

CHINOOK ENERGY INC.

**Notice of the Annual and Special Meeting of Shareholders
to be held on May 12, 2015**

The annual and special meeting of the holders of our common shares will be held at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta, on Tuesday, May 12, 2015, at 3:00 p.m., Calgary time, to:

1. receive and consider our consolidated financial statements for the fiscal year ended December 31, 2014, together with the report of the auditors thereon;
2. consider and, if deemed appropriate, to pass, with or without variation, a special resolution authorizing our company to amend our articles to increase the maximum number of directors of our company from seven (7) to ten (10);
3. elect directors for the ensuing year;
4. appoint auditors for the ensuing year and to authorize our directors to fix their remuneration as such; and
5. transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only shareholders of record at the close of business on April 2, 2015 (the "**Record Date**") are entitled to notice of and to attend the meeting or any adjournment or adjournments thereof and to vote thereat unless after the Record Date a holder of record transfers his or her common shares and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he or she owns such shares, requests, not later than 10 days before the meeting, that the transferee's name be included in the list of shareholders entitled to vote, in which case such transferee shall be entitled to vote such shares at the meeting.

Registered shareholders may vote in person at the meeting or any adjournment or adjournments thereof, or they may appoint another person (who need not be a shareholder) as their proxy to attend and vote in their place.

Registered shareholders unable to be present at the meeting are requested to date and sign the enclosed form of proxy and return it to Alliance Trust Company, Suite 1010, 407 – 2nd Street S.W., Calgary, Alberta T2P 2Y3, Facsimile: (403) 237-6181. If a shareholder received more than one proxy form because such shareholder owns our common shares registered in different names or addresses, each proxy form should be completed and returned. In order to be valid, proxies must be received by Alliance Trust Company not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the meeting or any adjournment thereof. Registered shareholders may also vote via the internet at www.alliancetrust.ca. Votes by internet must also be received by the foregoing cut off time. See the information circular – proxy statement accompanying this Notice for further instructions on internet voting.

A management information circular – proxy statement relating to the business to be conducted at the meeting accompanies this Notice.

Dated at Calgary, Alberta this 2nd day of April, 2015.

By order of the Board of Directors

(Signed) Walter J. Vratarić
President and Chief Executive Officer

CHINOOK ENERGY INC.

**Information Circular – Proxy Statement
dated April 2, 2015**

**For the Annual and Special Meeting
of Shareholders to be held on May 12, 2015**

PROXIES

Solicitation of Proxies

This information circular – proxy statement is furnished in connection with the solicitation of proxies by or on behalf of our management for use at the annual and special meeting of our shareholders (the "**Meeting**") to be held at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta, on Tuesday, May 12, 2015, at 3:00 p.m., Calgary time, and any adjournment thereof for the purposes set forth in the accompanying Notice of Annual and Special Meeting.

Only shareholders of record at the close of business on April 2, 2015 are entitled to notice of, and to attend and vote at, the Meeting, unless a shareholder has transferred any shares subsequent to that date and the transferee shareholder, not later than 10 days before the Meeting, establishes ownership of such shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the Meeting.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

The persons named in the enclosed form of proxy are officers of our company. **As a shareholder, you have the right to appoint a person or company (who need not be a shareholder) to represent you at the Meeting other than the person or persons designated in the form of proxy furnished by our company. To exercise this right you should insert the name of the desired representative in the blank space provided on the form of proxy and strike out the other names or submit another appropriate proxy.** In order to be effective, the proxy must be deposited with Alliance Trust Company, Suite 1010, 407 – 2nd Street S.W., Calgary, Alberta T2P 2Y3, Facsimile: (403) 237-6181, not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment thereof. Registered shareholders may also use the internet at www.alliancetrust.ca to vote their shares. Shareholders will be prompted to enter the control number which is located on the form of proxy. Votes by internet must be received by 3:00 p.m. (Calgary time) on May 8, 2015 or at least forty-eight (48) hours prior to the time of any adjournment of the Meeting. The website may also be used to appoint a proxy holder to attend and vote at the Meeting on the shareholder's behalf and to convey a shareholder's voting instructions.

Advice to Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to you if you do not hold your common shares in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of common shares can be recognized and acted upon at the Meeting. If common shares are listed in your account statement provided by your broker, then in almost all cases those common shares will not be registered in your name on our records. Such common shares will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such common shares are registered under the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. Common shares held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your common shares. We do not know for whose benefit the common shares registered in the name of CDS & Co. are held. The majority of common shares held in the United States are registered in the name of Cede & Co., the nominee for the Depository Trust Company, which is the United States equivalent of CDS Clearing and Depository Services Inc.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your common shares are voted at the Meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder

how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc., which mails a scannable voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternately, you can call their toll-free telephone number or access the internet to vote your common shares. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of such common shares to be represented at the Meeting. If you receive a voting instruction form from Broadridge Financial Solutions Inc., it cannot be used as a proxy to vote common shares directly at the Meeting as the proxy must be returned to them well in advance of the Meeting in order to have the common shares voted.

Although you may not be recognized directly at the Meeting for the purposes of voting common shares registered in the name of your broker (or agent of the broker), you may attend the Meeting as proxyholder for the registered holder and vote your common shares in that capacity. If you wish to attend the Meeting and indirectly vote your common shares as proxyholder for the registered shareholder, you should enter your own name in the blank space on the form of proxy provided to you and return the document to your broker (or the broker's agent) in accordance with the instructions provided by your broker (or agent), well in advance of the Meeting.

Revocability of Proxy

You may revoke your proxy at any time prior to a vote. If you or the person to whom you give your proxy attends personally at the Meeting you or such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation. To be effective the instrument in writing must be deposited at our head office at any time up to and including the last business day before the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof.

Persons Making the Solicitation

This solicitation is made on behalf of our management. We will bear the costs incurred in the preparation and mailing of the form of proxy, Notice of Annual and Special Meeting and this information circular – proxy statement. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers and employees who will not be remunerated therefor.

Exercise of Discretion by Proxy

The common shares represented by proxy in favour of management nominees will be voted on any matter at the Meeting. Where you specify a choice with respect to any matter to be acted upon the common shares will be voted or withheld from voting on any matter in accordance with the specification so made. **If you do not provide instructions your common shares will be voted in favour of the matters to be acted upon as set out herein.** The persons appointed under the form of proxy which we have furnished are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and Notice of Annual and Special Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this information circular – proxy statement, we know of no such amendment, variation or other matter.

Notice-and-Access

We have elected to use the "notice-and-access" provisions under National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer* (the "**Notice-and-Access Provisions**") for the Meeting to those of you who do not hold your common shares in your own name. The Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that reduce the volume of materials that we must physically mail to you by allowing our company to post our information circular – proxy statement in respect of the Meeting and related materials online.

We have also elected to use procedures known as 'stratification' in relation to our use of the Notice-and-Access Provisions. Stratification occurs when we, while using the Notice-and-Access Provisions, provide a paper copy of our notice of meeting and information circular – proxy statement and a paper copy of our consolidated financial statements and related management's

discussion and analysis to some of our shareholders. In relation to the Meeting, our registered shareholders will receive a paper copy of each of the notice of the meeting, this information circular – proxy statement dated April 2, 2015, our consolidated financial statements and related management's discussion and analysis and a form of proxy whereas our shareholders who do not hold their common shares in their own name will receive only a Notice-and-Access Notification and a voting instruction form. Furthermore, a paper copy of our consolidated financial statements and related management's discussion in respect of our most recent financial year will be mailed to those shareholders who do not hold common shares in their own name but who have previously requested to receive paper copies of our financial information.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

We are authorized to issue an unlimited number of common shares without nominal or par value for such consideration as may be determined by resolution of our board of directors (our "**Board**"). As at April 2, 2015, there were 215,083,496 common shares issued and outstanding. As a holder of common shares, you are entitled to one vote on a ballot at the Meeting for each common share you own. We are also authorized to issue an unlimited number of first preferred shares, issuable in series. Each series is issuable upon the terms and conditions as set by our Board at the time of creation, subject to the class priorities. As at April 2, 2015, there were no first preferred shares issued and outstanding.

To the knowledge of our directors and officers, as at April 2, 2015, no person or company beneficially owned, or controlled or directed, directly or indirectly, common shares carrying more than 10% of the votes attached to all of the issued and outstanding common shares except as set forth in the table below.

Name	Common Shares	Percentage of all Voting Securities
Her Majesty the Queen in Right of the Province of Alberta (" HMQ ")	80,357,142 ⁽¹⁾	37.4%

Note:

- (1) Based solely on a report filed by HMQ, as represented by Alberta Investment Management Corporation ("**AIMCO**"), pursuant to National Instrument 62-103. AIMCO, as investment manager to HMQ, maintains investment control and direction over the common shares for the benefit of HMQ.

MATTERS TO BE ACTED UPON AT THE MEETING

Approval to Amend Articles to Increase the Maximum Number of Directors of Our Company

At the Meeting, our shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, a special resolution (the "**Amendment Resolution**"), the text of which is set out in Schedule "A" attached to this information circular – proxy statement, authorizing our company to apply for a certificate of amendment under the *Business Corporations Act* (Alberta) to amend its articles to increase the maximum number of directors of our company from seven to 10. Our management is of the view that the proposed amendment to the articles of our company to increase the maximum number of directors of our company from seven to 10 will enable our company to maintain diversity of view and experience among our directors and ensure that as our company grows, our Board is of an adequate size to fulfill its stewardship responsibilities.

Our Board unanimously recommends that our shareholders vote in favour of the Amendment Resolution at the Meeting. To be effective, the Amendment Resolution must be approved by not less than two-thirds of the votes cast by the holders of common shares present in person or represented by proxy at the Meeting. Unless otherwise indicated, it is the intention of the persons named in the form of proxy accompanying this Information Circular to vote proxies "FOR" the approval of the Amendment Resolution.

Election of Directors

Directors will be elected at the Meeting. If the Amendment Resolution is approved by the shareholders of our company, shareholders will be asked to elect eight directors for the ensuing year, being the seven current directors of our company and Robert J. Iverach. Mr. Iverach has been in practice as a tax lawyer in Calgary for more than 35 years. Mr. Iverach practiced with Felesky Flynn LLP from May 1978 until December 2005. He has extensive experience dealing with financial statements,

financial planning and tax matters pertaining to a large array of public and private corporations, partnerships, income trusts and individuals. Mr. Iverach has been a member of the Law Society of Alberta since 1972. He graduated from the University of Calgary with a Bachelor of Arts degree, from the University of Alberta with a Bachelor of Laws degree and from the London School of Economics with a Masters of Laws degree. Mr. Iverach has completed the program offered by the Institute of Corporate Directors, including sessions devoted to Audit Committee functions, and is entitled to use the designation ICD.D.

If the Amendment Resolution is not approved by shareholders of our company, shareholders will be asked to elect only the seven current directors of our company as directors for the ensuing year. The election of Mr. Iverach as a director of our company will be conditional upon the filing of the articles of amendment to increase the maximum number of directors of our company to 10.

Each director elected will hold office until the next annual general meeting or until his or her successor is duly elected or appointed, unless his or her office be earlier vacated.

It is the intention of the management designees, if named as proxy, to vote "FOR" an ordinary resolution in favour of the election of the following persons to our Board unless otherwise directed. The accompanying form of proxy provides for individual voting on directors. Management does not contemplate that any of these nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees does not stand for election or is unable to serve as such, **the management designees, if named as proxy, reserve the right to vote for any other nominee in their sole discretion unless you have specified in your proxy that your common shares are to be withheld from voting on the proposed nominee who does not stand for election.**

The following information relating to the nominees as directors is based partly on our records and partly on information received by our company from the nominees and sets forth the names and province/city and country of residence of all of the persons nominated for election as directors, the periods during which they have served as directors, their principal occupations or employments during the five preceding years and the approximate number of common shares beneficially owned, or controlled or directed, directly or indirectly, by each of them as of April 2, 2015.

<u>Name, Province/City and Country of Residence</u>	<u>Director Since</u>	<u>Principal Occupation During the Five Preceding Years</u>	<u>Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽⁵⁾</u>
Jill T. Angevine ⁽²⁾ Alberta, Canada	November 13, 2014	Vice President and Portfolio Manager at Matco Financial Inc. (an independent, privately held asset management firm) since October 2013. Independent businesswoman from September 2011 until October 2013 and prior thereto, Vice President and Director, Institutional Research at FirstEnergy Capital Corp. (a financial advisory and investment services provider in the energy market).	11,825
Donald F. Archibald ⁽²⁾⁽³⁾ Alberta, Canada	June 29, 2010	Independent businessman.	1,033,178

<u>Name, Province/City and Country of Residence</u>	<u>Director Since</u>	<u>Principal Occupation During the Five Preceding Years</u>	<u>Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽⁵⁾</u>
Matthew J. Brister Alberta, Canada	August 28, 2003	Independent businessman since December 31, 2013, prior thereto, Chief Executive Officer of Chinook from June 29, 2010 until December 31, 2013 (also President of Chinook from June 29, 2010 until March 1, 2012) and prior thereto, President and Chief Executive Officer of Storm Ventures International Inc. ("SVI"), a predecessor of Chinook.	5,106,377
Stuart G. Clark ⁽¹⁾⁽²⁾ Alberta, Canada	June 24, 2009	Independent businessman.	3,128,206
Robert C. Cook ⁽¹⁾⁽³⁾ Alberta, Canada	December 24, 2008	Senior Vice President and Director, ARC Financial Corp. (a private equity management company).	Nil
Robert J. Herdman ⁽¹⁾ Alberta, Canada	July 14, 2010	Independent businessman since July 1, 2010 and prior thereto, Partner, PricewaterhouseCoopers LLP (accounting firm).	Nil
Robert J. Iverach, Q.C. Alberta, Canada	Not Applicable	Tax lawyer.	Nil
P. Grant Wierzba ⁽³⁾ Alberta, Canada	August 28, 2003	Independent businessman since December 31, 2013, prior thereto, Vice President, Operations of Chinook from May 10, 2012 until December 31, 2013, prior thereto, Vice President, Production and Chief Operating Officer, Canada of Chinook from June 29, 2010 to May 10, 2012 and of SVI from May 2010 and prior thereto, Vice President Operations of SVI.	1,824,061

Notes:

- (1) Member of our Audit Committee, which committee is required pursuant to the *Business Corporations Act* (Alberta).
- (2) Member of our Compensation, Nominating and Corporate Governance Committee (our "**Committee**").
- (3) Member of our Reserves, Safety and Environmental Committee.
- (4) We do not have an Executive Committee.
- (5) In addition, Ms. Angevine and Messrs. Archibald, Brister, Clark, Cook, Herdman, Iverach and Wierzba hold options to purchase 20,000, 120,000, 20,000, 75,000, 75,000, 120,000, 20,000 and 110,000 common shares, respectively, exercisable at prices ranging from \$1.42 to \$2.72 per share. Each of Messrs. Archibald, Brister, Clark, Cook, Herdman and Wierzba also hold 3,435 restricted awards and 5,150 performance awards, respectively, and each of Ms. Angevine and Mr. Iverach hold 4,760 restricted awards and 7,145 performance awards granted pursuant to the restricted and performance award incentive plan. See "Statement of Executive Compensation – Incentive Plans – Restricted and Performance Award Incentive Plan" for a description of the restricted and performance awards.

Majority Voting for Directors

Our Board has adopted a majority voting policy stipulating that if the votes in favour of the election of a director nominee at a shareholders' meeting represent less than a majority of our common shares voted and withheld, the nominee will submit his or her resignation promptly after the meeting, for our Board's consideration. Our Board's decision to accept or reject the resignation offer will be disclosed to the public within 90 days of the applicable shareholders' meeting. Resignations are

expected to be accepted except in situations where extenuating circumstances would warrant the applicable director to continue to serve as a Board member. The nominee will not participate in any Board deliberations on the resignation offer unless there are not at least three directors who did not receive a majority withheld vote. The policy does not apply in circumstances involving contested director elections.

Additional Disclosure Relating to Proposed Directors

Bankruptcies

To our knowledge, except as described below, no proposed director (nor any personal holding company of any of such persons): (a) is, as of the date of this information circular – proxy statement, or has been within the ten years before the date of this information circular – proxy statement, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this information circular – proxy statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Mr. Herdman, a director, served as a director of SemBioSys Genetics Inc. ("**SemBioSys**"), a development stage biotechnology company, until May 1, 2012. On June 22, 2012, a secured creditor of SemBioSys was granted an order under the *Bankruptcy and Insolvency Act* (Canada) appointing a receiver to take possession of and deal with specific assets of SemBioSys which had been pledged to that creditor.

Cease Trade Orders

To our knowledge, except as described below, no proposed director (nor any personal holding company of any of such persons) is, as of the date of this information circular – proxy statement, or was within ten years before the date of this information circular – proxy statement, a director, chief executive officer or chief financial officer of any company (including us), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Herdman, a director, served as a director of SemBioSys until May 1, 2012. On May 25, 2012, the Alberta Securities Commission issued a cease trade order against SemBioSys for failure to file the required certification of interim filings for the interim period ended March 31, 2012. The securities commission of each of British Columbia, Manitoba, Ontario and Quebec issued similar orders in respect of the failure to file the certification of interim filings.

Penalties or Sanctions

To our knowledge, no proposed director (nor any personal holding company of any of such persons), has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Appointment of Auditors

At the Meeting, shareholders will be called upon to appoint the firm of KPMG LLP, Chartered Accountants, of Calgary, Alberta, to serve as our auditors until the next annual general meeting of our shareholders and to authorize our directors to fix their remuneration as such. KPMG LLP have been our auditors since June 28, 2010.

Unless otherwise directed, the persons named in the form of proxy accompanying this Information Circular intend to vote "FOR" the appointment of KPMG LLP, Chartered Accountants, Calgary, Alberta, as our auditors, to hold office until the next annual meeting of the shareholders and to authorize our directors to fix their remuneration as such.

Our Board unanimously recommends that shareholders vote "FOR" the appointment of KPMG LLP, Chartered Accountants, Calgary, Alberta, as our auditors, at a remuneration to be fixed by our directors.

The information required by Form 52-110F1 of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, including information regarding the fees billed to our company by KPMG LLP, Chartered Accountants, Calgary, Alberta, is contained in our annual information form for the year ended December 31, 2014, under the heading "Audit Committee Information", an electronic copy of which is available on our SEDAR profile at www.sedar.com.

COMPENSATION GOVERNANCE

Composition of our Compensation, Nominating and Corporate Governance Committee

Our Compensation, Nominating and Corporate Governance Committee is comprised of Donald F. Archibald (Chairman), Jill T. Angevine and Stuart G. Clark, all of whom are "independent" for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Guidelines*. The following table sets forth the assessment of each current committee member's independence for the purpose of National Instrument 58-101 – *Corporate Governance Guidelines* and the relevant skills and experience of each member of our committee that enables such member to make decisions on the suitability of our compensation policies and practices.

Name	Relevant Skills and Experience
Donald F. Archibald (Chair)	Mr. Archibald's skills and experience that enable him to make decisions on the suitability of our compensation policies and practices are derived from his service on boards and compensation committees of numerous publicly traded oil and gas companies. Mr. Archibald holds a Bachelor of Commerce with an honours in finance from the University of Alberta and a Masters in Business Administration from the Richard Ivey School of Business of the University of Western Ontario.
Jill T. Angevine	Ms. Angevine's skills and experience that enable her to make decisions on the suitability of our compensation policies and practices are derived from her work experience analyzing oil and natural gas companies similar to our company including, most recently, as Vice President and Portfolio Manager at Matco Financial Inc. (an independent, privately held asset management firm) and prior thereto, as Vice President and Director, Institutional Research at FirstEnergy Capital Corp. (a financial advisory and investment services provider in the energy market). Ms. Angevine graduated from the University of Calgary in 1989, having earned a Bachelor of Commerce. She has earned the Chartered Accountant (CA) and the Chartered Financial Analyst (CFA) designations. Ms. Angevine has also completed the program offered by the Institute of Corporate Directors and is entitled to use the designation ICD.D.
Stuart G. Clark	Mr. Clark's skills and experience that enable him to make decisions on the suitability of our compensation policies and practices are derived from his service on boards and compensation committees of numerous publicly traded companies. Mr. Clark has a Bachelor of Commerce degree from the University of Manitoba.

Mandate and Terms of Reference of our Compensation, Nominating and Corporate Governance Committee

Our Board has adopted a mandate for our Committee which has, as part of its mandate, the responsibility for reviewing matters relating to the human resource policies and compensation of our directors, officers and employees in the context of our budget and business plan. Without limiting the generality of the foregoing, the committee has the following duties:

- (i) to review the compensation philosophy and remuneration policy for our employees and to recommend to our Board changes to improve our ability to recruit, retain and motivate employees;

- (ii) to review and recommend to our Board the retainer and fees to be paid to members of our Board;
- (iii) to review and approve corporate goals and objectives relevant to the compensation of our President and Chief Executive Officer, evaluate our President and Chief Executive Officer's performance in light of those corporate goals and objectives, and determine (or make recommendations to our Board with respect to) our President and Chief Executive Officer's compensation level based on such evaluation;
- (iv) to recommend to our Board with respect to non-Chief Executive Officer officer and director compensation including to review management's recommendations for proposed share option, share purchase plans and other incentive-compensation plans and equity-based plans for non-Chief Executive Officer officer and director compensation and make recommendations in respect thereof to our Board;
- (v) to administer the share option plan and other incentive plans approved by our Board in accordance with their terms including recommending (and, if delegated authority thereunder, approving) the grant of share options or other incentives in accordance with the terms thereof;
- (vi) to determine and recommend for approval of our Board bonuses to be paid to our officers and employees and to establish targets or criteria for the payment of such bonuses, if appropriate;
- (vii) to review the annual disclosure required by applicable securities laws to be made by our company with respect to compensation including the Compensation Discussion and Analysis required to be included in our information circular – proxy statement and review other executive compensation disclosure before we publicly disclose such information; and
- (ix) to conduct an assessment, at least once a year, of the risks associated with our company's compensation policies and practices and prepare and submit to our Board annually a report summarizing: (i) the risks identified in such assessment that are reasonably likely to have a material adverse effect on our company; and (ii) the recommendations of our Committee to mitigate against any potential items identified in such assessment that may be reasonably expected to lead an executive officer to take inappropriate or excessive risks.

Our Committee is required to be comprised of at least three of our directors or such greater number as our Board may determine from time to time. All members of our committee are required to be independent as such term is defined for purposes of National Instrument 58-101. Our Board is from time to time to designate one of the members of our committee to be the Chair of our committee. Pursuant to the Mandate and Terms of Reference of our Committee, meetings of our committee are to take place at least one time per year and at such other times as the Chair of our committee may determine.

Compensation Consultant or Advisor

Other than participation in the 2014 annual energy compensation survey conducted by Mercer Human Resources Consulting ("Mercer"), at no time in the most recently completed financial year has a compensation consultant or advisor been retained by our company to assist our Board or our Committee to determine the compensation of our directors or executive officers.

No fees were billed by any consultant or advisor for services related to determining compensation for any of our directors or executive officers in the two most recently completed financial years.

COMPENSATION DISCUSSION AND ANALYSIS

Our executive compensation program is administered by our Compensation, Nominating and Corporate Governance Committee. In establishing our annual compensation program, our President and Chief Executive Officer provides recommendations to our Committee with respect to compensation for our executive officers, including our President and Chief Executive Officer, and our employees. In making such recommendations, our President and Chief Executive Officer reviews a number of factors including general industry compensation data and compensation data compiled for our informal peer group, corporate performance as well as individual performance. Our Committee reviews the data and information provided and recommendations for compensation are then made by our Committee to our full Board for consideration. Our Board meets to discuss the recommendations made by our committee for executive compensation, including the recommendation for our

President and Chief Executive Officer's compensation. Discussions, both formal and informal, may ensue between both our Committee and our Board and our President and Chief Executive Officer with respect to the recommendations and adjustments may be made prior to final approval by our Board.

Objectives and Principles of Executive Compensation Program

The objectives of our executive compensation program are twofold, namely: (i) to enable our company to attract and retain highly qualified and experienced individuals to serve as executive officers (including our Named Executive Officers); and (ii) to align the compensation levels available to our executive officers to the successful implementation of our strategic plans and annual objectives. Our executive compensation program is designed to reward our executive officers where they have contributed to our success and growth.

A significant component of our compensation program is based on a "pay-for-performance" philosophy which supports our commitment to delivering strong performance for our shareholders. Our compensation policies are designed to attract, recruit and retain individuals of high calibre to serve as our officers, to motivate their performance in order to achieve our strategic objectives and to align the interests of executive officers with the long-term interests of our shareholders and enhancement in share value. Compensation of all executive officers, including our President and Chief Executive Officer, is based on the underlying philosophy that such compensation should be competitive with other corporations of similar size and should be reflective of the experience, performance and contribution of the individuals involved and our overall performance. Our committee also recognizes that the executive compensation program must be sufficiently flexible in order to adapt to unexpected developments in the oil and natural gas industry and the impact of internal and market related occurrences from time to time.

Compensation and Market Position

In December 2013, when determining executive compensation in respect of fiscal 2014, management and our Committee utilized the independent "2013 Mercer Total Compensation Survey for the Energy Sector" (the "**Mercer Survey**") for industry compensation information. Management and our Committee also referred to executive compensation information derived from the public record of companies (including, Advantage Oil & Gas Ltd., Angle Energy Inc., Cequence Energy Ltd., Crew Energy Inc., Delphi Energy Corp., Long Run Exploration Ltd., Nuvista Energy Ltd., Santonia Energy Inc., Sea Dragon Energy Inc., Surge Energy Inc., Storm Resources Ltd. and Whitecap Resources Inc.) to confirm that the industry data utilized from the Mercer Survey was an appropriate benchmark. At the time of establishment of 2014 base salaries, information provided by the Mercer Survey was in respect of 2013 compensation practices.

The competitiveness of our Named Executive Officers compensation is assessed based on total compensation defined as the aggregate of salary, bonuses and long-term incentives valued as of the time of grant. For fiscal 2014, it was our philosophy to target total compensation for our Named Executive Officers at the 50th percentile of that of the informal comparator group based on available market data with the potential for increase depending on both individual and corporate performance.

Elements of Our Executive Compensation Program

Our compensation program for all of our employees, including our executive officers, is comprised of three principal components: (i) base salary, perquisites and contributions to our employee stock savings plan, (ii) short-term incentive compensation comprised of annual discretionary cash bonuses, and (iii) long-term incentive compensation comprised of share options and restricted and performance awards. Together, these components are designed to achieve the following key objectives:

- aligning the compensation framework so as to promote and support our company's overall business strategy and long term strategic plans and objectives;
- to provide market competitive compensation that is significantly performance based by ensuring that a significant portion of annual (cash bonuses) and long-term (options and incentive awards) incentive compensation is tied to share performance and corporate performance and, therefore, is at risk (not guaranteed) and variable year over year;
- to provide incentives which encourage superior corporate performance and retention of highly skilled and talented employees; and

- to align executive compensation, particularly by awarding a significant portion of long-term incentive compensation in the form of options and performance awards, with share performance and corporate performance and therefore shareholders' interests.

The aggregate value of these principal components and related benefits is used as a basis for assessing the overall competitiveness of our company's compensation package. The fixed element of compensation provides a competitive base of secure compensation required to attract and retain executive talent. The variable performance based, or "at risk" compensation, is designed to encourage both short-term and long-term performance of our company. At more senior levels of the organization, a significant portion of compensation eligible to be paid is variable performance based compensation which places a greater emphasis on rewarding executives for their individual contributions, business results of our company and long-term value creation for shareholders. Awarding a significant portion of long-term incentive compensation in the form of options provides, through the value of the common shares, a direct link with shareholder return. In addition, awarding a significant portion of long-term incentive compensation in the form of performance awards provides, through the value of the common shares and payout multiplier, a direct link between corporate performance and the level of payout received.

Each element of our executive compensation program is described below.

Base Salaries

The base salary component is intended to provide a fixed level of competitive pay that reflects each executive officer's primary duties and responsibilities and the level of skills and experience required to successfully perform his or her role. The payment of base salaries is a fundamental component of our company's compensation program and serves to attract and retain highly qualified executives. Our company intends to pay base salaries to our executive officers, including our President and Chief Executive Officer, that are competitive with those for similar positions within our selected peer group. For our executive officers for fiscal 2014, base salaries were targeted at the 50th percentile of our informal comparative peer group. Salaries of our executive officers, including that of our President and Chief Executive Officer, are reviewed annually by our Committee based upon a review of corporate and personal performance and individual levels of responsibility. Salaries for executive officers are not determined based on specific benchmarks, performance goals or a specific formula. The base salaries for the financial year ended December 31, 2014, were set to be competitive with industry levels and our Committee had regard to the contributions made by our executive officers. In assessing comparability, we relied upon salary and other remuneration data provided by Mercer as well as other compensation information obtained from public disclosure documents of comparable issuers. Consideration was given to the time period evaluated in industry surveys and public data and to the business climate applicable at the time with respect to industry demand for experienced personnel.

Employee Stock Savings Plan and Other Perquisites

We also provide executive officers, along with all other employees, with voluntary participation in our company's employee stock savings plan ("ESSP") established effective July 1, 2010. The purpose of the ESSP is to make available to our permanent employees a means of acquiring through regular payroll deductions and our additional contribution, common shares so that the employee can benefit from the growth in our share value. See "Statement of Executive Compensation – Incentive Plans – Employee Stock Savings Plan" for a description of the ESSP. In addition, we also provide certain perquisites and other benefits to employees which are generally typical of those provided by our peers in the Canadian oil and natural gas industry including life and disability insurance and extended health and dental coverage.

Short-Term Incentive Compensation – Annual Cash Bonuses

In addition to base salaries, our company has a discretionary bonus plan pursuant to which our Board, upon recommendation of our Committee, may award annual cash bonuses to all employees, including executive officers. The bonus element of our company's executive compensation program is designed to retain top quality talent and reward both corporate and individual performance during our company's last completed financial year. To determine bonus awards for senior personnel, including the Named Executive Officers, our Committee considers both the executive's personal performance and the performance of our company relative to our peers. In addition, the discretionary bonus plan is intended to help ensure that overall executive cash compensation (i.e. salary and bonus) is comparable to the average cash compensation of executives at similar-sized oil and natural gas companies during the year in question. The amount of the bonus paid is not set in relation to any formula or specific criteria but is the result of a subjective determination of our company's and the individual's performance during the last fiscal year. While our committee has not established strict pre-determined quantitative performance criteria linked to the

payment of bonuses, our committee will consider certain performance indicators including, but not limited to (i) growth in production volumes; (ii) growth in reserves on a proven and proven plus probable basis; (iii) finding and development costs; (iv) operating costs and general and administrative costs per barrel of oil equivalent; (v) metrics achieved in connection with acquisitions and dispositions; (vi) other corporate activity during the year; and (vii) our performance for all of the above relative to our goals and objectives and in relation to the performance of similar-sized oil and natural gas companies during the year in question. The payment of bonuses is ultimately subject to the final approval of our Board and our Board has the discretion to amend or suspend the bonus plan at any time in its sole discretion.

Personal performance of employees is evaluated by our President and Chief Executive Officer and is based on certain subjective factors such as demonstrated leadership and individual contributions to the success of our company. Personal performance for each executive officer is evaluated by our Committee in consultation with our President and Chief Executive Officer and is based on a subjective analysis of the individual's contribution to the corporate performance of our company. After assessing corporate and personal performance, our Committee reviews, at its discretion, such other factors it considers relevant to its decision as to whether bonuses will be payable and, if so, the amounts of such bonuses. The proposed bonus amounts for executive officers are then recommended by our Committee for review, discussion and approval by our Board.

In March 2015, after the 2014 financial and operating results were finalized, our Committee met to assess annual bonuses to employees, including executive officers of our company. In evaluating 2014 corporate performance, upon consultation with management, our Committee considered a number of the positive results achieved by our company in 2014 including the successful divestiture of our Tunisian business segment and the successful execution of our Canadian divestiture program and strategic planning initiatives.

Based on the assessment of 2014 corporate achievements and personal performance, our Committee determined that the payment of annual bonuses were warranted. The annual bonuses paid to our executive officers for performance during 2014 averaged approximately 24% of their 2014 base salaries. Our Board supported these recommendations of our Committee and subsequently approved the bonuses.

Long-Term Incentive Compensation

Share Options

Executive officers, along with our officers, directors, employees, consultants and other service providers are eligible to participate in our company's share option plan (the "**Option Plan**"). Options granted under the Option Plan are intended to align such individual's and shareholder interests by attempting to create a direct link between compensation and shareholder return. Participation in the Option Plan rewards overall corporate performance, as measured through the price of our common shares. In addition, the Option Plan encourages the retention of key executives and enables executives to develop and maintain a significant ownership position in our company. As with many similar-sized exploration and production companies, share options form an integral component of the total compensation package provided to our executive officers. This results in a significant portion of executive compensation being "at risk" and directly linked to the achievement of business results and long-term value creation.

Options are normally recommended by management and approved by our Committee or our Board upon the commencement of an individual's employment with our company based on the level of responsibility within our company. Our company's current policy is that additional option grants are made on an annual basis to ensure that the number of share options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within our company and to ensure that one of the primary purposes of the share options, namely retention of the executives, is being maintained. In considering annual grants, our committee and our Board has flexibility in the determination of the size of the award and takes into account all relevant circumstances, including the number of share options and restricted and performance awards held by such individual, the exercise price and implied value of the share options, the term remaining on those share options and the total number of common shares reserved for issuance under the Option Plan and the Award Plan on a combined basis. The size of the annual option award to individual executives is determined by considering individual performance, level of responsibility, authority and overall importance to our company and the degree to which each executive's potential and contribution are considered critical to the long term success of our company. Options are priced at the five-day volume weighted average trading price of the common shares immediately preceding the date of grant. The current policy of our Board is that options have a five year term and vest at a rate of one-third on each of the first, second and third anniversaries of the date of grant subject to accelerated vesting at the discretion of our Board or a committee of our Board appointed from time to time to

administer the Option Plan. In connection with our senior management succession effective December 31, 2013, our Committee accepted the voluntary surrender from departing officers of options granted pursuant to the Option Plan to purchase an aggregate of 958,750 common shares at exercise prices ranging from \$1.97 to \$2.72 per share for cancellation effective January 14, 2014. See "Statement of Executive Compensation – Incentive Plans – Share Option Plan" for a description of the detailed terms of the Option Plan.

Restricted and Performance Awards

Executive officers, along with our officers, directors, employees, consultants and other service providers, are eligible to participate in our company's restricted and performance award incentive plan (the "**Award Plan**"). Our Board upon the recommendation of our Committee adopted the Award Plan in March 2014 to supplement the Option Plan. Our Committee recommendation was based on the belief that there was a need for our company to establish an incentive arrangement with a stronger retention component than the Option Plan. The Award Plan serves to provide retention incentive for officers, directors, employees, consultants and other service providers of our company and, like the Option Plan, align the compensation of management and employees of our company with the success of our company and the creation of shareholder value over the term of the Incentive Awards. In recommending the Award Plan, our Committee considered the structure of the Award Plan and concluded that it would not encourage senior executives to take inappropriate or excessive risk that may have a material adverse effect on our company. In particular, the awards vest over time which should help mitigate short-term risk-taking potential. Shareholders approved the issuance of common shares from treasury pursuant to the Award Plan at the annual and special meeting of shareholders held on May 14, 2014.

Restricted awards ("**Restricted Awards**") and performance awards ("**Performance Awards**") (collectively, referred to as "**Incentive Awards**") granted under the Award Plan are normally recommended by management and approved by our Committee or our Board upon the commencement of an individual's employment with our company based on the level of responsibility within our company. Our current policy is that additional grants are made on an annual basis to ensure that the number of Incentive Awards granted to any particular individual is commensurate with the individual's level of ongoing responsibility within our company. The mix of Restricted Awards and Performance Awards will depend upon the level and nature of responsibilities of the particular employee, with a greater proportion of Performance Awards being allocated to executives and senior level employees. The Performance Awards, through the payout multiplier, provide a direct link to corporate performance and the level of payout received. The payout multiplier is dependent on the performance of our company relative to pre-defined corporate performance measures for a particular period and can be one of 0.5x (for fourth quartile ranking), 1x (for third quartile ranking), 1.5x (for second quartile ranking) and 2x (for first quartile ranking). For Incentive Awards granted in 2014, our Committee's practice was to weight the grants to executive officers as to 58% in the form of Performance Awards and 42% in the form of Restricted Awards, emphasizing our company's philosophy to pay for performance. Our Committee believes that the pay for performance orientation of the Performance Awards is aligned with shareholder interests. In considering additional grants, our Committee and our Board have flexibility in the determination of the size and mix of the Incentive Awards and assess all relevant circumstances, including the number of share options and/or Incentive Awards held by such individual, the implied value of the share options and Incentive Awards, the term remaining on such incentives and the total number of common shares reserved for issuance under the Option Plan and the Award Plan on a combined basis. The size of the annual incentive award grant to individual executives is determined by considering individual performance, level of responsibility, authority and overall importance to our company and the degree to which each executive's potential and contribution are considered critical to the long-term success of our company. See "Statement of Executive Compensation – Incentive Plans – Restricted and Performance Award Incentive Plan" for a description of the detailed terms of the Award Plan.

2014 Incentive Awards

In June 2014, our Committee approved the annual awards under the Award Plan. The following table details the Restricted Awards and the Performance Awards granted to each of the Named Executive Officers in 2014.

Name	Restricted Awards (#)	Performance Awards (#)	Performance Awards as % of Total Awards (%)
Walter J. Vrataric	5,925	66,235	92
Jason B. Dranchuk	5,440	7,615	58
L. Geoffrey Barlow ⁽¹⁾	Nil	Nil	N/A
Timothy S. Halpen	5,265	7,375	58
Darrel Zacharias	4,690	6,570	58
Roy L. Smitshoek ⁽²⁾	Nil	Nil	N/A

Notes:

(1) Mr. Barlow resigned from our company on April 10, 2014.

(2) Mr. Smitshoek resigned from our company on November 30, 2014.

(3) Of these amounts, all were granted effective June 26, 2014, other than 57,940 of the performance awards granted to Mr. Vrataric which were effective August 28, 2014 and other than the grants to Mr. Dranchuk which were effective July 14, 2014. Mr. Vrataric was granted 57,940 performance awards on August 28, 2014 in lieu of share options not granted to Mr. Vrataric as a result of a trading blackout being in place in respect of our company's securities. Mr. Dranchuk was granted his awards on July 14, 2014 as this was the date he commenced employment with our company. The value of these grants is reported in the Summary Compensation Table below in "Statement of Executive Compensation – Summary Compensation Table".

Our Board, upon recommendation of our Committee, established the corporate performance measures listed in the table below (and the weighting of each measure) for purposes of calculating the payout multiplier in respect of the Performance Awards that were granted during 2014 and vest as to one-half in 2015 and 2016 based upon financial and operating results for the year ended December 31, 2014.

Our Committee will meet in May 2015 to assess our company's performance relative to the corporate performance measures listed in the table below and to establish the payout multiplier for those Performance Awards that were granted during 2014 and vest as to one-half in 2015 and 2016.

Corporate Performance Measure	Weighting
Relative Total Shareholder Return for the year ended December 31, 2014 ⁽¹⁾	25%
A compilation of general financial strength and profitability measures for the year ended December 31, 2014 ⁽²⁾	30%
Environment, health and safety based on management's quarterly EH&S reporting to our Board	10%
2014 production increase year-over-year ⁽³⁾	5%
General and administrative costs per Boe ⁽⁴⁾	5%
Development and execution of corporate objectives and strategic plans ⁽⁵⁾	25%

Notes:

(1) Calculation is based on a volume weighted average trading price of the common shares on the TSX for the 10 trading days immediately preceding January 1st year-over-year (2014 vs. 2013) for each member of the peer comparison group.

(2) The measures are as follows: finding, development and acquisition costs (including finding development capital), recycle ratio, production per share, net debt to cash flow, controllable costs per Boe (ie., operating transportation but excluding general and administrative costs), and cash flow per share.

(3) Calculation based on year-over-year (ie., Q4 vs. Q4) percentage increase/decrease subject to additional strategic considerations.

(4) Calculation is based on cash general and administrative costs per Boe, excluding non-cash items such as stock based compensation.

(5) Based on a discretionary assessment by our Committee contemplating factors such as execution of strategic objectives (drilling, acquisitions/divestitures), performance vs. budget, etc.

For the purpose of establishing the payout multiplier for those Performance Awards that were granted during 2014 and vest as to one-half in 2015 and 2016, our Board, upon the recommendation of our Committee, established the following peer comparison group to be used to determine our company's relative ranking in respect of such foregoing measures for 2014, where applicable: Cequence Energy Ltd., Delphi Energy Corp., Nuvista Energy Ltd., Painted Pony Petroleum Ltd., Rock Energy Inc., Spartan Energy Corp. and Storm Resources Ltd.

For further information regarding the outstanding Restricted Awards and Performance Awards held by the Named Executive Officers, see "Statement of Executive Compensation – Incentive Plan Awards – Outstanding Option-based and Share-based Awards" and "Incentive Plan Awards – Value Vested or Earned During the Year" below.

Risk Implications Associated with Compensation Policies and Practices

As described herein, our company's executive compensation program is administered by our Committee. In carrying out its mandate, our Committee reviewed the elements of compensation of our company to identify any risks arising from our company's compensation policies and practices that could reasonably be expected to have a material adverse effect on our company as well as the practices used to mitigate any such issues. Our Committee concluded that the compensation program and policies of our company does not encourage our executive officers to take inappropriate or excessive risks. This assessment was based on a number of considerations including, without limitation, the following: (i) the compensation program of our company attempts to achieve a balance between cash and equity compensation which are based both on individual and corporate performance, both financial and non-financial and the overall compensation program is market based and aligned with our company's business plan and long term strategies; (ii) our company's compensation policies and practices are generally uniform throughout the organization and there are no significant differences in compensation structure among our executive officers; (iii) in exercising its discretion under the cash bonus plan and grants of options and restricted and performance awards, our Committee reviews individual and corporate performance taking into account the long-term interests of our company; (iv) awarding a portion of long term incentive compensation in the form of performance awards provides, through the payout multiplier, a direct link between corporate performance and the level of payout received. If threshold performance is not met, the payout multiplier will be 0.5x and minimal payouts will be made under the performance awards; (v) using a variety of measures to assess corporate performance, such as total shareholder return and profitability of investment; (vi) options are generally granted annually and vest over three years and restricted and performance award grants are generally granted annually and vest over a two year period which further mitigates any short-term risk taking potential; and (vii) results of assessments of individual contributions of executive officers are reviewed and considered in awarding compensation and such discretionary judgement is applied in awarding both discretionary bonuses under the cash bonus plan and future compensation.

Short Sales, Puts, Calls and Options

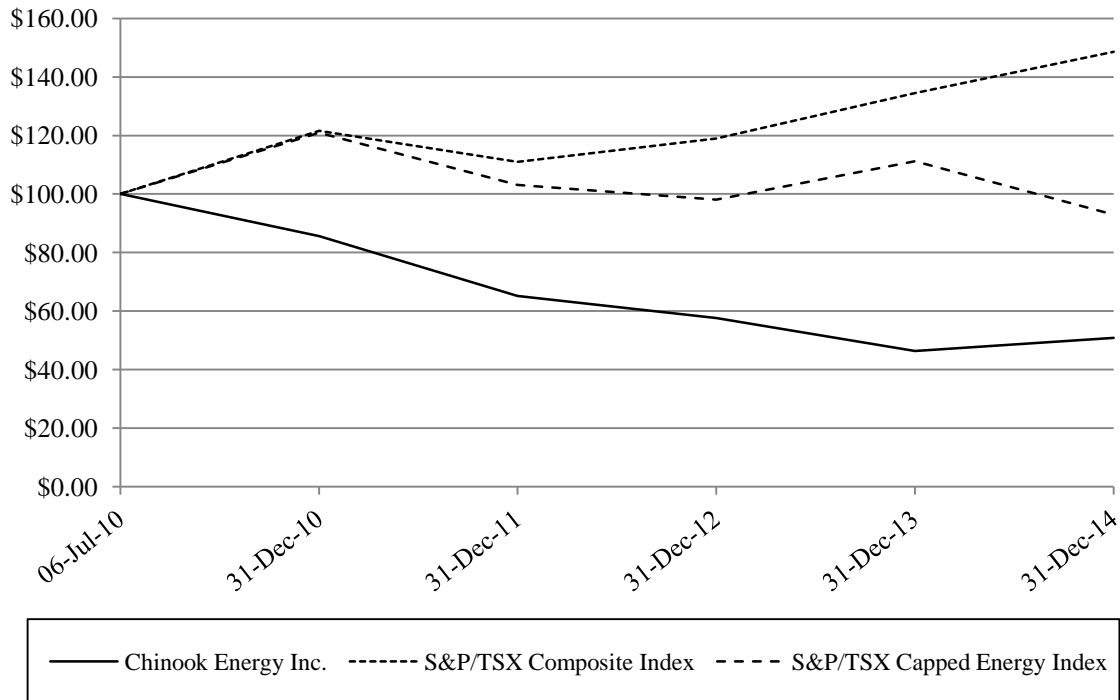
Our company's Disclosure, Confidentiality and Trading Policy provides that our directors, officers and all of our employees, shall not knowingly sell, directly or indirectly, a security of our company if such person selling such security does not own or has not fully paid for the security to be sold. In addition, the Disclosure, Confidentiality and Trading Policy provides that our directors, officers and employees shall not, directly or indirectly, buy or sell a call or put in respect of a security of our company. Notwithstanding these prohibitions, our directors, officers and employees may sell a security which such person does not own if such person owns another security convertible into the security sold or an option or right to acquire the security sold and, within 10 days after the sale, such person: (i) exercises the conversion privilege, option or right and delivers the security so associated to the purchaser; or (ii) transfers the convertible security, option or right, if transferable to the purchaser.

Summary

Our company's compensation policies have allowed our company to attract and retain a team of motivated professionals and support staff working towards the common goal of enhancing shareholder value. Our Committee has reviewed the compensation regime and is satisfied that the current levels of total compensation are reflective of competitive market practices, align pay for performance with the interests of shareholders and support our company's objective to attract, retain and motivate highly capable executive talent. Through the compensation program described above, a meaningful portion of the compensation for all employees, including executives, is based on corporate performance, as well as industry-competitive pay practices. Our Committee and our Board will continue to review compensation policies to ensure that they are competitive within the oil and natural gas industry and consistent with the performance of our company.

Performance Graph

The following graph compares the cumulative total shareholder return for \$100 invested in the common shares for the period from our initial listing on the TSX on July 6, 2010 to December 31, 2014, as measured by the closing price of the common shares at the end of June and December each year, with the cumulative total return on each of the S&P/TSX Composite Index and the S&P/TSX Capped Energy Index, assuming the reinvestment of dividends, where applicable, for the same period.



Comparison of Cumulative Total Return ⁽¹⁾

	July 6, 2010	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
Chinook Energy Inc.	\$100.00	\$85.60	\$65.20	\$57.60	\$46.40	\$50.80
S&P/TSX Composite Index	\$100.00	\$121.59	\$111.00	\$118.98	\$134.44	\$148.62
S&P/TSX Capped Energy Index	\$100.00	\$120.97	\$103.06	\$98.09	\$111.15	\$92.98

Notes:

(1) Assuming an investment of \$100 on July 6, 2010.

While a significant portion of the compensation of our executive officers is performance based, it is difficult to correlate total compensation to the trends shown in the above performance graphs. As described under "Compensation Discussion and Analysis", base salaries are set to be competitive with industry levels of our peer group. While the value of share options granted pursuant to the Option Plan and restricted and performance awards granted pursuant to the Award Plan are directly affected by changes in share price, the payment of cash bonuses in respect of fiscal 2012, 2013 and 2014 was not set in relation to any formula or specific criteria but is the result of subjective determination of our and the individual's performance during the fiscal year, the results of which may not have been reflected in the share price. In addition, the trading price of the common shares may be affected by various factors not related to our results such as changes in commodity prices and general economic conditions.

STATEMENT OF EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation during each of our three most recently completed fiscal years paid to our Chief Executive Officer and Chief Financial Officer and each of our three other most highly compensated executive officers, other than our Chief Executive Officer and Chief Financial Officer, for the year ended December 31, 2014 whose total compensation was more than \$150,000 (collectively, our "Named Executive Officers").

Name and principal position	Year	Salary	Share-based awards ⁽⁴⁾	Option-based awards ⁽⁵⁾	Non-equity annual incentive plan compensation		Pension value	All other compensation ⁽⁷⁾	Total compensation
					Annual incentive plans ⁽⁶⁾	Long-term incentive plans			
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Walter J. Vrataric President and Chief Executive Officer	2014	288,000	169,555	108,844	72,000	Nil	Nil	42,073	680,472
	2013	280,000	Nil	Nil	65,000	Nil	Nil	39,840	384,840
	2012	238,667	Nil	Nil	32,000	Nil	Nil	35,590	306,257
Jason B. Dranchuk ⁽¹⁾ Vice President, Finance and Chief Financial Officer	2014	124,895	32,115	335,568	60,000	Nil	Nil	18,671	571,249
L. Geoffrey Barlow ⁽²⁾ Vice President, Finance and Chief Financial Officer	2014	74,685	Nil	Nil	Nil	Nil	Nil	10,104	84,789
	2013	258,000	Nil	Nil	65,000	Nil	Nil	38,156	361,156
	2012	248,400	Nil	Nil	40,000	Nil	Nil	37,369	325,769
Timothy S. Halpen Chief Operating Officer, Canada	2014	256,000	30,715	108,844	60,000	Nil	Nil	38,438	493,997
	2013	249,000	Nil	49,924	65,000	Nil	Nil	37,494	401,418
	2012	233,308	Nil	Nil	32,000	Nil	Nil	35,412	300,720
Darrel Zacharias Vice President, Exploration	2014	228,000	27,362	108,844	60,000	Nil	Nil	35,493	459,699
	2013	208,000	Nil	24,962	65,000	Nil	Nil	32,000	329,962
	2012	200,000	Nil	Nil	25,000	Nil	Nil	31,335	256,335
Roy L. Smitshoek ⁽³⁾ Chief Operating Officer, International	2014	231,000	Nil	Nil	241,800	Nil	Nil	519,289 ⁽⁸⁾	992,089
	2013	244,400	Nil	Nil	35,000	Nil	Nil	55,800	335,200
	2012	234,960	Nil	Nil	32,000	Nil	Nil	70,386	337,346

Notes:

- (1) Mr. Dranchuk commenced employment with our company on July 14, 2014.
- (2) Mr. Barlow resigned from our company on April 10, 2014.
- (3) Mr. Smitshoek resigned from our company on November 30, 2014.
- (4) This column shows the total compensation value that was awarded as Incentive Awards in the form of "restricted awards" and "performance awards" under the Award Plan. See "Statement of Executive Compensation – Incentive Plans – Award Plan". The fair value of Incentive Award grants have been determined using the same methodology and values used in determining the Incentive Award value for our financial statements as we believe it represents the best estimate of fair value of the Incentive Awards at the time of the grant. The actual value realized pursuant to such restricted awards and performance awards may be greater or less than the indicated value.
- (5) Refers to options granted under the Option Plan. See "Statement of Executive Compensation – Incentive Plans – Share Option Plan". The fair value of the options granted annually is obtained by multiplying the number of options granted by their value established according to the Black, Scholes and Merton model. This value is the same as the fair value established in accordance with generally accepted accounting principles and accounting for the following assumptions: expected volatility – 40.5% to 55.7%, risk free rate of return – 1.0% to 1.8%, expected stock option life – five years, dividend yield rate – 0% and forfeiture rate – 9.4% to 13.1%. The fair value of option grants have been determined using the same methodology and values used in determining the option value for our financial statements as we believe it represents the best estimate of fair value of the options at the time of the grant.
- (6) With the exception of the amount paid to Mr. Smitshoek in 2014, the amounts set forth in the column are the discretionary cash bonuses earned by our Named Executive Officers in fiscal 2012, 2013 and 2014, as the case may be, and paid to our Named Executive Officers in fiscal 2013, 2014 and 2015, as the case may be. With respect to the \$241,800 paid to Mr. Smitshoek in 2014, \$75,000 of such amount represented the payment of a transaction bonus in respect of the disposition by our wholly-owned subsidiary, Storm Ventures International (BVI) Limited, completed on August 19, 2014 and effective January 1, 2014, of all of the issued and outstanding shares of Storm Ventures International (Barbados) Limited, which

directly and indirectly owned all of our company's Tunisian assets, and \$166,800 of such amount represented a payment made to Mr. Smitshoek in lieu of share options not granted to Mr. Smitshoek as a result of a trading blackout being in place in respect of our company's securities.

- (7) All other compensation includes our portion of contributions to the ESSP, life insurance premiums and parking benefits and the amounts included in the table represent the incremental costs to our company. Included in the foregoing for 2014 is \$34,560, \$14,987, \$7,980, \$30,720, \$27,360 and \$27,720. Included in the foregoing for 2013 is \$32,480, \$nil, \$30,576, \$29,519, \$24,640 and \$28,950 paid by our company to the ESSP in the case of Messrs. Vrataric, Dranchuk, Barlow, Halpen, Zacharias and Smitshoek. Included in the foregoing for 2012 is \$28,440, \$nil, \$29,808, \$27,897, \$24,000 and \$28,195 paid by our company to the ESSP in the case of Messrs. Vrataric, Dranchuk, Barlow, Halpen, Zacharias and Smitshoek. In the case of Mr. Smitshoek, all other compensation for 2013 includes \$21,385 in respect of a foreign service premium paid in 2013 in respect of the period from January 1, 2013 until July 31, 2013 and all other compensation for 2012 includes \$35,244 in respect of a foreign service premium paid in 2013 in respect of the period from January 1, 2012 until December 31, 2012.
- (8) In the case of Mr. Smitshoek, all other compensation for 2014 includes a retiring allowance payment of \$484,950 which we paid to Mr. Smitshoek in accordance with the terms of his executive employment agreement in connection with the cessation of his employment on November 30, 2014 and in exchange for a full and final release.

Incentive Plan Awards

Outstanding Option-based and Share-based Awards

The following table sets forth all option-based awards and share-based awards outstanding for each of our Named Executive Officers as at December 31, 2014.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ⁽²⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Walter J. Vrataric	200,000	1.26	December 9, 2019	2,000	5,925 RA	7,525	Nil
	200,000	1.42	December 15, 2016	Nil	66,235 PA	84,118	
	112,500	2.19	October 13, 2015	Nil			
	200,000	2.72	March 19, 2015	Nil			
Jason B. Dranchuk	50,000	1.26	December 9, 2019	500	5,440 RA	6,909	Nil
	300,000	2.46	July 13, 2019	Nil	7,615 PA	9,671	
L. Geoffrey Barlow	Nil	N/A	N/A	Nil	Nil	Nil	Nil
Timothy S. Halpen	200,000	1.26	December 9, 2019	2,000	5,265 RA	6,687	Nil
	100,000	1.19	April 8, 2018	8,000	7,375 PA	9,366	
	200,000	1.42	December 15, 2016	Nil			
	87,500	2.19	October 13, 2015	Nil			
	50,000	2.47	April 17, 2015	Nil			
	25,000	2.72	January 27, 2015	Nil			
Darrel Zacharias	200,000	1.26	December 9, 2019	2,000	4,690 RA	5,956	Nil
	50,000	1.19	April 8, 2018	4,000	6,570 PA	8,344	
	90,000	1.42	December 15, 2016	Nil			
	37,500	2.19	October 13, 2015	Nil			
	150,000	2.72	March 19, 2015	Nil			
	30,000	2.22	January 14, 2016	Nil			
Roy L. Smitshoek	66,667	1.42	December 15, 2016 ⁽³⁾	Nil	Nil	Nil	Nil
	137,500	2.19	October 13, 2015 ⁽³⁾	Nil			

Notes:

- (1) Calculated based on the closing price of the common shares on the TSX on December 31, 2014, which was \$1.27 per share, less the exercise price of the options.
- (2) Calculated by multiplying the number of restricted awards (RA) and performance awards (PA) by the closing price of the common shares on the TSX on December 31, 2014 (being \$1.27). For performance awards, a payout multiplier of 1x is assumed.
- (3) These options expired unexercised on January 29, 2015 as a result of Mr. Smitshoek ceasing to be an employee of our company on November 30, 2014.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested during the year ended December 31, 2014, and the value of non-equity incentive plan compensation earned during the year ended December 31, 2014, for each Named Executive Officer.

Name	Option-based awards – Value of options vested during the year (as at vesting date) ⁽¹⁾	Share-based awards – Value vested during the year ⁽²⁾	Non-equity incentive plan compensation – Value earned during the year ⁽³⁾
	(\$)	(\$)	(\$)
Walter J. Vrataric	Nil	Nil	72,000
Jason B. Dranchuk	Nil	Nil	60,000
L. Geoffrey Barlow	Nil	Nil	Nil
Timothy S. Halpen	5,333	Nil	60,000
Darrel Zacharias	2,666	Nil	60,000
Roy L. Smitshoek	4,000	Nil	241,800

Notes:

- (1) Calculated based on the difference between the closing price of the common shares on the TSX on the vesting date and the exercise price of the options.
- (2) No Incentive Awards vested during the year ended December 31, 2014.
- (3) With the exception of the amount paid to Mr. Smitshoek, the amounts set forth in the column are the discretionary cash bonuses earned by our Named Executive Officers in fiscal 2014 and paid to our Named Executive Officers in fiscal 2015. The \$241,800 paid to Mr. Smitshoek represents the aggregate of a \$75,000 transaction bonus paid to Mr. Smitshoek in respect of the disposition by our wholly-owned subsidiary, Storm Ventures International (BVI) Limited, completed on August 19, 2014 and effective January 1, 2014, of all of the issued and outstanding shares of Storm Ventures International (Barbados) Limited, which directly and indirectly owned all of our company's Tunisian assets, and a \$166,800 payment made to Mr. Smitshoek in lieu of share options not granted to Mr. Smitshoek as a result of a trading blackout being in place in respect of our company's securities.

Pension Plan Benefits

We do not have a pension plan or similar benefit program.

Termination and Change of Control Benefits

We have entered into executive change of control agreements with each of Walter J. Vrataric, Jason B. Dranchuk, Timothy S. Halpen and Darrel Zacharias. The executive change of control agreements continue for one year following a change of control unless earlier terminated by the parties. A change of control includes a sale of all or substantially all of our assets, the acquisition by a person or persons acting in concert of more than 50% of our shares, or a transaction whereby we merge or amalgamate with another person and our shareholders thereafter hold less than 50% of the shares of the new entity.

The executive change of control agreements and the employment of these executive officers can be terminated at any time by our company for just cause (in which case there are no payments other than accrued vacation, earned salary, and reimbursement of expenses). In the event that we terminate the executive change of control agreements and these executive officers without just cause on, or in the one year after, a change of control the executives are, in addition to accrued salary, vacation and reimbursable expenses, entitled to an amount equal to 1.5 times the sum of (i) annual salary, (ii) 15% for loss of benefits and perquisites, and (iii) the average of cash bonuses paid in the 24 months preceding the last day of employment. In the event of a change of control of our company, and if in the one year following a change of control there is an event or events that constitute good reason (an adverse change in any of the duties, powers, rights, discretions, salary, title, or lines of reporting such that following such changes the responsibilities and status of such executive are not at least substantially equivalent to those assigned previously, or any other reason that would constitute constructive dismissal), each of Messrs. Vrataric, Dranchuk, Halpen and Zacharias has an election to terminate employment on the same basis as if we had terminated their employment without just cause in the one year following a change of control. Any retiring allowance paid to Messrs. Vrataric, Dranchuk, Halpen and Zacharias is less required withholdings, and they must sign a full and final release and resign from all officer and director positions.

All of our executive officers have confidentiality obligations during their employment and after their employment ceases. Additionally, the executive change of control agreements provide that Messrs. Vrataric, Dranchuk, Halpen and Zacharias for one year following the last day of their employment cannot, directly or indirectly, solicit, encourage or entice away any of our employees and consultants.

Upon termination of employment of Messrs. Vrataric, Dranchuk, Halpen and Zacharias, there is no automatic acceleration of, or any other benefit relating to, any share options or Incentive Awards which may as at such date be held by Messrs. Vrataric, Dranchuk, Halpen and Zacharias, but the share options and Incentive Awards are required to be exercised within a specified period of time upon such individual ceasing to be a service provider. Pursuant to the Option Plan, our Board may, at its discretion, accelerate the vesting of share options. Upon a "Change of Control" of our company (as such term is defined in the Award Plan) the payment date(s) applicable to all outstanding Incentive Awards which may as at such date be held by Messrs. Vrataric, Dranchuk, Halpen and Zacharias are accelerated to that date immediately prior to the date upon which the Change of Control is completed.

See the table below for the estimated incremental payments, payables and benefits to Messrs. Vrataric, Dranchuk, Halpen and Zacharias pursuant to their executive employment agreements assuming a termination or a change of control effective December 31, 2014. See "Incentive Plans" below.

<u>Name</u>	<u>Triggering Event</u>	<u>Cash Payment (\$)</u>	<u>Share Options⁽³⁾ (\$)</u>	<u>Incentive Awards⁽⁴⁾ (\$)</u>	<u>Total (\$)</u>
Walter J. Vrataric	Change of Control and Termination ⁽¹⁾	569,550	2,000	91,643	663,193
	Change of Control without Termination	-	2,000	91,643	93,643
	Termination by Corporation without Just Cause ⁽²⁾	569,550	-	-	569,550
Jason B. Dranchuk	Change of Control and Termination ⁽¹⁾	462,300	500	16,580	479,380
	Change of Control without Termination	-	500	16,580	17,080
	Termination by Corporation without Just Cause ⁽²⁾	462,300	-	-	462,300
Timothy S. Halpen	Change of Control and Termination ⁽¹⁾	514,350	10,000	16,053	540,403
	Change of Control without Termination	-	10,000	16,053	26,053
	Termination by Corporation without Just Cause ⁽²⁾	514,350	-	-	514,350
Darrel Zacharias	Change of Control and Termination ⁽¹⁾	460,800	6,000	14,300	481,100
	Change of Control without Termination	-	6,000	14,300	20,300
	Termination by Corporation without Just Cause ⁽²⁾	460,800	-	-	460,800

Notes:

- (1) Where the executive change of control agreements are terminated by our company other than for just cause in the one year following a change of control, or by the executive officers for good reason in the one year following a change of control.
- (2) In the case of resignation or termination by our company for Just Cause (as defined in the applicable agreement), no amounts would be payable nor would there be any benefits receivable.
- (3) There is no automatic acceleration of options in the event of a termination of employment or resignation of a Named Executive Officer. Vesting of options and the acceleration of vesting is at the discretion of our Board. If share options were accelerated by our Board in the event of a termination or resignation of the Named Executive Officer, or in the event of a Change of Control, options to purchase 200,000, 350,000, 300,000 and 250,000 common shares would have been accelerated in respect of Messrs. Vrataric, Dranchuk, Halpen and Zacharias, respectively, having the values set forth in the table above as at December 31, 2014, based on the closing price of the common shares of \$1.27 on December 31, 2014 less the applicable exercise price.
- (4) Upon a Change of Control (as such term is defined in the Award Plan), the payment date(s) for all outstanding Incentive Awards shall accelerate such that the balance of the award value attaching to such Incentive Awards will be paid immediately prior to the date upon which the Change of Control is completed and the payout multiplier applicable to any performance awards shall be determined by our Committee. The amounts shown in the table are calculated by multiplying the number of restricted awards and performance awards by the closing price of the common shares on the TSX on December 31, 2014 (being \$1.27). For performance awards, a payout multiplier of 1x is assumed.

Incentive Plans

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under our equity compensation plans as at December 31, 2014.

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 securityholders ⁽¹⁾			10,527,579 common shares ⁽³⁾
Share Option Plan	10,529,675 common shares	\$1.83 per common share	
Restricted and Performance Award Incentive Plan ⁽²⁾	450,965 common shares	Not applicable	
Equity compensation plans not approved by securityholders	Nil	Not applicable	Nil
Total	10,980,640 common shares		10,527,579 common shares

Notes:

- (1) Our shareholders approved the unallocated options under the Option Plan at the annual and special meeting of shareholders on May 16, 2013. Our shareholders approved the issuance of common shares from treasury pursuant to our Award Plan on May 14, 2014.
- (2) The number of common shares issuable pursuant to the Award Plan assumes a payout multiplier of 1x for the performance awards.
- (3) The Option Plan and the Award Plan currently authorize the issuance of options and Incentive Awards entitling the holders to acquire, in the aggregate, up to 10% of the issued and outstanding common shares from time to time. See "Share Option Plan" and "Restricted and Performance Award Incentive Plan".

Share Option Plan

Our shareholders approved the unallocated options under the Option Plan at the annual and special meeting of shareholders on May 16, 2013. The policies of the TSX require that the unallocated options under the Option Plan be approved every three years by our shareholders.

The Option Plan permits the granting of options to our and our subsidiaries' officers, directors, employees, consultants and other service providers. The Option Plan is intended to afford persons who provide services to our company an opportunity to obtain a proprietary interest in our company by permitting them to purchase common shares and to aid in attracting as well as retaining and encouraging the continued involvement of such persons with our company. The Option Plan is administered by our Committee, provided that our Board has the authority to appoint itself or another committee of our Board to administer the Option Plan. The Option Plan, in connection with the Award Plan, limits the number of common shares that may be issued on the exercise of options and the settlement of Incentive Awards, on a combined basis, to a number not exceeding 10% of the number of common shares which are outstanding from time to time.

Pursuant to the Option Plan:

- (a) the maximum number of common shares issuable on exercise of options outstanding at any time shall be limited to 10% of the issued and outstanding common shares less the number of common shares which are issuable pursuant to all other security based compensation arrangements of our company, including, without limitation, the Award Plan;
- (b) the number of common shares issuable to insiders of our company, at any time, under all security based compensation arrangements of our company, including the Option Plan and the Award Plan, shall not exceed 10% of the issued and outstanding common shares;
- (c) the number of common shares issued to insiders of our company, within any one year period, under all security based compensation arrangements of our company, including the Option Plan and the Award Plan, shall not exceed 10% of the issued and outstanding common shares;
- (d) the maximum number of common shares issuable to our directors, as a group, who are not officers or employees of our company, or our subsidiaries, at any time pursuant to outstanding options shall be limited to 1% of the issued and outstanding common shares; and
- (e) the value of options granted to any one of our directors who is not an officer or employee of our company, or our subsidiaries, during a calendar year as calculated on the date of grant, shall not exceed \$100,000.

Any increase in the issued and outstanding common shares (whether as a result of the exercise of options or otherwise) will result in an increase in the number of common shares that may be issued on exercise of options outstanding at any time and any increase in the number of options will, upon exercise, make new grants available under the Option Plan. Options that are cancelled, surrendered, terminated or expire prior to the exercise of all or a portion thereof shall result in the common shares that were reserved for issuance thereunder being available for a subsequent grant of options pursuant to the Option Plan to the extent of any common shares issuable thereunder that are not issued under such cancelled, surrendered, terminated or expired options.

Options granted pursuant to the Option Plan have a term not to exceed five years and, subject to the terms of the Option Plan, vest in such manner as determined by our Committee. In the absence of any determination by our Committee to the contrary, options will vest and be exercisable as to one-third of the number of options granted on each of the first, second and third anniversaries of the date of grant, subject to the acceleration of vesting at the discretion of our Committee. Options granted under the Option Plan are non-assignable. If the normal expiry date of any options falls within any Black-Out Period or within seven (7) business days following the end of any Black-Out Period (the "**Black-Out Options**"), then the expiry date of such Black-Out Options shall, without any further action, be extended to the date that is seven (7) business days following the end of such Black-Out Period. A "**Black-Out Period**" means the period of time when, pursuant to any of our policies, any of our securities may not be traded by certain persons as designated by our company, including any holder of an option.

The exercise price of any options granted under the Option Plan will be determined by our Committee at the time of grant, provided that the exercise price shall not be less than the volume weighted average trading price of the common shares on the TSX (or other stock exchange on which the common shares may be listed) for the five consecutive trading days immediately preceding the date of grant.

Upon the death of an optionee, options terminate on the date determined by our Committee which may not be more than 12 months from the date of death. If an optionee shall no longer be a director or officer of or be in the employ of, or a consultant or other service provider to, either our company or a subsidiary of our company (other than by reason of death), their options terminate on the expiry of a period not in excess of six months as determined by our Committee at the time of grant, following the date that the optionee ceases to be a director or officer of, or an employee of or a consultant or other service provider to, either our company or a subsidiary of our company and in the absence of any determination to the contrary, will be 60 days following the termination date. The number of common shares that an optionee (or his or her heirs or successors) is entitled to purchase until such date of termination shall be the number of common shares which the optionee was entitled to purchase on the date that the optionee ceased to be an officer, director, employee, consultant or other service provider, as the case may be.

The Option Plan provides optionees with an election, if permitted by our Committee, for a cashless exercise ("**Cashless Exercise**") of an optionee's vested and exercisable options. If an optionee elects a Cashless Exercise the optionee shall surrender its options together with payment in full of the withholding tax amount in respect of such option exercise in exchange for the issuance by our company of that number of common shares equal to the number determined by dividing the difference between the Market Price per share as defined in the Option Plan (calculated as at the date of exercise) and the exercise price of such option by the Market Price per share (calculated as at the date of exercise). In addition, the Option Plan also provides that an optionee has the right to make an offer (the "**Surrender Offer**") to our company to surrender any of the options held by such person for an amount (not to exceed the fair market value) specified therein by the optionee and our company may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required and compliance with any withholding tax obligations.

The Option Plan provides that in the case of a merger, amalgamation or certain other transactions or a take-over bid approved by our Board, our company has the right to satisfy any obligations to an optionee in respect of any unexercised options by paying to the optionee a cash amount equal to the difference between the exercise price of all unexercised options held and the fair market value of the securities which the optionee would have been entitled to receive on exercise thereof.

Without the prior approval of our shareholders, as may be required by an applicable stock exchange, our Committee may not: (i) make any amendment to the Option Plan to increase the percentage of common shares issuable on exercise of outstanding options at any time, (ii) reduce the exercise price of any outstanding options, (iii) extend the term of any outstanding option beyond the original expiry date of such option, (iv) make an amendment to the Option Plan to increase the maximum limit on the number of securities that may be issued to insiders, (v) make an amendment to the Option Plan to increase the maximum number of common shares issuable to directors who are not officers or employees of our company or our subsidiaries, (vi) make any amendment to the Option Plan to permit an optionee to transfer or assign options to a new beneficial optionee other than in the case of death of the optionee, or (vii) amend the restrictions on amendments that are provided in the Option Plan. Subject to the restrictions set out above, our Committee may amend or discontinue the Option Plan and options granted thereunder without shareholder approval; provided any amendment to the Option Plan that requires approval of any stock exchange on which the common shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Option Plan or options granted pursuant to the Option Plan may be made without the consent of the optionee, if it adversely alters or impairs any option previously granted to such optionee.

The current balance of options to acquire 9,440,006 common shares represents approximately 4.4% of our currently outstanding common shares. All options currently outstanding under the Option Plan expire five years from the date of the grant and vest over three years commencing one year after the date of grant subject to acceleration of vesting at the discretion of our Committee.

Restricted and Performance Award Incentive Plan

Our shareholders approved the issuance of common shares from treasury pursuant to the Award Plan at the annual and special meeting of shareholders held on May 14, 2014. The Award Plan provides for the granting of Incentive Awards to employees, officers, directors and other service providers of our company and our affiliates (collectively, "**Service Providers**"). The policies of the TSX require that the unallocated Incentive Awards under the Award Plan be approved every three years by our shareholders.

Overview

The principal purposes of the Award Plan are to: (i) provide a competitive compensation plan to retain and attract qualified Service Providers that our company and our affiliates require; (ii) promote a proprietary interest in our company by such Service Providers and to encourage such persons to remain in the employ or service of our company and our affiliates and put forth maximum efforts for the success of the business of our company and our affiliates; and (iii) focus management of our company and our affiliates on operating and financial performance and return realized by shareholders.

The Award Plan is administered by our Committee, provided that our Board has the authority to appoint itself or another committee of our Board to administer the Award Plan.

Under the terms of the Award Plan, any eligible Service Provider may be granted Restricted Awards, Performance Awards or a combination thereof. In determining the Service Providers to whom Incentive Awards may be granted ("**Grantees**"), the number of Incentive Awards and the allocation of the Incentive Awards between Restricted Awards and Performance Awards, our Committee may take into account such factors as it shall determine in its sole discretion, including any one or more of the following factors: (i) compensation data for comparable benchmark positions among the peer comparison group or among other comparison groups; (ii) the duties, responsibilities, position and seniority of the Grantee; (iii) the corporate performance measures for the applicable period compared with internally established performance measures approved by our Committee and/or similar performance measures of members of the peer comparison group or other comparison groups for such period; (iv) the individual contributions and potential contributions of the Grantee to the success of our company; (v) any bonus payments paid or to be paid to the Grantee in respect of his or her individual contributions and potential contributions to the success of our company; (vi) the fair market value or current market price of the common shares at the time of grant of such Incentive Award; and (vii) such other factors as our Committee shall deem relevant in its sole discretion in connection with accomplishing the purposes of the Award Plan.

Restricted Awards

Subject to the terms and conditions of the Award Plan, Restricted Awards will entitle the holder to a sum (an "**Award Value**") to be paid as to one-half of the Award Value underlying such Restricted Awards on each of the first and second anniversaries of the date of grant of such Restricted Awards. In the case of Restricted Awards, the Award Value is calculated at the payment date(s) by multiplying the number of Restricted Awards by the fair market value of the common shares. The fair market value is determined on the applicable payment date as the volume weighted average trading price of the common shares on the TSX (or other stock exchange on which the common shares may be listed) for the five trading days immediately preceding such date.

Performance Awards

Subject to the terms and conditions of the Award Plan, Performance Awards will entitle the holder to the Award Value to be paid as to one-half of the Award Value underlying such Performance Awards on each of the first and second anniversaries of the date of grant of such Performance Awards. In the case of Performance Awards, the Award Value is calculated at the payment date(s) by first adjusting the number of Performance Awards to reflect a payout multiplier and multiplying the adjusted number of Performance Awards by the fair market value of the common shares. The fair market value is determined on the applicable payment date as the volume weighted average trading price of the common shares on the TSX (or other stock exchange on which the common shares may be listed) for the five trading days immediately preceding such date.

The payout multiplier is determined by our Committee based on an assessment of the achievement of the pre-defined corporate performance measures in respect of the applicable period. Corporate performance measures may include: relative total shareholder return; recycle ratio; key leading and lagging indicators of health, safety and environmental performance of our company and our affiliates; achievement of our company's full year budget targets and the execution of our company's strategic plan as determined by our Committee in its sole discretion; and such additional measures as our Committee, in its sole discretion, shall consider appropriate in the circumstances. The payout multiplier for a particular period can be one of 0.5x (for fourth quartile ranking), 1x (for third quartile ranking), 1.5x (for second quartile ranking) or 2x (for first quartile ranking). Annually, prior to the payment date in respect of any Performance Award, our Committee shall assess the performance of our company for the applicable period. A given payout multiplier will apply to all Performance Awards granted during the previous fiscal year.

Method of Payment of Award Value

On the applicable payment date, our company, at its sole and absolute discretion, shall have the option of settling the Award Value to which the holder of Incentive Awards is entitled in the form of either cash or in common shares which may either be acquired by our company on the stock exchange on which the common shares may be listed from time to time or issued from the treasury of our company, or some combination thereof.

The Award Plan does not contain any provisions for financial assistance by our company in respect of Incentive Awards granted thereunder.

Maximum Dilution and Other Limitations

The Award Plan provides that the maximum number of common shares available for issuance from treasury of our company under all security based compensation arrangements of our company (of which the Option Plan is included), including pursuant to outstanding Incentive Awards, at any time shall not exceed 10% of the number of issued and outstanding common shares. Incentive Awards (or the Award Value thereof) that are cancelled, surrendered, terminated or expired prior to the final payment date or in respect to which our company has not elected to issue common shares from treasury in respect thereof, shall result in such common shares being available to be issued, at the election of our company, in respect of a subsequent grant of Incentive Awards pursuant to the Award Plan to the extent of any common shares which were not issued from treasury in respect of such Incentive Award. In addition: (i) the number of common shares that are available to be issued from treasury of our company to insiders at any time, under all security based compensation arrangements of our company, shall not exceed 10% of the issued and outstanding common shares; (ii) the number of common shares issued to insiders from treasury of our company, within any one year period, under all security based compensation arrangements of our company, including the Award Plan, shall not exceed 10% of the issued and outstanding common shares; and (iii) the number of common shares that are available to be issued from treasury of our company pursuant to outstanding Incentive Awards at any time to non-management directors, together with any common shares issuable pursuant to any other security based compensation arrangements of our company, in aggregate, will be limited to a maximum of 1% of the issued and outstanding common shares and the value of all Incentive Awards (together with the award value under any other security based compensation plans of our company) granted to any non-management director during a calendar year, as calculated on the date of grant, shall not exceed \$100,000.

The expiry date of all Incentive Awards granted pursuant to the Award Plan is December 15th of the third calendar year following the calendar year in which the Incentive Award was granted.

Blackout Extension

If a Grantee is prohibited from trading in securities of our company as a result of the imposition by our company of a trading black-out (a "**Black-Out Period**") and the payment date of an Incentive Award held by such Grantee falls within a Black-Out Period, then the payment date of such Incentive Award shall be extended to a date which is 10 business days following the end of such Black-Out Period, unless such extension would cause the payment date to extend beyond the expiry date, in which case the payment date shall remain on the expiry date notwithstanding the Black-Out Period.

Change of Control

In the event of a "Change of Control" of our company (as such term is defined in the Award Plan), the payment date(s) applicable to all outstanding Incentive Awards will be accelerated such that the balance of the Award Value attaching to such Incentive Awards will be paid immediately prior to the date upon which the Change of Control is completed and the payout multiplier applicable to any Performance Awards shall be determined by our Committee.

Early Termination Events

Unless otherwise determined by our Committee or unless otherwise provided in an incentive award agreement pertaining to a particular Incentive Award or any written employment or consulting agreement governing a Grantee's role as a Service Provider, the following provisions shall apply in the event that a Grantee ceases to be a Service Provider:

- (a) **Death** - If a Grantee ceases to be a Service Provider as a result of the Grantee's death, the payment date(s) for all Incentive Awards awarded to such Grantee under any outstanding incentive award agreements shall be accelerated to the cessation date, the heirs or successors of the Grantee shall be entitled to receive payment with respect to the Incentive Awards held by the Grantee at the time of death and the payout multiplier to be applied to any Performance Awards held by the Grantee at the time of death shall be determined by our Committee.
- (b) **Termination for Cause** - If a Grantee ceases to be a Service Provider as a result of termination for cause, effective as of the cessation date all outstanding incentive award agreements under which Incentive Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, in respect of the Award Value thereof for which the payment date shall not have occurred on or before the cessation date shall be immediately terminated and all rights to receive payments thereunder shall be forfeited by the Grantee.

- (c) Voluntary Resignation - If a Grantee ceases to be a Service Provider as a result of a voluntary resignation, effective as of the cessation date, all outstanding incentive award agreements under which Incentive Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, in respect of the Award Value thereof for which the payment date shall not have occurred on or before the cessation date shall be immediately terminated and all rights to receive payments thereunder shall be forfeited by the Grantee.
- (d) Other Termination - If a Grantee ceases to be a Service Provider for any reason other than as provided for in (a), (b) and (c) above, effective as of the cessation date, all outstanding incentive award agreements under which Incentive Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, in respect of the Award Value thereof for which the payment date shall not have occurred on or before the cessation date shall be terminated and all rights to receive payment thereunder shall be forfeited by the Grantee.
- (e) Extension of Expiration Period – Subject to Section 10 of the Award Plan, our Committee may, in its sole discretion, determine that the dates for termination of the incentive award agreements or Incentive Awards set forth in (a), (b), (c) and (d) above shall be extended, provided such extension shall not be past the expiry date.

Non-Transferability

Except in the case of death, the right to receive payment pursuant to an Incentive Award granted to a Service Provider is held only by such Service Provider personally. Except as otherwise provided in the Award Plan, no assignment, sale, transfer, pledge or charge of an Incentive Award, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Incentive Award whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Incentive Award shall terminate and be of no further force or effect.

Amendment Provisions

Our Committee may not, without the approval of shareholders of our company, make any amendments to:

- (a) increase the percentage of common shares reserved for issuance pursuant to Incentive Awards in excess of the 10% limit prescribed in the Award Plan;
- (b) change any of the limitations on Incentive Awards described above under "Maximum Dilution and Other Limitations";
- (c) extend the payment date of any Incentive Awards issued under the Award Plan beyond the latest payment date specified in the incentive award agreement (other than as permitted by the terms and conditions of the Award Plan) or extend the term beyond the original expiry date;
- (d) permit a Grantee to transfer or assign Incentive Awards to a new beneficial holder other than for estate settlement purposes; and
- (e) change the amendment provisions of the Award Plan.

Except as restricted by the foregoing, our Committee may amend or discontinue the Award Plan or Incentive Awards granted thereunder at any time without shareholder approval provided that any amendment to the Award Plan that requires approval of any stock exchange on which the common shares are listed for trading may not be made without approval of such stock exchange. In addition, no amendment to the Award Plan or Incentive Awards granted pursuant to the Award Plan may be made without the consent of the Grantee, if it adversely alters or impairs any Incentive Awards previously granted to such Grantee under the Award Plan.

Employee Stock Savings Plan

Effective July 1, 2010, we adopted the ESSP. The purpose of the ESSP is to make available to our permanent employees a means of acquiring, through regular payroll deductions and our additional contribution, common shares so that the employee can benefit from the growth in our share value. All permanent employees, including executive officers, are eligible to participate in the ESSP three months after the date of hire. Participation is voluntary and eligible participants may contribute, by semi-monthly payroll deductions, up to 8% of their regular salary. We will, on a monthly basis, contribute an amount of funds equal to 1.5 times the employee's contribution accumulated during that month, which contribution will be combined with the employee's contribution to acquire common shares on the open market on a monthly basis. Our contributions vest to the respective participant immediately upon being made by our company. Subject to certain exceptions set forth in the ESSP, there is a 12 month calendar restriction on the sale of any common shares acquired under the ESSP. We have designated a trust company (the "**Trustee**") to maintain accounts in the names of the participants and to arrange for the purchase of common shares through the facilities of the TSX. Allocations are made to each participant's account in proportion to the contributions received in common shares acquired. All common shares are registered in the name of the Trustee and remain so registered until delivery is requested. Participants may request that a share certificate for any or all of the common shares credited to their accounts and which are no longer subject to a restriction on sale, be delivered to them at any time. Participants may instruct the Trustee at any time, subject to the terms and conditions of the ESSP, to sell any or all of their common shares which are no longer subject to a restriction on sale. We pay all administration expenses in connection with the operation of the ESSP. Commissions and other charges in connection with sales, withdrawals and share certificate issuing fees are payable by the participants who order the transactions for their account. However, we will pay the commissions and charges associated with one sale transaction and one withdrawal per calendar year per participant, provided that any such sale is conducted through such party as we may determine. If a participant ceases to be an employee for any reason, including death or retirement, the participant shall be deemed to have ceased to be a participant in the ESSP and we shall be deemed to have waived the twelve month restriction on the sale of any common shares held for the account of the participant.

During the year ended December 31, 2014, an aggregate of 871,262 common shares were purchased in the open market pursuant to the ESSP at an average price of \$1.79 per share.

DIRECTOR COMPENSATION

Our Compensation, Nominating and Corporate Governance Committee annually conducts a review of directors' compensation for board and committee service and recommends changes to our Board where appropriate. Our Board considers and approves the adequacy and form of the compensation of directors upon recommendation of our Committee and ensures the compensation realistically reflects the responsibilities and time involved in being an effective director.

For the purpose of conducting its 2014 annual review of directors' compensation, our Committee, among other things, referred to director compensation data for companies in our informal peer group by reviewing public disclosure filed by such companies on SEDAR to benchmark director compensation relative to our informal peer group. The compensation philosophy for directors is similar to that for Named Executive Officers in that compensation includes a base retainer, a chair retainer, if applicable, meeting fees, and participation under the Option Plan and the Award Plan, the benefit of which is tied to share performance and corporate performance.

For the year ended December 31, 2014, our non-management directors were each paid an annual retainer in the amount of \$25,000 and a fee of \$1,250 per meeting of our Board in which they participated. Non-management directors who are the Chairman of the committees of our Board were each paid an additional annual retainer in the amount of \$5,000 and members of the committees of our Board were each paid a fee of \$1,250 per meeting of the committees of our Board in which they participated. In addition, our directors were reimbursed for transportation and other expenses incurred for attendance at Board and committee meetings and for their reasonable expenses incurred in carrying out their duties as directors. Each of the directors is also eligible to participate in the Option Plan and the Award Plan, respectively. The Option Plan currently restricts the number of common shares that may be reserved for issuance to non-management directors to 1% of the aggregate outstanding common shares and the value of all options granted to any one non-management director during a calendar year, as calculated on the date of grant, cannot exceed \$100,000. The Award Plan currently restricts the number of common shares issuable thereunder to non-management directors to 1% of the aggregate outstanding common shares and the value of all Incentive Awards (together with the award value under any other security-based compensation plans of our company) granted to any one non-management director during a calendar year, as calculated on the date of grant, cannot exceed \$100,000.

Directors' Summary Compensation Table

The following table sets forth information concerning the compensation earned by our directors for the year ended December 31, 2014.

Name	Fees earned	Share-based awards ⁽³⁾	Option-based awards ⁽⁴⁾	Non-equity incentive plan compensation	Pension value	All other compensation	Total ⁽⁵⁾
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Jill T. Angevine ⁽¹⁾	5,856	20,000	14,222	Nil	Nil	Nil	40,078
Donald F. Archibald	43,750	20,862	19,460	Nil	Nil	Nil	84,072
Matthew J. Brister	35,000	20,862	19,460	Nil	Nil	Nil	75,322
Stuart G. Clark	45,000	20,862	19,460	Nil	Nil	Nil	85,322
Robert C. Cook	46,250	20,862	19,460	Nil	Nil	Nil	86,572
Robert J. Herdman	45,000	20,862	19,460	Nil	Nil	Nil	85,322
Townes Pressler Jr. ⁽²⁾	15,428	Nil	Nil	Nil	Nil	Nil	15,428
P. Grant Wierzba	36,250	20,862	19,460	Nil	Nil	Nil	76,572

Notes:

- (1) Ms. Angevine was appointed to our Board on November 13, 2014.
- (2) Mr. Pressler resigned from our Board on March 26, 2014.
- (3) This column shows the total compensation value that was awarded as Incentive Awards in the form of "restricted awards" and "performance awards" under the Award Plan. See "Statement of Executive Compensation – Incentive Plans – Award Plan". The fair value of Incentive Award grants have been determined using the same methodology and values used in determining the Incentive Award value for our financial statements as we believe it represents the best estimate of fair value of the Incentive Awards at the time of the grant. The actual value realized pursuant to such restricted awards and performance awards may be greater or less than the indicated value.
- (4) Refers to options granted under the Option Plan based on the grant date fair value of the applicable grants. The fair value of the options granted annually is obtained by multiplying the number of options granted by their value established according to the Black, Scholes and Merton model. This value is the same as the fair value established in accordance with generally accepted accounting principles and accounting for the following assumptions: expected volatility – 49.5% to 54.4%, risk free rate of return – 1.1% to 1.5%, expected stock option life – five years, dividend yield rate – 0% and forfeiture rate – 9.4% to 13.1%. The fair value of option grants have been determined using the same methodology and values used in determining the option value for our financial statements as we believe it represents the best estimate of fair value of the options at the time of the grant.
- (5) In addition, our directors were eligible to be reimbursed for transportation and other expenses incurred for attendance at Board and committee meetings and for their reasonable expenses incurred in carrying out their duties as directors.

Directors' Outstanding Option-Based Awards and Share-Based Awards

The following table sets forth the aggregate option-based awards and share-based awards outstanding for each of our directors as at December 31, 2014.

Name	Option-based Awards			Value of unexercised in-the-money options ⁽¹⁾	Share-based Awards		Market or payout value of vested share-based awards not paid out or distributed
	Number of securities underlying unexercised options	Option exercise price	Option expiration date		Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested ⁽²⁾	
	(#)	(\$)		(\$)	(#)	(\$)	(\$)
Jill T. Angevine	20,000	1.68	November 23, 2019	Nil	4,760 RA 7,145 PA	6,045 9,074	Nil
Donald F. Archibald	20,000 55,000 45,000	2.33 2.19 2.42	August 27, 2019 October 13, 2015 July 14, 2015	Nil Nil Nil	3,435 RA 5,150 PA	4,362 6,541	Nil
Matthew J. Brister	20,000	2.33	August 27, 2019	Nil	3,435 RA 5,150 PA	4,362 6,541	Nil
Stuart G. Clark	20,000 55,000 25,000	2.33 2.19 2.72	August 27, 2019 October 13, 2015 March 19, 2015	Nil Nil Nil	3,435 RA 5,150 PA	4,362 6,541	Nil

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested ⁽²⁾	Market or payout value of vested share-based awards not paid out or distributed
Robert C. Cook	20,000	2.33	August 27, 2019	Nil	3,435 RA	4,362	Nil
	55,000	2.19	October 13, 2015	Nil	5,150 PA	6,541	
	25,000	2.72	March 19, 2015	Nil			
Robert J. Herdman	20,000	2.33	August 27, 2019	Nil	3,435 RA	4,362	Nil
	55,000	2.19	October 13, 2015	Nil	5,150 PA	6,541	
	45,000	2.42	July 14, 2015	Nil			
P. Grant Wierzba	20,000	2.33	August 27, 2019	Nil	3,435 RA	4,362	Nil
	90,000	1.42	December 15, 2016	Nil	5,150 PA	6,541	

Notes:

- (1) Calculated based on the closing price of the common shares on the TSX on December 31, 2014, which was \$1.27 per share, less the exercise price of the options.
- (2) Calculated by multiplying the number of restricted awards (RA) and performance awards (PA) by the closing price of the common shares on the TSX on December 31, 2014 (being \$1.27). For performance awards, a payout multiplier of 1x is assumed.

Directors' Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested for each of our directors during the year ended December 31, 2014 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2014.

Name	Option-based awards – Value vested during the year (as at vesting date) ⁽²⁾	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
	(\$)	(\$)	(\$)
Jill T. Angevine	Nil	Nil	Nil
Donald F. Archibald	Nil	Nil	Nil
Matthew J. Brister	Nil	Nil	Nil
Stuart G. Clark	Nil	Nil	Nil
Robert C. Cook	Nil	Nil	Nil
Robert J. Herdman	Nil	Nil	Nil
Townes Pressler Jr. ⁽¹⁾	Nil	Nil	Nil
P. Grant Wierzba	Nil	Nil	Nil

Notes:

- (1) Mr. Pressler resigned from our Board on March 26, 2014.
- (2) Calculated based on the difference between the closing price of the common shares on the TSX on the vesting date and the exercise price of the options on the vesting date.

CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-101 entitled "Disclosure of Corporate Governance Practices" ("**NI 58-101**") requires that if management of an issuer solicits proxies from its securityholders for the purpose of electing directors that certain prescribed disclosure respecting corporate governance matters be included in its management information circular. The TSX also requires listed companies to provide, on an annual basis, the corporate governance disclosure which is prescribed by NI 58-101.

The prescribed corporate governance disclosure for our company is that contained in Form 58-101F1 which is attached to NI 58-101 ("**Form 58-101F1 Disclosure**").

Set out below is a description of our current corporate governance practices, relative to the Form 58-101F1 Disclosure (which is set out below in bold).

1. Board of Directors

(a) Disclose the identity of directors who are independent.

Our Board has determined that our following five (5) directors are independent (for the purposes of NI 58-101):

Jill T. Angevine	Robert C. Cook
Donald F. Archibald	Robert J. Herdman
Stuart G. Clark	

In addition, Robert J. Iverach, who is a nominee to our Board, will, if elected, also be an independent director.

(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

Our Board has determined that two members of our Board are not independent. Our Board has determined that Matthew J. Brister is not independent as Mr. Brister was also our Chief Executive Officer until December 31, 2013. Our Board has also determined that P. Grant Wierzba was not independent as Mr. Wierzba was also our Vice President, Operations until December 31, 2013.

(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the "board") does to facilitate its exercise of independent judgement in carrying out its responsibilities.

Our Board has determined that a majority (five of the seven) of our directors are independent. In addition, Robert J. Iverach, who is a nominee to our Board, will, if elected, also be an independent director.

(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

Our following directors, and, in the case of Robert J. Iverach, a nominee to our Board, are presently directors of other issuers that are reporting issuers (or the equivalent):

<u>Name of Director</u>	<u>Name of Other Issuer</u>
Donald F. Archibald	Cequence Energy Ltd. Waldron Energy Corporation Spartan Energy Corp.
Matthew J. Brister	Storm Resources Ltd.
Stuart G. Clark	Rock Energy Inc. Storm Resources Ltd.
Robert C. Cook	Cequence Energy Ltd.
Robert J. Herdman	Black Diamond Group Limited Blackline GPS Corp. Sunshine Oilsands Ltd.
Robert J. Iverach	PetroFrontier Corp. Veresen Inc.
P. Grant Wierzba	Storm Resources Ltd.

- (e) **Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.**

Our independent directors regularly meet for a portion of each Board meeting without non-independent directors and management participation, and have met in camera five times since the beginning of the fiscal year ended December 31, 2014.

- (f) **Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.**

Matthew J. Brister, the Chairman of our Board, is not an independent director as Mr. Brister was our Chief Executive Officer until December 31, 2013. Stuart G. Clark, an independent member of our Board, has been appointed as Lead Director of our Board. Our Board has developed a position description for the Lead Director which provides that the Lead Director of our Board will have the following duties and responsibilities:

- (i) The Lead Director will provide input to the Chairman of our Board on preparation of agendas for meetings of our Board.
- (ii) The Lead Director shall be entitled to convene meetings of our Board with the concurrence of at least one other Director.
- (iii) The Lead Director, in the absence of the Chairman, shall preside at meetings of our Board.
- (iv) The Lead Director shall assist the Chairman to endeavour to ensure Board leadership responsibilities are conducted in a manner that will ensure that our Board is able to function independently of management. The Lead Director shall consider, and allow for, when appropriate, a meeting of all independent directors, so that Board meetings can take place without management being present.
- (v) The Lead Director shall endeavour to ensure reasonable procedures are in place for directors to engage outside advisors at our expense in appropriate circumstances.
- (vi) With respect to meetings of directors, it is the duty of the Lead Director, when conducting a meeting, to enforce the by-laws, and rules of procedure. These duties include:
 - (A) ensuring that the meeting is duly constituted;
 - (B) ensure the meeting provides for reasonable accommodation;
 - (C) confirming the admissibility of all persons at the meeting;
 - (D) preserving order and the control of the meeting; and
 - (E) to ascertain the sense of the meeting by a vote on all questions properly brought before the meeting.
- (vii) When required the Lead Director shall also liaise with our Corporate Secretary to ensure that a proper notice and agenda has been disseminated, and that appropriate accommodations have been made for the specific Board meeting.
- (viii) The Lead Director shall be the primary contact for stakeholders who wish to contact independent directors.

(g) **Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.**

The attendance record of each of our existing directors and Robert J. Iverach, a nominee to our Board, for board meetings and committee meetings held since January 1, 2014, is as follows:

<u>Name of Director</u>	<u>Attendance Record</u>
Jill T. Angevine ⁽¹⁾	3/3 Board Meetings 2/2 Compensation, Nominating and Corporate Governance Committee Meetings
Donald F. Archibald	8/10 Board Meetings 2/2 Reserves, Safety and Environmental Committee Meeting 5/5 Compensation, Nominating and Corporate Governance Committee Meetings
Matthew J. Brister	9/10 Board Meetings
Stuart G. Clark	9/10 Board Meetings 5/5 Audit Committee Meetings 5/5 Compensation, Nominating and Corporate Governance Committee Meetings
Robert C. Cook	10/10 Board Meetings 5/5 Audit Committee Meetings 2/2 Reserves, Safety and Environmental Committee Meetings
Robert J. Herdman	10/10 Board Meetings 5/5 Audit Committee Meetings
Robert J. Iverach ⁽²⁾	3/3 Board Meetings
P. Grant Wierzba	10/10 Board Meetings 2/2 Reserves, Safety and Environmental Committee Meetings

Notes:

(1) Ms. Angevine was appointed to our Board on November 13, 2014.

(2) Represents the number of Board meetings which Mr. Iverach, a nominee to our Board, has attended as an observer.

2. Board Mandate

Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

The mandate of our Board is attached as Schedule "B" hereto.

3. Position Descriptions

- (a) **Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.**

Our Board has developed written position descriptions for the Chairman of our Board as well as the Chairman of each of our Board committees, being our Audit Committee, our Compensation, Nominating and Corporate Governance Committee and our Reserves, Safety and Environmental Committee.

- (b) **Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and the CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.**

Our Board, with input from our President and Chief Executive Officer, has developed a written position description for our President and Chief Executive Officer.

4. Orientation and Continuing Education

- (a) **Briefly describe what measures the board takes to orient new directors regarding:**

- (i) **the role of the board, its committees and its directors; and**
- (ii) **the nature and operation of the issuer's business.**

Upon joining our Board, management will provide a new director with access to all of our background documents, including all corporate records, by-laws, corporate policies, organization structure, prior board and committee minutes, copies of the mandate of each of our Board and our committees, and relevant position descriptions. In addition, management will make a presentation to new directors regarding the nature and operations of our business.

- (b) **Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

No formal continuing education program currently exists for our directors; however, we encourage our directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and have agreed to pay the cost of such courses and seminars. Each of our directors has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his or her obligations as a director. Individual directors are encouraged to identify their continuing education needs through a variety of means, including discussions with management and at Board and committee meetings.

5. Ethical Business Conduct

- (a) **Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:**

- (i) **disclose how a person or company may obtain a copy of the code;**

Our Board has adopted a Code of Business Conduct and Ethics applicable to our directors, officers and employees. A copy of the Code of Business Conduct and Ethics is available for review on our SEDAR profile at www.sedar.com or on our website at www.chinookenergyinc.com.

- (ii) **describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and**

Our Board monitors compliance with the Code of Business Conduct and Ethics by requiring each of our senior officers to affirm in writing on an annual basis their agreement to abide by the Code of Business Conduct and Ethics, as to their ethical conduct and in respect of any conflicts of interest. To the extent that our management is unable to make a determination as to whether a breach of the Code has taken place, our Board will review any alleged breach of the Code to determine whether a breach has occurred. Any waiver of the Code for executive officers or directors will be made only by our Board or a committee of our Board. In addition, our Compensation, Nominating and Corporate Governance Committee has as part of its mandate the responsibility for reviewing management's monitoring of compliance with the Code of Business Conduct and Ethics.

- (iii) **provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.**

There have been no material change reports filed since the beginning of the year ended December 31, 2014, that pertain to any conduct of a director or executive officer that constitutes a departure from the Code of Business Conduct and Ethics.

- (b) **Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

In accordance with the *Business Corporations Act* (Alberta), directors who are a party to or are a director or an officer of a person who is a party to a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. The Code of Business Conduct and Ethics provides that activities that could give rise to conflicts of interest are prohibited unless specifically approved in advance by our Board; provided that the foregoing shall not apply to our directors who act as directors of other public or private companies who shall comply with the provisions of the *Business Corporations Act* (Alberta) in respect thereof and shall advise the Chairman of our Board of the holding of such directorships. The Code of Business Conduct and Ethics provides that any potential conflicts of interest must be reported immediately to senior management, our Board or the Chairman of our Board, as appropriate.

- (c) **Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.**

Our Audit Committee has adopted a "Whistleblower Program" which provides our employees, management, officers, directors, contractors, consultants and our committee members with the ability to report, on a confidential and anonymous basis, any complaints and concerns regarding accounting, internal auditing controls or auditing matters, including, but not limited to, unethical and unlawful accounting and auditing policies, practices or procedures, fraudulent or misleading financial information and instances of corporate fraud. Our Board believes that providing a forum for such individuals to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct within our company.

6. **Nomination of Directors**

- (a) **Describe the process by which the board identifies new candidates for board nomination.**

Our Board has delegated responsibility to our Compensation, Nominating and Corporate Governance Committee to recommend to our Board suitable candidates as nominees for election or appointment as

directors. The committee usually canvasses all members of our Board for their input prior to making a recommendation to our Board. In identifying new candidates for Board nomination, our committee considers, among other things:

- (i) the competencies and skills that our Board considers to be necessary for our Board, as a whole, to possess;
- (ii) the competencies and skills that our Board considers each existing director to possess;
- (iii) the competencies and skills each new nominee will bring to the boardroom; and
- (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of our Board.

- (b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.**

Our Board has appointed a Compensation, Nominating and Corporate Governance Committee whose members are Donald F. Archibald (Chairman), Jill T. Angevine and Stuart G. Clark, each of whom has been determined to be independent.

- (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

Our Compensation, Nominating and Corporate Governance Committee has, as part of its mandate, the responsibility for recommending suitable candidates as nominees for election or appointment as directors, and recommending the criteria governing the overall composition of our Board and governing the desirable individual characteristics for directors.

Pursuant to the mandate of our Committee, the committee is to be comprised of at least three (3) of our directors and all of such members shall be independent. Our Board is from time to time to designate one of the members of the committee to be the Chair of the committee. At present, the Chairman of our Committee is Donald F. Archibald.

Our Committee meets at least one time per year and at such other times as the Chairman of the committee determines.

7. Compensation

- (a) Describe the process by which the board determines the compensation for the issuer's directors and officers.**

See the disclosure under the heading "Director Compensation" for the process by which the compensation for our directors is determined. See the disclosure under the heading "Compensation Discussion and Analysis" for the process by which the compensation for our officers is determined.

- (b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.**

Our Board has appointed a Compensation, Nominating and Corporate Governance Committee whose members are Donald F. Archibald (Chairman), Jill T. Angevine and Stuart G. Clark, each of whom has been determined to be independent.

- (c) **If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

See the disclosure under the heading "Compensation Governance – Mandate and Terms of Reference of our Compensation, Nominating and Corporate Governance Committee" for a description of the responsibilities, powers and operation of our Committee.

- (d) **If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.**

A compensation consultant or advisor has not, at any time since the beginning of the year ended December 31, 2014, been retained to assist in determining compensation for any of our directors and officers; however, we utilized the compensation data contained in the Mercer Report as described under "Compensation Discussion and Analysis".

8. Other Board Committees

- (a) **If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.**

Our Board has created a Reserves, Safety and Environmental Committee in addition to our Audit Committee and our Compensation, Nominating and Corporate Governance Committee. The members of our Reserves, Safety and Environmental Committee are Robert C. Cook (Chairman), Donald F. Archibald and P. Grant Wierzba. Our Reserves, Safety and Environmental Committee is responsible for:

- (i) reviewing our procedures relating to the disclosure of information with respect to oil and gas activities including reviewing our procedures for complying with our disclosure requirements and restrictions set forth under applicable securities requirements;
- (ii) reviewing our procedures for providing information to the independent evaluator;
- (iii) meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the Reserves Data (as defined in National Instrument 51-101) (the "**Reserves Data**") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- (iv) reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- (v) providing a recommendation to our Board as to whether to approve the content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- (vi) reviewing our procedures for reporting other information associated with oil and gas producing activities;
- (vii) generally reviewing all matters relating to the preparation and public disclosure of estimates of our reserves;

- (viii) reviewing our fundamental policies pertaining to environment, health and safety and ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value;
- (ix) reviewing our performance with all applicable laws and regulations with respect to environment and health and safety;
- (x) reviewing the findings of any significant report by regulatory agencies, external environment, health and safety consultants or auditors concerning our performance in environment, health and safety and reviewing any necessary corrective measures taken to address issues and risks identified by us, external auditors or by regulatory agencies;
- (xi) reviewing any emerging trends, issues and regulations related to environment, health and safety that are relevant to us; and
- (xii) reviewing our procedures for assembling and reporting other information associated with oil and gas activities and review that information with management.

Pursuant to the mandate of our Reserves, Safety and Environmental Committee, the committee is to be comprised of at least three (3) of our directors and a majority of such members shall be independent as defined in the mandate. Our Board is from time to time to designate one of the members of the committee to be the Chair of the committee. At present, the Chairman of our Reserves, Safety and Environmental Committee is Robert C. Cook. Our Reserves, Safety and Environmental Committee meets at least one time per year and at such other times as the Chairman of the committee determines.

Our Board has created a Compensation, Nominating and Corporate Governance Committee which, as part of its mandate, has the responsibility for developing our approach to matters concerning corporate governance and, from time to time, shall review and make recommendations to our Board as to such matters. Without limiting the generality of the foregoing, our Committee has the following corporate governance duties:

- (i) to annually review the mandates of our Board and its committees and recommend to our Board such amendments to those mandates as the committee believes are necessary or desirable;
- (ii) to consider and, if thought fit, approve requests from directors or committees of directors of the engagement of special advisors from time to time;
- (iii) to prepare and recommend to our Board annually a statement of corporate governance practices to be included in our annual report or information circular as required by all of the stock exchanges on which our shares are listed and any other regulatory authority;
- (iv) to make recommendations to our Board as to which directors should be classified as "independent directors", "related" directors or "unrelated" directors pursuant to any such report or circular;
- (v) to review on a periodic basis the composition of our Board and ensure that an appropriate number of independent directors sit on our Board, analyzing the needs of our Board and recommending nominees who meet such needs;
- (vi) to assess, at least annually, the effectiveness of our Board as a whole, the committees of our Board and the contribution of individual directors (including the competencies and skills that each individual director is expected to bring to our Board), including considering the appropriate size of our Board;
- (vii) as required, to develop, for approval by our Board, an orientation and education program for new recruits to our Board;

- (viii) to act as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of our Board or individual members of our Board;
- (ix) to develop and recommend to our Board for approval and periodically review structures and procedures designed to ensure that our Board can function effectively and independently of management;
- (x) to make recommendations to our Board regarding appointments of corporate officers and senior management;
- (xi) to review annually the committee's mandate and terms of reference;
- (xii) to review and consider the engagement, at our expense, of professional and other advisors by any individual director when so requested by any such director;
- (xiii) to establish, review and update periodically a code of business conduct and ethics and ensure that management has established a system to monitor compliance with the code; and
- (xiv) to review management's monitoring of our compliance with the code of business conduct and ethics.

9. Assessments

Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

As part of its mandate, our Compensation, Nominating and Corporate Governance Committee is responsible for assessing, at least annually, the effectiveness of our Board as a whole, the committees of our Board and the contribution of individual directors (including the competencies and skills that each individual director is expected to bring to our Board), including considering the appropriate size of our Board. Our Corporate Secretary, on behalf of the Chairman of our Committee circulates a detailed questionnaire addressed to each director, in his or her capacity as director and, as the case may be, as a member of one or more of the committees of our Board, aimed at obtaining their views on the effectiveness of our Board and its committees and contribution of its members. The results of the questionnaires are compiled by the Chairman of our Committee, who then shares the results with the members of our Board at a meeting of our Board where any and all issues are discussed. Our Board takes appropriate action based upon the results of the review process.

10. Director Term Limits and Other Mechanisms of Board Renewal

Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.

Our Board has not adopted term limits for the directors on our Board. Our Board does not believe that fixed term limits are in the best interest of our company as our Board believes that it is critical that our directors understand our industries and our business and this requires a certain length of tenure on our Board. Long-term directors accumulate extensive company knowledge while new directors bring new experience and perspectives to our Board. It is important to achieve an appropriate balance of both to ensure the effectiveness of our Board. Our Compensation, Nominating and Corporate Governance Committee considers both the term of service of individual directors, the average term of our Board as a whole and turnover of directors over prior three years when proposing a slate of nominees. Our Committee considers the benefits of regular renewal in the context of the needs of our Board at the time and the benefits of the institutional knowledge of our Board members. Our Board has adopted a Board Diversity

and Term Limit Policy in which the foregoing is set forth. A copy of our Board Diversity and Term Limit Policy is available on our website at www.chinookenergyinc.com.

11. Policies Regarding the Representation of Women on the Board

- (a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.**

Our Board has not adopted a written policy relating to the identification and nomination of women directors. Our Board believes that Board nominations should be made on the basis of the skills, knowledge, experience and character of individual candidates and the requirements of our Board at the time. Our company is committed to a meritocracy and believes that considering a broad group of individuals who have the skills, knowledge, experience and character required to provide the leadership needed to achieve the business objectives of our company, without reference to their age, gender, race, ethnicity or religion, is in the best interests of our company and all of our stakeholders. Our Board recognizes benefits of diversity within our Board and ensures diversity is a consideration in candidate identification but the selection does not compromise the principles of a meritocracy by imposing quotas or targets. Our Board has adopted a Board Diversity and Term Limit Policy in which the foregoing is set forth.

Our Compensation, Nominating and Corporate Governance Committee has established a "skills matrix" outlining the skills and experience which they believe are required by the members of our Board. This skills matrix will be reviewed annually by our Committee and updated as necessary. Our Committee will also annually review the skills and experience of the current directors of our company. Our Committee will also assess the knowledge of all nominees to our Board to ensure general compliance of the composition of our Board with the skills matrix, ensure that an appropriate number of independent directors sit on our Board, analyze any needs of our Board and recommend potential nominees who meet such needs of our Board. Our Committee is authorized under its mandate and terms of reference to retain persons having special expertise and may obtain independent professional advice to assist in fulfilling its responsibilities.

- (b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy:**

- (i) a short summary of its objectives and key provisions,**
- (ii) the measures taken to ensure that the policy has been effectively implemented,**
- (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and**
- (iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.**

Not applicable.

12. Consideration of the Representation of Women in the Director Identification and Selection Process

Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.

See the response to 11(a) above.

13. Consideration Given to the Representation of Women in Executive Officer Appointments

Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.

See the response to 11(a) above which our Board believes equally applies to executive officer positions with our company.

14. Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

(a) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so. For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date.

See the response to 11(a) above.

(b) Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.

See the response to 11(a) above which our Board believes equally applies to executive officer positions with our company.

(c) If the issuer has adopted a target referred to in either (b) or (c), disclose:

(i) the target, and

(ii) the annual and cumulative progress of the issuer in achieving the target.

Not applicable.

15. Number of Women on the Board and in Executive Officer Positions

(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.

One director on our Board is a woman representing approximately 14% of the directors on our Board.

(b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.

None of our company's executive officers are women.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of our directors, proposed nominees for election as directors, executive officers, employees or former executive officers, directors or employees of our company or our subsidiaries, or any associate of any such director, proposed nominee for director, executive officer or employee is, or has been at any time since the beginning of our most recently completed financial year, indebted to our company or any of our subsidiaries in respect of any indebtedness that is still outstanding, nor, at any time since the beginning of our most recently completed financial year has any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by our company or any of our subsidiaries, other than routine indebtedness.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of our directors or executive officers, any shareholder who beneficially owned, or controlled or directed, directly or indirectly, more than 10% of the outstanding common shares, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of our last completed financial year or in any proposed transaction that has materially affected or would materially affect our company or any of our subsidiaries, except as disclosed elsewhere in this information circular – proxy statement and as follows:

1. Pursuant to a management and administration services agreement between 1542991 Alberta Ltd. (a wholly-owned subsidiary of our company and the general partner of a limited partnership owned by nominees of AIMCo which holds the working interests in certain of our company's assets) and our company dated June 29, 2010, 1542991 Alberta Ltd. engaged our company to perform the duties of 1542991 Alberta Ltd. under the limited partnership agreement and to manage, administer and maintain the properties and the books, accounts and records of the limited partnership in connection with the limited partnership business and to make all decisions relating thereto. During the year ended December 31, 2014, the calculated reimbursement due to our company pursuant to the management and administration services agreement was approximately \$1.3 million. AIMCo, as investment manager to HMQ, maintains control and direction over approximately 37.4% of the outstanding common shares as at the date hereof for the benefit of HMQ. See "Voting Shares and Principal Holders Thereof".
2. Fred Davidson, our Corporate Secretary, is a partner of Burnet, Duckworth & Palmer LLP, which firm receives fees for legal services provided to our company.
3. Stuart G. Clark, one of our directors, is a significant shareholder of Alliance Trust Company, which trust company receives fees for transfer agent and registrar services provided to our company.

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

Our management is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer at any time since the beginning of our last financial year, of any proposed nominee for election as a director, or of any associates or affiliates of any of the foregoing persons, in any matter to be acted on at the Meeting other than the election of directors.

OTHER MATTERS

Our management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual and Special Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person voting the proxy.

ADDITIONAL INFORMATION

Additional financial information regarding our business is contained in our audited consolidated financial statements and management's discussion and analysis for the fiscal year ended December 31, 2014.

Additional information regarding our business including the materials listed in the preceding paragraph may be found on SEDAR at www.sedar.com. Our securityholders may contact our company to request a copy of our financial statements and management's discussion and analysis at:

Chinook Energy Inc.
Suite 1000, 517 – 10th Avenue S.W.
Calgary, Alberta T2R 0A8

Phone: (403) 261-6883
Fax: (403) 266-1814

SCHEDULE "A"

AMENDMENT RESOLUTION

BE IT RESOLVED as a special resolution of the shareholders of Chinook Energy Inc. (the "**Corporation**") that:

1. the Corporation is hereby authorized to apply for a certificate of amendment under the provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**") to amend its articles (the "**Amendment**") to increase the maximum number of directors of the Corporation from 7 to 10;
2. notwithstanding that this special resolution has been passed by the shareholders of the Corporation, the directors of the Corporation are hereby authorized and empowered not to proceed with the filing of the articles of amendment to increase the maximum number of directors of Corporation;
3. any one officer or any one director of the Corporation be, and each of them hereby is, authorized and empowered, acting for, in the name of and on behalf of the Corporation, to execute, under the seal of the Corporation or otherwise, and to deliver for filing with the Registrar under the ABCA articles of amendment in respect of the Amendment and such other documents as are necessary or desirable in connection with the Amendment; and
4. any one officer or any one director of the Corporation be, and each of them hereby is, authorized and empowered, acting for, in the name of and on behalf of the Corporation, to execute or to cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such agreements and other documents, all in such form and containing such terms and conditions, as any one of them shall consider necessary or desirable in connection with the Amendment and shall approve, such approval to be conclusively evidenced by the execution thereof by the Corporation, and to do or to cause to be done all such other acts and things as any one of them shall consider necessary or desirable in connection with the Amendment or in order to give effect to the intent of the foregoing paragraphs of this resolution.

SCHEDULE "B"

CHINOOK ENERGY INC.

MANDATE OF THE BOARD OF DIRECTORS

GENERAL

The Board of Directors (the "**Board**") of Chinook Energy Inc. ("**Chinook**" or the "**Corporation**") is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Chinook. In general terms, the Board will:

- in consultation with the Chief Executive Officer of the Corporation (the "**CEO**"), define the principal objectives of Chinook;
- supervise the management of the business and affairs of Chinook with the goal of achieving Chinook's principal objectives as developed in association with the CEO;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

SPECIFIC

Executive Team Responsibility

- Appoint the CEO and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
- In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities.
- Ensure that a process is established as required that adequately provides for succession planning, including the appointing, training and monitoring of senior management.
- Establish limits of authority delegated to management.

Operational Effectiveness and Financial Reporting

- Annual review and adoption of a strategic planning process and approval of the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Establish or cause to be established systems to identify the principal risks to the Corporation and that the best practical procedures are in place to monitor and mitigate the risks.
- Establish or cause to be established processes to address applicable regulatory, corporate, securities and other compliance matters.
- Establish or cause to be established policies pertaining to environment, health and safety and ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value.

- Establish or cause to be established an adequate system of internal controls.
- Establish or cause to be established due diligence processes and appropriate controls with respect to applicable certification requirements regarding the Corporation's financial and other disclosure.
- Review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements.
- Approve annual operating and capital budgets.
- Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets.
- Review operating and financial performance results relative to established strategy, budgets and objectives.

Integrity/Corporate Conduct

- Establish a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.
- Approve a Code of Business Conduct and Ethics for directors, officers and employees and monitor compliance with the Code and consider the approval of any waivers of the Code for officers and directors.
- To the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of the Corporation and that the CEO and other executive officers create a culture of integrity throughout the Corporation.

Board Process/Effectiveness

- Attempt to ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all meetings and review Board materials prior to meetings.
- Engage in the process of determining Board member qualifications with the Compensation, Nominating and Corporate Governance Committee including ensuring that a majority of directors qualify as independent directors pursuant to National Instrument 58-101 – Disclosure of Corporate Governance Practices (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements.
- Approve the nomination of directors.
- Provide a comprehensive orientation to each new director and provide continuing education as required.
- Establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management.
- Develop a clear position description for the Chairman and the Lead Director of the Board.
- Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members.

- Establish committees, approve their respective mandates and the limits of authority delegated to each committee and develop clear position descriptions for the Chair of each committee.
- Review and re-assess the adequacy of the mandate of the committees of the Board on a regular basis, but not less frequently than on an annual basis.
- Review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.

Each member of the Board is expected to understand the nature and operations of the Corporation's business, and have an awareness of the political, economic and social trends prevailing in all countries or regions in which the Corporation operates, or is contemplating potential operations.

Independent directors shall meet regularly, and in no case less frequently than quarterly, without non-independent directors and management participation.

The Board may retain persons having special expertise and may obtain independent professional advice to assist it in fulfilling its responsibilities at the expense of the Corporation, as determined by the Board.

In addition to the above, adherence to all other Board responsibilities as set forth in the Corporation's By-Laws, applicable policies and practices and other statutory and regulatory obligations, such as issuance of securities, etc., is expected.

DELEGATION

- The Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.
- Subject to terms of the Disclosure, Confidentiality and Trading Policy and other policies and procedures of the Corporation, the Chairman of the Board will act as a liaison between stakeholders of the Corporation and the Board (including independent members of the Board).