

TWIN BUTTE ENERGY LTD.

**Notice of the Annual Meeting of Shareholders
to be held on May 15, 2014**

The annual meeting of the holders of our common shares will be held in the Strand/Tivoli Room of the Metropolitan Centre, 333 – 4th Avenue S.W., Calgary, Alberta, on Thursday, May 15, 2014, at 10:00 a.m., Calgary time, to:

1. receive and consider our financial statements for the fiscal year ended December 31, 2013, together with the report of the auditors thereon;
2. fix the number of our directors to be elected at the meeting at seven (7);
3. elect seven (7) 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 March 28, 2014 (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 Valiant Trust Company, Suite 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1, or deliver it by fax to: (403) 233-2857. 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 Valiant 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.valianttrust.com. 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 28th day of March, 2014.

By order of the Board of Directors

(Signed) James Saunders
Chief Executive Officer

TWIN BUTTE ENERGY LTD.

**Information Circular – Proxy Statement
dated March 28, 2014**

**For the Annual Meeting
of Shareholders to be held on May 15, 2014**

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 meeting of our shareholders (the "**Meeting**") to be held in the Strand/Tivoli Room of the Metropolitan Centre, 333 – 4th Avenue S.W., Calgary, Alberta, on Thursday, May 15, 2014, at 10:00 a.m., Calgary time, and any adjournment thereof for the purposes set forth in the accompanying Notice of Annual Meeting.

Only shareholders of record at the close of business on March 28, 2014 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 our officers. **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 us. 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 Valiant Trust Company, Suite 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1, Facsimile: (403) 233-2857 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.valianttrust.com 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 10:00 a.m. (Calgary time) on May 13, 2014 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 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 shares. We do not know for whose benefit the shares registered in the name of CDS & Co. are held. The majority of 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 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 shares. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of such 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 shares directly at the Meeting as the proxy must be returned to them well in advance of the Meeting in order to have the 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 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 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 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 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 new set of rules developed by the Canadian Securities Administrators that reduce the volume of materials that we must physically mail to you by allowing us 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 March 28, 2014, our 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 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 your 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 which may be issued for such consideration as may be determined by resolution of our board of directors (our "**Board**"). As at March 28, 2014, there were 345,071,217 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 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 March 28, 2014, there were no preferred shares issued and outstanding.

To the knowledge of our directors and officers, as at March 28, 2014, 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
LRP V Luxembourg Holdings S.à r.l. (" LRP ")	36,418,250 ⁽¹⁾	10.55%
Franklin Resources, Inc.	36,257,255 ⁽²⁾	10.51%

Notes:

- (1) Based solely on a report filed by LRP pursuant to National Instrument 62-103 adopted by the Canadian Securities Administrators. We have entered into an agreement with LRP pursuant to which these shares are subject to a contractual hold period until November 5, 2014, subject to certain exceptions.
- (2) Based solely on a report filed by Franklin Resources, Inc. pursuant to National Instrument 62-103 adopted by the Canadian Securities Administrators.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

Directors will be elected at the Meeting. Our Board presently consists of seven members. It is proposed that our Board will be fixed at seven members and the following persons will be nominated at the Meeting:

R. James Brown	James Saunders
John A. Brussa	Warren D. Steckley
David M. Fitzpatrick	William A. Trickett
Thomas J. Greschner	

Each director elected will hold office until the next annual general meeting, or until his successor is duly elected or appointed, unless his 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 fixing our Board at seven members and 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 election of directors.**

The following information relating to the nominees as directors is based partly on our records and partly on information received by us from the nominees and sets forth the names and province 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 March 28, 2014.

Name, Province and Country of Residence	Director Since	Principal Occupation During the Five Preceding Years	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly ⁽⁵⁾
R. James Brown ⁽¹⁾⁽²⁾ Alberta, Canada	February 8, 2008	Independent businessman since January 1, 2009; and prior thereto, Vice President and Chief Financial Officer of Fording Canadian Coal Trust, Fording (GP) ULC and Elk Valley Coal Partnership.	349,075
John A. Brussa ⁽²⁾ Alberta, Canada	March 22, 2011	Partner, Burnet, Duckworth & Palmer LLP (law firm).	297,630
David M. Fitzpatrick ⁽²⁾ Alberta, Canada	December 8, 2008	Independent businessman.	221,699
Thomas J. Greschner ⁽³⁾ Alberta, Canada	January 9, 2012	President and Chief Executive Officer of Nexxco Energy Ltd. (oil and gas company) since August 2012; prior thereto, independent businessman from January 9, 2012 until August 2012; and prior thereto, President and Chief Executive of Emerge Oil & Gas Inc. (oil and gas company).	239,292
James Saunders Alberta, Canada	December 30, 2005	Chief Executive Officer of Twin Butte Energy Ltd. since January 14, 2014; and prior thereto, President and Chief Executive Officer of Twin Butte.	4,799,552
Warren D. Steckley ⁽¹⁾⁽³⁾ Alberta, Canada	March 20, 2009	Independent businessman since September 9, 2013, and prior thereto, President and Chief Operating Officer of Barnwell of Canada, Limited (oil and gas company).	234,054
William A. Trickett ⁽¹⁾⁽³⁾ Alberta, Canada	October 14, 2009	President and Chief Executive Officer and director of Fogo Energy Corp. (oil and gas company) since October 14, 2009; and prior thereto, President and Chief Executive Officer of Buffalo Resources Corp. (oil and gas company).	233,960

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.
- (3) Member of our Reserves Committee.
- (4) We do not have an Executive Committee.
- (5) In addition, Mr. Brussa holds options to purchase 150,000 common shares at an exercise price of \$3.32 per share. Mr. Saunders also holds 203,911 restricted awards and 268,780 performance awards and Messrs. Brown, Brussa, Fitzpatrick, Greschner, Steckley and Trickett also hold 87,109, 87,109, 87,109, 85,383, 87,109 and 87,109 restricted awards, respectively. See "Statement of Executive Compensation – Incentive Plans – Share Award Incentive Plan" for a description of the restricted awards and performance awards granted pursuant to the share award incentive plan.

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 resignation promptly after the meeting, for our Compensation, Nominating and Corporate Governance Committee's consideration. Our Compensation, Nominating and Corporate Governance Committee will make a recommendation to our

Board after reviewing the matter, and 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 committee or 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.

David Fitzpatrick, a director of Twin Butte, has been a director of Lone Pine Resources Inc. ("**Lone Pine**"), an oil and gas company, since June 1, 2011 and was the former Interim Chief Executive Officer of Lone Pine from February 28, 2013 until May 30, 2013. On September 25, 2013, Lone Pine commenced proceedings in the Court of Queen's Bench of Alberta under the *Companies' Creditors Arrangement Act* ("**CCAA**") and ancillary proceedings under Chapter 15 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. On January 31, 2014, Lone Pine completed its emergence from creditor protection under the CCAA and Chapter 15 of the United States Bankruptcy Code. Lone Pine, Lone Pine Resources Canada Ltd. and all other subsidiaries of Lone Pine were parties to the CCAA and Chapter 15 proceedings.

Cease Trade Orders

To our knowledge, 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.

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 PricewaterhouseCoopers 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. PricewaterhouseCoopers LLP have been our auditors since June 2006.

It is the intention of the management designees, if named as proxy, to vote **"FOR"** the appointment of PricewaterhouseCoopers 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 directors recommend that shareholders vote for the appointment of PricewaterhouseCoopers 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 us by PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta, is contained in our annual information form for the year ended December 31, 2013, 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 Board has appointed a Compensation, Nominating and Corporate Governance Committee (referred to hereafter as our "**committee**", our "**Committee**", our "**Compensation Committee**" and our "**Compensation, Nominating and Corporate Governance Committee**") of our Board comprised of John A. Brussa (Chair), R. James Brown and David M. Fitzpatrick. 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.

<u>Name</u>	<u>Independent ⁽¹⁾</u>	<u>Relevant Skills and Experience</u>
John A. Brussa	Yes	Mr. Brussa'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. Brussa holds a Bachelor of Arts, History and Economics degree and a Bachelor of Laws degree from the University of Windsor.
R. James Brown	Yes	Mr. Brown's skills and experience that enable him to make decisions on the suitability of our compensation policies and practices are derived from his 25 years of experience in the oil and gas and mining industry including as Chief Financial Officer with Fording Canadian Coal Trust, High Point Resources Inc., Dorset Exploration Ltd., Richland Petroleum Inc. and Terraquest Energy Inc., all public oil and gas companies. He has also developed practical experience in executive compensation from his service on boards and compensation committees of numerous publicly traded companies. Mr. Brown holds a Bachelor of Commerce degree from the University of Calgary and is a Chartered Accountant.
David M. Fitzpatrick	Yes	Mr. Fitzpatrick's skills and experience that enable him to make decisions on the suitability of our compensation policies and practices are derived from his experience as President, Chief Executive Officer and a director of Shiningbank Energy Ltd. from 1996 to 2007 and his over 29 years of experience in the oil and gas industry. He has also developed practical experience in executive compensation from his service on boards and compensation committees of numerous publicly traded oil and gas companies. Mr. Fitzpatrick obtained his BSc. in Geological Engineering from Queens University, and has obtained the Chartered Director Designation from the DeGroote School of Business.

Note:

(1) A director is independent for the purpose of National Instrument 58-101 – *Corporate Governance Guidelines* if he or she is independent within the meaning of section 1.4 of National Instrument 52-110 – *Audit Committees*.

Mandate and Terms of Reference of our Compensation Committee

Our Board has adopted a mandate for our Compensation, Nominating and Corporate Governance 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 officers and to recommend to our Board changes to improve our ability to recruit, retain and motivate officers;
- (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 Chief Executive Officer and to evaluate our 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 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 stock 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 stock option plan approved by our Board in accordance with its terms including the recommendation to our Board of the grant of stock options in accordance with the terms thereof;
- (vi) to administer the share award incentive plan approved by our Board in accordance with its terms including the recommendation to our Board of the grant of share awards in accordance with the terms thereof;
- (vii) 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; and
- (viii) to prepare and submit a report of our committee for inclusion in annual disclosure required by applicable securities laws to be made by us including our Compensation Committee Report required to be included in our information circular – proxy statement and review other executive compensation disclosure before we disclose such information.

Our Compensation 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 Compensation 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

At no time in our previous two completed financial years has a compensation consultant or advisor been retained by us to assist our Board or our Compensation Committee to determine the compensation of our directors or executive officers. However, we did utilize compensation data contained in the independent "Mercer Total Compensation Survey for the Energy Sector - 2013", "Mercer Total Compensation Survey for the Energy Sector - 2012" and "Mercer Total Compensation Survey for the Energy Sector - 2011" during our two previous completed financial years.

COMPENSATION DISCUSSION AND ANALYSIS

Our executive compensation program is administered by our Compensation Committee. In establishing our annual compensation program, our Chief Executive Officer provides recommendations to our Compensation Committee with respect to compensation for our executive officers, including our Chief Executive Officer, and our employees. In making such recommendations, our 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. Prior to submitting recommendations to our Compensation Committee, the recommendations are reviewed and discussed with the Chairman of the Compensation Committee and adjustments may be made as a result of those discussions. Our Compensation Committee reviews the data and information provided and recommendations for compensation are then made by our Compensation Committee to our full Board for consideration. As our Chief Executive Officer is also a member of our Board, our Board meets in the absence of our Chief Executive Officer to discuss the recommendations made by our committee for executive compensation, including the recommendation for our Chief Executive Officer's compensation. Discussions, both formal and informal, may ensue between both our Compensation Committee and our Board and our 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 us 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 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 gas industry and the impact of internal and market related occurrences from time to time.

Our executive compensation program is comprised of the following principal components: (a) base salary and perquisites; (b) short-term incentive compensation comprised of cash bonuses; and (c) long-term incentive compensation comprised of share awards. Together, these components support our long-term growth strategy and are designed to address the key objectives of our compensation program.

Compensation and Market Position

When determining executive compensation, including the assessment of the competitiveness of our compensation practices, the committee reviews the compensation policies of companies in our informal peer group. In 2013, the peer group used consisted of approximately 12 similar sized companies with production ranging from 8,000 to 30,000 barrels of oil equivalent per day; however, other factors besides production such as revenues, cash flows generated, areas in which the companies operate and number of employees are considered when determining which companies to include in our informal peer group. Some of the salary information available in the public domain with respect to companies in our informal peer group can be outdated and therefore we will also obtain industry reports providing salary levels. The industry reports provide general information about levels of compensation in the oil and gas industry or with respect to specific professions and not specific metrics about companies in our informal peer group. At the time of establishment of 2013 base salaries for our executive officers, compensation information referred to was in respect of 2012 compensation practices. At the time of determination of bonuses for our executive officers in respect of 2013, compensation information referred to was in respect of 2013.

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. It is our philosophy to target total compensation for our Named Executive Officers at the 50th percentile of our informal peer group based on available market data with the potential for increase depending on both individual and corporate performance.

Elements of Our Executive Compensation Program

The principal elements of our executive compensation program are the following:

- base salary and perquisites;
- cash bonus; and
- incentive awards, comprised of share awards.

Our executive officers' compensation package provides a balanced set of elements designed to deliver the objectives of our compensation philosophy and includes a strong performance orientation. The fixed elements, salary and perquisites provide a competitive base of secure compensation necessary to attract and retain executive talent. The variable elements, bonus and long-term incentives, are designed to balance short-term goals with our long-term interests and motivate superior performance of both. The long-term incentive plan also aligns executive officers with our shareholders and helps retain executive talent. The combination of the fixed elements and the variable incentive opportunities delivers a competitive, performance-orientated compensation package as compared to our informal peer group.

Each element of our executive compensation program is described in more detail below.

Base Salaries

The first element of our compensation program is the payment of base salaries. The payment of base salaries is a fundamental component of our compensation program and serves to attract and retain highly qualified executives. In addition, executive officers are paid a base salary to compensate those officers for providing the leadership and skills necessary to fulfill their responsibilities.

Salaries are reviewed annually based on a review of corporate and personal performance and individual levels of responsibility. Salaries for executive officers are not determined based on benchmarks, performance goals or a specific formula. The base salaries for the financial year ended December 31, 2013, were set to be competitive with industry levels and our Compensation Committee had regard to the contributions made by our executive officers. Base salaries for 2013 were set at approximately the 50th percentile of that of our informal peer group.

Employee Stock Savings Plan and Other Perquisites

We also provide executive officers with certain perquisites and other benefits, including participation in the employee stock savings plan ("**ESSP**") established effective April 1, 2009. The purpose of the ESSP is to make available to our permanent employees and directors 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 value. See "Statement of Executive Compensation – Incentive Plans – Employee Stock Savings Plan" for a description of the ESSP.

Short-Term Incentive Compensation – Cash Bonuses

We have a discretionary bonus plan pursuant to which our Board, upon recommendation of our committee, may award annual cash bonuses to executive officers. The annual cash bonus element of the executive compensation program is designed to reward both corporate and individual performance during our last completed financial year. It is our committee's philosophy that an individual bonus should be tied primarily to that individual's contribution to corporate performance. 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 peer surveyed 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 performance 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 on an absolute and per share basis; (ii) growth in

reserves on both a proven and proven plus probable basis; (iii) finding and development costs; (iv) recycle ratio; (v) operating costs in the context of the overall market; (vi) cash flow per common share; and (vii) our performance for all of the above relative to our goals and objectives and in relation to the performance of our industry peer group. 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.

Long Term Incentive Compensation

Share Award Incentive Plan

With the approval of our share award incentive plan ("**Share Award Plan**") by our shareholders on January 9, 2012, we discontinued the grant of options under the Option Plan and commenced granting restricted awards ("**Restricted Awards**") and performance awards ("**Performance Awards**") pursuant to the Share Award Plan. See "Statement of Executive Compensation – Incentive Plans – Share Award Incentive Plan" for a description of the terms of the Share Award Plan. Grants of Restricted Awards and Performance Awards (collectively, "**Share Awards**") are based on a director's, officer's and employee's organizational level, individual performance and role within our business, with the mix changing with organizational level and role in creating and sustaining organizational and shareholder value. Our Compensation Committee intends to review the Share Award Plan annually to ensure the long-term compensation program is effective in delivering on its intended purpose.

Stock Options

In connection with us becoming a dividend paying company in 2012, our Board considered the appropriateness of our share option plan (the "**Option Plan**") and determined that such plan was not ideally suited for a dividend paying company as it does not recognize the value of the dividends payable on the underlying common shares. Our Compensation Committee and our Board determined that the Share Award Plan would be more appropriate to reflect our business and discontinued the grant of options under the Option Plan on January 9, 2012. See "Statement of Executive Compensation – Incentive Plans – Share Option Plan" for a description of the Option Plan which will govern the outstanding stock options as at the date hereof.

Review of Risks Associated with Compensation Policies and Practices

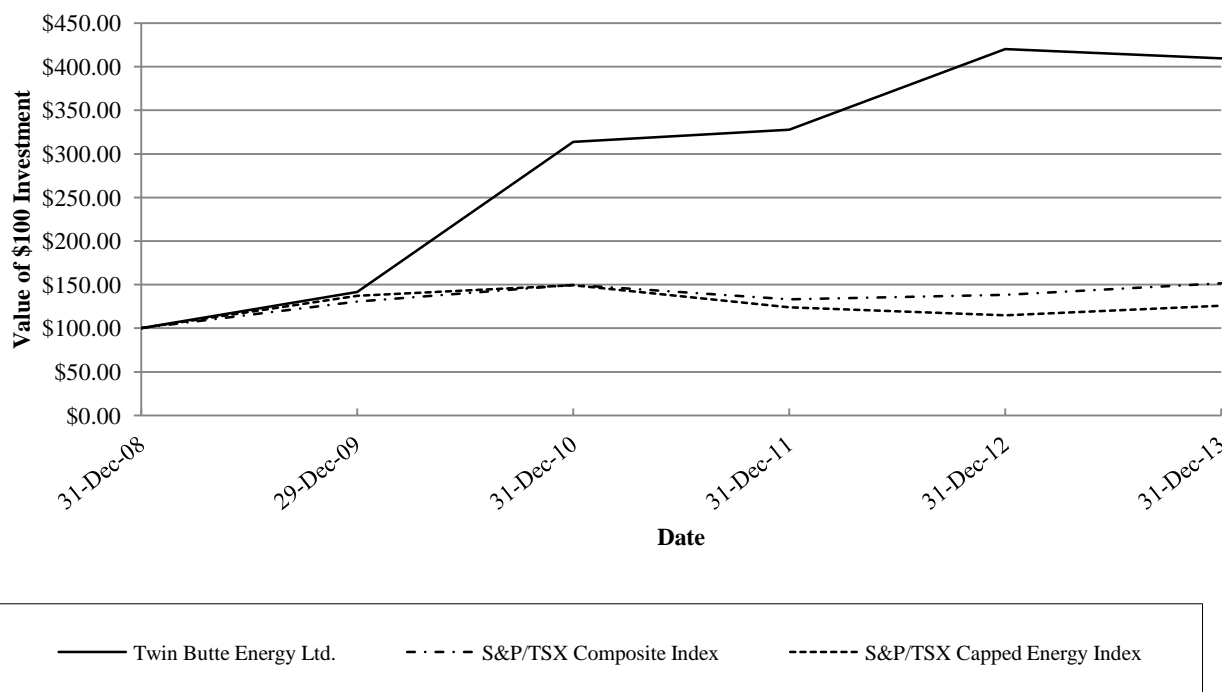
As described herein, our executive compensation program is administered by our Compensation Committee. In carrying out its mandate the implications of the risks associated with our compensation policies and practices were discussed both by our Compensation Committee and our Board. Our Compensation Committee does not believe our compensation programs encourage our executive officers to take inappropriate or excessive risks. This assessment is based on a number of considerations including, without limitation, the following: (i) our compensation policies and practices are uniform throughout our organization and there are no significant differences in compensation structure among our senior executives; (ii) the overall compensation program is market based and aligned with our business plan and long-term strategies; (iii) the compensation package for executive officers consists of fixed (base salary and perquisites) and variable elements (cash bonus and Share Awards) which are designed to balance our short term goals and our long-term interests and are aimed at creating sustainable value for our shareholders; (iv) in exercising its discretion under the cash bonus plan and Share Award grants, our Compensation Committee reviews individual and corporate performance taking into account our long-term interests; and (v) Share Awards granted under the Share Award Plan generally vest over a three year period which further mitigates any short-term risk taking potential.

Short Sales, Puts, Calls and Options

Our 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 us 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 us. 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.

Performance Graph

The following graph compares the cumulative total shareholder return for \$100 invested in the common shares for the period from December 31, 2008 to December 31, 2013, as measured by the closing price of the common shares at the end of 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⁾⁽²⁾

	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013
Twin Butte	\$100.00	\$141.54	\$313.85	\$327.69	\$420.18	\$409.66
S&P/TSX Composite Index	\$100.00	\$130.69	\$149.57	\$133.02	\$138.34	\$151.56
S&P/TSX Capped Energy Index	\$100.00	\$137.35	\$149.26	\$124.15	\$114.79	\$125.95

Note:

(1) Assuming an investment of \$100 on December 31, 2008.

Compensation levels for our Named Executive Officers over the period indicated above are generally consistent with the trend of total return on investment charted for us in the performance graph, reflecting the higher proportion of "at risk" compensation for our Named Executive Officers in the form of stock option grants until 2012 and in the form of Share Awards since 2012, with the value of such options and Share Awards being directly affected by changes in share price. However, as described under "Compensation Discussion and Analysis", base salaries are not determined on benchmarks, performance goals or specific formula but are set to be competitive with industry levels in our peer group. 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. Accordingly, it is difficult to specifically correlate total compensation to the trends shown in the above performance graph.

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, 2013 whose total compensation was more than \$150,000 (collectively, our "Named Executive Officers").

Name and principal position	Year	Salary	Share-based awards ⁽³⁾	Option-based awards ⁽⁴⁾	Non-equity annual incentive plan compensation		Pension value	All other compensation ⁽⁶⁾	Total compensation
					Annual incentive plans ⁽⁵⁾	Long-term incentive plans			
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
James Saunders	2013	350,000	524,999	Nil	155,000	Nil	Nil	24,500	1,054,499
Chief Executive Officer ⁽¹⁾	2012	242,500	281,252	Nil	250,000	Nil	Nil	14,550	788,302
	2011	217,950	Nil	106,250	110,000	Nil	Nil	10,898	445,088
R. Alan Steele	2013	300,000	464,999	Nil	140,000	Nil	Nil	21,000	925,999
Vice President, Finance, Chief Financial Officer and Corporate Secretary	2012	227,500	264,375	Nil	235,000	Nil	Nil	13,650	740,525
	2011	201,594	Nil	102,000	95,000	Nil	Nil	10,080	408,674
Bruce Hall	2013	300,000	450,000	Nil	140,000	Nil	Nil	21,000	911,000
President and Chief Operating Officer ⁽¹⁾	2012	227,500	264,375	Nil	235,000	Nil	Nil	13,650	740,525
	2011	203,750	Nil	102,000	75,000	Nil	Nil	10,188	390,938
Preston Kraft	2013	250,000	375,001	Nil	110,000	Nil	Nil	17,500	752,501
Vice President, Engineering	2012 ⁽²⁾	220,096	421,877	Nil	225,000	Nil	Nil	13,206	880,179
Claude Gamache	2013	240,000	315,000	Nil	105,000	Nil	Nil	16,800	676,800
Vice President, Heavy Oil Geosciences	2012 ⁽²⁾	200,532	384,375	Nil	185,000	Nil	Nil	12,032	781,939

Notes:

- (1) Mr. Hall was promoted to President of our company on January 14, 2014, a position previously held by Mr. Saunders.
- (2) Messrs. Kraft and Gamache commenced employment with us on January 10, 2012.
- (3) Refers to Restricted Awards and Performance Awards granted under the Share Award Plan. The fair value of the Share Awards granted is obtained by multiplying the number of Share Awards granted by the closing price of the common shares on the TSX on the date of grant. At the date of each grant, a Payout Multiplier (as defined below in "Statement of Executive Compensation – Incentive Plan – Share Award Incentive Plan") of 1x is assumed for the Performance Award grants. See "Statement of Executive Compensation – Incentive Plans – Share Award Incentive Plan". The fair value of Share Award grants have been determined using the same methodology and values used in determining the Share Award value for our financial statements as we believe it represents the best estimate of fair value of the Share Awards at the time of the grant.
- (4) 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 book value established in accordance with generally accepted accounting principles and accounting for the following assumptions: expected volatility – 70%, risk free rate of return – 2%, expected stock option life – three years, dividend yield rate – 0%. The fair value of option grants have been determined using the same methodology and values used in determining the share 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) The amounts set forth in the column are the cash bonuses earned by our Named Executive Officers in fiscal 2011, 2012 and 2013, as the case may be, and paid or to be paid to our Named Executive Officers in fiscal 2012, 2013 and 2014, as the case may be.
- (6) The amounts set forth in the column represent our matching contributions to the ESSP. See "Compensation Discussion and Analysis – Elements of Our Executive Compensation Program – Employee Stock Savings Plan and Other Perquisites". The value of perquisites received by each of our Named Executive Officers, including property or other personal benefits provided to our Named Executive Officers that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of our Named Executive Officer's total salary for the financial year.

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, 2013.

Name	Option-based Awards ⁽¹⁾				Share-based Awards		
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested ⁽²⁾	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
	(#)	(\$)		(\$)	(#)	(\$)	(\$)
James Saunders	Nil	N/A	N/A	Nil	370,947	838,340	Nil
R. Alan Steele	Nil	N/A	N/A	Nil	333,642	754,031	Nil
Bruce Hall	Nil	N/A	N/A	Nil	327,185	739,438	Nil
Preston Kraft	Nil	N/A	N/A	Nil	339,981	768,357	Nil
Claude Gamache	Nil	N/A	N/A	Nil	299,514	676,902	Nil

Notes:

- (1) Our Named Executive Officers do not own any share options. As described under the heading "Compensation Discussion and Analysis – Elements of Our Executive Compensation Program", in 2012, we discontinued the grant of options under the Option Plan and commenced granting Restricted Awards and Performance Awards pursuant to the Share Award Plan.
- (2) Calculated based on the closing price of the common shares on the TSX on December 31, 2013, which was \$2.26 per share, multiplied by the number of unvested or vested Share Awards, as applicable. A Payout Multiplier of 1x has been assumed for the Performance Award grants with the exception of the Performance Awards vesting in 2014 in respect of which a Payout Multiplier of 1.5x has been assumed. The calculated value includes the value of dividend equivalents that have accumulated on the underlying grants.

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, 2013, and the value of non-equity incentive plan compensation earned during the year ended December 31, 2013, 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⁾
	(\$)	(\$)	(\$)
James Saunders	Nil	356,113	155,000
R. Alan Steele	Nil	316,666	140,000
Bruce Hall	Nil	319,686	140,000
Preston Kraft	Nil	260,994	110,000
Claude Gamache	Nil	237,822	105,000

Notes:

- (1) Our Named Executive Officers do not own any share options.
- (2) Calculated based on the closing price of the common shares on the TSX on the date of vesting multiplied by the number of vested Share Awards. The calculated value includes the value of dividend equivalents that accumulated on the underlying grants.
- (3) The amounts set forth in the column are the cash bonuses earned by our Named Executive officers in 2013 to be paid in April 2014.

Pension Plan Benefits

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

Termination and Change of Control Benefits

We have entered into an executive employment agreements with each of our Named Executive Officers. Each of the executive employment agreements and employment continue indefinitely until terminated in accordance with the terms. Each of the Named Executive Officers are entitled to participate in and receive all rights and benefits under our benefit plans, and any other benefits and perquisites provided to our executives from time to time. All such benefits and perquisites cease as of the last day of employment, regardless of why employment ceases, and we have no obligation to extend benefit coverage past the last day of employment.

The executive employment agreements may be terminated at any time for just cause (in which instance there are no payments other than accrued compensation) and without just cause (including constructive dismissal). If the employment of any of the Named Executive Officers is terminated without just cause (including constructive dismissal) each Named Executive Officer in such circumstances is, in addition to accrued compensation, entitled to a retiring allowance equal to one times his annual base salary, a twenty percent top-up for loss of benefits, perquisites and savings plan, and one times the average of the cash bonuses paid during the two prior years. In the event of a change of control (as defined in the executive employment agreements), Messrs. Saunders and Steele have the right for a period of 90 days thereafter to elect to terminate their executive employment agreement and their employment (by providing us with two week's advance written notice), and in such circumstances obtain a retiring allowance payment calculated on the same basis as if employment had been terminated by us without just cause. In the event of a change of control (as defined in the executive employment agreements), Messrs. Hall, Kraft and Gamache have an election to terminate their executive employment agreement and employment if there is good reason (an adverse change in any of their duties, powers, rights, discretions, salary, title, or lines of employment such that immediately after such change or changes the executive's responsibilities and status taken as a whole are not substantially equivalent to those prior to the change or changes) and to receive the retiring allowance payment calculated on the same basis as if employment had been terminated by us without just cause. Any retiring allowance payment made to any of our Named Executive Officers (regardless of whether before or after a change of control) is less required withholdings and subject to the requirement that we have received a full and final release. In addition, each of our Named Executive Officers have agreed that in the event of a termination of employment (regardless of the reason) that they will immediately resign from any positions they may hold as a director or officer, if so requested. All of our Named Executive Officers must, both during employment and thereafter, keep all of our confidential and proprietary information strictly confidential, any fiduciary obligations that they owe to us are not limited by the terms of their executive employment agreements, and they have expressly agreed that for one year following the last day of employment that they will not directly or indirectly solicit or encourage any of our employees or consultants.

Where the executive employment agreements for the Named Executive Officers are terminated by us without just cause (including constructive dismissal), or in the event that our Named Executive Officers have an entitlement to a retiring allowance following a change of control, the payments to them, calculated as at December 31, 2013 are as follows:

Named Executive Officer	Triggering Event	Cash Payment (\$)	Share Awards ⁽¹⁾⁽²⁾ (\$)	Total (\$)
James Saunders	Termination without Just Cause	600,000	Nil	600,000
	Termination following a Change of Control	600,000	838,340	1,438,340
R. Alan Steele	Termination without Just Cause	525,000	Nil	525,000
	Termination following a Change of Control	525,000	754,031	1,279,031
Bruce Hall	Termination without Just Cause	515,000	Nil	515,000
	Termination following a Change of Control	515,000	739,438	1,254,438
Preston Kraft	Termination without Just Cause	412,500	Nil	412,500
	Termination following a Change of Control	412,500	768,357	1,180,857
Claude Gamache	Termination without Just Cause	380,500	Nil	380,500
	Termination following a Change of Control	380,500	676,902	1,057,402

Notes:

- (1) The Share Award Plan provides that if a Grantee (as defined below) ceases to be a service provider to us for any reason other than in the case of death, termination for cause or voluntary resignation, effective as of that date that is 30 days after the cessation date and notwithstanding any other severance entitlements or entitlement to notice or compensation in lieu thereof, all outstanding Share Awards which have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be terminated and all rights to receive common shares thereunder shall be forfeited by the Grantee.
- (2) In the event of a change of control pursuant to the terms of the Share Award Plan, the Share Award Plan provides that the issue date(s) applicable to the Share Awards will be accelerated such that the common shares to be issued pursuant to such Share Awards will be issued 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 Compensation, Nominating and Corporate Governance 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, 2013 (being \$2.26). For Performance Awards, a Payout Multiplier of 1x has been assumed with the exception of the Performance Awards vesting in 2014 in respect of which a Payout Multiplier of 1.5x has been assumed. The calculated value includes the value of dividend equivalents that have accumulated on the underlying grants.

Incentive Plans

Share Award Incentive Plan

Listed below is a summary of the principal terms of the Share Award Plan. A copy of the Share Award Plan is accessible on the SEDAR website at www.sedar.com (filed on March 13, 2013 under the filing category Securityholders Documents).

Purpose of the Share Award Plan

Subsequent to our shareholders approving the Share Award Plan on January 9, 2012, we commenced granting Restricted Awards and Performance Awards pursuant to the Share Award Plan and discontinued the grant of options under the Option Plan. The principal purposes of the Share Award Plan are: (i) to retain and attract employees, officers, directors, consultants and other service providers that we require; (ii) to promote a proprietary interest in us by such service providers and to encourage such persons to remain in our employ or service and put forth maximum efforts for the success of our business; and (iii) to focus our management on our operating and financial performance and long-term total shareholder return.

Incentive-based compensation, such as the Share Award Plan, is an integral component of compensation for our service providers. The attraction and retention of qualified service providers has been identified as one of the key risks to our long-term strategic growth plan. The Share Award Plan is intended to maintain our competitiveness within the North American oil and gas industry to facilitate the achievement of our long-term goals. In addition, this incentive-based compensation is intended to reward service providers for meeting certain pre-defined operational and financial goals which have been identified for increasing long-term total shareholder return.

Overview

Our Board has delegated the authority to administer the Share Award Plan to our Compensation Committee.

Under the terms of the Share Award Plan, any service provider may be granted Restricted Awards or Performance Awards. In determining the service providers to whom Share Awards may be granted ("**Grantees**"), the number of common shares to be covered by each Share Award and the allocation of the award between Restricted Awards and Performance Awards, our Compensation Committee may take into account such factors as it shall determine in its sole discretion, including any one or more of the following factors:

- (a) compensation data for comparable benchmark positions among our peer group;
- (b) the duties, responsibilities, position and seniority of the Grantee;
- (c) the corporate performance measures ("**Corporate Performance Measures**") for the applicable period compared with internally established performance measures approved by our Compensation Committee and/or similar performance measures of members of our peer group for such period;
- (d) the individual contributions and potential contributions of the Grantee to our success;

- (e) any bonus payments paid or to be paid to the Grantee in respect of his or her individual contributions and potential contributions to our success;
- (f) the fair market value or current market price of the common shares at the time of such Share Award; and
- (g) such other factors as our Compensation Committee shall deem relevant in its sole discretion in connection with accomplishing the purposes of the Share Award Plan.

Restricted Awards

Each Restricted Award will entitle the holder to be issued the number of common shares designated in the Restricted Award with such common shares to be issued as to one-third on each of the first, second and third anniversary dates of the date of grant (or such earlier or later dates as may be determined by our Compensation Committee).

Performance Awards

Each Performance Award will entitle the holder to be issued as to one-third on each of the first, second and third anniversary dates of the date of grant (or such earlier or later dates as may be determined by our Compensation Committee) the number of common shares designated in the Performance Award multiplied by a payout multiplier ("**Payout Multiplier**").

The Payout Multiplier is determined by our Compensation 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; activities related to our growth; average production volumes; unit costs of production; total proved reserves; health, safety and environmental performance; the execution of our strategic plan and such additional measures as our Compensation Committee shall consider appropriate in the circumstances. The Payout Multiplier for a particular period can be one of 0x (for fourth quartile ranking), 1x (for third quartile ranking), 1.5x (for second quartile ranking) or 2x (for first quartile ranking).

Dividend Equivalents

The Share Award Plan provides for cumulative adjustments to the number of common shares to be issued pursuant to Share Awards on each date that dividends are paid on the common shares ("**Dividend Payment Date**") by an amount equal to a fraction having as its numerator the amount of the dividend per common share and having as its denominator the price, expressed as an amount per common share, paid by participants in our dividend reinvestment plan, if any, to reinvest their dividends in additional common shares on the applicable dividend payment date (the "**Reinvestment Price**"), provided that if we have suspended the operation of such plan or do not have such a plan, then the Reinvestment Price shall be equal to the fair market value of the common shares on the trading day immediately preceding the Dividend Payment Date.

Under the Share Award Plan, in the case of a non-cash dividend, including common shares or other securities or property, our Compensation Committee will, in its sole discretion and subject to the approval of the TSX, determine whether or not such non-cash dividend will be provided to the Share Award holder and, if so provided, the form in which it shall be provided.

Limitation on Common Shares Reserved

The Share Award Plan provides that the maximum number of common shares reserved for issuance from time to time pursuant to Share Awards and pursuant to all of our other security based compensation arrangements, at any time, shall not exceed a number of common shares equal to 10% of the aggregate number of issued and outstanding common shares.

Limitations on Share Awards

The aggregate number of Share Awards granted to any single service provider shall not exceed 5% of the issued and outstanding common shares, calculated on an undiluted basis. In addition: (i) the number of common shares issuable to insiders at any time, under all of our security based compensation arrangements (including the Option Plan), shall not exceed 10% of the issued and outstanding common shares; and (ii) the number of common shares issued to insiders, within any one year period, under all of our security based compensation arrangements, shall not exceed 10% of the issued and outstanding common shares. The number of common shares issuable pursuant to the Share Award Plan to non-management directors, in

aggregate, is limited to a maximum of 0.5% of the issued and outstanding common shares and the value of all Share Awards granted to any non-management director during a calendar year, as calculated on the date of grant, cannot exceed \$100,000 (for purposes of monitoring compliance with these limitations, a Payout Multiplier of 1x will be assumed for any Performance Awards).

Issue Dates

If a Grantee is prohibited from trading in our securities as a result of the imposition by us of a trading blackout (a "**Blackout Period**") and the issue date of a Share Award held by such Grantee falls within a Blackout Period (or within ten business days following the end of a Blackout Period), then the issue date of such Share Award shall be extended to a date that is five business days following the end of such Blackout Period.

Payment of Share Awards

On the issue date, we shall have the option of settling any amount payable in respect of a Share Award by any of the following methods or by a combination of such methods:

- (a) common shares issued from our treasury; or
- (b) with the consent of the Grantee, cash in an amount equal to the aggregate fair market value of such common shares that would otherwise be delivered in consideration for the surrender by the Grantee to us of the right to receive such common shares under such Share Award.

The Share Award Plan does not contain any provisions for financial assistance by us in respect of Share Awards granted thereunder.

Change of Control

In the event of a change of control of us, the issue date(s) applicable to the Share Awards will be accelerated such that the common shares to be issued pursuant to such Share Awards will be issued 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 Compensation Committee.

Under the Share Award Plan, a change of control means:

- (a) a successful take-over bid, pursuant to which the offeror as a result of such take-over bid beneficially owns in excess of 50% of the outstanding common shares; or
- (b) any change in the beneficial ownership or control of the outstanding securities or other interests which results in (i) a person or group of persons acting jointly or in concert, or (ii) an affiliate or associate of such person or group of persons, holding, owning or controlling, directly or indirectly, more than 50% of the outstanding voting securities or other interests of us; or
- (c) incumbent directors no longer constituting a majority of our Board; or
- (d) the completion of an arrangement, merger or other form of reorganization of us where the holders of the outstanding voting securities or interests of us immediately prior to the completion of the arrangement, merger or other form of reorganization will hold 50% or less of the outstanding voting securities or interests of the continuing entity upon completion of the arrangement, merger or other form of reorganization; or
- (e) the winding up or termination of us or the sale, lease or transfer of all or substantially all of the directly or indirectly held assets of us to any other person or persons (other than pursuant to an internal reorganization or in circumstances where our business is continued and where the securityholdings in the continuing entity and the constitution of the board of directors or similar body of the continuing entity is such that the transaction would not be considered a change of control if paragraphs (b) and (c) above were applicable to the transaction); or

- (f) any determination by a majority of our Board that a change of control has occurred or is about to occur and any such determination shall be binding and conclusive for all purposes of the Share Award Plan;

provided that a change of control shall be deemed not to have occurred if a majority of our Board, in good faith, determines that a change of control was not intended to occur in the particular circumstances in question.

Early Termination Events

Pursuant to the Share Award Plan, unless otherwise determined by our Compensation Committee or unless otherwise provided in the agreement pertaining to a particular Share 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 issue date for all common shares awarded to such Grantee under any outstanding agreements pertaining to a particular Share Award shall be accelerated to the cessation date, provided that our Chief Executive Officer in the case of a Grantee who is not a director or officer and our Compensation Committee in all other cases, taking into consideration the performance of such Grantee and our performance since the date of grant of the Share Award(s), may determine in its sole discretion the Payout Multiplier to be applied to any Performance Awards held by the Grantee.
- (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 agreements under which Share Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be immediately terminated and all rights to receive common shares 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 day that is fourteen (14) days after the cessation date, all outstanding agreements under which Share Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be terminated and all rights to receive common shares 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 date that is thirty (30) days after the cessation date and notwithstanding any other severance entitlements or entitlement to notice or compensation in lieu thereof, all outstanding agreements under which Share Awards have been made to such Grantee, whether Restricted Awards or Performance Awards, shall be terminated and all rights to receive common shares thereunder shall be forfeited by the Grantee.
- (e) **Non-Management Directors** – If a Grantee who is a non-management director ceases to be a service provider as a result of: (A) a voluntary resignation or voluntarily not standing for re-election as a director, such events shall be treated as a voluntary resignation under (c) above; or (B) failing to be re-elected as a director by the shareholders, such event shall be treated as other termination under (d) above.

Assignment

Except in the case of death, the right to receive common shares pursuant to a Share Award granted to a service provider may only be exercised by such service provider personally. Except as otherwise provided in the Share Award Plan, no assignment, sale, transfer, pledge or charge of a Share Award, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Share 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 Share Award shall terminate and be of no further force or effect.

Amendment and Termination of Plan

The Share Award Plan and any Share Awards granted pursuant thereto may, subject to any required approval of the TSX, be amended, modified or terminated by our Board without the approval of our shareholders. Notwithstanding the foregoing, the Share Award Plan or any Share Award may not be amended without shareholder approval to:

- (a) increase the percentage of common shares reserved for issuance pursuant to Share Awards in excess of the 10% limit currently prescribed;
- (b) extend the issue date of any Share Awards issued under the Share Award Plan beyond the latest issue date specified in the agreement pertaining to a particular Share Award (other than as permitted by the terms and conditions of the Share Award Plan);
- (c) permit a Grantee to transfer Share Awards to a new beneficial holder other than for estate settlement purposes;
- (d) change the limitations on the granting of Share Awards described above under "Limitations on Share Awards"; and
- (e) change the amending provision of the Share Award Plan.

In addition, no amendment to the Share Award Plan or any Share Awards granted pursuant thereto may be made without the consent of a Grantee if it adversely alters or impairs the rights of such Grantee in respect of any Share Award previously granted to such Grantee under the Share Award Plan.

Employee Stock Savings Plan

On April 1, 2009, we adopted the ESSP. The purpose of the ESSP is to make available to our permanent employees and directors a means of acquiring, through regular payroll deductions and our additional contribution, common shares so that the employee or director can benefit from the growth in our value. All permanent employees, including executive officers and directors, are eligible to participate in the ESSP one month after the date of hire. Participation is voluntary and eligible participants may contribute, by monthly payroll deductions, up to 20% of their regular salary. We will, on a monthly basis, contribute an amount of funds equal to one times the employee's contribution, to a maximum of 5% of the employee's regular salary in their first year of employment and increasing thereafter by 1% per year to a maximum of 10% of the employee's regular salary, 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 us. We have designated an independent third party brokerage firm 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 brokerage firm 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 be delivered to them at any time. Participants may instruct the brokerage firm at any time, subject to the terms and conditions of the ESSP, to sell any or all of their common shares. We pay all administration expenses in connection with the operation of the ESSP including commission on the initial acquisition of common shares. 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. 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.

Share Option Plan

We have discontinued the grant of options pursuant to the Option Plan. The Option Plan will remain in place to govern the current balance of options to acquire 640,434 common shares representing approximately 0.2% of our currently outstanding common shares. The Option Plan is administered by a special committee of our Board appointed from time to time by our Board to administer the Option Plan, or, if no such committee is appointed, our Board (our Board, or, if appointed, such committee is referred to as our "**Committee**"). Currently, our Compensation Committee administers the Option Plan.

The Option Plan was intended to aid us in attracting, retaining and motivating our officers, directors, employees and other eligible service providers.

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 accelerated vesting in the case of a change of control. Options granted under the Option Plan are non-assignable. The exercise price of options granted was determined by our Committee at the time of grant and was not be less than the volume weighted average trading price of the common shares on the TSX for the five trading days immediately preceding the date of grant.

In case of 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 and, if the 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 us or a subsidiary of us (other than by reason of death or termination for cause), 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. The number of common shares that an optionee (or his or her heirs or successors) is entitled to purchase until such date of termination: (i) shall in the case of death of the optionee, be all of the common shares that may be acquired on exercise of the options held by such optionee (or his or her heirs or successors) whether or not previously vested and the vesting of all such options shall be accelerated on the date of death for such purpose; and (ii) in any case other than death or termination for cause, shall be the number of common shares which the optionee was entitled to purchase on the date the optionee ceased to be a service provider. In the case of the termination of an optionee for cause, options will terminate immediately on such termination for cause (whether notice of such termination occurs verbally or in writing).

Except if not permitted by the TSX, if any options may not be exercised due to any Black-Out Period at any time within the three business day period prior to the normal expiry date of such options (the "**Restricted Options**"), the expiry date of all Restricted Options shall be the seventh business day following the end of the Black-Out Period (or such longer period as permitted by the TSX and approved by our Committee). A "**Black-Out Period**" means the period of time when, pursuant to any or our policies, any of our securities may not be traded by certain persons as designated by us, including any holder of an option.

An optionee may, under the terms of the Option Plan, make an offer (the "**Surrender Offer**") to us, at any time, for the disposition and surrender by the optionee to us (and the termination thereof) of any options for an amount (not to exceed the fair market value thereof) specified in the Surrender Offer and we may, but are not obligated to, accept the Surrender Offer, subject to any required regulatory approval.

In the event: (a) of any change in the common shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or (b) that any rights are granted to shareholders to purchase common shares at prices substantially below fair market value; or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the common shares are converted into or exchangeable for any other securities; then our Committee may make such adjustments to the Option Plan, to any options and to any option agreements outstanding under the Option Plan as our Committee may, in its sole discretion, subject to TSX approval, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to optionees under the Option Plan.

If there takes place a Change of Control of us, as defined in the Option Plan, all issued and outstanding options shall be exercisable (whether or not then vested) immediately prior to the time such Change of Control takes place and shall terminate on the 90th day after the occurrence of such Change of Control, or at such earlier time as may be established by our Committee, in its absolute discretion, prior to the time such Change of Control takes place.

Our Committee may amend or discontinue the Option Plan at any time without the consent of a holder of options, provided that such amendment shall not alter or impair any options previously granted under the Option Plan (except as otherwise permitted under the Option Plan). In addition, our Committee may, by resolution, amend the Option Plan and any options granted under it without shareholder approval provided, however, that our Committee will not be entitled to amend the Option Plan without TSX and shareholder approval to: (i) increase the maximum number of common shares issuable pursuant to the Option Plan; (ii) reduce the exercise price of an option held by an insider; or (iii) extend the term of an option held by an insider.

No financial assistance has been provided by us to optionees to exercise stock options granted under the Option Plan.

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under the Share Award Plan and the Option Plan, which were our only equity compensation plans, as at December 31, 2013.

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			
Share Awards ⁽¹⁾	5,352,603 common shares ⁽³⁾	Not applicable	28,514,085 common shares ⁽⁴⁾
Stock Options ⁽²⁾	640,434 common shares	\$2.72 per common share	Nil
Equity compensation plans not approved by securityholders	Nil	Not applicable	Nil
Total	5,993,037 common shares		28,514,085 common shares

Notes:

- (1) Our shareholders approved the Share Award Plan at the annual and special meeting of shareholders held on January 9, 2012.
- (2) Our shareholders approved the Option Plan at the annual and special meeting of shareholders held on May 14, 2009. On January 9, 2012, we discontinued the grant of options pursuant to the Option Plan. The Option Plan remains in place solely to govern the options which were outstanding as at January 9, 2012.
- (3) A Payout Multiplier of 1x has been assumed for the Performance Award grants with the exception of the Performance Awards vesting in 2014 in respect of which a Payout Multiplier of 1.5x has been assumed. The calculated value includes the value of dividend equivalents that have accumulated on the underlying grants.
- (4) Calculated as 10% of the issued and outstanding common shares as at December 31, 2013, less the then outstanding Share Awards and stock options. The number of common shares issuable pursuant to the Share Award Plan does not include the dividend equivalents that will accumulate on the underlying grants and assumes a Payout Multiplier of 1x for the Performance Award grants.

DIRECTOR COMPENSATION

Our Compensation 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 Compensation Committee and ensures the compensation realistically reflects the responsibilities and time involved in being an effective director.

For the purpose of conducting its 2013 annual review of directors' compensation, our Compensation Committee, among other things, referred to various governance reports on current trends in directors' compensation and compensation data for directors of reporting issuers of comparative size to us. The compensation philosophy for directors is similar to that for Named Executive Officers in that compensation includes a base retainer, meeting fees, and participation under the Option Plan, prior to 2013, and now the Share Award Plan, the benefit of which is tied to shareholder return.

For the year ended December 31, 2013, our non-management directors were each paid an annual retainer in the amount of \$5,000 and a fee of \$1,000 per meeting of our Board in which they participated. The Chairman of our Board was paid an annual retainer in the amount of \$10,000. The Chairman of our Audit Committee was paid an annual retainer in the amount of \$3,500 and the Chairman of our Compensation, Nominating and Corporate Governance Committee and our Reserves Committee were each paid an annual retainer in the amount of \$2,500. Members of the committees of our Board were each paid a fee of \$1,000 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. During the year ended December 31, 2013, our directors were entitled to participate in the Share Award Plan and our non-management directors were granted Restricted Awards in respect of 294,486 common shares during 2013. In addition, as at December 31, 2013, a non-management director held options to purchase 150,000 common shares at an exercise price of \$3.32 per share.

Directors' Summary Compensation Table

The following table sets forth information concerning the compensation paid to our directors, other than a director who was also a Named Executive Officer (as defined in "Statement of Executive Compensation"), for the year ended December 31, 2013.

Name	Fees earned	Share-based awards ⁽¹⁾	Option-based awards	Non-equity incentive plan compensation	Pension value	All other compensation ⁽²⁾	Total ⁽³⁾
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
R. James Brown	19,500	100,000	Nil	Nil	Nil	20,000	139,500
John A. Brussa	14,500	100,000	Nil	Nil	Nil	20,000	134,500
David M. Fitzpatrick	18,000	100,000	Nil	Nil	Nil	20,000	138,000
Thomas J. Greschner	12,000	100,000	Nil	Nil	Nil	20,000	132,000
Warren Steckley	17,500	100,000	Nil	Nil	Nil	20,000	137,500
William A. Trickett	16,000	100,000	Nil	Nil	Nil	20,000	136,000

Notes:

- (1) Refers to Restricted Awards granted under the Share Award Plan. See "Statement of Executive Compensation – Incentive Plans – Share Award Incentive Plan". The fair value of the Restricted Awards granted is obtained by multiplying the number of Restricted Awards granted by the closing price of the common shares on the TSX on the date of grant. The fair value of Restricted Award grants have been determined using the same methodology and values used in determining the Restricted Award value for our financial statements as we believe it represents the best estimate of fair value of the Restricted Awards at the time of the grant.
- (2) The amounts set forth in the column represent our matching contributions to the ESSP. "Statement of Executive Compensation – Incentive Plans – Employee Stock Savings Plan".
- (3) 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.
- (4) Compensation information for James Saunders who was a Named Executive Officer (as defined below) in fiscal 2013 is contained in "Statement of Executive Compensation".

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, other than a director who was also a Named Executive Officer, as at December 31, 2013.

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
	(#)	(\$)		(\$)	(#)	(\$)	(\$)
R. James Brown	Nil	N/A	N/A	Nil	99,033	223,815	Nil
John A. Brussa	150,000	3.32	April 16, 2016	Nil	85,387	192,975	Nil
David M. Fitzpatrick	Nil	N/A	N/A	Nil	100,818	227,849	Nil
Thomas J. Greschner	Nil	N/A	N/A	Nil	83,683	189,124	Nil
Warren Steckley	Nil	N/A	N/A	Nil	85,387	192,975	Nil
William A. Trickett	Nil	N/A	N/A	Nil	128,685	290,828	Nil

Notes:

- (1) Calculated based on the closing price of the common shares on the TSX on December 31, 2013, which was \$2.26 per share, less the exercise price of the options.
- (2) Calculated based on the closing price of the common shares on the TSX on December 31, 2013, which was \$2.26 per share, multiplied by the number of unvested or vested Restricted Awards, as applicable.

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, other than a director who was also a Named Executive Officer, during the year ended December 31, 2013 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2013.

Name	Option-based awards – Value 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
	(\$)	(\$)	(\$)
R. James Brown	Nil	63,473	Nil
John A. Brussa	Nil	40,535	Nil
David M. Fitzpatrick	Nil	62,684	Nil
Thomas J. Greschner	Nil	37,592	Nil
Warren Steckley	Nil	95,110	Nil
William A. Trickett	Nil	64,925	Nil

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 on the vesting date. The calculated value includes the value of dividend equivalents that accumulated on the underlying grants.
- (2) Calculated based on the closing price of the common shares on the TSX on the vesting date multiplied by the number of vested Restricted Awards.

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 us 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 purposes of NI 58-101):

R. James Brown
 John A. Brussa
 David M. Fitzpatrick
 Warren Steckley
 William A. Trickett

(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 James Saunders is not independent as Mr. Saunders is also our Chief Executive Officer. Our Board has also determined Thomas J. Greschner is not independent as Mr. Greschner was the President and Chief Executive Officer of Emerge Oil & Gas Inc. which we acquired on January 9, 2012.

(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 seven) of our directors are independent.

- (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 nominees for directors of us are presently directors of other issuers that are reporting issuers (or the equivalent):

<u>Name of Director</u>	<u>Name of Other Issuer</u>
R. James Brown	Trinidad Drilling Ltd.
John A. Brussa	Argent Energy Ltd. (administrator of Argent Energy Trust) Baytex Energy Corp. Calmena Energy Services Inc. Cardinal Energy Ltd. Crew Energy Inc. Enseco Energy Services Corp. Just Energy Group Inc. Long Run Exploration Ltd. Pinecrest Energy Inc. RMP Energy Inc. Storm Resources Ltd. TORC Oil & Gas Ltd. Yoho Resources Inc.
David M. Fitzpatrick	Eagle Energy Inc. (administrator of Eagle Energy Trust)
James Saunders	RMP Energy Inc. Savannah Energy Services Corp.
Warren Steckley	Eagle Energy Inc. (administrator of Eagle Energy Trust)

- (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 seven times since the beginning of the fiscal year ended December 31, 2013.

- (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.**

Our Board has determined that David M. Fitzpatrick, the Chairman of our Board, is an independent director. Our Board has developed a position description for the Chairman of our Board which provides that the Chairman will have the following duties and responsibilities:

- (i) The Chairman will, when present, preside at all meetings of our Board and, unless otherwise determined by the directors, at all meetings of shareholders.
- (ii) The Chairman will endeavour to provide overall leadership to our Board without limiting the principle of collective responsibility and the ability of our Board to function as a unit.

- (iii) The Chairman will be responsible to ensure our Board meetings function satisfactorily and that the tasks of our Board are handled in the most reasonable fashion under the circumstances.
 - (iv) The Chairman will endeavour to ensure that our Board's negotiations take place when as many of the directors as possible are present and that essential decisions are made when as many directors as possible are present.
 - (v) The Chairman will endeavour to establish a line of communication with our Chief Executive Officer to ensure our Board meetings can be scheduled to deal with important business that arises outside of the regular quarterly meetings.
 - (vi) The Chairman will endeavour to fulfill his Board leadership responsibilities in a manner that will ensure that our Board is able to function independently of management. The Chairman will consider, and allow for, when appropriate, a meeting of all independent directors, so that Board meetings can take place without management being present. The Chairman will endeavour to ensure reasonable procedures are in place to allow for directors to engage outside advisors at our expense in appropriate circumstances.
 - (vii) With respect to meetings of directors or shareholders, it is the duty of the Chairman to enforce the Rules of Order. 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;
 - (E) in respect of shareholders' meetings, appointing scrutineers if requested and instructing them in their duties;
 - (F) rule on the validity of proxies; and
 - (G) to ascertain the sense of the meeting by a vote on all questions properly brought before the meeting.
 - (viii) The Chairman will also liaise with management and our Corporate Secretary to ensure that a proper notice and agenda has been disseminated, and that appropriate accommodations have been made for all Board and shareholder meetings.
 - (ix) The Chairman will 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 directors for board meetings and committee meetings held since January 1, 2013, is as follows:

<u>Name of Director</u>	<u>Attendance Record</u>
R. James Brown	7/7 Board Meetings 5/5 Audit Committee Meetings 1/1 Compensation, Nominating and Corporate Governance Committee Meetings
John A. Brussa	7/7 Board Meetings 1/1 Compensation, Nominating and Corporate Governance Committee Meetings
David M. Fitzpatrick	7/7 Board Meetings

Name of Director	Attendance Record
	1/1 Audit Committee Meetings ⁽¹⁾ 1/1 Compensation, Nominating and Corporate Governance Committee Meetings
Thomas J. Greschner	7/7 Board Meetings 2/2 Reserves Committee Meetings
James Saunders	7/7 Board Meetings ⁽²⁾
Warren Steckley	6/7 Board Meetings 5/5 Audit Committee Meetings 2/2 Reserves Committee Meetings
William A. Trickett	7/7 Board Meetings 4/4 Audit Committee Meetings ⁽¹⁾ 2/2 Reserves Committee Meetings

Notes:

(1) Our Board appointed Mr. Trickett to the Audit Committee in place of Mr. Fitzpatrick effective April 2013.

(2) Represents the number of Board meetings which Mr. Saunders has attended as a director. Mr. Saunders has also attended numerous other committee meetings, in full or in part, as a management invitee.

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 Appendix "A" 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 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 Chief Executive Officer, has developed a written position description for our Chief Executive Officer.

4. Orientation and Continuing Education

- (a) **Briefly describe what measures the board takes to orient new directors regarding:**
- (ii) **the role of the board, its committees and its directors; and**
 - (iii) **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 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.twinbutteenergy.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, 2013, 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 us.

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 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 John A. Brussa (Chairman), R. James Brown and David M. Fitzpatrick, 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 Compensation, Nominating and Corporate Governance 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 Compensation, Nominating and Corporate Governance Committee is John A. Brussa.

Our Compensation, Nominating and Corporate Governance 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 John A. Brussa (Chairman), R. James Brown and David M. Fitzpatrick, 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 Committee" for a description of the responsibilities, powers and operation of our compensation 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, 2013, been retained to assist in determining compensation for any of our directors and officers.

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 Committee in addition to the Audit Committee and the Compensation, Nominating and Corporate Governance Committee. The members of our Reserves Committee are Warren Steckley (Chairman), Thomas J. Greschner and William A. Trickett. Our Reserves 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 limitation 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 any 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; and
- (vii) generally reviewing all matters relating to the preparation and public disclosure of estimates of our reserves.

Pursuant to the mandate of the Reserves 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 Committee is Warren Steckley. Our Reserves 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 the limiting the generality of the foregoing, our Compensation, Nominating and Corporate Governance Committee has the following corporate governance duties:

- (i) 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) 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;
- (viii) 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;
- (ix) make recommendations to our Board regarding appointments of corporate officers and senior management;
- (x) review annually the committee's mandate and terms of reference;
- (xi) 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;
- (xii) 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
- (xiii) 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. The Chairman of our Compensation, Nominating and Corporate Governance Committee circulates a detailed questionnaire addressed to each director, in his 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 Compensation, Nominating and Corporate Governance 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.

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 us 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 us 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 us 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 us or any of our subsidiaries, except as disclosed elsewhere in this information circular – proxy statement. John Brussa, a director, is a partner of Burnet, Duckworth & Palmer LLP, which firm receives fees for legal services provided to us.

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 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 financial statements and management's discussion and analysis for the fiscal year ended December 31, 2013.

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 us to request a copy of our financial statements and management's discussion and analysis at:

Twin Butte Energy Ltd.
Suite 410, 396 – 11th Avenue S.W.
Calgary, Alberta T2R 0C5
Phone: (403) 215-2045
Fax: (403) 215-2055

APPENDIX "A"

TWIN BUTTE ENERGY LTD.

MANDATE OF THE BOARD OF DIRECTORS

GENERAL

The Board of Directors (the "**Board**") of Twin Butte Energy Ltd. ("**Twin Butte**" 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 Twin Butte. In general terms, the Board will:

- in consultation with the Chief Executive Officer of the Corporation (the "**CEO**"), define the principal objectives of Twin Butte;
- supervise the management of the business and affairs of Twin Butte with the goal of achieving Twin Butte'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 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 Business Conduct and Ethics Practice for directors, officers and employees and monitor compliance with the Practice and approve any waivers of the Practice 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 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 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).