016, the only Named Executive Officer that exercised options was Mr. Fink who exercised 55,000 options at an exercise price of \$20.46 per share for a gain of \$302,500.

Termination and Change of Control Benefits

The Corporation has no written contract, agreement, plan or arrangement that provides for payments or benefits to Named Executive Officers in connection with any termination, resignation, retirement, change of control of the Corporation or change in the responsibilities of the executive officer, except for provisions of the Stock Option Plan which provide for the exercise of unvested options in the event of a change of control of the Corporation. The value of unvested options held by Named Executive Officers at December 31, 2016 (based on the closing price of the Common Shares on the TSX on December 31, 2016) was \$203,980 for Mr. Fink, \$678,630 for Mr. Thompson, \$678,630 for Mr. Neumann, and \$678,630 for Mr. Curtis.

Director Compensation for Directors who are Not Named Executive Officers of the Corporation

Director Compensation Table

The following table sets forth information in respect of all amounts of compensation provided to the directors during the Corporation's financial year ended December 31, 2016. As Mr. Fink was a Named Executive Officer during the year, his respective disclosure with respect to fees earned (if any) and option-based awards is included in the above sections.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards⁽¹⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Gary J. Drummond	5,200	nil	136,819	nil	n/a	nil	142,019
Carl R. Jonsson	4,400	Nil	136,819	nil	n/a	nil	141,219
Randy M. Jarock	5,600	nil	136,819	nil	n/a	nil	142,419
Rodger A. Tourigny	6,400	nil	135,204	nil	n/a	nil	141,604

Note:

- (1) Represents the compensation value of options granted on August 29, 2016. The option grant value is based on a share price of \$25.80 and a Black-Scholes volatility factor of 60%. The option grant compensation value reflects a 1.0 year life of the options as well as assumptions for risk-free interest rate and dividend yield.

Outstanding Option-Based Awards

The following table sets forth information in respect of all option-based awards outstanding at the end of the financial year ended December 31, 2016 to the directors of the Corporation.

Option-based Awards						
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾		
Gary J. Drummond	30,000	34.61	Sept. 30/17	nil		
	25,000	20.46	Sept. 30/17	215,750		
	25,000	25.80	Aug. 30/18	82,250		
Carl R. Jonsson	30,000	34.61	Sept. 30/17	nil		
	25,000	20.46	Sept. 30/17	215,750		
	25,000	25.80	Aug. 30/18	82,250		
Randy M. Jarock	30,000	34.61	Sept. 30/17	nil		
	25,000	20.46	Sept. 30/17	215,750		
	25,000	25.80	Aug. 30/18	82,250		
Rodger A. Tourigny	30,000	49.76	Jan. 30/17	nil		
	30,000	34.61	Sept. 30/17	nil		
	25,000	20.46	Sept. 30/17	215,750		
	25,000	25.80	Aug. 30/18	82,250		
	30,000	61.19	Jan. 31/18	nil		

Note:

- (1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Corporation's Common Shares on the TSX on December 31, 2016 of \$29.09.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth information in respect of the value vested or earned during the Corporation's financial year ended December 31, 2016 of option-based awards, share-based awards and non-equity incentive plan compensation for directors of the Corporation.

Name	Option-based awards- Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Gary J. Drummond	138,750	nil	nil
Carl R. Jonsson	138,750	nil	nil
Randy M. Jarock	138,750	nil	nil
Rodger A. Tourigny	138,750	nil	nil

Note:

- (1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Corporation's Common Shares on the TSX on the vesting dates.

EQUITY COMPENSATION PLAN INFORMATION

As of December 31, 2016, equity securities are authorized for issuance as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders – Stock Option Plan	2,737,000	\$30.50	593,244 ⁽¹⁾
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	2,737,000	\$30.50	593,244

Note:

(1) The Plan reserves for issuance a maximum of 10% of the 33,302,435 Common Shares outstanding at December 31, 2016.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Under National Instrument 58-101 *Disclosure of Corporate Governance Practices*, the Corporation is required to include in this Management Information Circular the disclosure required under Form 58-101F1 with respect to the matters set out under National Policy 58-201 *Corporate Governance Guidelines*.

Board of Directors

The Board is responsible for supervising the management of the business and affairs of the Corporation and is comprised of five directors, of which four are independent. The independent directors are Gary J. Drummond, Carl R. Jonsson, Rodger A. Tourigny and Randy M. Jarock. The Chief Executive Officer of the Corporation, George F. Fink, is not independent by virtue of being a member of the Corporation's management. Mr. Jonsson is not standing for re-election as a director at the Meeting. However, Aidan M. Walsh is proposed to be nominated for election as a director at the Meeting and, if elected, would be an independent director. All of the Corporation's current and proposed directors serve as directors of other reporting issuers as indicated in the table below.

Director	Directorships Held
Gary J. Drummond	Pine Cliff Energy Ltd.
George F. Fink	Pine Cliff Energy Ltd. Raging River Exploration Inc.
Randy M. Jarock	Pine Cliff Energy Ltd.
Carl R. Jonsson	Pine Cliff Energy Ltd. Comet Industries Ltd. Astorius Resources Ltd. Alba Minerals Ltd. DV Resources Ltd.
Rodger A. Tourigny	LED Medical Diagnostics Inc.
Aidan M. Walsh	Freehold Royalties Ltd.

At the end of each meeting of the Board, the independent directors meet without management to consider any matters arising from the meeting or otherwise that require consideration or discussion among the independent directors. There were 11 such meetings held since the beginning of the last completed financial year.

Mr. Fink is the Chairman of the Board and is not independent. The Board has determined that it is appropriate to combine the offices of Chairman and Chief Executive Officer to maintain efficiencies in establishing corporate goals and objectives. In order to provide leadership for the independent directors, the Board encourages communication among the independent directors through in camera meetings in the absence of non-independent directors and management at regular Board meetings and through discussions outside of formal Board meetings.

Except for Carl R. Jonsson not attending one scheduled Board meeting and the respective Audit Committee meeting and Rodger Tourigny not attending one scheduled Audit Committee meeting, all directors attended all 11 scheduled meetings of the Board, as well as their respective committee meetings.

Board Mandate

The Mandate of the Board (the “**Board Mandate**”) is to plan the Corporation’s long term objectives and goals on a continuous basis. The Board Mandate is attached hereto as Schedule “A”.

Board Committees

The Board has established the following Board Committees comprised of the members set out in the following table:

Committee	Members	Independent
Audit Committee	Gary J. Drummond	Yes
	Carl R. Jonsson	Yes
	Rodger A. Tourigny – Chair	Yes
Compensation Committee	Gary J. Drummond	Yes
	George F. Fink	No ⁽¹⁾
	Randy M. Jarock – Chair	Yes
	Carl R. Jonsson	Yes
	Rodger A. Tourigny	Yes
Policy, Governance and Nominating Committee	Gary J. Drummond – Chair	Yes
	George F. Fink	No ⁽¹⁾
	Randy M. Jarock	Yes
	Carl R. Jonsson	Yes
	Rodger A. Tourigny	Yes
Disclosure Committee	Gary J. Drummond	Yes
	George F. Fink	No ⁽¹⁾
	Randy M. Jarock	Yes
	Carl R. Jonsson – Chair	Yes
	Robb D. Thompson	No ⁽¹⁾
	Rodger A. Tourigny	Yes
Reserves Committee	Gary J. Drummond	Yes
	George F. Fink	No ⁽¹⁾
	Randy M. Jarock – Chair	Yes
	Carl R. Jonsson	Yes
	Rodger A. Tourigny	Yes

Note:

(1) This person is not considered to be independent as he is a member of management of the Corporation.

The function of the Policy, Governance and Nominating Committee is to recommend governance policies for adoption by the Corporation, and to amend, administer and monitor compliance with the Corporation's governance policies. The function of the Disclosure Committee is to ensure that written and oral communications regarding the Corporation are timely, factual and accurate, broadly disseminated and reviewed by the Disclosure Committee in compliance with the Disclosure Policy approved by the Committee, and to assist the CEO and CFO in the discharge of their duties regarding certification of interim and annual financial statements. The function of the Reserves Committee is to recommend the engagement of a reserves evaluator, ensure the reserves evaluator's independence, review the procedures for disclosure of reserves evaluation, meet independently with the reserves evaluator to review the scope of the annual review of reserves, discuss findings and disagreements with management, annually assess the work of the reserves evaluator and approve the Corporation's annual reserve report and consent forms of management and the reserves evaluator thereto.

Position Descriptions

The position descriptions are as follows:

Board of Directors and Committee Chairs

The Board is responsible for the overall direction of the Corporation. Its role is to guide the Corporation and set objectives that will best serve the interests of the Shareholders. The Board meets or has conference call meetings at least four times per year. Each Committee meets a minimum number of times per year as required to conduct its respective duties. Agendas are provided to all directors in advance of all meetings and are generally prepared by management and are discussed with Board members who are responsible for particular items with regard to the agenda. The Chairs of the Committees are responsible for setting the agenda for each of their respective Committee meetings. The Chair of each Committee reports to the Board following each Committee meeting. Minutes of each Board and Committee meeting are executed and copies are provided to the full Board. The Board and Committees continue to establish key goals to provide focus to their core responsibilities on an ongoing basis.

The Board and each Committee can meet independently of management at any time and are encouraged to do so whenever a member deems it is warranted. The Board and each Committee also have the authority to engage independent advisors, paid for by the Corporation, to provide it with expert advice.

Currently the Board consists of four independent directors and one director who is not independent. The term for each director is for one year. The main responsibility of the Chairs of the respective Committees as outlined above is to assess the requirements of the specific Committee on an ongoing basis and to communicate these requirements to the full Board. The term of each Committee Chair is for one year.

Each Board member is evaluated informally each year by all of the other Board members and formally by all of the Shareholders in that they are required to be elected each year by the Shareholders.

CEO Position

The Chair of the Policy, Governance and Nominating Committee sets goals and objectives each year for the CEO by providing guidance through approval of formal documents and informal discussions with Board members and Committee members including the CEO. The three independent directors evaluate the CEO's performance at least annually. For a detailed analysis of the CEO's compensation for 2016, please see "*Statement of Executive Compensation*" above.

Orientation and Continuing Education

The Corporation has developed an orientation program, administered by the Policy, Governance and Nominating Committee, for new directors which provide each new director with all applicable information regarding the roles and responsibilities of the Board, each Committee, the Board Chair, Chair of each Committee and the CEO. It provides information regarding the nature and operation of the Corporation's business, its organizational structure, governance policies including the Board Mandate and each Committee Mandate, the Whistle Blower Policy and the Code of Business Conduct, which is available on SEDAR at www.sedar.com and the Corporation's Disclosure Policy. The information is updated as the Corporation's business, governance documents and policies change.

The Corporation arranges for presentations to be made to the Board and each Committee of the Board to inform directors regarding corporate developments and changes in legal, regulatory and industry requirements affecting the Corporation. As well, directors are encouraged to visit the Corporation's facilities, to interact with management and employees and to stay abreast of industry developments and

the evolving business of the Corporation. The Corporation encourages its Board and Committee members to continue to educate themselves through courses and discussions that will be paid for by the Corporation to ensure that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

Ethical Business Conduct

The Corporation has adopted a written Code of Business Conduct (the “**Code**”). The Policy, Governance and Nominating Committee takes reasonable steps to monitor compliance with the Code by requiring employees, on the commencement of their employment and as and when directed by management, to sign a copy of the Code acknowledging that they have read, understood and will comply with the Code. The Code applies to the Corporation’s directors, executive officers, management, employees and consultants, each of whom is expected to ensure that his or her behaviour accords with the letter and the spirit of the Code. The Code also encourages all parties who engage in business with the Corporation to report any perceived and all actual breaches of the Code in accordance with the Corporation’s Whistle Blower Policy. The Chair of the Committee is responsible for investigating complaints, presenting complaints to the Committee and any other applicable Committee of the Board or the Board as a whole, and developing a plan for promptly and fairly resolving complaints. Upon conclusion of the investigation and resolution of a complaint, the Chair of the Committee will advise the complainant of the corrective measures that have been taken or advise the complainant that the complaint has not been substantiated. The Code prohibits retaliation by the Corporation, its directors, executive officers and management, against complainants who raise concerns in good faith and requires the Corporation to maintain the confidentiality of complainants to the greatest extent practicable. Complainants may also submit their concerns anonymously in writing. However, complaints that in the future are determined to be inaccurate or untruthful could result in suspension or dismissal.

In addition to the Code, the Corporation has an Audit Committee Charter regarding the collection and dissemination of accounting information, and a Whistle Blower Policy with respect to reporting accounting and auditing irregularities, as well as other corporate misconduct and breaches of the Code. Copies of these documents are available on the Corporation’s website.

Since the beginning of the most recently completed financial year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.

Exercise of Independent Judgement

The Board encourages and promotes a culture of ethical business conduct by appointing directors who demonstrate integrity and high ethical standards in their business dealings and personal affairs. Directors are required to abide by the Code and are expected to make responsible and ethical decisions in discharging their duties, thereby setting an example of the standard to which management and employees should adhere. The Board is required by the Board Mandate to satisfy itself that the CEO and other executive officers are acting with integrity and fostering a culture of integrity throughout the Corporation.

The Policy, Governance and Nominating Committee is responsible for reviewing departures from the Code by executive officers, management, employees and consultants, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. The Board as a whole is responsible for responding to conflict of interest situations involving directors, particularly with respect to existing or proposed transactions and agreements in respect of which directors advise they have a material interest.

Conflicts of Interest

The Board Mandate requires: (1) that directors and officers disclose any material interest in any transaction or agreement with the Corporation; (2) that an individual director, if requested by himself or by the Board, excuse himself or herself from Board deliberations; and (3) that directors do not vote in respect of transactions in which they have an interest. The Corporation's directors and officers must also abide by the disclosure of conflict of interest provisions contained in the *Canada Business Corporations Act*. By taking these steps, the Board strives to ensure that directors at Board meetings exercise independent judgement, unclouded by the relationships of the directors and officers to each other and the Corporation, in considering transactions and agreements in respect of which directors and executive officers have an interest.

Director Nomination

Responsibility for identifying new candidates to join the Board belongs to the Policy, Governance and Nominating Committee. The Committee is responsible for identifying qualified candidates, recommending nominees for election as directors, and appointing directors to Committees. The Committee is required to consider a candidate's independence, financial acumen, skills and available time to devote to the duties of the Board in making their recommendations for nomination. The Committee reviews the composition and size of the Board and tenure of directors in advance of annual general meetings when directors are most commonly elected by the Corporation's Shareholders, as well as when individual directors indicate that their terms may end or that their status may change. The Policy, Governance and Nominating Committee is comprised of the entire Board.

In addition, the Nominating Committee is empowered to recommend candidates to fill any vacancy in the Board that arises between annual meetings. Subject to the Articles of the Corporation, the Nominating Committee also has the authority to recommend the appointment of additional directors between annual meetings.

Term Limits

The Board has not adopted term limits for Board members, mandatory retirement policies or other mechanisms of Board renewal. However, the Policy, Governance and Nominating Committee has a process in place for the annual review of the performance of individual directors, the Board as a whole and the Board Committees. Through this annual review process, the Policy, Governance and Nominating Committee determines whether an individual director is able to continue to make an effective contribution and recommend changes when appropriate. The Board is of the view that a regular review process is more effective than arbitrary term limits or other mechanisms of Board renewal such as a mandatory retirement age. The Policy, Governance and Nomination Committee also has the mandate and responsibility for annually reviewing the composition, skills and tenure of directors in advance of annual meetings of shareholders and whenever individual directors indicate that their status as members may change.

Women on the Board and in Executive Officer Positions

The Corporation has not adopted written policies or targets relating to the identification and nomination of women directors or the appointment of women to executive officer positions. As mentioned above, the Policy, Governance and Nominating Committee evaluates potential nominees to the Board by reviewing the qualifications of prospective nominees relative to the skills and experience that it anticipates are needed to enhance the capabilities of the Board. Similarly, the Board evaluates candidates for executive officer positions primarily based on whether the individual has the skills and experience that are necessary to be successful in the particular position.

Although the Corporation does not specifically consider the level of representation of women and has not adopted written policies or targets relating to the appointment of women as directors and executive officers, and while the emphasis in any search to fill vacancies has been on finding the best qualified candidate, the Corporation recognizes the potential benefit of incorporating different perspectives into management decisions and, accordingly, an individual's diversity of gender, race, nationality, age and other attributes is considered favourably in the assessment of candidates for director or officer positions.

The Corporation does not currently have any women that serve on its board of directors or in executive officer positions.

Compensation

The Compensation Committee annually recommends the compensation to be received by the Corporation's directors and CEO, and evaluates the proposed compensation to be received by the executive officers and management. The Compensation Committee is comprised of the entire Board. The CEO, who is also a director, does not participate in any Board discussions with regard to compensation issues that pertain to him. Compensation is determined in the context of the Corporation's goals, shareholder returns and other achievements, and considered in the context of position descriptions, goals and the performance of each individual director and officer. With respect to directors' compensation, the Compensation Committee reviews the level and form of compensation received by the directors, members of each Committee, and the Chair of the Board and each Committee, considering the duties and responsibilities of each member, his or her past service and continuing duties in service to the Corporation.

Director Assessment

In addition to determining compensation, the Compensation Committee is responsible for conducting an informal annual evaluation and assessment of the performance, contribution and effectiveness of individual directors, each Committee and the Board as a whole. The annual review also asks directors to provide feedback on the Corporation's Board and Committee Mandates, the Code and all of its policies. The Compensation Committee discusses the information gathered pursuant to the annual assessment, the results of which are then presented to the Board in order to engage in a discussion regarding Board effectiveness and how it may be improved.

AUDIT COMMITTEE INFORMATION

Under National Instrument 52-110 *Audit Committees*, the Corporation is required to include in its Annual Information Form ("AIF") the disclosure required under Form 52-110F1 with respect to its Audit Committee, including the text of its Audit Committee charter, the composition of the Audit Committee and the fees paid to the external auditor. The Corporation's disclosure with respect to the foregoing is contained in the section of its AIF dated March 14, 2017 entitled "Audit Committee". A copy of the AIF has been filed on SEDAR at www.sedar.com. Copies of the AIF are also available free of charge upon written request to the Corporation at Suite 901, 1015 Fourth Street S.W., Calgary, Alberta, Attention: Chief Financial Officer.

ADDITIONAL INFORMATION

Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis ("**MD&A**") for the year ended December 31, 2016. Copies of the Corporation's financial statements and MD&A are available on written request to the Corporation at Suite 901, 1015 Fourth Street S.W., Calgary, Alberta T2R 1J4, Attention: Chief Financial Officer. **Additional information relating to the Corporation is available on SEDAR at www.sedar.com.**

SCHEDULE “A”

MANDATE OF THE BOARD OF DIRECTORS OF BONTERRA ENERGY CORP. (THE “CORPORATION”)

The primary responsibility of the Board of Directors is to supervise the management of the Corporation to ensure the long term success of the Corporation and to maximize shareholder value. Any responsibility which has not been delegated to management remains with the Board of Directors of the Corporation (the “Board”).

COMPOSITION

The Board shall be composed of a minimum of three Directors and a maximum of fifteen Directors. Except as set out in the By-Laws of the Corporation, Board members will be elected at the annual meeting of the shareholders and will serve until their successors are duly appointed. A majority of the Directors will be independent. All members of the Board of Directors shall have the skills and abilities required to carry out their duties and responsibilities in the most effective manner. The Board of Directors shall endeavour to always have the right mix of experience and competencies to discharge its responsibilities.

MEETINGS

The Board of Directors meets or has conference call meetings at least four times per year, and as deemed necessary in order to carry out its duties effectively. The Board of Directors shall also retain independent advice, if deemed necessary, which will be paid for by the Corporation.

DUTIES AND RESPONSIBILITIES

The Board of Directors is charged with the overall stewardship of the Corporation and manages or supervises the business of the Corporation and its management. The Board of Directors’ responsibilities include:

1. Management Selection, Retention and Succession

- Select, appoint and if necessary terminate the CEO
- Approve the list of directors standing for election, as recommended by the Policy, Governance and Nominating Committee
- Review its charter annually and recommend changes to the Board of Directors when necessary
- Annually appoint directors to the following committees:
 - the Audit Committee
 - the Policy, Governance and Nominating Committee
 - the Compensation Committee

- the Reserves Committee
- the Disclosure Committee

and delegate to such committees specific responsibilities, pursuant to their respective mandate, as approved by the Board of Directors

- At the Board's discretion, appoint any other Board committees that the Board decides are needed and delegate to such committees specific responsibilities, pursuant to their respective mandate, as approved by the Board
- Approve compensation and compensation programs for senior management, as recommended by the Compensation Committee
- Assess the CEO against corporate objectives approved by the Board
- Assess, annually, the effectiveness and the performance of the Board, committees and directors in fulfilling their responsibilities
- Approve director's compensation, as recommended by the Compensation Committee

2. Strategy

- Review and approve the corporate objectives developed by the CEO
- Review, adopt and monitor the Corporation's strategic planning process
- Monitor the Corporation's performance in light of the approved strategic planning process
- Adopt, annually, a strategic planning process to maximize shareholder value

3. Corporate Ethics and Integrity

- Review and monitor the Corporation's Code of Business Conduct and disclose any waivers of the code for officers and directors
- Review and respond to potential conflict of interest situations
- Ensure policies and processes are in place for the identification of principal business risks and review and approve risk management strategies
- Approve corporate policies and other corporate protocols and controls
- Approve the Corporation's policy on public disclosure
- Review, annually, its mandate and amend as deemed necessary

4. Financial Responsibilities

- Approve the annual financial statements of the Corporation as recommended by the Audit Committee

- Approve the quarterly interim financial statements of the Corporation, as recommended by the Audit Committee
- Recommend to the shareholders the appointment of the Corporation's external auditors, as recommended by the Audit Committee
- Review and approve the Corporation's operating budget
- Review, as deemed necessary, approval authorities to the CEO and senior management
- Approve financial commitments in excess of delegated approval authorities
- Review and approve any material acquisitions, divestments, and corporate reorganizations
- Assess and approve any material securities offerings, financing or banking arrangements

TIMETABLE

The Board's work schedule will be conducted on an ongoing basis to serve the requirements of applicable regulations.

SCHEDULE "B"
STOCK OPTION PLAN

SCHEDULE “B”
STOCK OPTION PLAN
BONTERRA ENERGY CORP.

PART 1 – INTRODUCTION

1.1 Purpose

The purpose of the Plan is to secure for the Bonterra Energy Corp. (the “**Corporation**”) and its Shareholders the benefits of incentives inherent in Share ownership by, amongst others, the directors, management, employees and consultants of the Corporation and the Subsidiaries who, in the judgment of the Board, will contribute to the Corporation’s future growth and success. It is generally recognized that a stock option plan of the nature provided for herein aids in retaining and encouraging directors, management, employees and consultants who are considered potential key contributors to the success of the Corporation, by providing to them the opportunity to acquire a proprietary interest in the Corporation.

1.2 Definitions

Whenever used herein, the following words and expressions have the following meanings:

- (a) “**Blackout Period**” means a period of time during which the Optionee cannot exercise an Option, or sell Shares, due to applicable policies of the Corporation in respect of insider trading;
- (b) “**Board**” means the board of directors of the Corporation as it may be constituted from time to time;
- (c) “**Exchange**” means the Toronto Stock Exchange or any successor stock exchange on which the Shares trade;
- (d) “**Insider**” has the meaning ascribed thereto in the Toronto Stock Exchange Company Manual;
- (e) “**Option**” means an option granted under the terms of the Plan;
- (f) “**Optionee**” means a Participant to whom an Option has been granted under the terms of the Plan;
- (g) “**Option Period**” means the period during which an Option may be exercised;
- (h) “**Participant**” means:
 - (i) an employee or Insider of the Corporation or of any of its Subsidiaries;
 - (ii) any other person engaged to provide ongoing management or consulting services for the Corporation or for any of its Subsidiaries; and
 - (iii) a corporation, the shares of which are wholly-owned by a person described in subclauses (i) or (ii) above;
- (i) “**Plan**” means the plan established and operated pursuant to the terms hereof;
- (j) “**Shareholder**” means a holder of Shares;
- (k) “**Shares**” means common shares in the capital of Bonterra Energy Corp.; and
- (l) “**Subsidiary**” means a subsidiary as described in the *Securities Act* (Ontario) and includes entities controlled, directly or indirectly, by the Corporation.

PART 2 – STOCK OPTION PLAN

2.1 Participation

Options shall be granted only to Participants.

2.2 Determination of Option Recipients

The Board shall make all necessary or desirable determinations regarding the granting of Options to Participants and may take into consideration the present and potential contributions of a particular Participant to the success of the Corporation, the recommendations of the board of directors of any Subsidiary and any other factors which it may deem proper and relevant.

2.3 Price

The exercise price per Share shall be determined from time to time by the Board but, in any event, shall not be lower than the closing price of the Shares on the Exchange on the last trading day preceding the date of grant, if the Shares are then listed for trading on the Exchange. In the event that the Shares are listed for trading on the Exchange and no trades of the Shares have taken place on the Exchange on any trading day within a five-day period immediately preceding the date of grant, the Board may, in its sole discretion, select as the exercise price per Share the weighted average trading price of the Shares on the Exchange over the last 10 trading days on which the Shares traded on the Exchange immediately preceding the date of the grant.

2.4 Grant of Options

The Board, or the Chief Executive Officer of the Corporation, if duly authorized by the Board, may at any time authorize the granting of Options to such Participants as it may select for the number of Shares that it shall designate, subject to the provisions of the Plan.

Each Option granted to a Participant shall be evidenced by an agreement (an “**Option Agreement**”) with terms and conditions consistent with the Plan and as approved by the Board, or the Chief Executive Officer of the Corporation, if duly authorized by the Board, (which terms and conditions need not be the same in each case and may be changed from time to time). Until such time as the Board, or the Chief Executive Officer of the Corporation if so authorized, shall otherwise determine, and subject to the provisions of Section 3.8 hereof, the form of Option Agreement adopted for use hereunder shall be that which is attached hereto as Schedule A.

2.5 Terms of Options

The Option Period shall be of such length as is determined by the Board but in any event shall not be less than one year and shall not exceed five years from the date such Option is granted, and may also be reduced with respect to any such Option as provided in Section 2.7 hereof covering termination of employment or death of the Optionee.

Subject to the other terms and conditions of this Plan, and unless otherwise specified by the Board, or the Chief Executive Officer of the Corporation, if duly authorized by the Board, Options may be exercised as follows:

- (a) no Option may be exercised within one year following the date of grant of the Option;
- (b) after the date that is one year following the date of grant of an Option the Optionee may exercise his rights as to 1/3 of the Shares under option or any lesser part thereof; and
- (c) after each of the first and second anniversaries of the date determined in Section 2.5(b) above, the Optionee may exercise his rights as to an additional 1/3 of the Shares under option or any lesser part thereof.

Notwithstanding the foregoing, unless otherwise specified by the Board, or the Chief Executive Officer of the Corporation if duly authorized by the Board, in the event that a Participant is absent on leave as permitted below: the applicable vesting period specified above shall be extended by the period of time that the Participant was on such leave during that particular period, and the subsequent anniversary date(s) and vesting period(s) shall be adjusted accordingly; and the Option Period shall also be extended for a like period, provided such extended Option Period shall never exceed five years from the date such Option was granted.

Any Options remaining unexercised after they become eligible for exercise may be exercised in whole or in part at any time during the remainder of the Option Period.

Except as set forth in Sections 2.7, 2.8 and 2.9, no Option may be exercised by the following Participants unless the Option has vested and the Participant is, at the time of such exercise:

- (a) in the case of an employee, in the employ of the Corporation or a Subsidiary and has been continuously so employed since the grant of his Option, but absence on leave shall not be considered an interruption of employment for the purpose of the ability of a Participant to exercise a vested Option provided such leave is permitted pursuant to the terms of any policies or rules of the Corporation then in effect or is otherwise permitted by the Board;
- (b) in the case of a director, a director of the Corporation or a Subsidiary and has been such a director continuously since the grant of his Option; or
- (c) in the case of an officer, an officer of the Corporation or a Subsidiary and has been such an officer continuously since the grant of his Option.

The exercise of any Option is contingent upon receipt by the Corporation of payment (in cash, certified cheque or in any other manner as is acceptable to the Corporation) of the full purchase price for the Shares being purchased. No Optionee or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares subject to an Option, until certificates for such Shares are issued to him or them under the terms of the Plan.

Notwithstanding anything else contained herein, if the expiration date for an Option occurs during a Blackout Period applicable to the relevant Optionee, or within 10 business days after the expiry of a Blackout Period applicable to the relevant Optionee, then the expiration date for that Option is the date that is the 10th business day after the expiry date of the Blackout Period. This paragraph applies to all Options outstanding under this Plan.

2.6 Lapsed Option

If Options are surrendered, terminated or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options to the extent permitted by the Exchange.

2.7 Effect of Termination of Employment or Death

- (a) If an Optionee shall die while employed by or while a director or officer of the Corporation or a Subsidiary, as applicable, any vested Option held by him at the date of death shall be exercisable if the Option was issued 10 days or more prior to the date of death, but only by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution. All such Options shall be exercisable only for a period of 120 days after the date of death or prior to the expiration of the Option Period in respect thereof, whichever is sooner.

- (b) If an Optionee ceases to be employed by or to be a director or officer of the Corporation or a Subsidiary, as applicable, for cause, no Option held by such Optionee may be exercised following the date on which such Optionee ceases to be so employed or ceases to be a director or officer, as the case may be.
- (c) If an Optionee ceases to be employed by or to be a director or officer of the Corporation or a Subsidiary, as applicable, for any reason other than cause or death, any vested Option held by such Optionee at the effective date thereof shall be exercisable only for a period of 10 days after the date on which the Optionee ceases to be employed by or to be a director or officer of the Corporation or a Subsidiary, as applicable, (and not at the expiry date of any period of reasonable notice) or prior to the expiration of the Option Period in respect thereof, whichever is sooner.
- (d) If an Optionee who is a consultant ceases to be retained by the Corporation or any Subsidiary by virtue of a breach of the consulting agreement or the expiry thereof, or such retainer is otherwise terminated (other than for reasons set forth in Sections 2.7(a), (b) or (c) above), no Option held by such consultant may be exercised following such breach, expiry or termination, as the case may be.

2.8 Takeover Bid

If a bona fide offer (the “**Offer**”) for Shares is made to the Shareholders generally, and which is in the nature of a “take-over bid” within the meaning of the *Securities Act* (Ontario), then the Corporation shall, immediately upon receipt of notice of the Offer, notify each Optionee currently holding an Option of the Offer, with full particulars thereof; whereupon, notwithstanding the applicability, if any, of Section 2.5 hereof, such Option may be exercised in whole or in part by the Optionee immediately prior to the expiry date of the Offer so as to permit the Optionee to tender the Shares received upon such exercise (the “**Optioned Shares**”) pursuant to the Offer. If:

- (a) the Offer is withdrawn by the offeror; or
- (b) the Offer is unsuccessful; or
- (c) the Optionee does not tender the Optioned Shares pursuant to the Offer; or
- (d) all of the Optioned Shares tendered by the Optionee pursuant to the Offer are not taken up and paid for by the offeror in respect thereof,

then the Optioned Shares or, in the case of subsection (d) above, the Optioned Shares that are not taken up and paid for, shall be returned by the Optionee to the Corporation and reinstated as authorized but unissued Shares and the terms of the Option as set forth in Section 2.5, if applicable, shall again apply to the Option. If any Optioned Shares are returned to the Corporation under this Section, the Corporation shall also refund the exercise price to the Optionee for such Optioned Shares. In no event shall the Optionee be entitled to sell the Optioned Shares otherwise than pursuant to the Offer.

2.9 Sale of Assets or Change in Control

If:

- (a) the Corporation sells or otherwise disposes of all or substantially all of its assets; or
- (b) any person who does not hold more than 20% of the issued and outstanding Shares acquires more than 20% of the outstanding Shares in any way other than by way of take-over bid (which circumstance is addressed in Section 2.8 hereof),

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

2.10 Cashless Exercise

Any Optionee may elect to effect a cashless exercise of any or all of such Optionee’s vested and exercisable rights under an Option. In connection with any such cashless exercise, the Optionee shall be entitled to receive, without any cash payment (other than the taxes required to be paid in connection with the exercise which must be paid by the Optionee to the Corporation in cash at the time of exercise in accordance with Section 3.7 hereof), such number of whole Shares (rounded down to the nearest whole number) obtained pursuant to the following formula:

$$X = \frac{[A \times (B - C)]}{B}$$

Where:

- X = the number of whole Shares to be issued
- A = the number of Shares under Option
- B = the closing price of the Shares on the Exchange on the last trading day preceding the day that written notice of the request for cashless exercise is received by the Corporation at its head office
- C = the exercise price of the Option

In connection with any such cashless exercise, the full number of Shares issuable (item “A” in the formula) shall be considered to have been issued for the purposes of determining the number of Shares which may be issued under the Plan.

2.11 Adjustment in Shares Subject to the Plan

In the event:

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

then in any such case:

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

and all such determinations or limitations, once made or set, are deemed to be incorporated into the applicable Option Agreement(s).

2.12 Approval

The terms of the Options granted from time to time hereunder, and the Optionees to whom they are granted, are subject to the Exchange accepting notice of such terms and proposed Optionees (if such acceptance is required by the Exchange).

PART 3 – GENERAL

3.1 Number of Shares and Limitations

- (a) The aggregate number of Shares that may be available for issuance under the Plan shall not exceed 10% of the total number of Shares outstanding (on a non-diluted basis) at the time of grant.
- (b) The aggregate number of Shares reserved for issuance to Insiders pursuant to Options or any other security based compensation arrangements shall not exceed 10% of the total number of Shares then outstanding.
- (c) The issuance of Shares to Insiders pursuant to Options or any other security based compensation arrangements shall not exceed or result in the issuance to such Insiders within a one-year period of more than 10% of the total number of Shares outstanding, nor may the issuance of Shares to any one Insider and such Insider's associates pursuant to Options or any other security based compensation arrangements within a one-year period exceed 5% of the total number of Shares then outstanding.
- (d) The aggregate number of Shares reserved for issuance to any one person pursuant to Options or any other security based compensation arrangements granted to such person shall not exceed 5% of the total number of Shares then outstanding.
- (e) For the purposes of determining the number of Shares outstanding at any particular time, the rules of the Exchange, as they relate to share compensation plans, shall govern.

3.2 Transferability

All benefits, rights and Options accruing to any Optionee in accordance with the terms and conditions of the Plan are not transferable unless specifically provided herein or as authorized by the Board. During the lifetime

of an Optionee, all benefits, rights and Options may only be exercised by the Optionee, except as provided for under Section 2.7 hereof or as authorized by the Board.

3.3 Employment

Nothing contained in the Plan shall confer upon any Optionee any right with respect to employment or continuance of employment with the Corporation or any Subsidiary, or interfere in any way with the right of the Corporation or any Subsidiary to terminate the Optionee's employment at any time. Participation in the Plan by an Optionee is voluntary.

3.4 Record Keeping

The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Optionee; and
- (b) the number of Options granted to an Optionee and the number of Options outstanding.

3.5 Necessary Approvals

If the Shares are listed for trading on the Exchange, the Plan shall be effective only upon the receipt of any required approvals of the Exchange.

The obligation of the Corporation to sell and deliver Shares in accordance with the Plan is subject to the approval of the Exchange and any regulatory authority having jurisdiction which may be required in connection with the authorization, issuance or sale of such Shares by the Corporation. If any Shares cannot be issued to any Optionee for any reason including, without limitation, the failure to obtain such approval, then the obligation of the Corporation to issue such Shares shall terminate and any consideration paid to the Corporation shall be returned to the Optionee.

3.6 Administration of the Plan

The Plan shall be administered by the Board, or by a committee of the directors appointed from time to time by the Board, or the Chief Executive Officer as specifically authorized hereunder.

The Board (or the committee appointed hereunder) shall have authority to construe and interpret the Plan and all Option Agreements, to define the terms used in the Plan and in all Option Agreements, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all Participants and Optionees and on their legal personal representatives and beneficiaries.

The Corporation shall pay all costs of administration of the Plan.

3.7 Withholdings and Tax Election

- (a) To the extent required under applicable law or regulation, the Corporation shall be entitled to take all reasonable and necessary steps, including the sale of any Shares issued upon the exercise of any Option granted under the Plan, the withholding of any amount otherwise due to an Optionee (or their beneficiaries), or requiring all reasonable or necessary indemnities, assurances, payments or undertakings, to the sole satisfaction of the Corporation, to satisfy any tax remittance obligations of the Corporation to any taxing authorities arising in respect of any exercise of any Options granted or cashless exercises permitted under the Plan by the Corporation, and the Chief Executive Officer of the Corporation shall be and is hereby appointed as the irrevocable attorney-in-fact for any person granted an Option under this Plan to take all such reasonable and necessary steps or sales of Shares including, without limitation, Share sales resulting from any cashless

exercise. The Corporation does not accept responsibility for the price obtained on the sale of such Shares.

- (b) Optionees (or their beneficiaries) shall be responsible for all taxes with respect to any Options or cashless exercises under the Plan or under any Option Agreement, whether arising as a result of the grant or exercise of Options or any cashless exercise rights or otherwise. The Corporation makes no guarantee or representation to any person regarding the tax treatment of Options, a cashless exercise or payments made under the Plan or any Option Agreement and none of the Corporation, or any of its officers, directors, employees or other representatives shall have any liability to a Participant or Optionee with respect thereto.
- (c) With respect to all Options and cashless exercise rights, unless otherwise determined by the Board in its sole discretion, the Corporation agrees to elect under subsection 110(1.1) of the *Income Tax Act* (Canada) (or any successor provision thereto) so as to permit the Optionee to claim a deduction under paragraph 110(1)(d) of the said Act (or any successor provision thereto) with respect to the exercise price, or the payment due under any cashless exercise, as the case may be.

3.8 Amendments to the Plan and the Option Agreement

- (a) The Board may at any time or from time to time, in its sole and absolute discretion and without Shareholder approval, amend, suspend, terminate or discontinue the Plan and may amend the terms and conditions of Options granted pursuant to the Plan, subject to any required approval of any regulatory authority or Exchange. Without limiting the generality of the foregoing, but subject to any required regulatory approval of any regulatory authority or Exchange, the Board may at any time alter, amend or vary the Plan without the approval of the Shareholders of the Corporation if the alteration, amendment or variance:
 - (i) is for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
 - (ii) is necessary to comply with applicable law or the requirements of any Exchange on which the Shares of the Corporation are listed;
 - (iii) is an amendment to the Plan respecting administration and eligibility for participation under the Plan;
 - (iv) changes the terms and conditions on which Options may be granted pursuant to the Plan including the provisions relating to the exercise price, vesting provisions and Option Period;
 - (v) changes the termination provisions of an Option or the Plan which does not entail an extension beyond the original Optionee Period;
 - (vi) is to alter, extend or accelerate the terms and conditions of vesting applicable to any Option;
 - (vii) is to add any form of financial assistance for Optionees for the exercise of any Options;
 - (viii) is to accelerate the Option Period of any Option;
 - (ix) is to determine the adjustment provisions pursuant to Section 2.11 hereof;
 - (x) amends the definitions contained within the Plan;
 - (xi) amends or modifies the mechanics of exercise of Options; or

(xii) is an amendment to the Plan of a “housekeeping nature”,

provided that the approval of the shareholders of the Corporation will be required for amendments to the Plan which:

(xiii) amend the number of Shares issuable under the Plan;

(xiv) change the class of Participant to the Plan which would have the potential of broadening or increasing participation by Insiders (including any amendment to remove or exceed the specified insider participation limits); or

(xv) amend this Section 3.8.

(b) Subject to any required approval of any regulatory authority or Exchange, the Board may amend the exercise price, the Option Period (which in no event shall exceed 5 years from the date of grant) and the termination provisions of Options granted pursuant to the Plan, without shareholder approval, provided that if the Board proposes to reduce the exercise price (for this purpose, a cancellation or termination of an Option prior to its Option Period for the purpose of re-granting the Option to the same Participant with a lower exercise price shall be treated as an amendment to reduce the exercise price of the Option) or extend the Option Period of Options granted to Insiders pursuant to the Plan, except as permitted by Section 2.5 hereof, such amendments will require shareholder approval, and the Insiders who will benefit from such amendments will not be entitled to vote.

(c) Subject to the foregoing and any required approval of any regulatory authority or Exchange, as applicable, the Board may from time to time add to, delete from, alter or otherwise amend the provisions of the Plan or any Options granted thereunder as it sees fit or may at any time terminate the Plan, provided that:

(i) no amendment may, without the written consent of the Optionee, materially and adversely impair, alter or amend any Option previously granted to such Optionee; and

(ii) a termination of the Plan shall not derogate from the rights of an Optionee in respect of Options granted prior the date of such termination, unless otherwise consented by such Optionee.

(d) If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board shall remain able to make such amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.

3.9 No Representation or Warranty

Neither the Corporation nor any Subsidiary makes any representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

3.10 Governing Law

Except as otherwise set forth herein, the Plan shall be governed by the laws of the Province of Alberta excluding any conflicts of law, rule or principle which might refer such construction to the laws of another jurisdiction.

3.11 Interpretation

Words used herein importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders.

3.12 Compliance with Applicable Law, etc.

If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, bylaw or regulation of the Exchange or any regulatory body having authority over the Corporation or the Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

APPROVED BY THE SHAREHOLDERS: MAY 22, 2014

Schedule A

BONTERRA ENERGY CORP.

OPTION AGREEMENT

THIS AGREEMENT made as of the ____ day of _____, _____.

BETWEEN:

_____, of the City of _____, in the Province of _____
(herein referred to as the "**Optionee**")

- and -

BONTERRA ENERGY CORP., a corporation existing under the laws of Canada (herein referred to as the "**Corporation**")

WHEREAS the Corporation has established a plan (hereinafter referred to as the "**Plan**") for the granting of options to acquire Shares of the Corporation, a copy of which has been provided to the Optionee;

AND WHEREAS the Optionee is a Participant (as defined in the Plan);

AND WHEREAS the Board has authorized the granting to the Optionee pursuant to the Plan of an option to purchase Shares in the authorized unissued capital of the Corporation in the number, at the time, at and for the price and upon the other terms and conditions hereinafter contained;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and premises herein set forth, and for other good and valuable consideration (the receipt whereof is hereby acknowledged by the Corporation), the parties hereto agree as follows:

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 In this agreement, the following words and expressions, shall have the following meanings:

"**Board**" means the board of directors of the Corporation as it may be constituted from time to time;

"**Expiration Date**" means _____;

"**Option**" means the option to purchase Shares granted to the Optionee pursuant to this agreement, and includes any portion of that option;

"**Option Shares**" means the Shares the Optionee is entitled to purchase under this agreement; and

"**Share**" means a common share in the capital of the Corporation as constituted on the date hereof.

Any terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Plan.

**ARTICLE 2
GRANT OF OPTION**

- 2.1 The Corporation hereby grants to the Optionee, subject to the terms and conditions hereinafter set out, an irrevocable Option to purchase up to _____ Shares of the Corporation at a price of \$ _____ per Share.
- 2.2 The Option is granted in accordance with and subject to the terms and conditions of the Plan.
- 2.3 The Option to purchase the Option Shares granted hereby may be exercised in accordance with the terms hereof and the Plan until the Expiration Date, as follows:
- (a) no Option may be exercised within one year following the date of grant of the Option;
 - (b) after the date that is one year following the date of grant of an Option the Optionee may exercise his rights as to 1/3 of the Shares under option or any lesser part thereof; and
 - (c) after each of the first and second anniversaries of the date determined in subparagraph (b) above, the Optionee may exercise his rights as to an additional 1/3 of the Shares under option or any lesser part thereof.
- Any Options remaining unexercised after they become eligible for exercise may be exercised in whole or in part at any time prior to the Expiration Date.
- 2.4 Subject to sooner termination in accordance with the terms of the Plan, the Option shall expire and terminate upon the Expiration Date as to such of the Option Shares in respect of which the Option has not then been exercised.

**ARTICLE 3
RESERVATION OF SHARES**

- 3.1 The Corporation shall at all times during the term of this agreement, keep available a sufficient number of unissued Shares in its authorized capital equal to those of the Option Shares which have not been issued.

**ARTICLE 4
ASSIGNMENT AND ENUREMENT**

- 4.1 The Option is personal to the Optionee and non-assignable and neither this agreement nor any rights hereunder shall be transferable or assignable by the Optionee except as expressly permitted under the terms of the Plan.
- 4.2 This agreement shall enure to the benefit and be binding upon the parties hereto and their permitted successors and assigns.

**ARTICLE 5
EXERCISE OF THE OPTION**

- 5.1 Subject to Section 5.2, the Option may be exercised by the Optionee by delivery of written notice of such exercise and by tendering therewith payment for the purchase price of the Option Shares to be purchased in cash or by certified cheque to the Corporation at its principal office in Calgary, Alberta, or at such other place or in such other manner as may be directed by notice in writing from the Corporation to the Optionee from time to time. Such notice shall state the number of Option Shares with respect to which the Option is then being exercised. The Option shall be deemed for all purposes to have been exercised to the extent stated in such notice upon delivery of the notice and a tender of payment in full for the Option Shares being purchased notwithstanding any delay in the issuance and delivery of the certificate(s) for the Shares so purchased. The Corporation shall, within a reasonable period of time, cause to be issued the Shares so purchased in the name of the Optionee and cause to be delivered the certificate(s) therefor to the Optionee.

- 5.2 In the event that the Optionee wishes to utilize the cashless exercise provisions of the Plan, the Optionee shall deliver written notice of such exercise to the Corporation at its principal office in Calgary, Alberta, or at such other place or in such other manner as may be directed by notice in writing from the Corporation to the Optionee from time to time. Such notice shall state the number of Option Shares with respect to which the Option is then being exercised. The Option shall be deemed for all purposes to have been exercised to the extent stated in such notice upon delivery of the notice. The Corporation shall, within a reasonable period of time, cause to be issued the Shares so acquired in the name of the Optionee and cause to be delivered the certificate(s) therefor to the Optionee.

**ARTICLE 6
RIGHTS OF THE OPTIONEE PRIOR TO THE EXERCISE DATE**

- 6.1 The Option herein granted shall not entitle the Optionee to any right whatsoever as a Shareholder of the Corporation with respect to any Shares subject to the Option until it has been exercised and the Option Shares thereby purchased have been issued as fully paid and non-assessable.
- 6.2 Nothing contained in this agreement or done pursuant hereto shall obligate the Optionee to purchase and/or pay for any Option Shares except those Option Shares in respect of which the Optionee has validly exercised this Option.

**ARTICLE 7
REGULATORY APPROVAL**

- 7.1 Notwithstanding anything to the contrary in this agreement, the Optionee hereby agrees that he will not exercise the Option, and that the Corporation is not obliged to issue any Shares hereunder, if the exercise of the Option or the issuance of the Shares constitutes a violation by the Optionee or the Corporation of any provision of any law or regulation or of any order, regulation, policy or rule of any governmental authority, regulatory body or Exchange. Any determination in this connection made by the Board shall be final, binding and conclusive.
- 7.2 In no event is the Corporation obliged, by any act of the Optionee or otherwise, to issue, register or qualify for resale any securities issuable upon exercise of the Option pursuant to a prospectus or similar document or to take any other affirmative action in order to cause the exercise of the Option or the issue or resale of the Shares issuable pursuant thereto to comply with any law or regulation or any order, regulation, policy or rule of any governmental authority, regulatory body or Exchange; provided that, if applicable, the Corporation shall notify The Toronto Stock Exchange and other appropriate regulatory bodies in Canada of the existence of the Option and any exercise thereof.

**ARTICLE 8
FURTHER ASSURANCES**

- 8.1 The parties hereto covenant that they shall from time to time and at all times hereafter do and perform all such acts and things and execute all such deeds, documents and writings as may be required to give effect to the true intent of this agreement.

**ARTICLE 9
INTERPRETATION AND GENERAL**

- 9.1 It is understood and agreed by the parties hereto that questions may arise as to the interpretation, construction or enforcement of this agreement or the Plan and the parties are desirous of having the Board determine any such question or interpretation, construction or enforcement. It is therefore agreed by the parties hereto that any question arising under the terms of this agreement or the Plan as to interpretation, construction or enforcement shall be referred to the Board and their majority decision shall be final and binding on both of the parties hereto.
- 9.2 Neither the Corporation, any Subsidiary, nor their respective directors or officers, shall be liable to the Optionee or to the Optionee's personal representative by reason of any loss or anticipated loss of economic benefit by reason of any action or event, whether or not concurred in by them, which has the effect of curtailing or abrogating the benefits which have accrued or might have accrued to the Optionee hereunder, including, without limitation, the voluntary or involuntary winding up of the Corporation, the sale of all or substantially all of its assets, the delisting of the Shares from public trading, or any decline in the value of the Shares for any reason whatsoever.
- 9.3 The payment of all income taxes or other taxes or assessments in the nature of taxes levied upon the Optionee as a result of the granting or exercise of the Option shall be solely the responsibility of the Optionee and must be satisfied at the time of exercise in accordance with the Plan.
- 9.4 In this agreement, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders.
- 9.5 This agreement, including any schedules annexed hereto, constitutes the entire agreement between the parties hereto and there are no oral statements, representations, warranties, undertakings or agreements between the parties modifying the provisions of this agreement. No supplement, amendment, modification, waiver or termination of this agreement shall be binding unless executed in writing by the parties hereto.
- 9.6 Time is of the essence of this agreement.

**ARTICLE 10
GOVERNING LAW**

- 10.1 Except as otherwise set forth in the Plan, this agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Province of Alberta excluding any conflicts of law, rule or principle which might refer such construction to the laws of another jurisdiction.
- 10.2 Each of the parties hereto hereby irrevocably attorns to the jurisdiction of the courts of the Province of Alberta and the Supreme Court of Canada.

**ARTICLE 11
NOTICES**

- 11.1 Any notice to be given pursuant to the provisions hereof is conclusively deemed to have been given and received by a party hereto and to be effective on the day on which it is delivered to such party at the addresses set forth below (or at such other address that such party shall supply to the other parties in writing) or if sent by mail, on the fifth business day after the day on which mailed, addressed to such party at said address:

If to the Optionee, at:

If to the Corporation, at:

901, 1015 - 4th Street S.W.
Calgary, Alberta T2R 1J4

PART 4 **IN WITNESS WHEREOF** the parties hereto have executed this agreement as of the day and year first above written.

SIGNED, SEALED AND DELIVERED)
in the presence of)
)

Witness

Optionee

BONTERRA ENERGY CORP.

Per: _____