

## **TWIN BUTTE ENERGY LTD.**

### **COMPENSATION COMMITTEE CHARTER AND TERMS OF REFERENCE FOR COMPENSATION COMMITTEE CHAIR**

#### **Introduction**

Twin Butte Energy Ltd. (the "Corporation") is an Alberta based junior oil and gas exploration and development, company. The Board of Directors of the Corporation (the "Board") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and its subsidiaries and the activities of management of the Corporation, which is responsible for the day-to-day conduct of the business.

#### **Purpose**

The overall purpose of the Compensation Committee (the "Committee") is to implement and oversee compensation policies and general human resources policies and guidelines concerning employee compensation and benefits approved by the Board for the Corporation. The Corporation will also review and/or approve any other matters specifically delegated to the Committee by the Board.

#### **Composition, Procedures and Organization**

1. The Committee shall consist of at least three members of the Board, a majority of whom shall be "independent", as that term is defined in Sections 1.4 and 1.5 of Multilateral Instrument 52-110, Audit Committees or such guidelines as may hereafter replace the same.
2. The Committee may retain special legal, accounting, financial or other consultants or advisors to advise the Committee at the Corporation's expense including any compensation consulting firm and shall have sole authority to retain and terminate any such consultants or advisors and to approve any such consultant's or advisor's fees and retention terms.
3. The Committee may delegate from time to time any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.
4. Minutes of Committee meetings shall be approved by the Committee Chair and maintained with the Corporation's records by the Secretary or designate. Minutes of all Committee meetings shall be available to all directors.
5. The Board shall appoint the members of the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
6. The Committee shall have a chair who is a full voting member of the Committee and who is appointed by the Board. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their number.
7. The Corporate Secretary of the Corporation shall be the secretary of the Committee, unless otherwise determined by the Committee.
8. The Committee shall meet regularly each year on such dates and at such locations as the chair of the Committee shall determine and may also meet at any other time or times on the call of the chair of the Committee or any two of the other members. The Committee shall meet at least twice each year and/or as deemed appropriate by the Committee chair.
9. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

10. The Chief Executive Officer and the President shall be available to advise the Committee, shall receive notice of all meetings of the Committee and may attend meetings at the invitation of the chair of the Committee.
11. The Committee shall have access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent compensation consultants at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities. The Committee will notify the Chairman of the Corporate Governance Committee whenever independent compensation consultants are engaged.

### **Duties and Responsibilities**

The duties and responsibilities of the Committee shall be as follows:

- (a) to recommend to the Board compensation policies and general human resources policies and guidelines concerning employee compensation and benefits;
- (b) to ensure that the Corporation has in place programs to attract and develop management of the highest calibre and a process to provide for the orderly succession of management;
- (c) to review and approve corporate goals and objectives relevant to compensation of the Chief Executive Officer, and evaluate the Chief Executive Officer's performance in light of such corporate goals and objectives;
- (d) to make recommendations to the Board with respect to the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer having consideration to the Committee's evaluation of the Chief Executive Officer's performance and to approve compensation for all other designated officers in the Corporation after considering the recommendations of the Chief Executive Officer, all within the compensation policies and general human resources policies and guidelines concerning employee compensation and benefits approved by the Board, such compensation to realistically reflect the responsibilities and risks of such positions;
- (e) to implement and administer compensation policies and general human resources policies and guidelines concerning employee compensation and benefits concerning the following:
  - (i) executive compensation, contracts, stock plans or other incentive plans; and
  - (ii) proposed personnel changes involving officers reporting to the Chief Executive Officer;
- (f) from time to time, to review the Corporation's broad policies and programs in relation to benefits;
- (g) to annually receive from the Chief Executive Officer recommendations concerning annual compensation policies and budgets for all employees;
- (h) from time to time, to review with the Chief Executive Officer the Corporation's broad policies on compensation for all employees and overall labour relations strategy for employees;
- (i) review and endorse major changes in the organizational structure of management as proposed by the CEO;
- (j) review and recommend to the Board for approval, the compensation committee report and statement of executive compensation for inclusion in the public disclosure documents;
- (k) review with the CEO any significant outside commitments the CEO is considering before the commitment is made. This includes commitments to act as a director or trustee of for-profit and not-for-profit organizations;

- (l) review annually director compensation and recommend compensation terms that adequately reflect the responsibilities being assumed by directors, the Board Chair and Committee Chairs and members;
- (m) annually review and recommend changes to the Committee's mandate;
- (n) to report regularly to the Board on all of the Committee's activities and findings during that year; and
- (o) to develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors within a reasonable period of time following each annual general meeting of shareholders of the Corporation.

#### **Annual Review and Assessment**

The Committee shall conduct an annual review and assessment of its performance, including compliance with this Charter and its role, duties and responsibilities, and submit such report to the Board of Directors.

#### **Accountability**

The Committee shall report its activities and proceedings to the Board by distributing the minutes of its meetings or by oral or written report at the next Board meeting.

#### **Standards of Liability**

Nothing contained in this mandate is intended to expand applicable standards of liability under statutory, regulatory, common law or any other legal requirements for the Board or members of the Committee. The purposes and responsibilities outlined in this mandate are meant to serve as guidelines rather than inflexible rules and the Committee may adopt such additional procedures and standards as it deems necessary from time to time to fulfil its responsibilities.

#### **Committee Timetable**

The major activities of the Committee with respect to scheduled meetings will be outlined in an annual schedule.

## **TERMS OF REFERENCE FOR THE COMPENSATION COMMITTEE CHAIR**

### **Introduction**

The Chair is appointed annually and reports to the Board. The Chair's primary role is managing the affairs of the Committee, including ensuring the Committee is organized properly, functions effectively and meets its obligations and responsibilities. The Chair works with the Chief Executive Officer ("CEO") of the Corporation to ensure effective relations with Committee members. The Chair maintains ongoing communications with the CEO and with such other officers of the Corporation as the Chair determines appropriate.

### **Duties and Responsibilities**

The Chair has the responsibility to lead the Committee in overseeing management's formulation of human resource and compensation policies and procedures and report to the Board after each Committee meeting.

The Chair has the responsibility to ensure the Committee is alert to its obligations to the Board and pursuant to law and to chair Committee meetings.

The Chair must also:

- (a) assist the Board in its recommendation of Committee members and its review of the performance and suitability of the Committee;
- (b) ensure the co-ordination of the agenda, information packages and related events for Committee meetings in conjunction with the Board Chair, the CEO and the Corporate Secretary;
- (c) maintain a liaison and communication with Committee members, other directors and the Board Chair to co-ordinate input from Committee members and directors, and optimize the effectiveness of the Committee;
- (d) in collaboration with the CEO and other officers, ensure information requested by Committee members is provided and meets their needs; and
- (e) in conjunction with the Corporate Governance and Nominating Committee, the Board and the Board Chair, review and assess Committee attendance, performance and compensation and the size and composition of the Committee.